SIN HENG
HEAVY MACHINERY LIMITED

OVERCOMING ADVERSITY

新 興 重 型 機 械 有 限 公 司

Annual Report 2017

CONTENTS

COMPANY PROFILE

With a history tracing back to 1969, we have accumulated nearly five decades of experience and expertise in providing comprehensive lifting solutions to our customers in infrastructure and geotechnic, construction, offshore and marine as well as oil and gas industries. Many of the landmark projects in Singapore that we were involved include the Newton Flyover – one of the first dual carriage flyovers in Singapore, Benjamin Sheares Bridge, Pan-Island Expressway, Central Expressway, and more recently, Singapore Flyer, Resorts World at Sentosa, Marina Bay Sands Integrated Resort, Marina Bay Financial Centre, Marina Coastal Expressway, Jurong Rock Caverns, Jurong East MRT Modification Project, National University of Singapore Flyover, Exxonmobil SPT Project, Google Data Centre Project, Thomson-East Coast MRT Line and Changi Airport Terminal 5. Regionally, we are also involved in major projects such as Malaysia's Pengerang Refinery and Petrochemical Integrated Development Project, Vietnam's Noi Bai International Airport and Son Duong Deepwater Seaport as well as Myanmar's Yangon International Airport Expansion.

In recognition of our service excellence and achievements over the years, we were named Singapore's third most enterprising company in the prestigious Enterprise 50 Awards (2009). We also obtained the bizSAFE3 certification by the Workplace Safety and Health Council for our strict compliance with safety and efficiency standards at worksites. In February 2010, we achieved yet another milestone in our history with our successful initial public offering and listing on the Mainboard of the Singapore Exchange.

As we continuously renew our equipment fleet and pursue new and exciting business frontiers, we remain firmly committed to providing our customers with the best lifting solutions. We strongly believe that our commitment will lead us towards our vision of becoming the leading integrated lifting service provider in Asia.

OUR BUSINESS

Our core business activities are rental and trading of cranes, aerial lifts and other lifting equipment. In addition, we undertake the sales and distribution of related parts. To-date, we have built up a vast portfolio of customers across many countries.

OUR DISTRIBUTORSHIPS

Our dedication and reliability through the years have earned us the faith and confidence of our equipment principals. This is evidenced in us being awarded the much coveted regional distributorship rights.

We have been awarded the dealership rights for the sales and distribution of cranes and parts for Kobelco, one of the world's top crane manufacturers. We are now one of the world's biggest customers of Kobelco cranes. We are also the distributor for Kato, one of the world's leading hydraulic crane manufacturers, to deal in cranes and parts. In addition, we have been granted the distributorships to deal in Arcomet (self-erecting cranes). More recently, we have also been awarded the distributorship of Manitowoc's Grove range of all terrain cranes.

OUR PROFESSIONALISM

Our team of well-trained staff takes pride in providing prompt and effective lifting solutions that meet the exacting demands and requirements of our customers in the most professional approach. With our broad technical expertise and excellent after-sales services, we deliver operational, service and safety excellence to our customers.

OUR OVERSEAS PRESENCE

We have been actively seeking new geographic regions to expand our business reach and network. Since 2009, we have established footholds in Vietnam and Malaysia through the setting up of wholly-owned subsidiary and joint venture together with our trusted local partner. In addition, we have also widened our regional reach through establishing wholly-owned subsidiaries in Myanmar, Indonesia and Hong Kong.

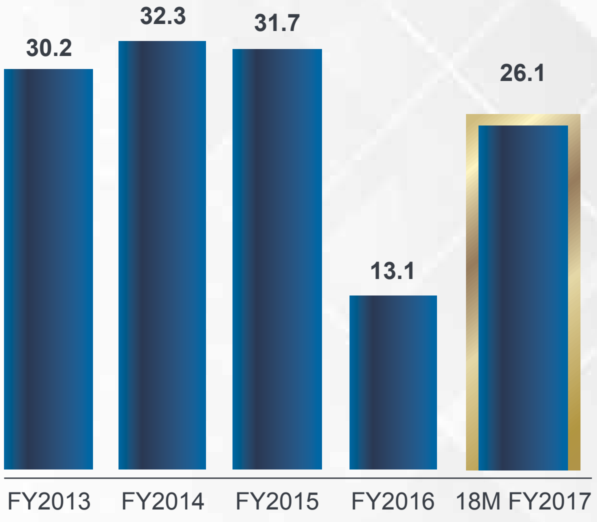
Our overseas operations are fully equipped with a comprehensive range of quality cranes and aerial lifts and are supported by our team of professionals.

FINANCIAL HIGHLIGHTS

EQUIPMENT RENTAL FLEET	FY2013	FY2014	FY2015	FY2016	18M FY2017
AGGREGATE CRANE LIFTING CAPACITY (TONS)	14,658	15,654	17,327	18,782	20,634
AVERAGE CRANE LIFTING CAPACITY (TONS)	100	108	116	107	104
CRANES (UNITS)	147	145	150	176	199
AERIAL LIFTS (UNITS)	267	304	279	281	260

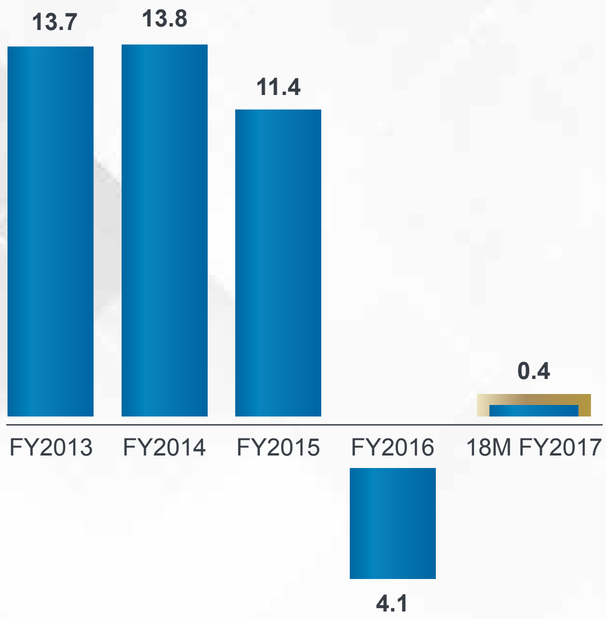
GROSS PROFIT

(S$Million)

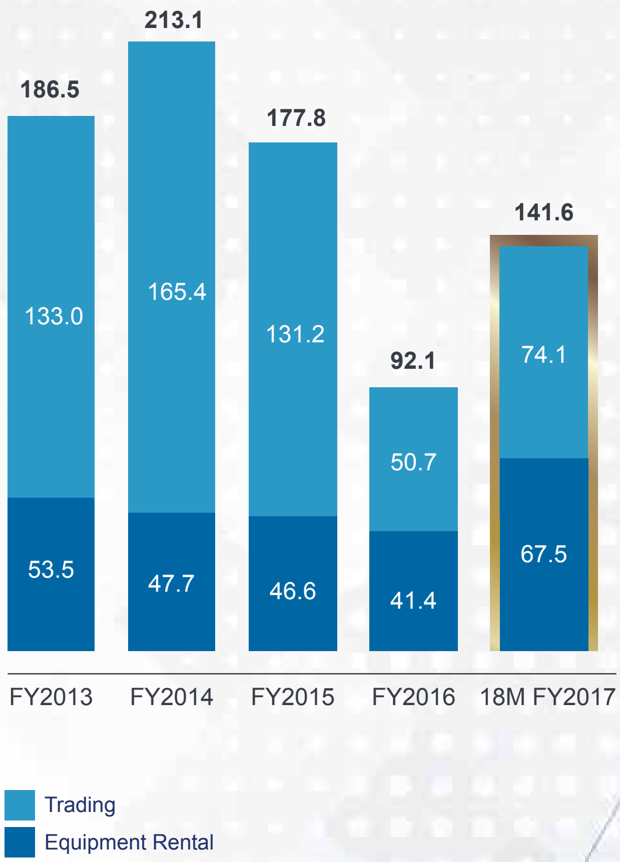


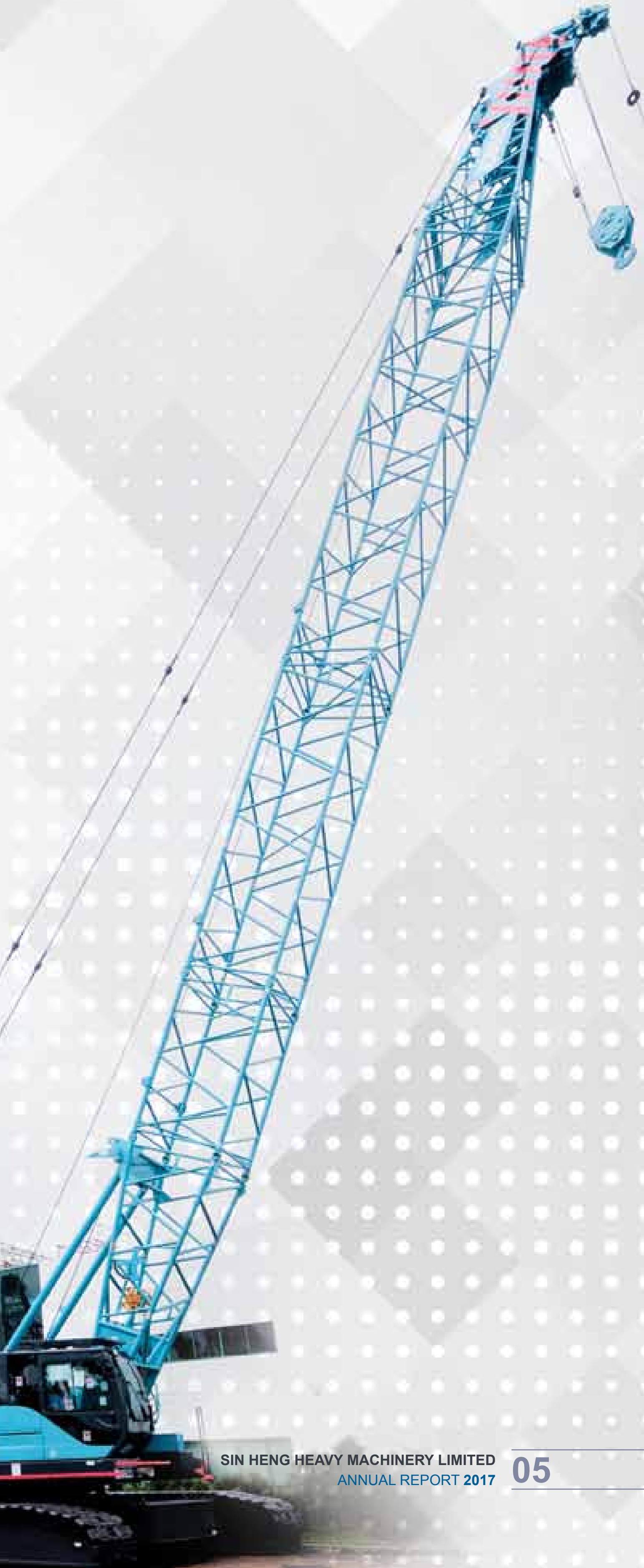
PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY

(S$Million)

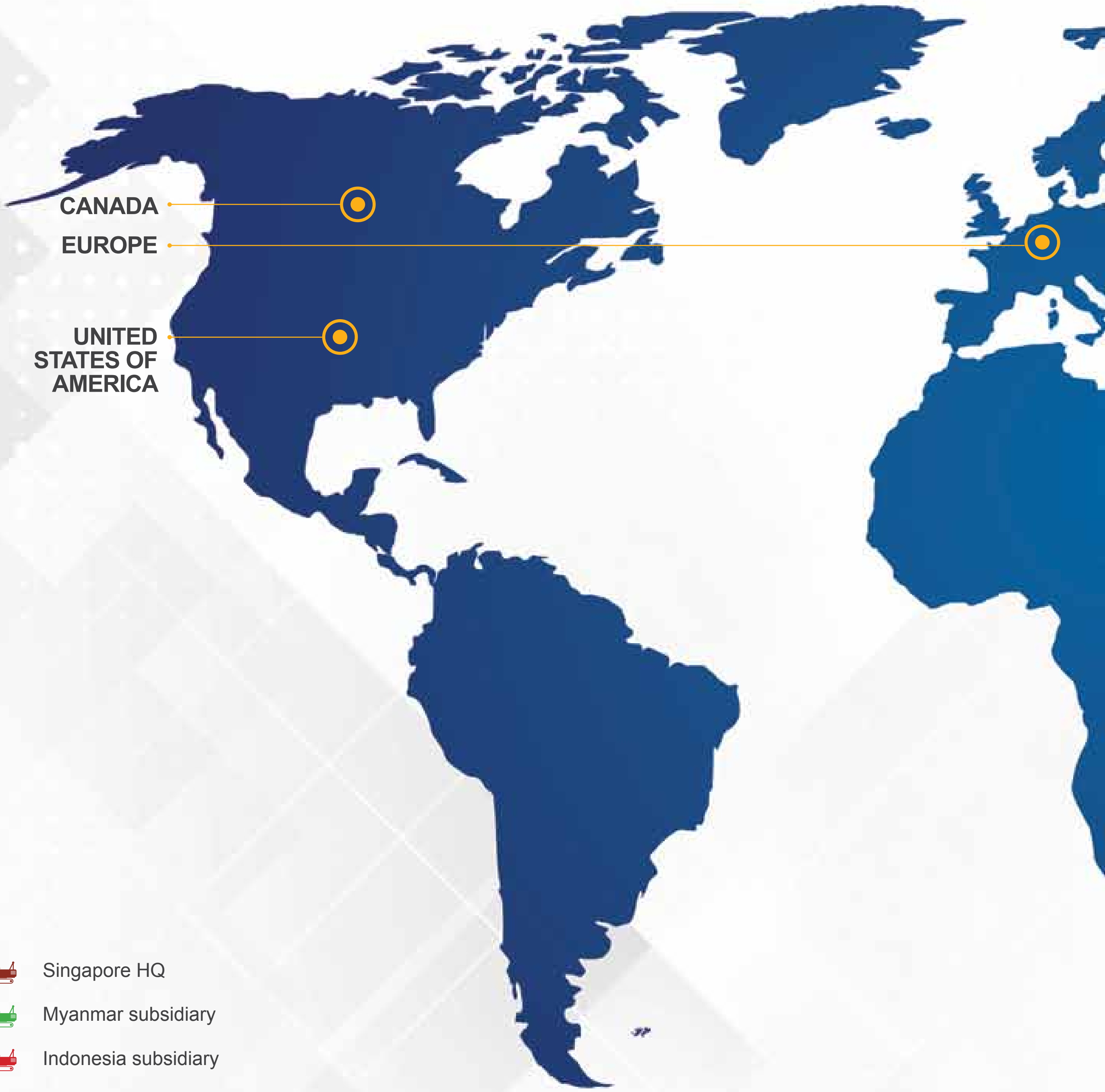


REVENUE
(S$Million)





OUR GLOBAL NETWORK



Singapore HQ

Myanmar subsidiary

Indonesia subsidiary

Vietnam subsidiary

Malaysia subsidiaries

Hong Kong subsidiary

Our Network


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

JOINT STATEMENT BY EXECUTIVE DIRECTOR & CEO

Tan Ah Lye
Executive Director & CEO

DEAR SHAREHOLDERS,

In line with the decision of Sin Heng Heavy Machinery Limited (the "Company") and its subsidiaries (the "Group") to change its financial year end from 30 June to 31 December, the set of financial statements in this annual report has correspondingly been changed to cover a period of 18 months from 1 July 2016 to 31 December 2017 ("18M FY2017")

In our announcement to the Stock Exchange on 28 February, we did a comparison of the results of 18M FY2017 and 18M FY2016. In this Annual Report, please note the financial statements for FY2016 refer to the 12-months period ended June 2016.

