



SIN HENG
HEAVY MACHINERY LIMITED



SH

2020 ANNUAL
REPORT

新興重型機械有限公司



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COMPANY PROFILE



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

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

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

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

OUR BUSINESS

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

OUR DISTRIBUTORSHIPS

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

OUR PROFESSIONALISM

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

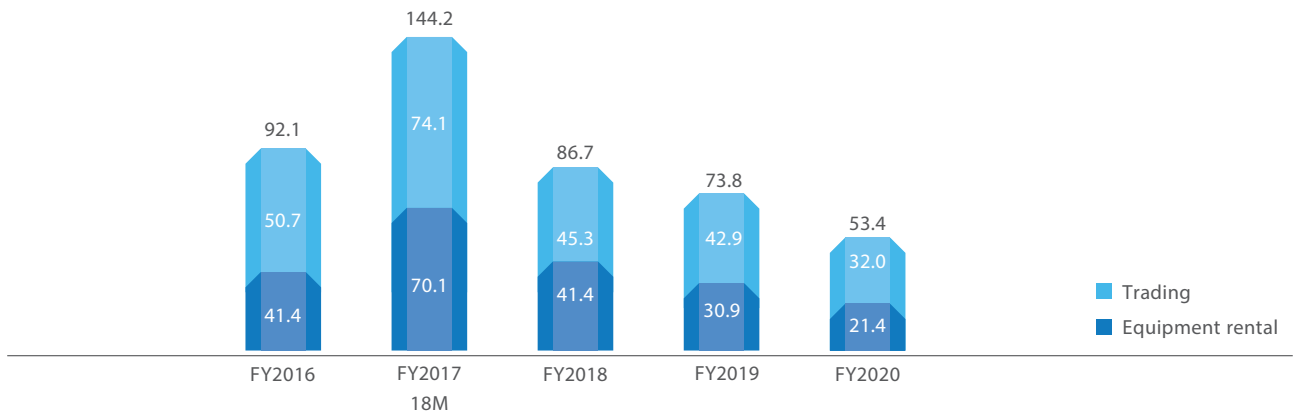
OUR OVERSEAS PRESENCE

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

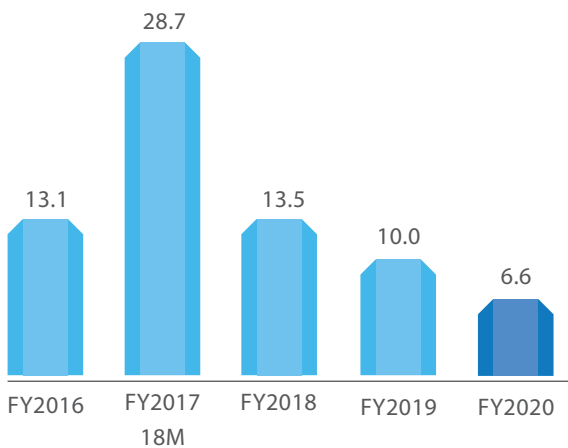


FINANCIAL HIGHLIGHTS

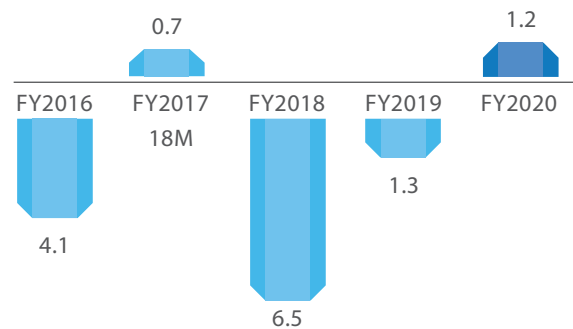
REVENUE (S\$Million)



GROSS PROFIT (S\$Million)



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



EQUIPMENT RENTAL FLEET	FY2016	18M FY2017	FY2018	FY2019	FY2020
Aggregate crane lifting capacity (tons)	18,782	20,634	18,369	15,294	12,444
Average crane lifting capacity (tons)	107	104	103	112	101
Cranes (units)	176	199	179	137	123
Aerial Lifts (units)	281	260	244	182	175



OUR GLOBAL NETWORK



CANADA

UNITED STATES OF AMERICA



SINGAPORE (HQ)



INDONESIA



MYANMAR



HONG KONG



VIETNAM



MALAYSIA



OUR NETWORK



MESSAGE TO SHAREHOLDERS



Tan Ah Lye
Executive Director & CEO

Dear Shareholders,

On behalf of the Board of Directors (the **"Board"**), I am pleased to present Sin Heng Heavy Machinery Limited's (the **"Company"**) and together with its subsidiaries (the **"Group"**) annual report for the financial year ended 31 December 2020 (**"FY2020"**).

FY2020 was an unprecedented year as the Covid-19 pandemic resulted in public health crisis that had adversely impacted the global economy. The Movement Control Order in Malaysia and the Circuit Breaker in Singapore led to the disruption of the business activities where our Group operates in. Notwithstanding the Covid-19 pandemic detrimental impact and the challenges that the Group shared in the FY2019 annual report, the Group managed to achieve a profit attributable to shareholder of S\$1.2 million in FY2020.

Financial Performance

The total revenue of the Group decreased by 27.7% in FY2020 as compared to FY2019 from S\$73.8 million to S\$53.4 million, due mainly to poorer performance of the Equipment Rental business and Trading business. The Equipment Rental business recorded a 30.9% decline in revenue to S\$21.4 million as a result of the suspension of activities at construction sites during the Movement Control Order and Circuit Breaker period. While the business activities have resumed since then, the pace of resumption has been gradual.

The revenue from Trading business retreated 25.4% to S\$32.0 million attributed to the impact of the Covid-19 pandemic as fewer equipment were sold in FY2020. As we continue to streamline our rental fleet coupled with the divestment of all the equipment in Vietnam, these actions enabled the Group to strengthen its financial position. Accordingly, this would reinforce our long-term sustainability and we should emerge better positioned to capitalise on opportunities that may arise in the future.

Despite of the adverse impact of the Covid-19 pandemic, the Group posted a net profit attributable to shareholders of S\$1.2 million in FY2020, as compared to a net loss attributable to shareholders of S\$1.3 million in FY2019. This was attributed to the Group's continuous efforts to rationalise the operations in Malaysia and Vietnam, improve operational efficiency and cost management, as well as the various financial supports received from the government.

Prospects

As a result of the Covid-19 pandemic, various control measures undertaken by the governments globally including lockdowns, movement controls, and travel restrictions, it has severely disrupted our business activities. Despite the availability of the Covid-19 vaccine, uncertainties surrounding the Covid-19 pandemic still continue to be present. Accordingly, the Group expects the general operating business environment in the region continue to remain uncertain and challenging. The political uncertainties in certain markets, such as Myanmar, could

MESSAGE TO SHAREHOLDERS



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

also adversely impact on the business activities and projects in the Group's main markets. Therefore, the Group remains focused and adopt a prudent cash management approach as well as appropriate cost control measures. This would strengthen the position of the Group during these challenging periods and enable the Group to renew our rental fleet when market condition improves. The Group will continue to align our operations to prevailing market condition by rationalising our operations in Malaysia as we envisage a weaker lifting equipment rental demand. In Myanmar, the Group's business was disrupted intermittently due to the political situation. The Group will continue to monitor closely the market conditions and re-evaluate the business strategy in Myanmar as there could potentially be a change in business sentiment as the situation continues to evolve.

Dividend

As result of our strategy to exit from the Vietnam market and with the proceeds from the disposal of the Vietnam rental fleet, the Board of Directors have recommended dividend of 5.0 Singapore cents per ordinary share, comprising first and final dividend of 0.5 Singapore cents and special dividend of 4.5 Singapore cents. The distribution of the dividends is subject to shareholder's approval at the upcoming Annual General Meeting. The total dividend payable amounted to approximately S\$5.7 million for FY2020.

Changes to the Board

Following the completion of share sale by Toyota Tsusho Corporation to United Hope Pte Ltd, which is wholly-owned by Mr. Teo Yi-Dar, we are pleased to welcome Mr. Teo Yi-Dar who was appointed as the Non-Executive Chairman of the Board. We also like to thank Mr. Renny Yeo Ah Kiang, Mr. Yeo Yun Seng, Bernard, Mr. Hideyuki Morita, Mr. Hideki Okada and Mr. Naoki Ando who resigned from the Board in the current financial year for their valuable contribution to our Group. At the same time, we also welcomed Mr. Leong Wing Kong to join the Board as an Independent Director with effect from 1 July 2020.