Over the last two years, the construction sector and the marine sector were less than buoyant. According to the Building and Construction Authority ("BCA"), the preliminary estimate for the local construction demand for 2017 was $24.5 billion, a figure lower than the forecasted amount by BCA previously. Although oil price has recovered somewhat, the marine sector still remains weak. Notwithstanding these challenges, the Group managed to achieve a marginal profit for 18M FY2017.

Financial Performance

Revenue for 18M FY2017 dipped 6.1% from that of 18M FY2016 to S$141.6 million mainly due to lower revenue from our Trading segment. On a positive note, revenue from Equipment Rental business inched out an improvement of 4.7% to S$67.5 million. Revenue from Trading business retreated 14.2% to S$74.1 million largely due to sales of smaller tonnage equipment for 18M FY2017.

Notwithstanding the lower total revenue, our gross profit for both segments improved. Although revenue of Trading segment was lower, the gross profit improved 14.3% mainly due to better product mix. With gross profit of Equipment Rental business also improving, the Group's gross profit increased by 10.2% to S$26.1 million.

Following the loss in FY2016, we undertook cost reduction initiatives. Administrative expenses decreased by S$1.56 million or 7.4%. Other operating expenses also decreased S$2.13 million or 46.3% mainly due to unrealised fair value differences on foreign currency contracts and absence of one-time recognition of loss on disposal of an associate company in 18M FY2016.

As a result of the above factors, the Group turned around with a marginal profit attributable to shareholders of about S$0.44 million for 18M FY2017.

Our financial position remains robust, amidst these challenging times. Inventories of S$31.9 million as at 30 June 2016 had decreased to S$4.4 million. Current liabilities had also been reduced from S$66.2 million to S$36.5 million.

JOINT STATEMENT BY INDEPENDENT CHAIRMAN

We are not proposing any final dividends, but shareholders should have received the interim dividends of S$0.015 per share we paid out on 27 September 2017 shortly after we announced our 12M FY2017 results in August 2017.

Corporate Update

In compliance with Guideline 2.1 of the Code of Corporate Governance 2012 where independent directors should make up at least one-third of the Board, there have been some changes to the Board composition in 2017. In November 2017, Mr Tan Ah Lye relinquished his role as the Executive Chairman but remained as the Chief Executive Officer and a Board member. We thank Mr Tan for his invaluable contributions as the Company's founder, and as Chairman from 31 October 2012.

Mr Renny Yeo Ah Kiang, an Independent Director of the Company, was appointed as the Independent Chairman on 14 November 2017. The composition of the Board has been reconstituted and was duly announced in November 2017.

Outlook

As we step into 2018, we are seeing positive signs in both the construction and marine sectors. BCA projects the total construction demand for 2018 to be between S$26.0 billion and S$31.0 billion, up from the S$24.5 billion of 2017. Oil price has also recovered and has maintained mostly around US$60 per barrel.

The recent renewed activity of the en bloc sales may contribute to the growth in demand for the construction of new projects. In addition, public infrastructure projects such as the proposed Thomson-East Coast MRT line and the North-South Expressway may generate demand for the construction industry.

With our reputation as a leading provider of lifting products and services, we are cautiously optimistic that we may be able to capitalise on opportunities arising from these developments.

In Appreciation

We thank our Board members, our principals, customers, business associates and our dedicated staff for their commitment preseverance and invaluable contributions to the Group.

Renny Yeo Ah Kiang
Independent Chairman

Tan Ah Lye
Executive Director & CEO

OPERATIONS
REVIEW

The Group changed its financial year end from 30 June to 31 December. As a result, the financial year under review, i.e. ended 31 December 2017, stretches 18 months from 1 July 2016 to 31 December 2017; whereas the previous financial year ended 30 June 2016 ("FY2016") has the normal 12 months.

For the purpose to compare between financial years in a fair manner, the same corresponding 18 months were used, i.e. 1 July 2016 to 31 December 2017 ("18M FY2017") versus 1 July 2015 to 31 December 2016 ("18M FY2016"). These set of financial statements showing this comparison were announced on 28 February 2018.

FINANCIAL PERFORMANCE

The Group registered a total revenue of S$141.6 million for 18M FY2017, 6.1% lower than that for 18M FY2016, mainly due to lower revenue from its Trading business segment. Revenue from Equipment Rental business segment was 4.7% higher at S$67.5 million for 18M FY2017 mainly due to the increase in the average fleet size rented out. However, revenue from Trading business segment decreased 14.2% to S$74.1 million as a result of sales of smaller tonnage equipment for 18M FY2017.

Revenue by Business Segment

Revenue (S$ '000)	**18M FY2017**	**18M FY2016**	**% Change**
Equipment Rental business	67,490	64,487	4.7%
Trading business	74,090	86,366	(14.2%)
Total	141,580	150,853	(6.1%)

In line with better revenue of Equipment Rental business segment, gross profit of this segment rose 8.3% to S$17.5 million for 18M FY2017. Although revenue of Trading business for 18M FY2017 declined, gross profit of this segment rose 14.3% to S$8.6 million, mainly due to more favourable product mix.

Gross Profit by Business Segment

Revenue (S$ '000)	**18M FY2017**	**18M FY2016**	**% Change**
Equipment Rental business	17,501	16,157	8.3%
Trading business	8,587	7,515	14.3%
Total	26,088	23,672	10.2%

The Group's cost reduction initiatives were successful which resulted in a decrease in administrative expenses of 7.4% to S$19.5 million.

Other operating expenses decreased 46.3% to S$2.5 million mainly due to unrealised fair value differences on foreign currency contracts and absence of one-time recognition of loss on disposal on an associate company.

As a result of the above factors, the Group returned with a profit attributable to shareholders of S$0.44 million for 18M FY2017 compared to a loss of S$2.9 million for 18M FY2016.

OPERATIONS
REVIEW

FINANCIAL POSITION

Current Assets

As at 31 December 2017, the Group's current assets was S$59.0 million or 30.6% of total assets. The Group's current assets, comprised mostly of cash and cash equivalents, trade receivables and inventories, decreased by S$34.2 million from that of 30 June 2016 mainly due to the decrease in inventories, trade receivables and cash and cash equivalents.

Non-current Assets

As at 31 December 2017, the Group's non-current assets stood at S$133.9 million or 69.4% of total assets. The Group's non-current assets, comprised mostly of fixed assets and investments, increased by S$4.7 million mainly due to the increase in rental fleet.

Current Liabilities

As at 31 December 2017, the Group's current liabilities was S$36.5 million or 51.1% of total liabilities. The Group's current liabilities, comprised mostly of bills payable, other payables, current portion of bank loans and finance leases, decreased by S$29.7 million mainly due to repayment of bills payable.

Non-current liabilities

As at 31 December 2017, the Group's non-current liabilities amounted to approximately S$34.9 million or 48.9% of total liabilities, and comprised mostly of non-current portion of finance leases and deferred tax.

Working Capital

As at 31 December 2017, the Group's working capital was S$22.6 million as compared to S$27.0 million as at 30 June 2016.

Equity

As at 31 December 2017, the Group's equity was marginally lower at S$121.6 million as compared to S$122.8 million as at 30 June 2016, mainly due to the interim dividend paid for 18M FY2017.

FOCUSING ON OUR CORE COMPETENCIES AND CAPITALISING ON OPPORTUNITIES


KATO
KATO
SH
SR 700L
新興
SH
SIN HENG
新 興

TRACK RECORD OF PROJECTS

1981 – 1989

1. Changi Airport Flyover
2. Central Expressway
3. Benjamin Sheares Bridge
4. Ayer Rajah Expressway
5. Toa Payoh Flyover

1990 – 1999

1. Pan-Island Expressway
2. Reclamation of Jurong Island
3. Cuppage Centre
4. Hewlett Packard Factory
5. Raffles Hospital
6. SIA Complex
7. Fusionpolis
8. Changi Airport Terminal 2 Extension
9. Petrochemical Corporation of Singapore's Petrochemical Complex

2010 – present

1. Neste Oil Project in Tuas (Singapore)
2. MRT Downtown Lines (Singapore)
3. Exxonmobil SPT Project (Singapore)
4. Google Data Centre Project (Singapore)
5. Evonik Me5 Project @ Jurong Island (Singapore)
6. Low Cost Carrier Terminal (Malaysia)
7. Kelana Jaya LRT Line Extension (Malaysia)
8. Pengerang Refinery and Petrochemical Integrated Development Project (Malaysia)
9. Sungai Buloh - Kajang MRT (Malaysia)
10. Sampyung - Hoa Hiep Combined Cycle Power Plant (Vietnam)
11. Nghi Son Power Plant (Vietnam)
12. Thi Vai Terminal (Vietnam)
13. Noi Bai International Airport (Vietnam)
14. Thomson-East Coast MRT Line (Singapore)
15. Sentosa Pedestrian Overhead Bridge (Singapore)
16. Ng Teng Fong General Hospital (Singapore)
17. Manjung 4 Power Plant (Malaysia)
18. Tanjung Bin 4 Power Plant (Malaysia)
19. Connaught Bridge Power Plant (Malaysia)
20. Son Duong Deepwater Seaport (Vietnam)
21. Formosa's Vietnam Steel Complex (Vietnam)
22. Vam Cong Bridge Project (Vietnam)
23. Omon Power Plant Project (Vietnam)
24. Yangon International Airport Expansion (Myanmar)
25. Changi Airport Terminal 5 (Singapore)
26. Ho Chi Minh Metro Line 1 (Vietnam)
27. Huong Linh 2 Wind Farm (Vietnam)
28. Thilawa Power Plant, Thilawa Jetty Zone (Myanmar)
29. LRT3 (Malaysia)
30. MRT2 (Malaysia)
31. Tun Razak Exchange (TRX) (Malaysia)

2000 – 2009

1. Sentosa Light Rail System
2. Braddell / Thomson / Lornie Road Interchange
3. Changi Water Reclamation Plant
4. Jurong Rock Caverns
5. Marina Coastal Expressway
6. Marina Bay Financial Centre
7. Marina Bay Sands Integrated Resort
8. Resorts World at Sentosa
9. National University of Singapore Flyover
10. Jurong East MRT Modification Project

BOARD OF DIRECTORS

As of 31 December 2017

MR RENNY YEO AH KIANG

Independent Chairman

Mr Renny Yeo Ah Kiang was appointed as our Independent Chairman in November 2017. Prior to November 2017, he has been our Independent Director since December 2009. He is the Chairman of the Remuneration Committee and a member of the Nominating Committee and Audit and Risk Committee. He is also an independent non-executive director of Catalist-listed OEL (Holdings) Ltd.

He holds a Higher National Diploma (HND) in Electrical & Electronic Engineering from Southampton College of Technology UK and a Master in Management from Asia Institute of Management, Philippines. He has nearly 40 years of working experience in the field of shipbuilding/ship repairing, electrical engineering and cable industries. He is a full member of the Singapore Institute of Directors.

Mr Yeo formerly held seats on various government Boards and Committees including Board member of Building and Construction Authority, Board member of the Productivity & Standards Board, Director of PSB Corporation Pte Ltd, founding Board member of the Singapore Green Building Council, the President of the Singapore National Committee (SNC) of The International Electrotechnical Commission (IEC), Member of the Standard Council-SPRING, Chairman of Electrical & Electronic Product Standards Committee-SPRING, Emeritus President and President of Singapore Manufacturers' Federation, Member of the National Productivity Council (NPC). Prior to Mr Yeo's retirement in 2009, he was also the Executive Chairman and Director of Draka Cableteq Asia Pacific and its subsidiaries in Asia.

Mr Yeo is currently a SPRING Board member, the Chairman of The Singapore Accreditation Council-SAC (SPRING) and Advisor of Electrical & Electronic Product Standards Committee (SPRING). He is also a Member of the Board of Governors of Singapore Manufacturers' Federation.

Mr Yeo is also a Director of KPH Properties Holdings Sdn Bhd and its subsidiaries in Malaysia. He is also a Non-Executive Director of Biosanapharma BV in the Netherlands. Mr Yeo was conferred the Pingkat Bakti Masyarakat (Public Service Medal) by The President of the Republic of Singapore (2000) and awarded the SPRING Singapore distinguished Partner Award (2011), SISIR Standards Council Distinguished Award (1994).

MR TAN AH LYE

Executive Director & CEO

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 CEO 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 Pingkat Bakti Masyarakat (Public Service Medal) by The President of the Republic of Singapore in 2016.

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 local 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 2017

MR TAN CHENG KWONG

Executive Director

Mr Tan Cheng Kwong joined the Company in 1995 and worked his way up to his current position as an Executive Director. Mr Tan is in charge of the management and operations of Sin Heng Aerial Lifts since 1999. Mr Tan has 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 HIDEKI OKADA

Executive Director

Mr Hideki Okada was appointed as an Executive Director of the Company in May 2012. He joined the Toyota Tsusho Group in 1997. He was in charge of the sales of construction equipment and commercial trucks under ODA Projects for Asia & Middle-East Countries which include Afghanistan, Bhutan, Indonesia, Cambodia, China, Laos, Nepal, Thailand, Vietnam and Iraq. Through his experience with Japanese trading firms, he has a strong network with many manufacturers not only in Japan but also in America and Europe.

MR HIDEYUKI MORITA

Non-Executive Director

Mr Hideyuki Morita was appointed as a Non-Executive Director of the Company in July 2015. He is also appointed as a member of Audit and Risk Committee, Nominating Committee and Remuneration Committee at the same time. He joined former Tomen Corporation (later merged to Toyota Tsusho Corporation in 2006) in 1981. He has been constantly in charge of the Construction Machinery business from the beginning of his career till today.

He worked in Indonesia, Iran and Syria as a permanent representative. Also he worked as a President of Toyota Tsusho Philippines Corporation from 2010 to 2015. He is now a Senior Project General Manager of Construction Machinery & Project Department at the Tokyo Head Office. He graduated with a Bachelor of Arts in Economics from Keio University in 1981.

MR ATSUSHI SHIMIZU

Non-Executive Director

Mr Atsushi Shimizu was appointed as a Non-Executive Director of the Company in May 2016. He joined Toyota Tsusho Corporation in 1985 where he started his career with the Vehicle Export Department. From there, he progressed to the Corporate Department and was posted to U.S.A as the Treasurer of Toyota Tsusho America Inc. from 2004 to 2009. Subsequently, he was promoted to the General Manager of Finance of Toyota Tsusho Corporation from 2010 to 2015. He is presently the Executive Vice President of Toyota Tsusho Asia Pacific Pte. Ltd., overseeing all the corporate functions of Toyota Tsusho Corporation's subsidiaries in the Asia Pacific region. Mr Shimizu has accumulated significant experience in fields of accounting, human resource, investments, corporate planning, finance and investor relations.

BOARD OF DIRECTORS

As of 31 December 2017

MR YEO YUN SENG, BERNARD

Independent Director

Mr Yeo Yun Seng, Bernard has been our Independent Director since December 2009. He is the Chairman of the Audit and Risk Committee and a member of the Remuneration Committee and Nominating Committee. Mr Yeo runs a consultancy practice advising small and medium enterprises.

He has been in this business since 1997 and specializes in strategic advisory work, turning unprofitable businesses around, growing business units, grooming key executives including chief executive officers in preparation for listing, and overseas business expansion. Mr. Yeo is an independent director and chairman of the remuneration committee of RH Petrogas Limited. Mr Yeo is also a director of SHRI Corporation Pte Ltd and a director of SHRI Academy Pte Ltd

Mr Yeo started his career in audit in 1973 with Turquands Ernst and Whinney. He was financial controller for France Scott Pte Ltd (a Sime Darby Group Company in Singapore) during 1977-1980, finance and personnel manager for Nemic-Lambda (S) Pte Ltd (a Japanese company) during 1980-1983, and finance and administration manager for Airpax Components Far East Pte Ltd (a US company) during 1983-1986. He joined Compaq Asia in 1986 and was its chief financial officer for Asia Pacific when he left in 1996.

MR TAN KEH YAN, PETER

Independent Director

Mr Tan Keh Yan, Peter has been our Independent Director since December 2009. He is the Chairman of the Nominating Committee and a member of the Audit and Risk Committee and Remuneration Committee. He joined DBS Bank in 1972. From 1998 to 2001, Mr Tan was the Executive Director of DBS Finance Ltd. He became the Bank's managing director of Enterprise Banking Department from 2001 to 2003. In early 2004, he joined Redwood Capital Pte Ltd, a wealth management and financial advisory firm and was its managing director until 2005 when he left.

Currently, he is an independent director of two other SGX-listed companies, namely Asia Enterprises Holding Ltd and Maxi-Cash Financial Services Corporation Ltd. Mr Tan graduated with a Bachelor of Science (Honors) from the University of Singapore in 1972 and a Master of Business Administration from the University of California, Los Angeles in 1985.

MR SOH SAI KIANG

Lead Independent Director

Mr Soh Sai Kiang joined us as our Independent Director with effect from 1 August 2012. He is a member of Audit and Risk Committee, Nominating Committee and Remuneration 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.

He is also co-founder and was the Non-Executive Chairman of Catalist-listed Artivision Technologies Ltd. Mr Soh graduated with a Bachelor of Arts (Merit) degree in Economics and Political Science from the National University of Singapore in 1993.

CORPORATE INFORMATION

31 December 2017

BOARD OF DIRECTORS:

Renny Yeo Ah Kiang
Independent Chairman

Tan Ah Lye
Executive Director & CEO

Tan Cheng Guan
Executive Director

Tan Cheng Kwong
Executive Director

Hideki Okada
Executive Director

Hideyuki Morita
Non-Executive Director

Atsushi Shimizu
Non-Executive Director

Soh Sai Kiang
Lead Independent Director

Yeo Yun Seng, Bernard
Independent Director

Tan Keh Yan, Peter
Independent Director

AUDIT & RISK COMMITTEE:

Yeo Yun Seng, Bernard
Chairman

Tan Keh Yan, Peter
Renny Yeo Ah Kiang
Hideyuki Morita
Soh Sai Kiang

NOMINATING COMMITTEE:

Tan Keh Yan, Peter
Chairman

Yeo Yun Seng, Bernard
Renny Yeo Ah Kiang
Hideyuki Morita
Soh Sai Kiang

REMUNERATION COMMITTEE:

Renny Yeo Ah Kiang
Chairman

Yeo Yun Seng, Bernard
Tan Keh Yan, Peter
Hideyuki Morita
Soh Sai Kiang

COMPANY SECRETARY:

Shirley Tan Sey Liy (ACS)

REGISTERED OFFICE:

26 Gul Road
Singapore 629346

SHARE REGISTRAR AND SHARE TRANSFER OFFICE:

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

AUDITORS:

Deloitte & Touche LLP
6 Shenton Way #33-00
OUE Downtown 2
Singapore 068809
Partner-in-charge: Ng Meng Chuan
(Appointed since FY2016)

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 2012 ("**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 which covers the 18 months from 1 July 2016 to 31 December 2017 ("**18M FY2017**") with specific reference to the Code.

(A) BOARD MATTERS

Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

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

- Protection and enhancement of long-term shareholders' value
- Safe-guarding of 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 objectives, financial plans and annual budget; major investments, divestments and funding proposals
- Financial performance reviews, risk management and corporate governance practices
- Ensuring the Group's compliance with all laws and regulations relevant to the Group's business

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 for the Board, our Management's remuneration and the appointment of Directors.

The Board has adopted a set of internal controls and guidelines for our 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, issue of shares, dividend distributions and other returns to shareholders, the Board approves operational matters where the value of a transaction exceeds these limits. 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 quarterly basis. Ad-hoc meetings can also be convened 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 which permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously.

Formal Board meetings are held at least four times a year to approve the quarterly 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 usually given to all the Directors well in advance. The Board is free to seek clarification and information from Management on all matters within 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 written resolutions.

The following table sets out the attendance of each Director at the Board and Board Committees meetings held during 18M FY2017:

Name of Director	Board	ARC	NC	RC
	Number of Meetings Held: 6	Number of Meetings Held: 6	Number of Meetings Held: 2	Number of Meetings Held: 2
	Meetings Attended	Meetings Attended	Meetings Attended	Meetings Attended
Renny Yeo Ah Kiang	6	6	2	2
Tan Ah Lye	6	–	–	–
Tan Cheng Guan	6	–	–	–
Tan Cheng Kwong	6	–	–	–
Hideki Okada	6	–	–	–
Hideyuki Morita	6	6	2	2
Atsushi Shimizu(1)	6	–	–	–
Naoki Ando(2)	–	–	–	–
Soh Sai Kiang	6	6	2	2
Yeo Yun Seng, Bernard	6	6	2	2
Tan Keh Yan, Peter	5	5	2	2

Notes:

(1) Mr. Atsushi Shimizu resigned as a Non-Executive Director with effect from 31 March 2018.

(2) Mr. Naoki Ando was appointed as a Non-Executive Director with effect from 31 March 2018.

The Group had adopted a set of internal guidelines setting forth financial authorisation and approval limits for investments, acquisitions and disposals. Transactions falling outside the ordinary course of business and where the value of a transaction exceeds these limits have to be approved by the Board.

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.

The Directors are encouraged to attend seminars and receive training to improve 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 Singapore Exchange Securities Trading Limited ("**SGX-ST**") that affect the Company and/or the Directors in discharging their duties.

Newly appointed Directors receive appropriate training, if required. The Group provides background information about its history, mission and values to its Directors. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company during Board meetings.

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

Presently, the Board comprises four Executive Directors, two Non-Executive Directors and four Independent Directors:-

Name of Director	Board	ARC	NC	RC
Renny Yeo Ah Kiang(1)	Independent Chairman	Member	Member	Chairman
Tan Ah Lye(2)	Executive Director & Chief Executive Officer ("CEO")	–	–	–
Tan Cheng Guan	Executive Director	–	–	–
Tan Cheng Kwong	Executive Director	–	–	–
Hideki Okada	Executive Director	–	–	–
Hideyuki Morita	Non-Executive Director	Member	Member	Member
Atsushi Shimizu(3)	Non-Executive Director	–	–	–
Naoki Ando(4)	Non-Executive Director	–	–	–
Soh Sai Kiang	Lead Independent Director	Member	Member	Member
Yeo Yun Seng, Bernard	Independent Director	Chairman	Member	Member
Tan Keh Yan, Peter	Independent Director	Member	Chairman	Member

Notes:

(1) Mr. Renny Yeo Ah Kiang was appointed as the Independent Chairman with effect from 15 November 2017.

(2) Mr. Tan Ah Lye relinquished his role as the Executive Chairman with effect from 15 November 2017 and remains as the Chief Executive Officer.

(3) Mr. Atsushi Shimizu resigned as a Non-Executive Director with effect from 31 March 2018.

(4) Mr. Naoki Ando was appointed as a Non-Executive Director with effect from 31 March 2018.

The NC considers an "independent" Director as one who has no relationship with the Company, its related corporations or its officers that could interfere or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

The NC has reviewed the independence of each Independent Director and is of the view that these Directors are independent.

The Independent Directors and Non-Executive Directors 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.

There is no Independent Director who has served on the Board beyond nine years from the date of his first appointment.

The NC has reviewed the size and composition of the Board. The NC is satisfied that after taking into account the scope and nature of operations of the Group in the year under review, the current Board size is appropriate and effective. The Company is constantly on the lookout for suitable candidates to join the Board as Independent Directors as part of its review process.

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 include industry knowledge, strategic planning, business and general management and finance.

Independent Directors exercise no Management 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 Management are fully discussed and rigorously examined 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 Management in meeting agreed goals and objectives and monitor the reporting of performance. The NC considers its Independent Directors to be of sufficient calibre and size and their views to be of sufficient weight such that no individual or small group of individuals dominates the Board's decision-making process.

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 should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

Mr. Renny Yeo Ah Kiang is the Independent Chairman while Mr. Tan Ah Lye, is the Executive Director & CEO of the Company in charge of the overall operations and finance performance of the Company.

The responsibilities of the Independent Chairman include:

- Primary responsible for the effective working of the Board

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

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

The Board had appointed Mr. Soh Sai Kiang as the Lead Independent Director to co-ordinate and to lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the main liaison on Board issues between the Independent Directors and Executive Director & CEO. He is available to shareholders where they have concerns which contact through the normal channels of the Executive Director & CEO or Chief Financial Officer ("**CFO**") has failed to resolve or is inappropriate.

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 Independent Chairman after such meetings.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC consists of four (4) Independent Directors and a Non-Executive Director as follow:

Mr. Tan Keh Yan, Peter (Chairman)
Mr. Renny Yeo Ah Kiang
Mr. Yeo Yun Seng, Bernard
Mr. Soh Sai Kiang
Mr. Hideyuki Morita

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 our 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 on the review 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 representation is able to and has been adequately carrying out his duties as a Director;

(v) assessing the performance of the Board, Board Committees and contribution of each Director to the effectiveness of the Board; and

(vi) reviewing and approving any new employment of related persons and the proposed terms of their employment.

The NC is responsible for identifying and recommending new Directors to the Board, after considering the necessary and desirable competencies. In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities.

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.

New Directors are appointed by way of a Board resolution following which they are subject to re-election at the next Annual General Meeting ("**AGM**").

The Company's Constitution requires one-third of the Board (except for the Managing Director) to retire by rotation at every AGM. Directors who retire are eligible to offer themselves for re-election. Pursuant to Regulation 96 of the Company's Constitution, Directors of the Company who were newly appointed by the Board since the last AGM will have to retire at the forthcoming AGM.

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

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 are able to exercise judgment on the corporate affairs of the Group independent of the Management.

The NC has recommended to the Board that Mr. Tan Cheng Kwong, Mr. Hideki Okada, Mr. Yeo Yun Seng, Bernard, Mr. Hideyuki Morita be nominated for re-election pursuant to Regulation 89 of the Company's Constitution and Mr. Naoki Ando 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.

Mr. Yeo Yun Seng, Bernard and Mr. Hideyuki Morita, being members of the NC who are retiring at the AGM, abstained from voting on the resolution in respect of their own re-nomination as a Director.

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. The NC and the Board have determined that the maximum number of board representations by each board member is not more than five (5) listed companies. 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.

The key information regarding the Directors such as directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments are set out in page 42 of the Annual Report.

Board Performance

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each Director to the effectiveness of the Board.

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.

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 the (1) structure and size of the Board and Board Committees, (2) the manner in which the Board and Board Committees meetings are conducted, (3) Board and Board committees accountability, (4) 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 two (2) meetings during 18M FY2017.

The NC assesses each Director's performance and evaluates the Board's and Board Committees' performance as a whole annually using objective and appropriate quantitative and qualitative criteria, such as those factors above, which were recommended by the NC. In reviewing the overall Board 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 18M FY2017 was facilitated this year 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 Independent Chairman to effect continuing improvements on Board processes.

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To enable the Board to fulfill its responsibility, the Management strives to provide Board members with adequate and timely information for Board and Board Committees meetings on an ongoing basis. The Board and Board Committees papers are prepared for each meeting and are disseminated to the members before the meetings. The Board and Board Committees papers include financial, business and corporate matters of the Group so as to enable the Directors to be properly briefed on matters to be considered at the Board and Board Committees meetings. Directors are given separate and independent access to the Group's Management and Company Secretaries to address any enquiries.

The Company Secretary or her representative administer, attend and prepare minutes of Board and Board Committees meetings, and assist the Chairman of the Board and/or the Board Committees in ensuring that proper procedures at such meetings are followed and reviewed so that the Board and the Board Committees function effectively. Directors may seek professional advice in furtherance of their duties and the costs will be borne by the Company. The appointment and removal of the Company Secretary is subject to the approval of the Board.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC consists of four (4) Independent Directors and a Non-Executive Director as follow:

Mr. Renny Yeo Ah Kiang (Chairman)
Mr. Yeo Yun Seng, Bernard
Mr. Tan Keh Yan, Peter
Mr. Soh Sai Kiang
Mr. Hideyuki Morita

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 our Directors, CEO, CFO and other Executive Officers whom the RC may decide from time to time;

(ii) determining specific remuneration packages for each of them. 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) To review and submit 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 necessary in connection therewith.

No Director will be involved in determining his own remuneration.

The RC has full authority to engage 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.

In reviewing the service agreements of the Executive Directors and key executives 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.

Level and Mix of Remuneration

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

In setting remuneration packages, the RC takes into account the respective performance of our 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 and the report conducted by the external consulting firm, Hay Group, in FY2014.

The RC reviews the services contracts between an Executive Director and the Company to ensure it is 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 interest and risk policies of the Company and should attract, retain and motivate the Directors to provide good stewardship of the Company and to ensure the Key Management Personnel successfully manages the Company. The Company links the remuneration paid to the Executive Directors and Key Management Personnel to the Company's and each individual performances, based on an annual appraisal and using indicators such as core values, competencies, key result areas, performance rating and potential of the employees.

Directors' fees will be paid or payable to the Independent Directors and Non-Executive Directors 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 endorsed by the RC and recommended by the Board for shareholders' approval at the AGM of the Company.

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.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Each of our Executive Directors has a service contract that covers a period of three years. All our Directors, except for Executive Directors, receive directors' fees for their responsibilities and contributions to the Board. The fees are subject to shareholders' approval at the AGM.

Having considered several factors, the Board is of the opinion that given the confidentiality of and commercial sensitivity attached to the remuneration matters and to be in line with the interest of the Company, the remuneration of each Director and Key Management Personnel will be disclosed in band-wide manner.

The following table shows a breakdown of the remuneration of our Executive Directors, Non-Executive Directors, Key Management Personnel, Immediate Family Member of Directors or CEO in percentage terms for 18M FY2017:

	Salary (%)	Bonus & profit sharing (%)	Shares Awarded (%)	Other Benefits (%)	Fees (%)	Total (%)
Executive Directors:						
S$750,001 to S$1,000,000						
Tan Cheng Guan	89	5	–	6	–	100
Tan Cheng Kwong	83	13	–	4	–	100
S$500,001 to S$750,000						
Tan Ah Lye	71	2	–	5	22	100
S$250,001 to S$500,000						
Hideki Okada	89	5	–	6	–	100
Non-Executive Directors:						
Below S$250,000						
Renny Yeo Ah Kiang	–	–	–	–	100	100
Hideyuki Morita	–	–	–	–	100	100
Atsushi Shimizu(1)	–	–	–	–	100	100
Naoki Ando(2)	–	–	–	–	–	–
Soh Sai Kiang	–	–	–	–	100	100
Yeo Yun Seng, Bernard	–	–	–	–	100	100
Tan Keh Yan, Peter	–	–	–	–	100	100
Key Management Personnel:						
S$700,000 to S$750,000						
Tan Cheng Soon, Don(3)	89	5	–	6	–	100
S$500,001 to S$750,000						
Chen Fock Cheong	41	47	–	12	–	100
S$250,001 to S$500,000						
Teo Thiam Chuan William(4)	89	5	–	6	–	100
Goh Chin Wah	89	4	–	7	–	100
Below S$250,000						
Tan Roh Tang	77	4	–	19	–	100

(1) Mr. Atsushi Shimizu resigned as Non-Executive Director with effect from 31 March 2018.