Appreciation

On behalf of the Board, we would like to express our gratitude to our staff for their dedication and commitment towards the Group's efforts amidst the Covid-19 pandemic. We would also like to thank our Board of Directors, shareholders, valued customers and business associates for their continued support and trust in Sin Heng, especially in light of the events in FY2020.

OPERATIONS REVIEW



FINANCIAL PERFORMANCE

For the year ended 31 December 2020 ("FY2020"), the Group reported a decrease of 27.7% in revenue to S\$53.4 million from S\$73.8 million in FY2019. This was due mainly to lower revenue derived from the Equipment Rental business and Trading business.

In line with lower revenue, the Group recorded a 34.7% decline in gross profit to S\$6.6 million in FY2020 from S\$10.0 million in FY2019. This translated into a gross profit margin of 12.3% in FY2020 as compared to 13.6% in FY2019. The lower gross profit margin in FY2020 was attributed mainly to lower utilisation and loss of income during the Circuit Breaker in Singapore and Movement Control Order in Malaysia imposed due to the Covid-19 pandemic.

Other operating income in FY2020 rose to S\$4.3 million from S\$2.8 million in FY2019. This was mainly due to receipt of the government support scheme and higher exchange gain on foreign currencies recorded in FY2020.

Selling expenses decreased 60.2% to S\$0.5 million in FY2020 from S\$1.1 million in FY2019. Administrative expenses also declined by 17.5% to S\$8.8 million from S\$10.7 million in FY2019. These reductions in selling and administrative expenses were attributed to the reductions in business activities and the cost control measures adopted by the Group.

Other operating expenses also declined significantly by 79.5% to S\$0.4 million from S\$2.1 million in FY2019. This was mainly attributed to lower allowance for doubtful debts as well as the absence of impairment of property, plant and equipment as compared to FY2019.

Finance costs in FY2020 declined by 52.0% to S\$0.5 million from S\$1.0 million in FY2019 as a result of repayments made during the year and early redemption of hire purchase loans related to lifting equipment that had been sold in FY2020.

Consequently, the Group registered a net profit attributable to shareholders amounted to S\$1.2 million in FY2020. In contrast, the Group's registered a net loss attributable to shareholders amounted to S\$1.3 million in FY2019.

SEGMENT PERFORMANCE

	Equipment Rental Business		Trading Business	
	FY2020	FY2019	FY2020	FY2019
Revenue	21,338	30,891	32,019	42,899
Gross Profit	2,404	5,212	4,159	4,831

The Equipment Rental business generated revenue of S\$21.4 million in FY2020, decrease of 30.9% from S\$30.9 million in FY2019. This was attributed to the impact of the Covid-19 pandemic and a reduction in the rental fleet as the Group continued to dispose lifting equipment that had lower demand requirement in Malaysia.

The Trading business generated revenue of S\$32.0 million in FY2020, decline of 25.4% from S\$42.9 million in FY2019. This was mainly due to the impact of the Covid-19 pandemic as fewer equipment were sold.

As a percentage of the Group's total revenue, the Equipment Rental business accounted for 40.0% in FY2020 compared to 41.9% in FY2019. The Trading business contributed to 60.0% of the Group's total revenue in FY2020 as compared to 58.1% in FY2019.

The gross profit of the Equipment Rental business declined 53.9% to S\$2.4 million from S\$5.2 million in FY2019 in tandem with lower sales. Gross profit margin of the Equipment Rental business reduced to 11.3% from 16.9% in FY2019 due to the decline in the number of lifting equipment rented out.

The Trading business recorded a decrease of 13.9% in gross profit to S\$4.2 million in FY2020 from S\$4.8 million in FY2019. However, the gross profit margin of the Trading business improved slightly to 13.0% as compared to 11.3% in FY2019 due to favourable product mix in FY2020.

At the end of FY2020, the Group's lifting equipment fleet comprised 298 units of cranes and aerial lifts, compared to a fleet size of 319 units at the end of FY2019.

OPERATIONS REVIEW

FINANCIAL POSITION

As at 31 December 2020, the Group had total assets of S\$127.4 million and total liabilities of S\$15.0 million. Shareholders' equity stood at S\$112.5 million at the end of FY2020. The Group remained in a net cash position as at 31 December 2020.

Current assets as at 31 December 2020 increased by S\$7.2 million to S\$60.9 million due mainly to higher cash and bank balances, which was partially offset by a decrease in other receivables and prepayments.

Non-current assets decreased by S\$14.3 million to S\$66.5 million as at 31 December 2020. This was mainly attributed to decrease in fleet size and depreciation charged for the year.

Current liabilities reduced by S\$3.4 million to S\$6.6 million as at 31 December 2020 due mainly to the repayment of finance leases, and reductions in trade and other payables, and income tax payable. The Group also recorded reduction in its non-current liabilities by S\$4.8 million to S\$8.4 million as at 31 December 2020 following the repayment of lease liabilities.

As at 31 December 2020, the Group recorded positive working capital of S\$54.3 million as compared to S\$43.8 million as at 31 December 2019.



SIN HENG IS AN AUTHORISED DISTRIBUTOR FOR THESE LEADING BRANDS



KOBELCO



KOBELCO



KATO



KATO

BOARD OF DIRECTORS

As of 31 December 2020



MR TEO YI-DAR

Non-Executive Non-Independent Chairman

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

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



MR TAN AH LYE

Executive Director and Chief Executive Officer

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

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

**MR TAN CHENG KWONG**

Executive Director and Deputy Chief Executive Officer

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

**MR TAN CHENG GUAN**

Executive Director

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

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

BOARD OF DIRECTORS

As of 31 December 2020



MR LEONG WING KONG
Independent Director

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

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



MR SOH SAI KIANG
Independent Director

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS:

Teo Yi-Dar

Non-Executive Non-Independent Chairman

Tan Ah Lye

Executive Director & CEO

Tan Cheng Kwong

Executive Director & Deputy CEO

Tan Cheng Guan

Executive Director

Soh Sai Kiang

Independent Director

Leong Wing Kong

Independent Director

AUDIT & RISK COMMITTEE:

Leong Wing Kong

Chairman

Soh Sai Kiang

Teo Yi-Dar

NOMINATING COMMITTEE:

Soh Sai Kiang

Chairman

Leong Wing Kong

Teo Yi-Dar

REMUNERATION COMMITTEE:

Soh Sai Kiang

Chairman

Leong Wing Kong

Teo Yi-Dar

COMPANY SECRETARIES:

Fiona Lim Pei Pei, ACS ACG

Siau Kuei Lian, ACS ACG

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)

CORPORATE GOVERNANCE REPORT

The Board of Directors (“**Board**”) of Sin Heng Heavy Machinery Limited (“**Company**”) recognises the importance of and is committed to maintaining a high standard of corporate governance. The Company is guided in its corporate governance practices by the Code of Corporate Governance 2018 (the “**Code**”) so as to protect shareholders’ interests and enhance long-term shareholders’ value and corporate transparency. This Corporate Governance Report outlines the Company’s corporate governance processes and activities during the financial year ended 31 December 2020 (“**FY2020**”) with specific reference to the Code.

(A) BOARD MATTERS

Board’s Conduct of its Affairs

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

Each committee functions within clearly defined terms of reference and operating procedures. The effectiveness of each committee is also constantly reviewed by the Board. The Board will conduct regular scheduled meetings on a half yearly basis. Besides the scheduled Board meetings, the Board also convene ad-hoc meetings when circumstances require. If necessary, Board meetings may be conducted by way of telephone or video conferencing as permitted under Regulation 116 of the Company's Constitution where all persons participating in the meeting communicate with each other simultaneously and instantaneously.