(2) Mr. Naoki Ando was appointed as the Non-Executive Director with effect from 31 March 2018.

(3) Mr. Tan Cheng Soon, Don is an employee of the Group and the son of Executive Director & CEO Mr. Tan Ah Lye and brother of Executive Directors Mr. Tan Cheng Guan and Mr. Tan Cheng Kwong (Cheng Qingguang).

(4) Mr. Teo Thiam Chuan William resigned with effect from 15 November 2017.

Save for the above disclosure, there is no employee of our Group who is an immediate family member of a Director or CEO whose remuneration exceeded S$50,000 for 18M FY2017.

The aggregate total remuneration of the top five Key Management Personnel (who are not Directors or the CEO) amounted to S$2,454,000.

For 18M FY2017, there were no terminations, 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.

Share Award Scheme

The Company has in place an employee share option scheme which allows certain of its confirmed employees, Non-Executive Director (including Independent Directors), controlling shareholders or their associate and Executive Director ("**Participants**") to participate in the Company's growth. It was introduced in order to motivate each Participant to optimize his performance standard, efficiency, maintain a high level of contribution to our Company and to retain key employees and directors to instill their loyalty and a stronger identification by the participants with the long-term prosperity of our Company. Up until 31 December 2017, our Company has not issued any options to the Participants.

(C) ACCOUNTABILITY AND AUDIT Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Accountability to our shareholders is demonstrated through the presentation of our annual financial statements, quarterly results announcements and announcements released via the SGXNet.

The Management provides the Board with management accounts of the Company's performance, position and prospects on a quarterly basis and when deemed appropriate by particular circumstances.

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.

The Management maintains regular contact and communication with the Board by various means including the preparation and circulation to all Board members of quarterly and full year financial statements of the Group. This allows the Board to monitor the Group's performance and position as well as the Management's achievements of the goals and objectives determined and set by the Board.

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that the management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

As part of the ongoing risk management process, the Risk Management Working Team 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, Board and Board committees, 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 internal controls in place to manage the significant risks identified.

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.

As at the date of this Annual Report, the ARC has met with the Key Management Personnel, internal and external auditors to review the internal and external auditors' audit plans and the adequacy of risk management mechanisms implemented within the Group. As part the annual statutory audit on financial statements, the internal and external auditors also report to the ARC and the appropriate level of Management on any material weaknesses in financial 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 18M FY2017 give a true and fair view in all material respects, of the Company's operations and finances; and

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

Based on the reports from the internal and external auditors and concurrence of the ARC, the Board is of the opinion that there were adequate and effective internal controls to address the financial, operational, compliance and information technology controls and risk management systems as at 31 December 2017 for the nature and size of the Group's assets and ensure the integrity of the financial statements. The Management continues to focus on improving the standard of internal control, corporate governance and the mitigation of high risk areas.

The system of internal controls established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business activities. However, the Board also notes that no system of internal controls can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

Associates and joint ventures which the Company does not control are not dealt with for the purpose of this statement.

Audit and Risk Committee

Principle 12: The Board should establish an Audit and Risk Committee with written terms of reference which clearly set out its authority and duties.

The ARC consists of our four (4) Independent Directors and a Non-Executive Director as follow:

Mr. Yeo Yun Seng, Bernard (Chairman)
Mr. Tan Keh Yan, Peter
Mr. Soh Sai Kiang
Mr. Renny Yeo Ah Kiang
Mr. Hideyuki Morita

The Company has adopted and has complied with the principles of corporate governance under the Code in relation to the roles and responsibilities of the ARC.

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 quarterly, half-year and annual financial statements before submission to the Board for approval;

(v) discussing problems and concerns, if any, rising from the quarterly, interim and final audits, in consultation with the external auditors and internal auditors where necessary;

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

(vii) reviewing the effectiveness of the Company's 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) oversee of risk management; and

(xii) nominating external auditors for re-appointment.

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 proposals to the shareholders on the appointment, reappointment and removal of the external auditors and approves 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 the audit 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 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.

Annually, the ARC meets with the external auditors without the presence of the Management and conducts 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 18M FY2017 amounted to S$149,000 and S$35,000 respectively. The Company has complied with Rules 712 and 715 of the SGX-ST Listing Manual in relation to the engagement of its auditors.

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. No former partner or director of the Company's existing auditing firm has acted as a member of the ARC.

The Group has implemented a whistle blowing policy whereby accessible channels are provided for employees to raise concerns 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) 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; and

(iii) 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.

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

Internal Audit

Principle 13: The Company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The ARC is responsible for (1) establishing an independent internal audit function, (2) reviewing the internal audit program and ensuring coordination between internal auditors, external auditors and our Management, and (3) ensuring that the internal auditor meets or exceeds the standards set by nationally or internationally recognised professional bodies.

The Group outsources its internal audit functions to professional accounting firm to carry out the internal audit function. In accordance with the annual internal audit plan approved by the ARC, the internal auditors conducts 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. Procedures are in place for the internal auditors to report independently their findings and recommendations to the ARC for review. Management will update the ARC on the implementation status of the remedial action plans.

The Board recognises that it is responsible for maintaining a system of internal control to safeguard shareholders' investments and the Group's businesses and assets, while the Management is responsible for establishing and implementing the internal controls procedures in a timely and appropriate manner.

The role of the internal auditors is to assist the ARC in assessing if the controls are adequate, effective and functioning as intended, to undertake investigations as directed by the ARC and to conduct regular risk-based audits covering higher risk areas. The ARC is satisfied that the internal auditors has adequate resources to perform its function effectively.

The ARC would annually review the adequacy and effectiveness of the internal audit function of the Group. The ARC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant experience.

(D) SHAREHOLDER RIGHTS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company does not practise selective disclosure. In line with the continuous obligations of the Company under the SGX-ST Listing Manual and the Companies Act, Chapter 50, the Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet.

Shareholders are informed of general meetings through the announcement released to the SGXNet and notices contained in the Annual Report or circulars sent to all shareholders. 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 include 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 licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

The Company believes in high standards 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 that are prepared and sent to all shareholders. The Board ensures that the Annual Report includes all relevant material information about the Company and the Group, and other disclosures required by the Singapore Companies Act and Singapore Financial Reporting Standards;

- Quarterly announcements containing a summary of the financial information and affairs of the Group for that period; and

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

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. All shareholders of the Company will receive the Annual Report with an accompanying notice of AGM by post. The notice of AGM is also published in the newspaper within the mandatory period, the AGM of which is to be held within four months after the close of the financial year.

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. The Company had on 11 August 2017 declared a one-tier tax exempt interim dividend of S$0.015 per ordinary share which were paid to shareholders on 27 September 2017.

CONDUCT OF SHAREHOLDER MEETING

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The shareholders are encouraged to attend the Company's general meetings. Notice of the general meeting is dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting.

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a 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. Furthermore, the external auditors are present to assist the Board in addressing any relevant queries raised by the shareholders.

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 Manual of the SGX-ST and the Code, 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.

(E) 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 two weeks before the announcement of the Company's financial results for each of the quarters of its financial year, and one month before the announcement of the Company's 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.

(F) INTERESTED PERSON TRANSACTIONS

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

There were no IPTs between the Group and any of its interested persons (namely, Directors, Executive Officers or controlling shareholders of the Group or the associates of such Directors, Executive Officers or controlling shareholders) subsisting for 18M FY2017.

(G) RISK MANAGEMENT

The Company regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as to take appropriate measures to control and mitigate these risks. The Company reviews all significant control policies and procedures and highlights significant matters to the ARC and the Board. The significant risk management policies are disclosed in the audited financial statements of this Annual Report.

(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 18M FY2017.

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

Name of Director	Directorship Date First Appointed	Date of Last Re-election	Directorships in Other Listed Companies and Other Major Appointments	Past Directorships in Other Listed Companies and Other Major Appointments Over the Preceding 3 Years
Renny Yeo Ah Kiang	21 December 2009	26 October 2016	OEL (Holdings) Ltd.	NIL
Tan Ah Lye	31 October 2012	28 October 2015	NIL	NIL
Tan Cheng Guan	1 July 1996	26 October 2016	NIL	NIL
Tan Cheng Kwong	1 July 1996	28 October 2015	NIL	NIL
Hideki Okada	25 May 2012	28 October 2015	NIL	NIL
Hideyuki Morita	31 July 2015	28 October 2015	NIL	NIL
Naoki Ando	30 March 2018	–	NIL	NIL
Yeo Yun Seng, Bernard	21 December 2009	30 October 2014	RH Petrogas Limited	1. UE E & C Ltd. 2. MFS Technology Ltd
Tan Keh Yan, Peter	21 December 2009	26 October 2016	1. Asia Enterprises Holding Ltd 2. Maxi-Cash Financial Services Corporation Ltd.	NIL
Soh Sai Kiang	1 August 2012	28 October 2015	NIL	Artivision Technologies Ltd

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 period ended 31 December 2017. On 11 May 2017, the Company and together with its subsidiaries, changed its financial year end from 30 June to 31 December. Accordingly, the current financial year covers the period of 18 months from 1 July 2016 to 31 December 2017.

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 52 to 107 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 2017, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial period from 1 July 2016 to 31 December 2017 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:

Renny Yeo Ah Kiang
Tan Ah Lye
Tan Cheng Guan
Tan Cheng Kwong
Hideki Okada
Yeo Yun Seng, Bernard
Tan Keh Yan, Peter
Soh Sai Kiang
Hideyuki Morita
Atsushi Shimizu

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.

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 except as follows:

Name of directors and companies in which interest are held	Shareholdings registered in name of directors or nominees		Shareholdings in which directors are deemed to have an interest	
	At beginning of financial year	**At end of financial year**	**At beginning of financial year**	**At end of financial year**
The Company				
(Ordinary Shares)				
Tan Ah Lye	304,000	304,000	32,273,200	32,273,200

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

By virtue of Section 7 of the Companies Act, Mr Tan Ah Lye is deemed to have an interest in the Company and all the related corporations of the Company as at 31 December 2017.

The directors' interests in the shares and options of the Company at 21 January 2018 were the same at 31 December 2017.

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 or any corporation in the Group under option.

5 AUDIT AND RISK COMMITTEE

The Audit and Risk Committee of the Company, consisting of all non-executive directors, is chaired by Mr Yeo Yun Seng, Bernard, an independent director, and includes Mr Tan Keh Yan, Peter, an independent director, Mr Hideyuki Morita, a non-independent director, Mr Soh Sai Kiang, an independent director and Mr Renny Yeo Ah Kiang, an independent director. The Audit Committee has met six times 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 quarterly, 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.

5 AUDIT AND RISK COMMITTEE (cont'd)

The Audit and Risk Committee 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 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

Hideki Okada

28 March 2018

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying 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 2017, 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 period from 1 July 2016 to 31 December 2017, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, as set out on pages 52 to 107.

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 Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") 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 2017 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 financial period from 1 July 2016 to 31 December 2017.

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 ("ACRA") *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.

Key Audit Matters	Our audit performed and responses thereon
Cranes and aerial lifts classified as inventories or property, plant and equipment *(Refer to Note 11 and Note 12 to the financial statements on pages 87 to 90 respectively)* 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 2017, the cranes and aerial lifts classified as inventories and property, plant and equipment of the Group amounted to $4,395,000 and $121,515,000 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 for the Group are disclosed in Note 11 and Note 12 to the financial statements respectively.	Our audit procedures focused on evaluating and challenging 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 year end. Cranes and aerial lifts classified as property, plant and equipment We obtained and examined the utilisation reports for assets with low utilisation rates and idle machinery. We reviewed rental reports for rental subsequent to the financial year end to assess management's judgement in determining the recoverable amount of these assets. For machinery not leased subsequent to the financial year end, we enquired and evaluated management's plans for these assets. We considered the adequacy of the disclosures of inventories and property, plant and equipment contained in Notes 11 and 12 to the financial statements respectively.

Key Audit Matters (cont'd)

Key Audit Matters	Our audit performed and responses thereon
Recoverability of trade receivables *(Refer to Note 8 to the financial statements on pages 84 to 86 respectively)* The Group has exposure to the marine and oil and gas industries, where weak market sentiments may result in collectability issues from the relevant debtors. As at 31 December 2017, the trade receivables of the Group amounted to $24,513,000. Management judgement is required in assessing the ultimate realisation of the receivables, including the 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 year end. We also performed analysis of aging of receivables and challenged management's assessment of material overdue trade receivables, considering the specific customers' profile and risks when no impairment allowance was made. We considered the adequacy of the related disclosures and classifications contained in Note 8 to the financial statements.

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 FRSs, 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.

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.

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

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.

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 Mr. Ng Meng Chuan.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

28 March 2018

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

	Note	Group		Company	
		31 December 2017	30 June 2016	31 December 2017	30 June 2016
		$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents	7	27,349	33,358	13,065	14,368
Trade receivables	8	24,513	26,295	36,914	45,640
Other receivables and prepayments	9	2,794	1,321	11,740	7,883
Derivative financial instruments	10	–	329	–	321
Inventories	11	4,395	31,900	369	23,263
Total current assets		59,051	93,203	62,088	91,475
Non-current assets					
Property, plant and equipment	12	133,205	128,707	42,361	45,849
Investment in subsidiaries	13	–	–	26,942	26,942
Available-for-sale investments	14	643	429	643	429
Other assets	15	10	63	10	63
Total non-current assets		133,858	129,199	69,956	73,283
Total assets		192,909	222,402	132,044	164,758
LIABILITIES AND EQUITY					
Current liabilities					
Bills payable	16	8,911	37,865	8,911	37,865
Derivative financial instruments	10	113	–	113	–
Current portion of bank loans	17	9,667	10,967	9,667	6,967
Trade payables	18	2,386	2,588	1,672	1,721
Other payables	19	3,989	4,783	2,913	3,601
Current portion of finance leases	20	11,140	9,141	4,917	5,265
Income tax payable		277	875	–	–
Total current liabilities		36,483	66,219	28,193	55,419

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2017

		Group		Company	
	Note	31 December 2017	30 June 2016	31 December 2017	30 June 2016
		$'000	$'000	$'000	$'000
Non-current liabilities					
Bank loans	17	833	4,333	833	3,333
Finance leases	20	24,973	21,048	8,668	10,723
Deferred tax liabilities	21	9,050	7,982	3,250	4,000
Total non-current liabilities		34,856	33,363	12,751	18,056
Capital and reserves					
Share capital	22	41,846	41,846	41,846	41,846
Retained earnings		83,327	84,602	49,633	49,782
Treasury shares	23	(355)	(106)	(355)	(106)
Translation reserves		(4,517)	(3,846)	–	–
Fair value reserve		(24)	(239)	(24)	(239)
Capital reserve		(711)	(711)	–	–
Total equity attributable to owners of the Company		119,566	121,546	91,100	91,283
Non-controlling interest		2,004	1,274	–	–
Total equity		121,570	122,820	91,100	91,283
Total liabilities and equity		192,909	222,402	132,044	164,758

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Financial period from 1 July 2016 to 31 December 2017

	Note	Group 18 months from 1 July 2016 to 31 December 2017 $'000	Group 12 months From 1 July 2015 to 30 June 2016 $'000
Revenue	24	141,580	92,113
Cost of sales		(115,492)	(78,985)
Gross profit		26,088	13,128
Other operating income	25	4,191	3,295
Selling expenses		(2,609)	(1,574)
Administrative expenses		(19,538)	(14,522)
Other operating expenses		(2,466)	(2,650)
Finance costs	26	(3,029)	(1,602)
Share of results of associate		–	81
Profit (Loss) before income tax		2,637	(3,844)
Income tax expense	27	(1,346)	(130)
Profit (Loss) for the year	28	1,291	(3,974)
Profit (Loss) attributable to:			
Owners of the Company		436	(4,059)
Non-controlling interest		855	85
		1,291	(3,974)
Earnings (Loss) per share (cents):			
Basic	29	0.38	(3.54)
Diluted	29	0.38	(3.54)
Profit (Loss) for the year	28	1,291	(3,974)
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(796)	(2,247)
Fair value gain (loss) on available-for-sale investments		215	(90)
Other comprehensive loss for the year, net of tax		(581)	(2,337)
Total comprehensive income (loss) for the year		710	(6,311)
Total comprehensive income (loss) attributable to:			
Owners of the Company		(20)	(6,134)
Non-controlling interest		730	(177)
		710	(6,311)

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Financial period from 1 July 2016 to 31 December 2017

	Share capital $'000	Treasury shares $'000	Fair value reserve $'000	Translation reserves $'000	Capital reserve $'000	Retained earnings $'000	Attributable to equity holders of the Company $'000	Non-controlling interest $'000	Total $'000
Group									
Balance at 1 July 2015	41,846	(83)	(149)	(1,861)	(711)	91,817	130,859	1,451	132,310
Total comprehensive loss for the year									
Loss for the year	–	–	–	–	–	(4,059)	(4,059)	85	(3,974)
Other comprehensive loss for the year	–	–	(90)	(1,985)	–	–	(2,075)	(262)	(2,337)
Total	–	–	(90)	(1,985)	–	(4,059)	(6,134)	(177)	(6,311)
Transactions with owners, recognised directly in equity									
Dividends paid (Note 30)	–	–	–	–	–	(3,156)	(3,156)	–	(3,156)
Repurchase of shares	–	(23)	–	–	–	–	(23)	–	(23)
Total	–	(23)	–	–	–	(3,156)	(3,179)	–	(3,179)
Balance at 30 June 2016	41,846	(106)	(239)	(3,846)	(711)	84,602	121,546	1,274	122,820
Total comprehensive income for the year									
Profit for the year	–	–	–	–	–	436	436	855	1,291
Other comprehensive loss for the year	–	–	215	(671)	–	–	(456)	(125)	(581)
Total	–	–	215	(671)	–	436	(20)	730	710
Transactions with owners, recognised directly in equity									
Dividends paid (Note 30)	–	–	–	–	–	(1,711)	(1,711)	–	(1,711)
Repurchase of shares	–	(249)	–	–	–	–	(249)	–	(249)
Total	–	(249)	–	–	–	(1,711)	(1,960)	–	(1,960)
Balance at 31 December 2017	41,846	(355)	(24)	(4,517)	(711)	83,327	119,566	2,004	121,570

STATEMENTS OF CHANGES IN EQUITY

Financial period from 1 July 2016 to 31 December 2017

	Share capital $'000	Treasury shares $'000	Fair value reserve $'000	Retained earnings $'000	Total $'000
Company					
Balance at 1 July 2015	41,846	(83)	(149)	46,593	88,207
Total comprehensive income for the year					
Profit for the year	–	–	–	6,345	6,345
Other comprehensive loss for the year	–	–	(90)	–	(90)
Total	–	–	(90)	6,345	6,255
Transactions with owners, recognised directly in equity					
Dividends paid (Note 30)	–	–	–	(3,156)	(3,156)
Repurchase of shares	–	(23)	–	–	(23)
Total	–	(23)	–	(3,156)	(3,179)
Balance at 30 June 2016	41,846	(106)	(239)	49,782	91,283
Total comprehensive income for the year					
Profit for the year	–	–	–	1,562	1,562
Other comprehensive income for the year	–	–	215	–	215
Total	–	–	215	1,562	1,777
Transactions with owners, recognised directly in equity					
Dividends paid (Note 30)	–	–	–	(1,711)	(1,711)
Repurchase of shares	–	(249)	–	–	(249)
Total	–	(249)	–	(1,711)	(1,960)
Balance at 31 December 2017	41,846	(355)	(24)	49,633	91,100

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Group	
	18 months from 1 July 2016 to 31 December 2017	**12 months From 1 July 2015 to 30 June 2016**
	$'000	**$'000**
Operating activities		
Profit (Loss) before income tax	2,637	(3,844)
Adjustments for:		
Unrealised fair value loss (gain) from derivative financial instruments	442	(217)
Share of associate's results	–	(81)
Depreciation of property, plant and equipment	19,639	12,386
Allowance for doubtful debts	1	23
Interest expense	3,029	1,602
Interest income	(214)	(97)
Net unrealised foreign exchange adjustment	(103)	(89)
Bad debt written off	7	131
Loss on disposal of investment in an associate	–	1,649
Gain on disposal of property, plant and equipment	(487)	(359)
Property, plant and equipment written off	29	2
Loss on disposal of other assets	10	–
Operating cash flows before movements in working capital	24,990	11,106
Trade receivables	1,649	10,494
Other receivables and prepaid expenses	(1,504)	586
Inventories	31,280	(9,766)
Trade payables	144	1,961
Other payables	894	104
Cash generated from operations	57,453	14,485
Income tax paid	(867)	(1,939)
Net cash from operating activities	56,586	12,546

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2017

	Group	
	18 months from 1 July 2016 to 31 December 2017	12 months From 1 July 2015 to 30 June 2016
	$'000	$'000
Investing activities		
Proceeds from disposal of investment in an associate	–	1,000
Proceeds from disposal of other assets	43	–
Interest received	214	97
Purchase of property, plant and equipment (Note A)	(18,298)	(13,005)
Proceeds from disposal of property, plant and equipment	2,542	917
Net cash used in investing activities	(15,499)	(10,991)
Financing activities		
Bills payable	(28,954)	(16,228)
Dividends paid	(1,711)	(3,156)
Interest paid	(3,029)	(1,602)
Repayment of obligations under finance leases	(18,224)	(9,427)
Proceeds from finance leases	10,285	5,856
Repayment of bank loans	(8,650)	(1,400)
Proceeds from bank loans	3,850	13,000
Purchase of treasury shares	(249)	(23)
Net cash used in financing activities	(46,682)	(12,980)
Net decrease in cash and cash equivalents	(5,595)	(11,425)
Cash and cash equivalents at beginning of period/year	33,358	45,391
Effect of exchange rate changes on the cash and cash equivalents held in foreign currencies	(414)	(608)
Cash and cash equivalents at end of period/year (Note 7)	27,349	33,358

Note A

During the financial year ended 31 December 2017, the Group acquired property, plant and equipment (including inventory that are purchased and transferred to property, plant and equipment in the current year) with an aggregate cost of $32,216,000 (2016 : $27,998,000) for which $13,918,000 (2016 : $14,994,000) were acquired under finance leases (Note 20).

See accompanying notes to financial statements.

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.

On 11 May 2017, the Company and together with its subsidiaries, changed its financial year end from 30 June to 31 December. Accordingly, the current financial year covers the period of 18 months from 1 July 2016 to 31 December 2017.

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 financial year ended 31 December 2017 were authorised for issue by the Board of Directors on 28 March 2018.

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 and Financial Reporting Standards in Singapore ("FRSs").

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 leasing transactions that are within the scope of FRS 17 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 Inventories or value in use in FRS 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

ADOPTION OF NEW AND REVISED STANDARDS – On 1 January 2017, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRS does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior financial years except for certain presentation improvements arising from Amendments to FRS 7 Statement of Cash Flows: Disclosure Initiative.

Amendments to FRS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group's liabilities arising from financing activities and a reconciliation between the opening and closing balances of these liabilities are set out in Note 20. Consistent with the transition provisions of the amendments, the Group has not disclosed comparative information for the prior period. Apart from the additional disclosure in Note 20, the application of these amendments has had no impact on the Group's consolidated financial statements.

Convergence to the International Financial Reporting Standards ("IFRS") in 2018

Singapore-incorporated companies listed on the Singapore Exchange ("SGX") will be required to apply a new Singapore financial reporting framework, the Singapore Financial Reporting Standards (International) ("SFRS(I)"), that is identical to the International Financial Reporting Standards ("IFRS") for annual periods beginning on or after 1 January 2018. The Group and the Company will be adopting SFRS(I) for the first time for the financial year ending 31 December 2018.

Management has completed their assessment of the potential impact arising from SFRS(I) 1 First-time adoption of SFRS(I), and has concluded that there are no changes to the Group's and the Company's current accounting policies or material adjustments required on transition to the new framework.

New SFRS(I) and SFRS(I) INT yet to be adopted

At the date of authorisation of these financial statements, the following SFRS(I) that are relevant to the Group and the Company were issued but not effective:

- SFRS(I) 9 *Financial Instruments*[1]
- SFRS(I) 15 *Revenue from Contracts with Customers (with clarifications issued)*[1]
- SFRS(I) 16 *Leases*[2]
- SFRS(I) INT 22 *Foreign Currency Transactions and Advance Consideration*[1]

1 Applies to annual periods beginning on or after 1 January 2018, with early application permitted.

2 Applies to annual periods beginning on or after 1 January 2019, with early application permitted if SFRS(I) 15 is adopted.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above SFRS(I)s 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 as follows:

SFRS(I) 9 *Financial Instruments*

SFRS(I) 9 was issued in December 2017, and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements of SFRS(I) 9:

- All recognised financial assets that are within the scope of FRS 39 *Financial Instruments: Recognition and Measurement* ("FRS 39") are now required to be subsequently measured at amortised cost or fair value through profit or loss ("FVTPL"). Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by collecting contractual cash flows and selling financial assets, and that have contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at fair value through other comprehensive income ("FVTOCI"). All other debt investments and equity investments are measured at FVTPL at the end of subsequent accounting periods. In addition, under SFRS(I) 9, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at FVTOCI, with only dividend income generally recognised in profit or loss.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, SFRS(I) 9 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk be presented 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 to profit or loss. Changes in fair value attributable to the financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, SFRS(I) 9 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. In other words, it is no longer necessary for a credit event to have occurred before credit losses are recognised.

Management has performed an analysis of the requirements of the initial application of the new SFRS(I) 9 which will result in changes to the accounting policies relating to the impairment provisions of financial assets. Management anticipates that the adoption of SFRS(I) 9 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 15 *Revenue from Contracts with Customers*

In December 2017, SFRS(I) 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. SFRS(I) 15 will supersede the current revenue recognition guidance including FRS 18 Revenue, FRS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of SFRS(I) 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under SFRS(I) 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in SFRS(I) 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by SFRS(I) 15.

Management has performed an analysis of the requirements of the initial application of SFRS(I) 15. Management anticipates that the adoption of SFRS(I) 15 will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

SFRS(I) 16 Leases

SFRS(I) 16 was issued in December 2017.

The Standard provides a comprehensive model for the identification of lease arrangements and their treatment in the financial statements of both lessees and lessors. The identification of leases, distinguishing between leases and service contracts, are determined on the basis of whether there is an identified asset controlled by the customer.

Significant changes to lessee accounting are introduced, with the distinction between operating and finance leases removed and assets and liabilities recognised in respect of all leases (subject to limited exceptions for short-term leases and leases of low value assets). The Standard maintains substantially the lessor accounting approach under the predecessor FRS 17 Leases ("FRS 17").

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

FRS 17 does not require the recognition of any right-of-use asset or liability for future payments for these lease; instead certain information is disclosed as operating lease commitments in Note 33. A preliminary assessment indicates that these arrangements will meet the definition of a lease under SFRS(I) 16 and hence the Group will recognise a right-of-use asset and a corresponding liability of all these leases. Management anticipates that the application of SFRS(I) 16 in the future may have a material impact on amounts reported in respect of the Group's and the Company's financial statements. However, it is not practicable to provide a reasonable estimate of the effect of SFRS(I) 16 until the Group and the Company undertakes a detailed review.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including special purpose entities) controlled by the Company (its subsidiaries). 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.

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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.

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 the 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 FRSs). 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 FRS 39, 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, associates and joint ventures 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 fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). 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. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under the FRS are recognised at their fair value at the acquisition date, except that:

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions of the acquirer in accordance with FRS 102 *Share-based Payment* at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another FRS.

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.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

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

<u>Effective interest method</u>

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on 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 instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value throught profit or loss".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Available-for-sale financial assets

Certain shares held by the Group are classified as being available for sale and are stated at fair value. Fair value is determined in the manner described in Note 4. Gains and losses arising from changes in fair value are recognised directly in the fair value reserve with the exception of impairment losses, interest calculated using the effective interest method and foreign exchange gains and losses on monetary assets which are recognised directly in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in other comprehensive income and accumulated in revaluation reserve is reclassified to profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established. The fair value of available-for-sale monetary assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at reporting date. The change in fair value attributable to translation differences that result from a change in amortised cost of the asset is recognised in profit or loss, and other changes are recognised in other comprehensive income.

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables (including cash and cash equivalents and trade and other receivables) are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest method, except for short-term receivables when the recognition of interest would be immaterial.

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- Significant financial difficulty of the issuer or counterparty; or
- Default or delinquency in interest or principal payments; or
- It becoming probable that the borrower will enter bankruptcy or financial re-organisation.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For certain categories of financial assets, such as trade and other receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade and other receivables where the carrying amount is reduced through the use of an allowance account. When a trade and other receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to the profit or loss. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

In respect of available-for-sale equity instruments, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any subsequent increase in fair value after an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserves. In respect of available-for-sale debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

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

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method with interest expense recognised on an effective yield basis.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Interest expense calculated using the effective interest method is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired.

Derivative financial instruments and hedge accounting

The Group's activities expose it primarily to the financial risk of changes in foreign exchange rates and interest rates.

The Group uses derivative financial instruments (primarily foreign exchange forward contracts) to hedge significant future transactions and cash flows in the management of its exchange rate exposures. The Group does not use any financial derivative instrument to manage its interest rates exposure. The Group does not use derivative financial instruments for speculative purposes.

Derivative financial instruments are initially measured at fair value on the trade date, and are remeasured to fair value at the end of each reporting period. All changes in fair value are taken to profit or loss.

LEASES - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

INVENTORIES - Inventories, comprising mainly cranes and aerial lifts, are stated at the lower of cost and net realisable value. For purchase 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%
Aerial lifts	-	10%
Motor vehicles	-	20%
Plant and equipment	-	10 to 20%

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

IMPAIRMENT OF NON-FINANCIAL ASSETS - At the end of each reporting period, the Group reviews the carrying amounts of its non-financial 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.

ASSOCIATES - An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss in which the investment is acquired.

The requirements of FRS 39 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with FRS 36 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate, or when the investment is classified as held for sale. When the Group retains an interest in the former associate and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with FRS 39. The difference between the carrying amount of the associate at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate is included in the determination of the gain or loss on disposal of the associate. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

Where a Group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate is recognised in the Group's consolidation financial statements only to the extent of interests in the associate that are not related to the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for services provided in the normal course of business, net of discounts and sales related taxes.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- The Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- The Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- The amount of revenue can be measured reliably;
- It is probable that the economic benefits associated with the transaction will flow to the entity; and
- The costs incurred or to be incurred in respect of the transaction can be measured reliably.

Rendering of services

Revenue from rendering of services is recognised upon completion and delivery of services to the 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.

Rental income

Rental income is recognised on a straight-line basis over the term of the relevant lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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.

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 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.