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

The following table sets out the attendance of each Director at the Board and Board Committees meetings held during FY2020:

Name of Director	Board	ARC	NC	RC
	Number of Meetings Held: 3	Number of Meetings Held: 2	Number of Meetings Held: 1	Number of Meetings Held: 2
	Meetings Attended	Meetings Attended	Meetings Attended	Meetings Attended
Renny Yeo Ah Kiang ⁽¹⁾	1	1	1	1
Tan Ah Lye	3	–	–	–
Tan Cheng Guan	3	–	–	–
Tan Cheng Kwong	3	1*	–	1*
Hideyuki Morita ⁽²⁾	1	–	–	–
Hideki Okada ⁽³⁾	1	1	1	1
Naoki Ando ⁽⁴⁾	1	–	–	–
Soh Sai Kiang	3	2	1	2
Yeo Yun Seng, Bernard ⁽⁵⁾	1	1	1	1
Teo Yi-Dar ⁽⁶⁾	2	1	–	1
Leong Wing Kong ⁽⁷⁾	2	1	–	1

Notes:

* By Invitation

- (1) Mr. Renny Yeo Ah Kiang retired as a Director of the Company, Chairman of NC and a member of ARC and RC on 26 June 2020.
- (2) Mr. Hideyuki Morita ceased as the Executive Director of the Company on 5 June 2020.
- (3) Mr. Hideki Okada ceased as the Non-Executive Director of the Company, a member of ARC, NC and RC on 5 June 2020.
- (4) Mr. Naoki Ando ceased as the Non-Executive Director of the Company on 5 June 2020.
- (5) Mr. Yeo Yun Seng, Bernard ceased as an Independent Director of the Company, Chairman of ARC and a member of NC and RC on 1 July 2020.
- (6) Mr. Teo Yi-Dar was appointed as the Non-Executive Non-Independent Chairman of the Company, a member of ARC, NC and RC on 1 July 2020.
- (7) Mr. Leong Wing Kong was appointed as an Independent Director of the Company, Chairman of ARC, a member of NC and RC on 1 July 2020.

CORPORATE GOVERNANCE REPORT

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.

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.

The Directors are encouraged to attend seminars and training programmes, keep abreast of the developments, changes and equip themselves in the discharge of Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the Listing Rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") that affect the Company and/or the Directors in discharging their duties, and such training will be funded by the Company. The Directors have attended ACRA-SGX-SID Audit Committee Seminar in FY2020.

The appointment and removal of the Company Secretary is a decision of the Board as a whole.

Board Composition and Guidance

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

Presently, the Board comprises one (1) Non-Executive Non-Independent Chairman, three (3) Executive Directors and two (2) Independent Directors:-

Name of Director	Board	ARC	NC	RC
Teo Yi-Dar	Non-Executive Non-Independent Chairman	Member	Member	Member
Tan Ah Lye	Executive Director & Chief Executive Officer (" CEO ")	-	-	-
Tan Cheng Kwong	Executive Director & Deputy CEO	-	-	-
Tan Cheng Guan	Executive Director	-	-	-
Soh Sai Kiang	Independent Director	Member	Chairman	Chairman
Leong Wing Kong	Independent Director	Chairman	Member	Member

Although the Chairman is not independent, half of the Board is made up of Non-Executive Directors. The Board and the NC are satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affair, even if the Independent Directors and Non-Executive Directors do not make up a majority of the Board as proposed in Provisions 2.2 and 2.3 of the Code. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board and all major decisions are made collectively. Nevertheless, the NC and the Board is in the midst of identifying suitable candidates to onboard as Independent Director, where appropriate, to further enhance the standard of corporate governance.

CORPORATE GOVERNANCE REPORT

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

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

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

None of the Independent Directors has served on the Board beyond nine (9) years as of the date of this report from the date of his appointment.

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

The NC has reviewed the size and composition of the Board. The NC is satisfied that 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. This process will be led by the NC taking into consideration that an effective and cohesive board requires the right balance of industry knowledge, experience, core competencies, skills and professional qualifications, as well as diversity of perspectives.

The Company does not have a Board diversity policy. Although there is no diversity policy in place, the Board comprises Directors who as a whole, have core competencies and diversity of experiences to enable them to lead and control the Group effectively. Such competencies and experiences including but not limited to appropriate balance and mix of skills, knowledge, gender, age, accounting, finance, industry knowledge, strategic planning, business judgement and general management. A brief description on the background of each Director is presented on “Board of Directors” section in the Annual Report. The Board, taking into account the NC’s views, considers that the current Board provides an appropriate balance and diversity of skills, experiences and knowledge to the Company that will provide effective governance and stewardship for the Group.

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

CORPORATE GOVERNANCE REPORT

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

Chairman and Chief Executive Officer

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

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

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

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

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

As the Chairman is not Independent, the Board has to appoint a Lead Independent Director to provide leadership in situations where the Chairman is conflicted as proposed in Provision 3.3 of the Code.

The Board has consistently demonstrated it is able to exercise independent decision-making. In view of this, the Board has not appointed a Lead Independent Director to-date. Nonetheless, the NC and the Board remain committed to continuously review the adequacy of the composition of Independent Director on the Board, including reviewing the appropriate level of independence in its composition to enable it to make decisions in the best interest of the Company. However, if the Company is able to onboard suitable candidate as Independent Director, the Board will consider to appoint a Lead Independent Director.

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

CORPORATE GOVERNANCE REPORT

Board Membership

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

The NC consists of two (2) Independent Directors and a Non-Executive Non-Independent Chairman as follows, the majority of whom, including the NC Chairman, are independent:

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

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

- (i) reviewing and making recommendations to the Board on all candidates nominated (whether by the Board, shareholders or otherwise) for appointment to the Board and on re-nomination of Directors, taking into account the composition and progressive renewal of the Board and each Director's competencies, commitment, prior contribution and performance;
- (ii) making recommendations to the Board on matters relating to the review of Board succession plans for directors, the development of a process for evaluating the performance of the Board, Board Committees and Directors and reviewing of training programmes for the Board;
- (iii) determining annually and as and when circumstances require whether or not a Director is independent;
- (iv) deciding whether or not a Director with multiple board representations is able to and has been adequately carrying out his duties as a Director;
- (v) reviewing training and professional development programs for the Board;
- (vi) evaluating the performance of the Board, Board Committees and contribution of each Director to the effectiveness of the Board; and
- (vii) reviewing and approving any new employment of related persons and the proposed terms of their employment.

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

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

CORPORATE GOVERNANCE REPORT

The Company's Constitution requires one-third of the Board to retire by rotation at every Annual General Meeting ("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 judgement on the corporate affairs of the Group independently from the Management.

The NC had recommended to the Board that Mr. Tan Ah Lye and Mr. Soh Sai Kiang be nominated for re-election pursuant to Regulation 89 of the Company's Constitution and Mr. Teo Yi-Dar and Mr. Leong Wing Kong 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. Soh Sai Kiang, Mr. Teo Yi-Dar and Mr. Leong Wing Kong, being members of the NC who are retiring at the forthcoming AGM, abstained from voting on the resolution in respect of their own re-nomination as a Director.

Mr. Tan Ah Lye, Mr. Soh Sai Kiang, Mr. Teo Yi-Dar and Mr. Leong Wing Kong have consented for re-election at the forthcoming AGM.

Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, an independent director who has served on the Board for an aggregate period of more than nine (9) years will be subjected to a two-tier voting process. As at 1 January 2022, Mr. Soh Sai Kiang, having served on the Board beyond nine (9) years from the date of his first appointment, will not be considered an Independent Director unless his appointment as an Independent Director is approved in separate resolutions by (A) all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates. Since Mr. Soh Sai Kiang is seeking election as a Director at the forthcoming AGM, the Company is proposing to seek, at the same time, the requisite approval in separate resolutions by (A) all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their associates prior to 1 January 2022 for his continued appointment as an Independent 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 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.

Details of the retiring Directors seeking for re-election at the AGM are set out in pages 36 to 43 of this Annual Report in compliance with the Rule 720(6) of the Listing Manual of the SGX-ST.

CORPORATE GOVERNANCE REPORT

Board Performance

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

In line with the principles of good corporate governance, the NC has adopted a process to evaluate the performance of the Board as a whole, the Board Committees and individual self-assessment to assess each Director's contribution to the Board's effectiveness.

All Directors review and evaluate the performance and assess the effectiveness of the Board and Board Committees as a whole and the results of each assessment are considered by the NC, which has the responsibility of assisting the Board in the evaluation of the Board's and Board Committees' effectiveness. Factors such as (1) the structure and size of the Board and Board Committees, (2) the manner in which the Board and Board Committees meetings are conducted, (3) the Board's and Board Committees' accountability, (4) the process to review and approve the corporate strategy and planning, (5) the Board's access to information, and (6) access to the Key Management to ensure the establishment of a risk management system and internal control are applied to evaluate the Board's, Board Committees' and each Director's performance. Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution in respect of the assessment of his own performance or re-nomination as a Director. The NC held one (1) meeting during FY2020.

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

Assessment parameters for Directors' performance include their level of participation at Board and Board Committees meetings and the quality of their contribution to Board processes and the business strategies and performance of the Group. The NC's evaluation of the individual Directors for FY2020 was facilitated with feedback from the NC members on areas relating to the Board's competencies and effectiveness. The results of the evaluation process were used by the NC, in its consultation with the Non-Executive Non-Independent Chairman to effect continuing improvements on Board processes.

CORPORATE GOVERNANCE REPORT

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC consists of two (2) Independent Directors and a Non-Executive Non-Independent Chairman as follows, the majority of whom, including the RC Chairman, are independent:

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

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

- (i) recommending to the Board a framework of remuneration for Directors, CEO, Chief Financial Officer (“CFO”) and Key Management Personnel whom the RC may decide from time to time;
- (ii) determining specific remuneration packages for each of the Directors, CEO, CFO and Key Management Personnel. Recommendations of the RC are submitted for endorsement by the entire Board. All aspects of remuneration including, but not limited to, directors’ fees, salaries, allowances, bonuses, options and benefits-in-kind are covered by the RC. Each member of the RC is required to abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the RC with respect to his remuneration package. If a member of the RC has an interest in a matter being deliberated by the RC, he is required to abstain from participating in the review and the approval process of the RC in relation to that matter; and
- (iii) reviewing and submitting its recommendations for endorsement by the Board, any long term incentive schemes which may be set up from time to time and to do all acts in connection therewith.

No Director will be involved in determining his own remuneration.

The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company.

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

CORPORATE GOVERNANCE REPORT

Level and Mix of Remuneration

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

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

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

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

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

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

The compensation packages for Executive Directors and the Key Management Personnel comprised a fixed component and a variable component. The fixed component of remuneration for the Executive Directors is based on the service agreements entered between the Company and the Executive Director, and for Key Management Personnel is based on the employment contract with them. Each of our Executive Directors has a service contract that covers a period of three years. The variable component of remuneration for both Executive Directors and Key Management Personnel is linked to the performance of the Group and individual. The Directors receive directors' fees for their responsibilities and contributions to the Board. The fees are subject to shareholders' approval at the AGM.

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

The following table shows a breakdown of the remuneration of the Executive Directors, Non-Executive Directors, Key Management Personnel, Immediate Family Member of Directors or CEO in percentage terms for FY2020:

	Salary (%)	Bonus & profit sharing (%)	Shares Awards (%)	Other Benefits (%)	Fees (%)	Total (%)
Executive Directors:						
S\$500,001 to S\$750,000						
Tan Cheng Guan	76	11	–	13	–	100
S\$250,001 to S\$500,000						
Tan Ah Lye	76	13	–	6	5	100
Tan Cheng Kwong (Cheng Qingguang)	78	12	–	10	–	100
Below S\$250,000						
Hideyuki Morita ⁽¹⁾	99	–	–	1	–	100
Non-Executive Directors:						
Below S\$250,000						
Renny Yeo Ah Kiang ⁽²⁾	–	–	–	–	100	100
Yeo Yun Seng, Bernard ⁽³⁾	–	–	–	–	100	100
Soh Sai Kiang	–	–	–	–	100	100
Hideki Okada ⁽⁴⁾	–	–	–	–	100	100
Naoki Ando ⁽⁵⁾	–	–	–	–	100	100
Teo Yi-Dar ⁽⁶⁾	–	–	–	–	100	100
Leong Wing Kong ⁽⁷⁾	–	–	–	–	100	100
Key Management Personnel:						
S\$250,001 to S\$500,000						
Tan Cheng Soon, Don ⁽⁸⁾	79	12	–	9	–	100
Below S\$250,000						
Lim Choon Keng ⁽⁹⁾	93	–	–	7	–	100
Yang Yung Kang ⁽¹⁰⁾	79	14	–	7	–	100
Wee Soe Chuen, Gary	82	6	–	12	–	100
Tan Roh Tang ⁽¹¹⁾	70	10	–	20	–	100
Teh Zi Chiau	74	5	–	21	–	100

CORPORATE GOVERNANCE REPORT

Notes:

- (1) Mr. Hideyuki Morita ceased as the Executive Director of the Company on 5 June 2020.
- (2) Mr. Renny Yeo Ah Kiang retired as an Independent Director of the Company on 26 June 2020.
- (3) Mr. Yeo Yun Seng, Bernard ceased as an Independent Director of the Company on 1 July 2020.
- (4) Mr. Hideki Okada ceased as the Non-Executive Director of the Company on 5 June 2020.
- (5) Mr. Naoki Ando ceased as the Non-Executive Director of the Company on 5 June 2020.
- (6) Mr. Teo Yi-Dar was appointed as the Non-Executive Non-Independent Chairman of the Company on 1 July 2020.
- (7) Mr. Leong Wing Kong was appointed as an Independent Director of the Company on 1 July 2020.
- (8) Mr. Tan Cheng Soon, Don is an employee of the Group and the son of Executive Director and CEO, Mr. Tan Ah Lye and brother of Executive Directors, Mr. Tan Cheng Guan and Mr. Tan Cheng Kwong (Cheng Qingguang).
- (9) Ms. Lim Choon Keng resigned as a CFO on 4 May 2020.
- (10) Mr. Yang Yung Kang was appointed as a CFO on 4 May 2020.
- (11) Mr. Tan Roh Tang resigned as a general manager of aerial lift division on 17 July 2020

Save for the above disclosure, there is no employee of our Group who is a substantial shareholder of the Company, or an immediate family member of a Director or CEO whose remuneration exceeded S\$100,000 for FY2020.

The aggregate remuneration of the top Key Management Personnel (who are not Directors or the CEO) amounted to S\$925,000.

For FY2020, there were no termination, retirement or post-employment benefits granted to Directors and relevant Key Management Personnel other than the standard contractual notice period and termination payment in lieu of service.

Share Award Scheme

The SHHM Employee Share Option Scheme had expired on 20 December 2019. No new Share Award Scheme is issue during FY2020.

(C) ACCOUNTABILITY AND AUDIT**Risk Management and Internal Controls**

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

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

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

- Company policies and procedures are reviewed periodically;
- Internal audit functions are outsourced to a professional accounting firm. The annual internal audit plan is duly approved by ARC;

CORPORATE GOVERNANCE REPORT

- Check and balance with segregation of duties and responsibilities;
- Department reports are reviewed at Management level;
- Approval matrix established are reviewed periodically;
- Budgetary control and review

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

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

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

- a. The financial records have been properly maintained and the financial statements for FY2020 give a true and fair view in all material respects, of the Group's operations and finances; and
- b. The Group's internal control and risk management systems are operating adequately and effectively in all material respects given its current business environment.

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

Based on the internal controls established and maintained by the Group and the statutory audit conducted by the external auditor and reviews performed by management and the ARC, the Board, with the concurrence of the ARC, is of the opinion that the system of internal controls, including financial, operational, compliance and information technology controls and risk management, were adequate and effective as at 31 December 2020 to meet the needs of the Group's existing business objectives, having addressed the risks which the Group considers relevant and material to its operations. While acknowledging their responsibility for the system of internal controls, the Directors are aware that such a system is designed to manage, rather than eliminate risks, and therefore cannot provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors or mis-statements, poor judgement in decision-making, human error, losses, fraud or other irregularities.