<u>Impairment of property, plant and equipment</u>

Where there are indications of impairment of its assets, 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 the higher of fair value less cost to sell and value in use. The carrying amount of property, plant and equipment at the end of the reporting period is disclosed in Note 12 to the financial statements.

<u>Allowance for inventories</u>

In determining the net realisable value of the 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. These estimates take into consideration the fluctuations of price or cost, seasonality, or any inventories on hand that may not be realised, as a result of events occurring after the end of the financial year to the extent that such events confirm conditions existing at the year end. The carrying amount of inventories is disclosed in Note 11 to the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(b) Key sources of estimation uncertainty (cont'd)

Allowance for trade receivables

The Group has exposure to the marine and oil and gas industries, where weak market sentiments may result in collectability issues from the relevant debtors. Management judgement is required in assessing the ultimate realisation of the receivables, including the current creditworthiness and the past collection history of each customer. The carrying amount of trade receivables is disclosed in Note 8 to the financial statements.

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	
	31 December 2017 $'000	30 June 2016 $'000	31 December 2017 $'000	30 June 2016 $'000
Financial assets				
Derivative financial instruments at fair value	–	329	–	321
Available-for-sale investments at fair value	643	429	643	429
Loans and receivables at amortised cost:				
Cash and cash equivalents	27,349	33,358	13,065	14,368
Trade receivables	24,513	26,295	36,914	45,640
Other receivables	859	263	10,575	7,616
	53,364	60,674	61,197	68,374
Financial liabilities				
Derivative financial instruments at fair value	113	–	113	–
Amortised cost:				
Bills payable	8,911	37,865	8,911	37,865
Bank loans	10,500	15,300	10,500	10,300
Trade payables	2,386	2,588	1,672	1,721
Other payables	3,989	4,783	2,913	3,601
Finance leases	36,113	30,189	13,585	15,988
	62,012	90,725	37,694	69,475

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(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

The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

As at 31 December 2017, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is represented by the carrying amounts of the respective recognised financial assets as stated in the consolidated statement of financial position.

At the end of the reporting period, there is no significant concentration of credit risk except for trade balances due from 4 major customers amounting to $10,696,000 (2016 : 3 major customers amounting to $7,913,000). Credit exposure is controlled by counterparty limits that are reviewed and approved by the management.

Cash and fixed deposits are placed with reputable financial institutions which are regulated.

(ii) Interest rate risk management

The Group's exposure to changes in interest rates relates primarily to interest-bearing bills payable and bank loans as disclosed in Notes 16 and 17 for which interest rates are subject to fluctuation.

The impact of fluctuations in short-term interest rates on cash balances is relatively insignificant.

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's profit for the year ended 31 December 2017 would increase/decrease by $373,000 (2016 : loss increase/decrease by $525,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(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.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iii) Foreign currency risk management (cont'd)

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	
	2017	2016	2017	2016	2017	2016	2017	2016
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Japanese yen	285	296	1,303	12,746	285	296	1,303	12,746
Malaysian Ringgit	195	190	–	–	195	190	–	–
Singapore dollar	99	1,205	–	–	–	–	–	–
United States dollar	2,363	6,621	14	1,483	*	173	–	1,433
Euro	–	–	3,861	–	–	–	3,861	–

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 (2016 : loss for the year) will increase (decrease) (2016 : decrease (increase)) by:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Impact arising from				
Japanese yen	102	1,245	102	1,245
Malaysian Ringgit	(19)	(19)	(19)	(19)
Singapore dollar	(10)	(120)	–	–
United States dollar	(235)	(514)	*	126
Euro	386	–	386	–

* 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 (2016 : loss for the year) will (increase) decrease (2016 : (decrease) increase) by the same amounts.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(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.

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	Within 2 to 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000
Group					
At 31 December 2017					
Non-interest bearing	–	6,488	–	–	6,488
Finance leases (fixed rate)	4.52	12,609	27,020	(3,516)	36,113
Fixed interest rate instrument	2.73	1,706	836	(42)	2,500
Variable interest rate instruments	1.67	17,291	–	(380)	16,911
		38,094	27,856	(3,938)	62,012
At 30 June 2016					
Non-interest bearing	–	7,371	–	–	7,371
Finance leases (fixed rate)	4.41	10,160	22,809	(2,780)	30,189
Fixed interest rate instrument	2.73	1,775	3,413	(188)	5,000
Variable interest rate instruments	1.69	47,726	1,015	(576)	48,165
		67,032	27,237	(3,544)	90,725

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(iv) Liquidity risk management (cont'd)

Non-derivative financial liabilities (cont'd)

	Weighted average effective interest rate	Repayable on demand or within 1 year	Within 2 to 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000
Company					
At 31 December 2017					
Non-interest bearing	–	4,698	–	–	4,698
Finance leases (fixed rate)	3.03	5,267	9,314	(996)	13,585
Fixed interest rate instrument	2.73	1,706	836	(42)	2,500
Variable interest rate instruments	1.67	17,291	–	(380)	16,911
		28,962	10,150	(1,418)	37,694
At 30 June 2016					
Non-interest bearing	–	5,322	–	–	5,322
Finance leases (fixed rate)	3.03	5,640	11,479	(1,131)	15,988
Fixed interest rate instrument	2.73	1,775	3,413	(188)	5,000
Variable interest rate instruments	1.55	43,647	–	(482)	43,165
		56,384	14,892	(1,801)	69,475

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 interests on cash balances (Note 7) which is relatively insignificant to the Group and the Company.

Derivative financial instruments

The Group's derivative financial instruments comprise foreign exchange forward contracts amounting to $113,000 liability (2016 : $329,000 asset) with contracted cash flows all due within one year (2016 : due within one year) (Note 10).

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(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.

	Fair value hierarchy as at 31 December 2017			
	Total	**Level 1**	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Financial assets				
Available-for-sale investments:				
- Quoted equities	643	643	–	–
Financial liabilities				
Derivative financial instruments	113	–	113	–
Company				
Financial assets				
Available-for-sale investments:				
- Quoted equities	643	643	–	–
Financial liabilities				
Derivative financial instruments	113	–	113	–

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(b) Financial risk management policies and objectives (cont'd)

(v) Fair value of financial assets and financial liabilities (cont'd)

	Fair value hierarchy as at 31 December 2016			
	Total	**Level 1**	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**	**$'000**
Group				
Financial assets				
Available-for-sale investments:				
- Quoted equities	429	429	–	–
Derivative financial instruments	329	–	329	–
Total	758	429	329	–
Company				
Financial assets				
Available-for-sale investments:				
- Quoted equities	429	429	–	–
Derivative financial instruments	321	–	321	–
Total	750	429	321	–

(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 e.g. bills payable, bank loans and finance leases as disclosed in Notes 16, 17 and 20 respectively) 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 existing loans. The Group's overall strategy remains unchanged from 2016.

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.

During the year, the Group entities entered into the following transactions with related parties:

	Group	
	1 July 2016 to 31 December 2017	**1 July 2015 to 30 June 2016**
	$'000	**$'000**
Associate		
Rental income	–	5
Servicing income	–	36

Compensation of directors and key management personnel

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

	Group	
	1 July 2016 to 31 December 2017	**1 July 2015 to 30 June 2016**
	$'000	**$'000**
Short-term benefits	5,286	3,988
Post-employment benefits	218	162
	5,504	4,150

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	
	31 December 2017	30 June 2016	31 December 2017	30 June 2016
	$'000	$'000	$'000	$'000
Cash at bank	19,678	33,098	13,061	14,365
Cash on hand	419	225	4	3
Fixed deposits	7,252	35	–	–
	27,349	33,358	13,065	14,368

Cash and cash equivalents comprise cash on hand and at bank and short-term deposits held by the Group.

As at 31 December 2017, fixed deposits bore average interest at 3.02% per annum (2016 : 4.5% per annum) and for a tenure between 3 to 6 months (2016 : 1 month). The fixed deposits can be readily converted into cash and is subject to an insignificant risk of changes in value.

8 TRADE RECEIVABLES

	Group		Company	
	31 December 2017	30 June 2016	31 December 2017	30 June 2016
	$'000	$'000	$'000	$'000
Outside parties	24,513	26,368	11,137	15,297
Subsidiaries (Note 13)	–	–	25,777	30,343
	24,513	26,368	36,914	45,640
Less: Allowance for doubtful debts				
- outside parties	–	(73)	–	–
	24,513	26,295	36,914	45,640

The credit period ranges from 30 to 90 days for the years ended 31 December 2017 and 30 June 2016. No interest is charged on the outstanding trade receivables.

8 TRADE RECEIVABLES (cont'd)

The table below is an analysis of trade receivables as at the end of the reporting period:

	Group		Company	
	31 December 2017	30 June 2016	31 December 2017	30 June 2016
	$'000	$'000	$'000	$'000
Not past due and not impaired	17,291	20,836	13,752	19,877
Past due but not impaired:				
Less than 3 months	2,161	2,333	657	3,663
More than 3 months and less than 12 months	1,349	1,143	5,025	4,180
More than 12 months	3,712	1,983	17,480	17,920
	24,513	26,295	36,914	45,640
Impaired receivables - individually assessed	–	73	–	–
Less: Allowance for doubtful debts	–	(73)	–	–
	–	–	–	–
Total trade receivables, net	24,513	26,295	36,914	45,640

Included in the Group's trade receivables balance are debtors with a carrying amount of $7.222 million (2016 : $5.459 million) which are past due at the end of the reporting period for which the Group has not recognised an allowance for doubtful receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Group does not hold any collateral over these balances.

Included in the Company's trade receivables balance are debtors with a carrying amount of $23.162 million (2016 : $25.763 million) which are past due at the end of the reporting period for which the Company has not recognised an allowance for doubtful receivables as there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances.

Movements in the allowance for doubtful debts in respect of trade receivables

	Group		Company	
	31 December 2017	30 June 2016	31 December 2017	30 June 2016
	$'000	$'000	$'000	$'000
Balance at beginning of the year	73	53	–	–
Increase in allowance recognised in profit or loss	1	23	–	–
Amount written off during the year	(73)	–	–	–
Exchange differences	(1)	(3)	–	–
Balance at end of the year	–	73	–	–

8 TRADE RECEIVABLES (cont'd)

In determining the recoverability of trade receivables, the Group considers any change in the credit quality of the trade receivables from the date that credit was initially granted up to the end of the reporting period. Other than the Group's 4 major customers (2016 : 3 major customers) as disclosed in Note 4, the concentration of credit risk is limited due to the customer base being diverse and unrelated. Accordingly, management believes that there is no further allowance required in excess of the allowance for doubtful debts. The Group does not hold any collateral over these balances.

9 OTHER RECEIVABLES AND PREPAYMENTS

	Group		Company	
	31 December 2017	30 June 2016	31 December 2017	30 June 2016
	$'000	$'000	$'000	$'000
Subsidiaries (Note 13)	–	–	10,503	7,538
Deposits	80	151	46	46
Prepayments	1,935	1,058	1,165	267
Sundry debtors	779	112	26	32
	2,794	1,321	11,740	7,883

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

All other receivables as at year end are within their cash collection cycles and are not past due, and there has not been a significant change in credit quality.

10 DERIVATIVE FINANCIAL INSTRUMENTS

	Group			
	31 December 2017		30 June 2016	
	Assets	Liabilities	Assets	Liabilities
	$'000	$'000	$'000	$'000
Foreign currency forward contracts	–	113	329	–

	Company			
	31 December 2017		30 June 2016	
	Assets	Liabilities	Assets	Liabilities
	$'000	$'000	$'000	$'000
Foreign currency forward contracts	–	113	321	–

10 DERIVATIVE FINANCIAL INSTRUMENTS (cont'd)

The Group utilises foreign currency forward contracts to purchase and sell Singapore dollar ("SGD"), Malaysian Ringgit ("MYR"), United States dollar ("USD"), Japanese yen ("JPY") and Euro ("EUR") 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	
	31 December 2017	30 June 2016	31 December 2017	30 June 2016
Sell SGD'000	17,285	18,319	17,285	18,319
Sell MYR'000	–	9,470	–	–
Sell USD'000	–	80	–	80
Buy SGD'000	–	3,178	–	–
Buy JPY'000	1,116,996	1,328,344	1,116,996	1,328,344
Buy EUR'000	2,416	708	2,416	708

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 changes in fair value of the forward foreign exchange contracts loss amounting to $442,000 (2016 : foreign exchange contract gain $217,000) have been taken up in profit or loss.

11 INVENTORIES

	Group		Company	
	31 December 2017	30 June 2016	31 December 2017	30 June 2016
	$'000	$'000	$'000	$'000
Cranes and aerial lifts	4,395	31,900	369	23,263

12 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 July 2015	3,304	–	3,951	134,174	17,257	4,417	2,514	165,617
Additions	–	–	1,789	2,347	140	1,322	238	5,836
Transfer from inventories	–	–	–	24,631	1,871	–	–	26,502
Transfer to inventories	–	–	–	(17,931)	(2,996)	–	–	(20,927)
Disposals	–	–	–	(685)	(112)	(224)	(1)	(1,022)
Written off	–	–	–	–	–	(47)	(11)	(58)
Exchange differences	(197)	–	(16)	(3,324)	(50)	(86)	(48)	(3,721)
At 30 June 2016	3,107	–	5,724	139,212	16,110	5,382	2,692	172,227
Additions	–	506	422	863	22	1,731	1,674	5,218
Transfer from inventories	–	–	–	31,974	4,764	–	–	36,738
Transfer to inventories	–	–	–	(16,548)	(6,035)	–	–	(22,583)
Disposals	–	–	–	(1,858)	(95)	(1,101)	(176)	(3,230)
Written off	–	–	–	–	(35)	(24)	(11)	(70)
Exchange differences	(37)	–	(18)	(2,369)	(76)	(109)	(68)	(2,677)
At 31 December 2017	3,070	506	6,128	151,274	14,655	5,879	4,111	185,623
Accumulated depreciation:								
At 1 July 2015	–	–	2,371	32,902	4,622	2,195	1,428	43,518
Depreciation for the year	–	–	158	9,381	1,691	813	343	12,386
Transfer to inventories	–	–	–	(10,597)	(812)	–	–	(11,409)
Disposals	–	–	–	(229)	(25)	(209)	(1)	(464)
Written off	–	–	–	–	–	(46)	(10)	(56)
Exchange differences	–	–	–	(384)	(29)	(25)	(17)	(455)
At 30 June 2016	–	–	2,529	31,073	5,447	2,728	1,743	43,520
Depreciation for the year	–	14	283	15,497	2,152	1,120	573	19,639
Transfer to inventories	–	–	–	(6,650)	(2,448)	–	–	(9,098)
Disposals	–	–	–	(237)	(35)	(855)	(48)	(1,175)
Written off	–	–	–	–	(13)	(17)	(11)	(41)
Exchange differences	–	–	–	(363)	(9)	(14)	(41)	(427)
At 31 December 2017	–	14	2,812	39,320	5,094	2,962	2,216	52,418
Carrying amount:								
At 31 December 2017	3,070	492	3,316	111,954	9,561	2,917	1,895	133,205
At 30 June 2016	3,107	–	3,195	108,139	10,663	2,654	949	128,707

12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Workshop building $'000	Cranes $'000	Motor vehicles $'000	Plant and equipment $'000	Total $'000
Company					
Cost:					
At 1 July 2015	3,951	71,634	2,804	1,489	79,878
Additions	–	380	814	12	1,206
Transfer from inventories	–	7,424	–	–	7,424
Transfer to inventories	–	(17,391)	–	–	(17,391)
Disposal	–	–	(185)	(1)	(186)
Written off	–	–	–	(2)	(2)
At 30 June 2016	3,951	62,047	3,433	1,498	70,929
Additions	–	–	209	1,013	1,222
Transfer from inventories	–	8,607	–	–	8,607
Transfer to inventories	–	(10,195)	–	–	(10,195)
Disposal	–	–	(1,066)	(21)	(1,087)
Written off	–	–	–	(11)	(11)
At 31 December 2017	3,951	60,459	2,576	2,479	69,465
Accumulated depreciation:					
At 1 July 2015	2,371	24,870	1,699	1,125	30,065
Depreciation for the year	158	4,457	488	105	5,208
Transfer to inventories	–	(10,005)	–	–	(10,005)
Disposal	–	–	(185)	(1)	(186)
Written off	–	–	–	(2)	(2)
At 30 June 2016	2,529	19,322	2,002	1,227	25,080
Depreciation for the year	237	6,277	621	167	7,302
Transfer to inventories	–	(4,401)	–	–	(4,401)
Disposal	–	–	(845)	(21)	(866)
Written off	–	–	–	(11)	(11)
At 31 December 2017	2,766	21,198	1,778	1,362	27,104
Carrying amount:					
At 31 December 2017	1,185	39,261	798	1,117	42,361
At 30 June 2016	1,422	42,725	1,431	271	45,849

12 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The carrying amount of property, plant and equipment that are held under finance leases (Note 20) are as follows:

	Group		Company	
	31 December 2017	30 June 2016	31 December 2017	30 June 2016
	$'000	$'000	$'000	$'000
Cranes	58,994	50,513	25,329	28,316
Motor vehicles	396	407	–	–
Plant and equipment	11	21	11	21
	59,401	50,941	25,340	28,337

13 INVESTMENT IN SUBSIDIARIES

	Company	
	31 December 2017	30 June 2016
	$'000	$'000
Unquoted equity shares - at cost	4,200	4,200
Loan to subsidiaries	22,742	22,742
	26,942	26,942

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.