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Audit and Risk Committee

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

The ARC consists of two (2) Independent Directors and a Non-Executive Non-Independent Chairman as follow, all of whom are non-executive and the majority of whom, including the ARC Chairman, are independent:

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

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

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

- (i) assisting the Board in the discharge of its responsibilities on financial and accounting matters;
- (ii) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (iii) reviewing with the external auditors on the audit plans, including the nature and scope of the audit before the audit commences, audit report, Management letter and Management's response and evaluate the system of internal controls;
- (iv) reviewing the half year and full year announcements on financial statements and ensuring they are in compliance with the requirements of Singapore Financial Reporting Standards (International) before submission to the Board for approval to release;
- (v) discussing and resolving problems and concerns, if any, arising from the annual audits, in consultation with the external auditors and internal auditors where necessary;
- (vi) meeting with internal auditors and external auditors without the presence of the Management annually, to discuss any problems and concerns they may have;
- (vii) reviewing the adequacy, effectiveness, independence, scope and results of the Company's external and internal audit function;
- (viii) reviewing assistance given by Management to the internal auditors and external auditors;
- (ix) reviewing annually the scope and results of the audit and its cost effectiveness as well as the independence and objectivity of the external auditors;
- (x) reviewing the guidelines and procedures of interested person transactions falling within the scope of the SGX-ST Listing Manual;

CORPORATE GOVERNANCE REPORT

- (xi) reviewing half yearly and annually, the adequacy and effectiveness of the Company's internal control and risk management systems;
- (xii) overseeing risk management; and
- (xiii) reviewing the independence of and nominating external auditors for re-appointment.

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

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

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

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

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

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

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

The ARC had conducted a review of all non-audit services provided by the auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. Fees paid or payable by the Group to the external auditors (and member firms) of the Company for audit services and non-audit services for FY2020 amounted to S\$142,000 and S\$39,000 respectively.

The ARC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the external auditors. No former partner or director of the Company's existing auditing firm has acted as a member of the ARC.

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

- (i) independent investigations are carried out in an appropriate and timely manner;
- (ii) 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 whistleblowing mechanism.

The Group outsources its internal audit functions to professional accounting firm, MS Risk Management Pte. Ltd. to carry out the internal audit function. In accordance with the annual internal audit plan approved by the ARC, the internal auditors conduct internal audit reviews of the Group to assist the Board and the ARC to assess the effectiveness of key internal controls covering financial, operational and compliance on an on-going basis. The internal auditors report independently their findings and recommendations to the ARC. The Management will update the ARC on the implementation status of the remedial action plans.

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder rights and conduct of general meetings

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

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

Shareholders are informed of general meetings through the announcements released to the SGXNet and notices of the general meetings are contained in the Annual Report or circulars are dispatched to all shareholders within the prescribed timeline. These notices are also advertised in a national newspaper. All shareholders are entitled to attend the general meetings and are provided the opportunity to participate in the general meetings. If any shareholder is unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance. The Company's Constitution does not provide for the nominee or custodial services to appoint more than two proxies. The Chairman of the ARC, NC and RC are normally present and available to address questions relating to the work of their respective Board Committees at general meetings. The external auditors are present to assist the Board in addressing any relevant queries raised by the shareholders on matters relating to the audit and the financial statements.

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

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

The 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 SGX-ST Listing Manual and the Code, that all resolutions at the Company's general meetings are put to vote by poll. The detailed results of each resolution are announced via SGXNet after the general meetings.

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and the Management. Since the evolving COVID-19 situation in year 2020, these minutes are available to Shareholders on SGX-ST website and the Company's website.

In view of the COVID-19 situation in Singapore, the AGM has been convened and held by electronic means pursuant to the COVID-19 (Temporary Measures)(Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Company in advance of the meeting, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the AGM as proxy, have also been put in place. Shareholders will NOT be allowed to attend the AGM in person. Printed copies of the Notice of AGM and Annual Report will not be sent to members. Instead, the Notice of AGM and Annual Report will be sent to members by electronic means. The Notice of AGM will not be advertised in the national newspaper. Please refer to the Notice of AGM for further details.

The Group does not have a formal dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. For FY2020, the Company declared and recommended dividend of 5.0 Singapore cents per ordinary share, comprising first and final dividend of 0.5 Singapore cents and special dividend of 4.5 Singapore cents.

Engagement with shareholders

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

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

- Annual Report and Circulars that are prepared and sent to all shareholders. The Board ensures that these documents include all relevant material information about the Company and the Group, and other disclosures required by the Listing Rules of the SGX-ST, Singapore Companies Act and Singapore Financial Reporting Standards. Since the evolving COVID-19 situation in year 2020, these documents are available to Shareholders on SGX-ST website and the Company's website;
- Half yearly financial statements announcements containing a summary of the financial information and affairs of the Group;
- Announcements via SGXNet on matters required by the Listing Rules, amongst which include acquisitions and disposals, corporate actions, sustainability reporting; and

CORPORATE GOVERNANCE REPORT

- 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. In view of the COVID-19 situation in Singapore, all shareholders of the Company are able to access the Annual Report with an accompanying notice of AGM via SGX-ST website and the Company's website.

Presently, the Company does not have an investor policy or protocol in place nor a dedicated investor relations team. The Company will assess the need to establish an investor policy or protocol or investor relations team as and when it deems necessary.

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with stakeholders

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

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

The Company maintains a corporate website at www.sinheng.com.sg to communicate and engage stakeholders.

The FY2020 Sustainability Report will be published to keep stakeholders informed on the Group's business and operations.

(F) DEALINGS IN COMPANY'S SECURITIES

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

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

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

(G) INTERESTED PERSON TRANSACTIONS

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

There were no IPTs with aggregate value exceeding S\$100,000 between the Group and any of its interested persons (namely, Directors, Key Management Personnel or controlling shareholders of the Group or the associates of such Directors, Key Management Personnel or controlling shareholders) subsisting for FY2020.

CORPORATE GOVERNANCE 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 FY2020.

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

Name of Director	Teo Yi-Dar
Date of appointment	1 July 2020
Date of last re-election (if applicable)	Nil Due for re-election at the AGM to be held on 30 April 2021
Age	49
Country of principal residence	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	The Board of Directors has accepted and approved the Nominating Committee's recommendation, who has reviewed and considered Mr Teo's contributions and performance as the Non-Executive Non-Independent Chairman of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job title	Non-Executive Non-Independent Chairman, a member of the Audit and Risk Committee, the Nominating Committee and the Remuneration Committee
Professional qualifications	Chartered Financial Analyst, CFA Institute Master of Science (Applied Finance), National University of Singapore Master of Science (Industrial and Systems Engineering), National University of Singapore Bachelor of Engineering (Electrical), National University of Singapore
Shareholding interest in the listed issuer and its subsidiaries	<u>The Company</u> Direct Interest: 1,600 ordinary shares Deemed Interest: 30,950,000 ordinary shares <u>Subsidiaries of the Group</u> Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None

CORPORATE GOVERNANCE REPORT

Name of Director	Teo Yi-Dar
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Working Experience, Occupations and Other Principal Commitments Including Directorships	<p><u>Past (for the last 5 years)</u> Bayston Investments Limited Pleasant Way Analyse Development Limited Guotaiqixing Biomedical International (Singapore) Pte. Ltd. HG Metal Pte Ltd Niho (Singapore) Pte Ltd SACLP Investments Limited SAP Investments Limited TFSA Investments Ltd Value Plus Investment Limited W Capital Markets Pte. Ltd.</p> <p><u>Other Principal Commitments (for the last 5 years)</u> Nil</p> <p><u>Present</u> Aldersgate Holdings Limited Altair Capital (I) Ltd Altair Capital Advisors Pte Ltd Altair Capital General Partner Ltd Altair Fund (I) Pte. Ltd. Asia Vets Holdings Ltd. AVH Animal Ark Pte Ltd Beijing Denox Environment & Technology Co., Ltd. China Yuanbang Property Holdings Limited Ciena Enterprises Limited Clear Vision Ventures Limited Denox Environmental & Technology Holdings Limited Fortune Knight International Limited Gold Future Investment Limited HG Construction Steel Pte Ltd HG Metal Distribution Sdn Bhd HG Metal Investments Pte Ltd HG Metal Manufacturing Ltd HG Metal Manufacturing Sdn Bhd Hongyin Resources (HK) Co Limited Jin Heng Li Hardware Sdn Bhd Kenyon Group (Asia) Pte Ltd Kenyon Group Limited</p>

CORPORATE GOVERNANCE REPORT

Name of Director	Teo Yi-Dar
	<p>Motto Auction Pte Ltd Myghty (Yangon) Limited Myghty Holdings Pte Ltd Oriental Metals Pte Ltd Penyao Environmental Protection Co., Ltd. PT HG Metal Distribution Indonesia SEAVI Advent Asia Investments (III) Ltd Sirius Vega Pte Ltd Sirius Vega Pte Ltd Sin Heng Heavy Machinery Limited Springhaven Holdings Limited TEE International Limited Top Rich Investment Limited TPSC Asia Group Holding Limited TPSC Asia Pte Ltd TPSC Holdings Pte Ltd Tramore Global Limited United Hope Pte Ltd Yangzijiang Shipbuilding (Holdings) Ltd.</p> <p><u>Other Principal Commitments</u> Altair Capital Advisors Pte Ltd, Director</p>

CORPORATE GOVERNANCE REPORT

Name of Director	Tan Ah Lye
Date of appointment	31 October 2012
Date of last re-election (if applicable)	23 April 2019 Due for re-election at the AGM to be held on 30 April 2021
Age	81
Country of principal residence	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	The Board of Directors has accepted and approved the Nominating Committee's recommendation, who has reviewed and considered Mr Tan's contributions and performance as the Executive Director and Chief Executive Officer of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr Tan is in-charge of the overall operations and financial performance of the Company.
Job title	Executive Director and Chief Executive Officer
Professional qualifications	Nil
Shareholding interest in the listed issuer and its subsidiaries	<u>The Company</u> Direct Interest: 304,000 ordinary shares Deemed Interest: 32,273,200 ordinary shares <u>Subsidiaries of the Group</u> Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	The father of Mr Tan Cheng Guan, the Executive Director, Mr Tan Cheng Kwong (Cheng Qingguang), the Executive Director and Deputy CEO; and Mr Tan Cheng Soon, Don, the Director of Operation.
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Working Experience, Occupations and Other Principal Commitments Including Directorships	<u>Past (for the last 5 years)</u> Nil <u>Other Principal Commitments (for the last 5 years)</u> Nil <u>Present</u> Sin Heng Heavy Machinery Limited TAL Holdings Pte Ltd Lye Holdings Pte Ltd Tady Timber Co Pte Ltd TAL Capital Pte Ltd <u>Other Principal Commitments</u> Nil

CORPORATE GOVERNANCE REPORT

Name of Director	Soh Sai Kiang
Date of appointment	1 August 2012
Date of last re-election (if applicable)	23 April 2019 Due for re-election at the AGM to be held on 30 April 2021
Age	52
Country of principal residence	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	The Board of Directors has accepted and approved the Nominating Committee's recommendation, who has reviewed and considered Mr Soh's contributions and performance as the Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job title	Independent Director, Chairman of the Nominating Committee and the Remuneration Committee and a member of the Audit and Risk Committee
Professional qualifications	Bachelor of Arts (Merit) degree in Economics and Political Science from the National University of Singapore.
Shareholding interest in the listed issuer and its subsidiaries	<u>The Company</u> Nil <u>Subsidiaries of the Group</u> Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes

CORPORATE GOVERNANCE REPORT

Name of Director	Soh Sai Kiang
Working Experience, Occupations and Other Principal Commitments Including Directorships	<p data-bbox="695 510 986 568"><u>Past (for the last 5 years)</u> Artivision Technologies Ltd</p> <p data-bbox="695 600 1228 658"><u>Other Principal Commitments (for the last 5 years)</u> Nil</p> <p data-bbox="695 689 1085 1008"><u>Present</u> Sin Heng Heavy Machinery Limited Republic Healthcare Ltd Asidokona Mining Resources Pte Ltd BPTS Capital Pte Ltd OBOR Infrastructure Pte Ltd SRIH Mining Resources Pte Ltd SRIH Singapore Pte Ltd Alexander Resources Pte Ltd Algotech Holdings Ltd Blackgold Natural Resources Limited</p> <p data-bbox="695 1039 1015 1097"><u>Other Principal Commitments</u> Nil</p>

CORPORATE GOVERNANCE REPORT

Name of Director	Leong Wing Kong
Date of appointment	1 July 2020
Date of last re-election (if applicable)	Nil Due for re-election at the AGM to be held on 30 April 2021
Age	50
Country of principal residence	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	The Board of Directors has accepted and approved the Nominating Committee's recommendation, who has reviewed and considered Mr Leong's contributions and performance as the Independent Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job title	Independent Director, Chairman of the Audit and Risk Committee and a member of the Nominating Committee and the Remuneration Committee
Professional qualifications	Chartered Accountant (Institute of Singapore Chartered Accountants)
Shareholding interest in the listed issuer and its subsidiaries	<u>The Company</u> Nil <u>Subsidiaries of the Group</u> Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes
Working Experience, Occupations and Other Principal Commitments Including Directorships	<u>Past (for the last 5 years)</u> Nil <u>Other Principal Commitments (for the last 5 years)</u> Nil <u>Present</u> Sin Heng Heavy Machinery Limited <u>Other Principal Commitments</u> Nil

CORPORATE GOVERNANCE REPORT

The Directors subject to re-election had responded negative to items (a) to (k) listed in Appendix 7.4.1 (Announcement of Appointment) of the Listing Manual of SGX-ST, save for Mr Teo Yi-Dar's declaration on item (j)(i) as below:-

Information Required Pursuant to Listing Rule 704(7) of the Listing Manual of the SGX-ST		
(j)	<p>Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:-</p> <p>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p>	<p>Yes,</p> <p>Mr Teo was appointed to the board of directors of TEE International Limited ("TIL") on 7 September 2020.</p> <p>Prior to his appointment, TIL had on 4 March 2020 received an order from the Commercial Affairs Department ("CAD") to produce certain documents to assist with an investigation relating to matters involving TIL and certain employees of TIL. The CAD investigation is still ongoing.</p>

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DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2020.

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 54 to 119 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 2020, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 December 2020 and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Tan Ah Lye

Tan Cheng Guan

Tan Cheng Kwong

Teo Yi-Dar

(Appointed on 1 July 2020)

Leong Wing Kong

(Appointed on 1 July 2020)

Soh Sai Kiang

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

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

DIRECTORS' STATEMENT

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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

By virtue of Section 7 of the Companies Act, Mr Tan Ah Lye and Mr Teo Yi-Dar are deemed to have an interests in the Company and all the related corporations of the Company as at 31 December 2020.

The directors' interests in the shares and options of the Company at 21 January 2021 were the same at 31 December 2020.

4 SHARE OPTIONS

(a) Options to take up unissued shares

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

(b) Options exercised

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

(c) Unissued shares under option

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

DIRECTORS' STATEMENT

5 AUDIT AND RISK COMMITTEE

The Audit and Risk Committee of the Company, consisting of all non-executive directors, is chaired by Mr Leong Wing Kong, an independent director, and includes Mr Teo Yi-Dar, a non-executive director and Mr Soh Sai Kiang, an independent director. The Audit and Risk Committee has met two 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 half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
- e) the co-operation and assistance given by the management to the Group's external auditors; and
- f) the re-appointment of the external auditors of the Group.

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

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

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

.....
Tan Ah Lye

.....
Teo Yi-Dar

29 March 2021

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sin Heng Heavy Machinery Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 119.

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 Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

Key Audit Matters (Continued)

Key Audit Matters	Our audit performed and responses thereon
<p>Cranes and aerial lifts classified as inventories or property, plant and equipment</p> <p><i>(Refer to Notes 11 and 12 to the financial statements)</i></p> <p>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 2020, the cranes and aerial lifts classified as inventories and property, plant and equipment of the Group amounted to \$3,930,000 and \$56,397,000 respectively.</p> <p>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.</p> <p>The accounting policies for inventories and property, plant and equipment are disclosed in Note 2 to the financial statements and the carrying amounts for inventories and property, plant and equipment of the Group are disclosed in Notes 11 and 12 to the financial statements respectively.</p>	<p>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.</p> <p><u>Cranes and aerial lifts classified as inventories</u></p> <p>We enquired and evaluated management's assessment of the inventories' net realisable value. This includes making enquiries with management to understand their plans for future sales and examining the aging of the inventories. We have also selected significant and/or old inventory items and compared the cost of the inventories against sales during the financial year and sales subsequent to financial year end.</p> <p><u>Cranes and aerial lifts classified as property, plant and equipment</u></p> <p>We obtained management's value-in-use calculations and engaged our internal valuation specialist for review of key assumptions and estimates such as discount rate. We obtained and examined the utilisation reports for assets with low utilisation rates. 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.</p> <p>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.</p>

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

Key Audit Matters (Continued)

Key Audit Matters	Our audit performed and responses thereon
<p>Recoverability of trade receivables</p> <p><i>(Refer to Note 8 to the financial statements)</i></p> <p>As at 31 December 2020, the trade receivables of the Group amounted to \$23,154,000.</p> <p>Management judgement is required in assessing the ultimate realisation of the receivables, including the assessment of expected credit losses under SFRS(I) 9 <i>Financial Instruments</i>, current creditworthiness and the past collection history of each customer.</p> <p>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.</p>	<p>We obtained an understanding of the Group's processes and controls relating to the monitoring of trade receivables and considered the aging of the debts to identify collection risks. We performed audit procedures, amongst others, on a sample basis, reviewing customers' payment history and obtaining evidence of receipts from the customers subsequent to the financial year end.</p> <p>We also performed analysis of aging of trade receivables and challenged management's assessment of material overdue trade receivables, considering the specific customers' profile and risks when no impairment allowance was made.</p> <p>In addition, we reviewed and assessed the reasonableness of the Group's historical loss rates and estimates of expected future loss rates, management's assessment of forward looking macro-economic factors and the eventual expected credit losses in accordance with SFRS(I) 9 <i>Financial Instruments</i>.</p> <p>We considered the adequacy of the related disclosures and classifications contained in Note 8 to the financial statements.</p>

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Mr. Ng Meng Chuan.