13 INVESTMENT IN SUBSIDIARIES (cont'd)

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		Principal activity
		2017 %	2016 %	
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	85	85	Rental and trading of cranes
Sin Heng Vina Co. Ltd (3)	Vietnam	100	100	Rental and trading of cranes
SH Equipment Pte Ltd (4)	Singapore	100	100	Trading of equipment
PT SH Machinery Indonesia (5)	Indonesia	100	100	Dormant
SH Equipment Holdings Sdn Bhd (5)	Malaysia	100	100	Dormant
SH Equipment (HK) Limited (5)	Hong Kong	100	100	Rental and trading of cranes
Held by subsidiaries				
FC Heavy Machinery Sdn Bhd (2)	Malaysia	85	85	Dormant
SH Equipment (Myanmar) Company Limited (5)	Myanmar	100	100	Rental of equipment
Bestari Industrial Holdings Sdn.Bhd ("Bestari") (5), (6)	Malaysia	42	42	Dormant

(1) Audited by Deloitte & Touche LLP, Singapore

(2) Audited by Deloitte & Touche PLT, Malaysia

(3) Audited by Deloitte Vietnam Co., Ltd.

(4) Audited by Baker Tilly TFW LLP, Singapore

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

(6) Although the Group has only 42% ownership in Bestari, the management concluded that the Group has a sufficiently dominant voting interest to direct the relevant activities of Bestari on the basis of the Group's absolute size of shareholding and the relative size and dispersion of the shareholdings owned by other shareholders.

13 INVESTMENT IN SUBSIDIARIES (cont'd)

Summarised financial information in respect of the Group's subsidiaries that has material non-controlling interest, before any intra-group elimination, is set out below:

	SH Heavy Machinery Sdn Bhd and its subsidiaries	
	31 December 2017	30 June 2016
	$'000	$'000
Current assets	16,937	15,593
Non-current assets	56,695	42,708
Current liabilities	20,164	17,785
Non-current liabilities	20,921	12,904
Equity attributable to equity holders of the Company	30,543	26,338
Non-controlling interest	2,004	1,274
Revenue	62,148	25,848
Profit attributable to:		
Equity holders of the Company	4,997	481
Non-controlling interest	855	85
Profit for the period/year	5,852	566
Total comprehensive income (loss) attributable to:		
Equity holders of the Company	4,719	(1,001)
Non-controlling interest	730	(177)
Total comprehensive income (loss) for the period/year	5,449	(1,178)
Dividends paid to non-controlling interest	87	–
Net cash inflow from operating activities	18,468	4,282
Net cash outflow from investing activities	(12,689)	(5,965)
Net cash outflow from financing activities	(5,725)	(3,198)
Net cash inflow (outflow)	54	(4,881)

14 AVAILABLE-FOR-SALE INVESTMENTS

	Group and Company	
	31 December 2017	30 June 2016
	$'000	$'000
Quoted equity shares, at fair value	643	429

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

15 OTHER ASSETS

	Group and Company	
	31 December 2017	30 June 2016
	$'000	$'000
Golf club memberships	69	122
Allowance for impairment	(59)	(59)
Golf club memberships, at fair value	10	63

16 BILLS PAYABLE

Bills payable are unsecured, repayable between 29 to 137 days (2016 : 8 to 171 days) and with interest rates ranging from 0.9% to 1.85% (2016 : 1.00% to 1.70%) per annum.

17 BANK LOANS

	Group		Company	
	31 December 2017	30 June 2016	31 December 2017	30 June 2016
	$'000	$'000	$'000	$'000
Bank loan - unsecured	10,500	15,300	10,500	10,300
Less: Amount due for settlement within 12 months (shown under current liabilities)	(9,667)	(10,967)	(9,667)	(6,967)
Amount due for settlement after 12 months	833	4,333	833	3,333

The fair value of the bank loans approximate their carrying amounts at the end of the reporting period as their interest rates approximate current market interest rates on or near the end of the reporting period.

The effective interest rates for the bank loans are 2.27% (2016 : 2.48%) per annum.

18 TRADE PAYABLES

	Group		Company	
	31 December 2017	30 June 2016	31 December 2017	30 June 2016
	$'000	$'000	$'000	$'000
Outside parties	2,386	2,588	1,672	1,721

The average credit period on purchases of goods is 30 to 90 days for the years ended 31 December 2017 and 30 June 2016. No interest is charged on the outstanding balance.

19 OTHER PAYABLES

	Group		Company	
	31 December 2017	30 June 2016	31 December 2017	30 June 2016
	$'000	$'000	$'000	$'000
Outside parties	258	364	–	–
Accrued expenses	2,774	2,272	2,160	1,847
Deposits received	957	2,147	753	1,754
	3,989	4,783	2,913	3,601

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

20 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2017	30 June 2016	31 December 2017	30 June 2016
	$'000	$'000	$'000	$'000
Group				
Amounts payable under finance leases:				
Within one year	12,609	10,160	11,140	9,141
In the second to fifth years inclusive	27,020	22,809	24,973	21,048
	39,629	32,969	36,113	30,189
Less: Future finance charges	(3,516)	(2,780)	–	–
Present value of lease obligations	36,113	30,189	36,113	30,189
Less: Amounts due for settlement within 12 months (shown under current liabilities)			(11,140)	(9,141)
Amount due for settlement after 12 months			24,973	21,048

20 FINANCE LEASES (cont'd)

	Minimum lease payments		Present value of minimum lease payments	
	31 December 2017 $'000	30 June 2016 $'000	31 December 2017 $'000	30 June 2016 $'000
Company				
Amounts payable under finance leases:				
Within one year	5,267	5,640	4,917	5,265
In the second to fifth years inclusive	9,314	11,479	8,668	10,723
	14,581	17,119	13,585	15,988
Less: Future finance charges	(996)	(1,131)	–	–
Present value of lease obligations	13,585	15,988	13,585	15,988
Less: Amounts due for settlement within 12 months (shown under current liabilities)			(4,917)	(5,265)
Amount due for settlement after 12 months			8,668	10,723

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 4 years. For the year ended 31 December 2017, the average effective borrowing rate was 4.5% (2016 : 4.4%) per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in the functional currencies of the respective entities.

The carrying amount of the Group's finance leases approximate its fair value.

The Group's obligations under finance leases are secured by certain property, plant and equipment as disclosed in Note 12.

20 FINANCE LEASES (cont'd)

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.

	1 July 2016	Financing cash flow(i)	Acquisition(ii)	Foreign exchange movement	31 December 2017
	$'000	$'000	$'000	$'000	$'000
Biils payable (Note 16)	37,865	(28,954)	–	–	8,911
Bank loans (Note 17)	15,300	(4,800)	–	–	10,500
Finance leases (Note 20)	30,189	(7,939)	13,918	(55)	36,113
	83,354	(41,693)	13,918	(55)	55,524

(i) The cash flows make up the net amount of proceeds from borrowings and repayments of borrowings in the statement of cash flows.

(ii) Acquisition involves the acquisition of assets by means of finance leases.

21 DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation	
	Group	Company
	$'000	$'000
Balance at 1 Jul 2015	8,565	4,917
Credit to profit or loss (Note 27)	(450)	(917)
Exchange differences	(133)	–
Balance at 30 Jun 2016	7,982	4,000
Charge (Credit) to profit or loss (Note 27)	476	(750)
Others	609	–
Exchange differences	(17)	–
Balance at 31 December 2017	9,050	3,250

21 DEFERRED TAX LIABILITIES (cont'd)

Certain deferred tax assets and liabilities have been offset in accordance with the Group's accounting policy. The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group		Company	
	31 December 2017 $'000	30 June 2016 $'000	31 December 2017 $'000	30 June 2016 $'000
Deferred tax liabilities	9,461	9,056	3,366	4,162
Deferred tax assets	(411)	(1,074)	(116)	(162)
	9,050	7,982	3,250	4,000

22 SHARE CAPITAL

	Group and Company			
	31 December 2017 '000	30 June 2016 '000	31 December 2017 $'000	30 June 2016 $'000
	Number of ordinary shares			
Issued and paid-up:				
At beginning of the year	114,889	574,445	41,846	41,846
Share consolidation	–	(459,556)	–	–
At 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.

On 18 November 2015, the Company completed the share consolidation of every five (5) ordinary shares into one (1) ordinary share in the capital of the Company, fractional entitlements to be disregarded ("Share Consolidation").

23 TREASURY SHARES

	Group and Company			
	31 December 2017 '000	30 June 2016 '000	31 December 2017 $'000	30 June 2016 $'000
	Number of ordinary shares			
At beginning of the year	170	601	106	83
Share consolidation	–	(481)	–	–
Repurchased during the year	706	50	249	23
At end of the year	876	170	355	106

23 TREASURY SHARES (cont'd)

On 18 November 2015, the Company completed the share consolidation of every five (5) ordinary shares into one (1) ordinary share in the capital of the Company, fractional entitlements to be disregarded ("Share Consolidation").

The Company acquired 706,000 (2016 : 50,000) of its own shares through purchases on the Singapore Exchange during the year. The total amount paid to acquire the shares was $249,000 (2016 : $23,000) and has been deducted from shareholders' equity. The shares are held as 'treasury shares'.

24 REVENUE

	Group	
	1 July 2016 to 31 December 2017	1 July 2015 to 30 June 2016
	$'000	$'000
Rental of cranes and aerial lifts	67,490	41,434
Trading of cranes and aerial lifts	74,090	50,679
	141,580	92,113

25 OTHER OPERATING INCOME

	Group	
	1 July 2016 to 31 December 2017	1 July 2015 to 30 June 2016
	$'000	$'000
Rental of office and warehouse space	154	184
Gain on derivative financial instruments	–	217
Insurance claim received	117	309
Gain on disposal of property, plant and equipment	487	359
Servicing income	2,656	1,825
Interest income	214	97
Others	563	304
	4,191	3,295

26 FINANCE COSTS

	Group	
	1 July 2016 to 31 December 2017	1 July 2015 to 30 June 2016
	$'000	$'000
Interest expenses on:		
Bills payable	375	472
Bank loans	408	178
Finance leases	2,246	952
	3,029	1,602

27 INCOME TAX EXPENSE

	Group	
	1 July 2016 to 31 December 2017	1 July 2015 to 30 June 2016
	$'000	$'000
Current tax expense:		
Current year	894	835
Overprovision in prior years	(24)	(255)
Deferred tax expense:		
Current year	355	(810)
Underprovision in prior years	121	360
	1,346	130

Domestic income tax is calculated at 17% (2016 : 17%) of the estimated assessable income for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

27 INCOME TAX EXPENSE (cont'd)

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

	Group	
	1 July 2016 to 31 December 2017	1 July 2015 to 30 June 2016
	$'000	$'000
Profit (Loss) before income tax	2,637	(3,844)
Income tax (benefit) expense at the income tax rate of 17% (2016 : 17%)	448	(654)
Tax effect of expenses not deductible for tax purpose, net	437	1,010
Effect of different tax rates of overseas subsidiaries	532	68
Effect of tax incentive	(10)	(20)
Effect of utilisation of previously unrecognised tax losses and unutilised capital allowance	–	(28)
Effect of unused tax losses not recognised as deferred tax assets	37	–
Overprovision of current tax in prior years	(24)	(255)
Singapore statutory stepped income exemption	(26)	(26)
Others	(48)	35
Total income tax expense	1,346	130

Subject to the agreement of the tax authority, at the end of the reporting period, the Group has unutilised tax loss of $216,000 (2016 : $Nil) available for offset against future profits.

28 PROFIT (LOSS) FOR THE YEAR

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

	Group	
	1 July 2016 to 31 December 2017	1 July 2015 to 30 June 2016
	$'000	$'000
Bad debts written off	7	131
Cost of defined contribution plans included in employee benefits expense	2,203	1,345
Directors' remuneration	3,815	2,919
Employee benefits expense (including directors' remuneration)	30,354	19,484
Net foreign exchange loss	1,677	752
Loss (Gain) on changes in fair value of derivatives financial instruments	442	(217)
Cost of inventories recognised as expense	64,982	46,266
Loss on disposal of investment in an associate	–	1,649
Audit fees:		
- paid to auditors of the Company	110	95
- paid to other auditors	72	69
Non-audit fees:		
- paid to auditors of the Company	35	21

29 EARNINGS (LOSS) PER SHARE

Basic earnings (loss) per share is calculated by dividing the profits (loss) 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 earnings (loss) per share is based on the following data:

	1 July 2016 to 31 December 2017	1 July 2015 to 30 June 2016
Profit (Loss) for the year attributable to owners of the Company ($'000)	436	(4,059)
Weighted average number of fully paid ordinary shares in issue ('000)	114,386	114,752
Basic and diluted earnings (loss) per share (cents)	0.38	(3.54)

30 DIVIDENDS

On 27 September 2017, a tax exempt interim dividend of $1,711,000 ($0.015 per share) in respect of financial year ending 31 December 2017 was declared and paid to the shareholders.

On 18 November 2015, a tax-exempt final dividend of $3,156,000 ($0.0055 per share) in respect of financial year ended 30 June 2015 was declared and paid to the shareholders.

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 have 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 FRS 108.

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 under FRS 108 are as follows:

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

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.