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

29 March 2021

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	7	32,619	25,078	16,734	10,308
Trade receivables	8	23,154	23,067	26,849	28,407
Other receivables and prepayments	9	1,246	1,709	3,914	5,389
Lease receivables	13	–	–	84	82
Inventories	11	3,930	3,938	2,500	1,094
Total current assets		60,949	53,792	50,081	45,280
Non-current assets					
Property, plant and equipment	12	65,127	79,140	32,224	33,958
Right-of-use assets	13	955	1,135	535	628
Lease receivables	13	–	–	380	432
Investment in subsidiaries	14	–	–	29,385	29,385
Financial assets at fair value through profit or loss	15	404	553	404	553
Other assets	16	10	10	10	10
Total non-current assets		66,496	80,838	62,938	64,966
Total assets		127,445	134,630	113,019	110,246

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
LIABILITIES AND EQUITY					
Current liabilities					
Derivative financial instruments	10	-	40	-	40
Trade payables	17	958	1,318	7,189	3,086
Other payables	18	2,630	2,878	12,297	9,280
Lease liabilities	19	3,014	4,870	2,006	3,018
Income tax payable		4	866	1	-
Total current liabilities		6,606	9,972	21,493	15,424
Non-current liabilities					
Lease liabilities	19	2,233	6,717	1,422	3,349
Deferred tax liabilities	20	6,137	6,486	3,000	3,209
Total non-current liabilities		8,370	13,203	4,422	6,558
Capital and reserves					
Share capital	21	41,846	41,846	41,846	41,846
Retained earnings		76,738	75,542	45,613	46,773
Treasury shares	22	(355)	(355)	(355)	(355)
Translation reserves		(4,837)	(4,655)	-	-
Capital reserve		(923)	(923)	-	-
Total equity attributable to owners of the Company		112,469	111,455	87,104	88,264
Non-controlling interest		-	-	-	-
Total equity		112,469	111,455	87,104	88,264
Total liabilities and equity		127,445	134,630	113,019	110,246

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

	Note	Group	
		2020 \$'000	2019 \$'000
Revenue	23	53,357	73,790
Cost of sales		(46,794)	(63,747)
Gross profit		6,563	10,043
Other operating income	24	4,335	2,806
Selling expenses		(441)	(1,107)
Administrative expenses		(8,794)	(10,657)
Other operating expenses	25	(434)	(2,119)
Finance costs	26	(473)	(985)
Profit (Loss) before income tax		756	(2,019)
Income tax benefit	27	440	740
Profit (Loss) for the year	28	1,196	(1,279)
Profit (Loss) attributable to:			
Owners of the Company		1,196	(1,279)
Non-controlling interest		-	-
		1,196	(1,279)
Profit (Loss) per share (cents):			
Basic	29	1.05	(1.12)
Diluted	29	1.05	(1.12)
Profit (Loss) for the year	28	1,196	(1,279)
Other comprehensive loss:			
<i>Items that may be reclassified subsequently to profit or loss</i>			
Exchange differences on translation of foreign operations		(182)	(188)
Total comprehensive income (loss) for the year		1,014	(1,467)
Total comprehensive income (loss) attributable to:			
Owners of the Company		1,014	(1,467)
Non-controlling interest		-	-
		1,014	(1,467)

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2020

	Share capital \$'000	Treasury shares \$'000	Translation reserves \$'000	Capital reserve \$'000	Retained earnings \$'000	Attributable to equity		Total \$'000
						holders of the Company \$'000	Non-controlling interest \$'000	
<u>Group</u>								
Balance at 1 January 2019	41,846	(355)	(4,467)	(923)	76,821	112,922	-	112,922
<i>Total comprehensive loss for the year:</i>								
Loss for the year	-	-	-	-	(1,279)	(1,279)	-	(1,279)
Other comprehensive loss for the year	-	-	(188)	-	-	(188)	-	(188)
Total	-	-	(188)	-	(1,279)	(1,467)	-	(1,467)
Balance at 31 December 2019	41,846	(355)	(4,655)	(923)	75,542	111,455	-	111,455
<i>Total comprehensive income for the year:</i>								
Profit for the year	-	-	-	-	1,196	1,196	-	1,196
Other comprehensive loss for the year	-	-	(182)	-	-	(182)	-	(182)
Total	-	-	(182)	-	1,196	1,014	-	1,014
Balance at 31 December 2020	41,846	(355)	(4,837)	(923)	76,738	112,469	-	112,469

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2020

	Share capital \$'000	Treasury shares \$'000	Retained earnings \$'000	Total \$'000
<u>Company</u>				
Balance at 1 January 2019	41,846	(355)	46,191	87,682
Profit for the year, representing total comprehensive income for the year	–	–	582	582
Total	–	–	582	582
Balance at 31 December 2019	41,846	(355)	46,773	88,264
Loss for the year, representing total comprehensive loss for the year	–	–	(1,160)	(1,160)
Total	–	–	(1,160)	(1,160)
Balance at 31 December 2020	41,846	(355)	45,613	87,104

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Group	
	2020 \$'000	2019 \$'000
Operating activities		
Profit (Loss) before income tax	756	(2,019)
Adjustments for:		
Unrealised fair value (gain) loss from derivative financial instruments	(40)	101
Depreciation of property, plant and equipment	8,093	10,662
Impairment of property, plant and equipment	–	514
Depreciation of right-of-use assets	258	261
Write-back of allowance for doubtful debts	(239)	(261)
Impairment loss on financial assets	57	1,313
Interest expense	473	985
Interest income	(328)	(711)
Net unrealised foreign exchange (gain) loss	(945)	2
Bad debts written off	10	65
Gain on disposal of property, plant and equipment	(10)	(75)
Property, plant and equipment written off	1	37
Fair value loss (gain) arising on financial assets designated as at FVTPL	149	(141)
Operating cash flows before movements in working capital	8,235	10,733
Trade receivables	(54)	(6,267)
Bills receivables	–	434
Other receivables and prepaid expenses	487	(585)
Inventories	11,296	17,061
Trade payables	(331)	(140)
Other payables	(238)	(1,037)
Cash generated from operations	19,395	20,199
Income tax paid	(752)	(548)
Net cash from operating activities	18,643	19,651
Investing activities		
Interest received	328	711
Purchase of property, plant and equipment (Note A)	(4,722)	(2,160)
Proceeds from disposal of property, plant and equipment	125	1,234
Net cash used in investing activities	(4,269)	(215)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

	Group	
	2020 \$'000	2019 \$'000
Financing activities		
Bills payable	-	(5,272)
Interest paid	(473)	(985)
Repayment of lease liabilities	(6,408)	(9,640)
Repayment of bank loans	-	(4,933)
Proceeds from lease liabilities	-	1,193
Proceeds from bank loans	-	4,100
Net cash used in financing activities	(6,881)	(15,537)
Net increase in cash and cash equivalents	7,493	3,899
Cash and cash equivalents at beginning of year	25,078	21,171
Effect of exchange rate changes on the cash and cash equivalents held in foreign currencies	48	8
Cash and cash equivalents at end of year (Note 7)	32,619	25,078

Note A

During the financial year ended 31 December 2020 the Group acquired property, plant and equipment (including inventory that were purchased and transferred to property, plant and equipment in the current year) with an aggregate cost of \$4,722,000 (2019: \$2,160,000) for which 2020: \$Nil (2019: \$1,193,000) were acquired with corresponding lease liabilities (Note 19).