31 SEGMENT INFORMATION (cont'd)

Goods and Services from which reportable segments derive their revenue (cont'd)

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

	Equipment rental $'000	Trading $'000	Total $'000
31 December 2017			
Revenue			
Segment revenue	67,490	74,090	141,580
Results			
Segment results	17,501	8,587	26,088
Selling expenses	(1,244)	(1,365)	(2,609)
Other operating income			4,191
Administrative expenses			(19,538)
Other operating expenses			(2,466)
Finance costs	(2,451)	(578)	(3,029)
Profit before tax			2,637
Income tax expense			(1,346)
Loss for the period			1,291
Other information			
Capital expenditure*	30,349	1,867	32,216
Depreciation expense	18,756	883	19,639
Gain on disposal of property, plant and equipment	(487)	–	(487)
Property, plant and equipment written off	29	–	29
Assets and liabilities			
Segment assets	141,062	10,153	151,215
Unallocated corporate assets			41,694
Total assets			192,909
Segment liabilities	38,354	10,014	48,368
Unallocated corporate liabilities			22,971
Total liabilities			71,339

31 SEGMENT INFORMATION (cont'd)

Goods and Services from which reportable segments derive their revenue (cont'd)

	Equipment rental $'000	Trading $'000	Total $'000
30 June 2016			
Revenue			
Segment revenue	41,434	50,679	92,113
Results			
Segment results	9,752	3,376	13,128
Selling expenses	(708)	(866)	(1,574)
Other operating income			3,295
Administrative expenses			(14,522)
Other operating expenses			(2,650)
Finance costs	(1,041)	(561)	(1,602)
Share of results of associate			81
Loss before tax			(3,844)
Income tax expense			(130)
Loss for the year			(3,974)
Other information			
Capital expenditure*	26,302	1,697	27,999
Depreciation expense	11,788	598	12,386
Gain on disposal of property, plant and equipment	(359)	–	(359)
Property, plant and equipment written off	2	–	2
Assets and liabilities			
Segment assets	134,383	42,645	177,028
Unallocated corporate assets			45,374
Total assets			222,402
Segment liabilities	32,465	40,324	72,789
Unallocated corporate liabilities			26,793
Total liabilities			99,582

* Included in capital expenditure is certain property, plant and equipment acquired for which $13,918,000 (2016 : $14,994,000) were acquired under finance leases.

Revenue reported above represents revenue generated from external customers.

31 SEGMENT INFORMATION (cont'd)

Goods and Services from which reportable segments derive their revenue (cont'd)

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, share of profit of associate, 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.

Geographical segment information

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

	Singapore $'000	Indonesia $'000	Myanmar $'000	Malaysia $'000	Vietnam $'000	Brunei $'000	Thailand $'000	Others $'000	Total $'000
31 December 2017									
Revenue from external customers	49,422	14,338	4,007	64,624	3,795	1,852	908	2,634	141,580
30 June 2016									
Revenue from external customers	56,320	2,791	2,870	20,703	2,866	620	1,461	4,482	92,113

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

Non-current assets

Property, plant and equipment	31 December 2017 $'000	30 June 2016 $'000
Singapore	51,346	54,782
Malaysia	60,639	47,588
Myanmar	10,058	12,128
Vietnam	11,110	13,485
Hong Kong	–	628
Indonesia	52	96
	133,205	128,707

Major customer information

There were no transactions with a single customer amounting to more than 10% of the Group's revenue for the financial year ended 31 December 2017 and 30 June 2016.

32 CAPITAL COMMITMENTS

	Group	
	31 December 2017 $'000	30 June 2016 $'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the financial statements	13,861	4,656

33 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	31 December 2017 $'000	30 June 2016 $'000
Minimum lease payments under operating leases recognised as an expense in the year	921	593

At the end of the reporting period, the Group has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	31 December 2017 $'000	30 June 2016 $'000
Within one year	916	264
In the second to fifth years inclusive	1,032	920
After five years	591	950
	2,539	2,134

Operating lease payments represent rentals payable by the Group for certain of its leasehold land and staff accommodations. Leases are negotiated for an average term of 1 year and rentals are subjected to annual review.

The Group as lessor

	31 December 2017 $'000	30 June 2016 $'000
Rental income	154	183

33 OPERATING LEASE ARRANGEMENTS (cont'd)

The Group as lessor (cont'd)

At the end of the reporting period, the Group has contracted with tenants for the following minimum lease receipts:

	31 December 2017 $'000	30 June 2016 $'000
Within one year	–	30
In the second to fifth years inclusive	–	–
	–	30

34 COMPARATIVE FIGURES

On 11 May 2017, the Company and together with its subsidiaries, changed its financial year end from 30 June to 31 December. Accordingly, the current financial year ended 31 December 2017 covers the 18 months from 1 July 2016 to 31 December 2017 and the financial year ended 30 June 2016 covers the 12 months from 1 July 2015 to 30 June 2016.

STATISTICS OF SHAREHOLDINGS

As at 15 March 2018

Number of Issued Shares (excluding treasury shares and subsidiary holdings)	-	114,013,000
Number of Treasury Shares held and Percentage	-	875,980 (0.77%)
Number of Subsidiary Holdings and Percentage	-	Nil
Class of Shares	-	Ordinary
Voting Rights	-	One vote per share

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	126	7.79	830	0.00
100 - 1,000	154	9.52	88,374	0.08
1,001 - 10,000	813	50.28	4,002,584	3.51
10,001 - 1,000,000	515	31.85	29,952,192	26.27
1,000,001 AND ABOVE	9	0.56	79,969,020	70.14
TOTAL	**1,617**	**100.00**	**114,013,000**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2018

(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	28.31	-	-
2.	Tan Ah Lye	304,000	0.27	32,273,200(1)	28.31
3.	Toyota Tsusho Corporation	30,950,000	27.15	-	-
4.	Toyota Motor Corporation	-	-	30,950,000(2)	27.15
5.	Yeo Seng Chong	1,000,000	0.88	4,937,800(3)	4.33

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, Chapter 50 ("**Companies Act**"), Mr Tan Ah Lye is deemed to be interested in the shares held by TALH.

(2) Daiwa Capital Markets Singapore Ltd is holding shares as nominee on behalf of Toyota Tsusho Corporation ("**TTC**"). Toyota Motor Corporation is deemed interested in the shares held by TTC pursuant to Section 7 of the Companies Act by virtue of its shareholdings of more than 20% of shares in the capital of TTC.

(3) Mr. Yeo Seng Chong, Executive Chairman and Chief Investment Officer of Yeoman Capital Management Pte Ltd ("**YCMPL**"), a fund manager, is deemed interested in the Company's shares held through DB Nominees (Singapore) Pte Ltd (for the accounts of Yeoman 3-Rights Value Asia Fund and Yeoman Client 1) by virtue of his 50% direct interest in YCMPL and his managerial control of YCMPL.

STATISTICS OF SHAREHOLDINGS

As at 15 March 2018

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	TAL HOLDINGS PTE LTD	32,273,200	28.31
2	DAIWA CAPITAL MARKETS SINGAPORE LIMITED	30,950,000	27.15
3	DB NOMINEES (SINGAPORE) PTE LTD	4,937,800	4.33
4	DBS NOMINEES (PRIVATE) LIMITED	2,598,196	2.28
5	PHILLIP SECURITIES PTE LTD	2,140,801	1.88
6	OCBC SECURITIES PRIVATE LIMITED	2,115,040	1.86
7	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,950,600	1.71
8	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,752,042	1.54
9	LIM GUAN CHONG	1,252,061	1.10
10	YEO SENG CHONG	1,000,000	0.88
11	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	945,783	0.83
12	HONG LEONG FINANCE NOMINEES PTE LTD	860,000	0.75
13	SIM KIM TENG ANNIE	687,800	0.60
14	SIM SZE MAY	680,000	0.60
15	LOOI BOCK HEAY	500,000	0.44
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	495,501	0.43
17	CITIBANK NOMINEES SINGAPORE PTE LTD	450,700	0.40
18	HSBC (SINGAPORE) NOMINEES PTE LTD	442,500	0.39
19	LIM SIU HORNG	425,000	0.37
20	GOH TEOW HEE	400,000	0.35
	TOTAL	**86,856,304**	**76.20**

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on Shareholders' Information as at 15 March 2018, approximately 39.06% 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 ("**Company**") will be held at Raffles Marina, No 10, Tuas West Drive, Singapore 638404 on Friday, 27 April 2018 at 10 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and Directors' Statement of the Company and the Group for the financial year which covers the 18 months from 1 July 2016 to 31 December 2017 ("18M FY2017") together with the Auditors' Report thereon.
Resolution 1

2. To re-elect the following Director of the Company retiring pursuant to Regulation 89 and Regulation 96 of the Constitution of the Company:

Mr. Tan Cheng Kwong	(Retiring under Regulation 89)	**Resolution 2**
Mr. Hideki Okada	(Retiring under Regulation 89)	**Resolution 3**
Mr. Yeo Yun Seng, Bernard	(Retiring under Regulation 89)	**Resolution 4**
Mr. Hideyuki Morita	(Retiring under Regulation 89)	**Resolution 5**
Mr. Naoki Ando	(Retiring under Regulation 96)	**Resolution 6**

[See Explanatory Note (i) and (ii)]

3. To approve the payment of Directors' fees of S$614,713.89 for the 18M FY2017 (2016: S$397,660)
Resolution 7

4. To re-appoint Messrs Deloitte & Touche LLP, Certified Public Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **Resolution 8**

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

AS SPECIAL BUSINESS

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

6. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**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

(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 outstanding and subsisting at the time of the passing of this Resolution; and

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

(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

(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 9**

[See Explanatory Note (iii)]

7. **Proposed Renewal of the Interested Person Transaction Mandate**

That:

(a) approval be and is hereby given, for the purposes of Chapter 9 ("**Chapter 9**") of the Listing Manual of the SGX-ST, in particular for the purposes of Rule 920 of the Listing Manual in relation to a general mandate from the shareholders of the Company of the SGX-ST, for the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9), or any of them, to enter into any of the transactions falling within the types of Interested Person Transactions (as described in Paragraph 5 of Appendix 1 of the circular to shareholders of the Company ("**Circular**") in relation to the proposed renewal of the interested person transaction mandate) with the Interested Persons (as that term is used in the Circular), provided that such transactions are made on normal commercial terms, not prejudicial to the interests of the Company and its minority shareholders, and in accordance with the guidelines and review procedures for such Interested Person Transactions ("**IPT Mandate**");

(b) the approval given in paragraph (a) above shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company; and

(c) the Directors of the Company and any of them be and are hereby authorised to complete and do all such acts and things (including execution all such documents as may be required) as they or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the IPT Mandate and/or this Resolution. **Resolution 10**

[See Explanatory Note (iv)]

8. **Proposed Renewal of the Share Buy-Back Mandate**

That:

(a) for the purposes of the Companies Act, Chapter 50, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire the issued ordinary shares in the capital of the Company ("**Shares**") (excluding treasury shares and subsidiary holdings) not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price or price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market share buy-back, transacted on the ready market of the SGX-ST, or as the case may be, other stock exchange for the time being on which the Shares may be listed or quoted, through one or more duly licensed stockbrokers appointed by the Company for the purpose ("**On-Market Share Buy-Back**"); and/or

(ii) off-market share buy-back (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors of the Company as they may consider fit and in the best interests of the Company, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual of the SGX-ST ("**Off-Market Share Buy-Back**"),

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally ("**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 proposed 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 the Shares by the Company pursuant to the proposed Share Buy-Back Mandate are carried out to the full extent mandated; or

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

(c) in this Resolution:

"**Prescribed Limit**" means the number of Shares representing ten percent (10%) of the total issued ordinary share capital of the Company (excluding treasury shares and subsidiary holdings) as at the date of the passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as defined hereinafter), in which event the issued ordinary share capital of the Company (excluding treasury shares and subsidiary holdings) shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares and subsidiary holdings that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, or the date on which the purchases of the Shares are carried out to the full extent mandated, whichever is earlier, unless prior to that, it is varied or revoked by resolution of the shareholders of the Company in a general meeting; and

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

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

(ii) in the case of an Off-Market Share Buy-back, 120% of the Average Closing Price,

where "**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days ("**Market Day**" being a day on which the SGX-ST is opened for securities trading), on which transactions in the Shares were recorded, immediately preceding the date of making the On-Market Share Buy-Back or, as the case may be, the date of making an announcement for an offer pursuant to the Off-Market Share Buy-Back, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) day period; and

(d) the Directors of the Company and 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 or he may consider expedient or necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by the Share Buy-Back Mandate and/or this Resolution.

Resolution 11

[See Explanatory Note (v)]

By Order of the Board

Shirley Tan Sey Liy
Company Secretary
Singapore, 11 April 2018

Explanatory Notes:

(i) Mr. Yeo Yun Seng, Bernard will, upon re-election as a Director of the Company, remain as the Chairman of the Audit and Risk Committee and a member of the Nominating Committee and Remuneration Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) Mr. Hideyuki Morita will, upon re-election as a Director of the Company, remain as a member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee and will be considered non-independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

(iii) Resolution 9 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 outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

(iv) Resolution 10 above, if passed, will authorise the Interested Person Transactions as described in the Appendix 1 of the Circular and recurring in the year and will empower the Directors of the Company to do all acts necessary to give effect to the IPT Mandate. This authority will, unless previously revoked or varied by the Company in a general meeting, expire at the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held whichever is the earlier.

(v) Resolution 11 above, if passed, will empower the Directors of the Company from the date of this AGM until the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of On-Market Share Buy-Back or Off-Market Share Buy-Back of up to ten per centum (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 2 of the Circular. 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 accounts of the Group (as defined in the Circular) for the 18M FY2017 are set out in greater detail in the Appendix 2 of the Circular.

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. A Relevant Intermediary* may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.).

3. Where a member of the Company appoint two (2) proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies.

4. If the member is a corporation, the instrument appointing the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

5. The instrument appointing a proxy must be deposited at the registered office of the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the AGM.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) 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 (Chapter 289) of Singapore and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36) 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

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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

ANNUAL GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. 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.

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

of ____ (Address)

being *a member/members of **SIN HENG HEAVY MACHINERY LIMITED** ("**Company**"), hereby appoint:

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

*and/or (delete as appropriate)

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

as my/our* proxy/proxies* to vote for me/us* on my/our* behalf at the Annual General Meeting ("**Meeting**") of the Company to be held at Raffles Marina, No 10, Tuas West Drive, Singapore 638404 on Friday, 27 April 2018 at 10 a.m. and at any adjournment thereof. I/We* direct my/our proxy/proxies* to vote for or against the Resolutions 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 proxy/proxies* will vote or abstain from voting at his/her* discretion.

No.	Resolutions relating to:	No. of Votes 'For'**	No. of Votes 'Against'**
Ordinary Business			
1	Audited Financial Statements, Directors' Statement and Auditors' Report for the financial year which covers the 18 months from 1 July 2016 to 31 December 2017 ("18M FY2017")		
2	Re-election of Mr. Tan Cheng Kwong as a Director		
3	Re-election of Mr. Hideki Okada as a Director		
4	Re-election of Mr. Yeo Yun Seng, Bernard as a Director		
5	Re-election of Mr. Hideyuki Morita as a Director		
6	Re-election of Mr. Naoki Ando as a Director		
7	Approval of Directors' fees amounting to S$614,713.89 for the 18M FY2017 (2016: S$397,660)		
8	Re-appointment of Deloitte & Touche LLP as Auditors and to authorise the Directors of the Company to fix their remuneration		
Special Business			
9	Authority to issue new shares		
10	Proposed renewal of the Interested Person Transaction Mandate		
11	Proposed renewal of the Share Buy-Back Mandate		

** Delete where inapplicable*
*** If you wish to exercise all your votes 'For' or 'Against', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this __________ day of ______________ 2018

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

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

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, Chapter 289 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. A member of the Company who is not a Relevant Intermediary* entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member who is not a Relevant Intermediary appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. A member who is a Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified).

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01, Singapore Land Tower, Singapore 048623 not less than forty-eight (48) hours before the time appointed for the Meeting.

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

8. 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, Chapter 50 of Singapore.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) 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 (Chapter 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), 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 a proxy or proxies 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 a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies 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 a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2018.

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SIN HENG
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