NOTES TO FINANCIAL STATEMENTS

31 December 2020

1 GENERAL

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

The principal activities of the Company are those of hiring and dealing in cranes and heavy machinery and provision of facilities and custody services. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2020 were authorised for issue by the Board of Directors on 29 March 2021.

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 Singapore Financial Reporting Standards (International) (“SFRS(I)s”).

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

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 1-17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

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

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTION OF NEW AND REVISED STANDARDS – On 1 January 2020, the Group and the Company have adopted all the new and revised FRSs that are relevant to its operations and effective from that date. The adoption of these new/revised FRSs does not result in changes to the Group's and the Company's accounting policies and has no significant effect on the amounts reported for the current or prior years.

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

- Amendments to SFRS(I) 3 *Reference to the Conceptual Framework*⁽¹⁾
- Amendments to SFRS(I) 1-16 *Property, Plant and Equipment – Proceeds before Intended Use*⁽¹⁾
- Amendments to SFRS(I) 1-37 *Onerous Contracts – Cost of Fulfilling a Contract*⁽¹⁾
- Annual Improvements to SFRS(I) 2018 – 2020⁽¹⁾
- Amendments to SFRS(I) 1 *Classification of Liabilities as Current or Non-current*⁽²⁾

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

Changes in the Group's ownership interests in existing subsidiaries

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

- Deferred tax assets or liabilities and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 Income Taxes and SFRS(I) 1-19 Employee Benefits respectively;
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the group entered to replace share-based payment arrangements of the acquiree are measured in accordance with SFRS(I) 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

Financial assets

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of financial assets

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

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

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

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

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

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

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

Amortised cost and effective interest method

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortised cost and effective interest method (Continued)

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

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

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

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

Financial assets at FVTPL

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign exchange gains and losses

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

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

Impairment of financial assets

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant increase in credit risk

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

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

- Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- An actual or expected significant deterioration in the operating results of the debtor;
- Significant increases in credit risk on other financial instruments of the same debtor; and
- An actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant increase in credit risk (Continued)

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

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

Definition of default

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

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

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

Credit-impaired financial assets

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement and recognition of expected credit losses (Continued)

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

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

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

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

Derecognition of financial assets

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

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

Financial liabilities and equity instruments

Classification as debt or equity

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Equity instruments

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

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

Financial liabilities

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

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities at FVTPL (Continued)

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

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

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

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

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

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

Financial liabilities subsequently measured at amortised cost

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Foreign exchange gains and losses

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

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

Derecognition of financial liabilities

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

Derivative financial instruments

The Group enters into foreign exchange forward contract to manage its exposure to foreign exchange rate risks. Further details of derivative financial instruments are disclosed in Note 10.

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

Leases

The Group as lessor

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee

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

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

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

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

The Group as lessee (Continued)

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

Sale of cranes and aerial lifts

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

Rental of cranes and aerial lifts

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

Servicing of cranes and aerial lifts

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

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

Interest income

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

Dividend income

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

(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.

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

Where there are indications of impairment of its cranes and aerial lifts classified as property, plant and equipment, the management estimates the recoverable amounts of these assets to determine the extent of the impairment loss, if any. The recoverable amounts of these assets are determined based on value in use calculations which require the use of key estimates such as utilisation rates and discount rate. The carrying amount of cranes and aerial lifts classified as property, plant and equipment at the end of the reporting period is disclosed in Note 12 to the financial statements.

Allowance for inventories

In determining the net realisable value of the cranes and aerial lifts classified as inventories, an estimation of the recoverable amount of inventories on hand is performed by management based on the most reliable evidence available at the time the estimates are made. Management judgement regarding future market and economic conditions is involved in determining the net realisable value of inventories. The carrying amount of inventories is disclosed in Note 11 to the financial statements.

Allowance for trade receivables

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

NOTES TO FINANCIAL STATEMENTS

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Financial assets				
Financial assets at amortised cost	56,035	48,552	47,306	43,881
Financial assets mandatorily measured at FVTPL	404	553	404	553
	56,439	49,105	47,710	44,434

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Financial liabilities				
Financial liabilities at amortised cost	3,588	4,196	19,486	12,366
Lease liabilities	5,247	11,587	3,428	6,367
Derivative instruments not designated in hedge accounting relationships	–	40	–	40
	8,835	15,823	22,914	18,773

(b) Financial risk management policies and objectives

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

(i) Credit risk management

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

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

(i) Credit risk management (Continued)

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

Of the trade receivables balance at the end of the year, \$16.9 million (2019: \$7.2 million) is due from 3 of the Group's largest customers (2019: 2). Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to the 3 customers did not exceed 40% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

As at 31 December 2020, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

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

(i) Credit risk management (Continued)

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

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
<u>Group</u>						
<u>2020</u>						
Trade receivables	8	(*)	Lifetime ECL (simplified approach)	24,916	(1,762)	23,154
Deposits	9	Performing	12-month ECL	90	-	90
Sundry debtors	9	Performing	12-month ECL	172	-	172
					<u>(1,762)</u>	
<u>Group</u>						
<u>2019</u>						
Trade receivables	8	(*)	Lifetime ECL (simplified approach)	25,135	(2,068)	23,067
Deposits	9	Performing	12-month ECL	70	-	70
Sundry debtors	9	Performing	12-month ECL	337	-	337
					<u>(2,068)</u>	

NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

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

(i) Credit risk management (Continued)

<u>Company</u>	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
<u>2020</u>						
Trade receivables	8	(*)	Lifetime ECL (simplified approach)	27,185	(336)	26,849
Deposits	9	Performing	12-month ECL	50	–	50
Sundry debtors	9	Performing	12-month ECL	16	–	16
Advances to subsidiaries	9	Performing	12-month ECL	3,657	–	3,657
					<u>(336)</u>	
<u>2019</u>						
Trade receivables	8	(*)	Lifetime ECL (simplified approach)	28,891	(484)	28,407
Deposits	9	Performing	12-month ECL	40	–	40
Sundry debtors	9	Performing	12-month ECL	43	–	43
Advances to subsidiaries	9	Performing	12-month ECL	5,083	–	5,083
					<u>(484)</u>	

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

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

(ii) Interest rate risk management

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

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

(iii) Foreign currency risk management

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

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

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2020	2019	2020	2019	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Japanese yen	131	24	139	175	131	24	139	175
Malaysian ringgit	8	8	-	-	8	8	-	-
Singapore dollar	4,919	5	-	-	-	-	-	-
United States dollar	1,020	897	51	97	452	20	-	-

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.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

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

(iii) Foreign currency risk management (Continued)

Foreign currency sensitivity (Continued)

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, profit for the year (2019: loss for the year) will increase (decrease) (2019: decrease (increase)) by:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<u>Impact arising from</u>				
Japanese yen	1	15	1	15
Malaysian ringgit	(1)	*	(1)	*
Singapore dollar	(492)	*	–	–
United States dollar	(97)	(80)	(45)	(2)

* 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 (2019: loss for the year) will (decrease) increase (2019: increase (decrease)) by the same amounts.

(iv) Liquidity risk management

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

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

(iv) Liquidity risk management (Continued)

Liquidity and interest risk analyses

Non-derivative financial liabilities

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

	Weighted average effective interest rate %	Repayable on demand or within 1 year \$'000	Within 2 to 5 years \$'000	After 5 years \$'000	Adjustment \$'000	Total \$'000
Group						
<u>2020</u>						
Non-interest bearing	-	3,588	-	-	-	3,588
Lease liabilities (fixed rate)	3.00 – 5.64	3,241	2,357	-	(351)	5,247
		6,829	2,357	-	(351)	8,835
<u>2019</u>						
Non-interest bearing	-	4,236	-	-	-	4,236
Lease liabilities (fixed rate)	3.00 – 5.53	5,382	6,752	167	(714)	11,587
		9,618	6,752	167	(714)	15,823
Company						
<u>2020</u>						
Non-interest bearing	-	19,486	-	-	-	19,486
Lease liabilities (fixed rate)	3.00 – 3.26	2,160	1,523	-	(255)	3,428
		21,646	1,523	-	(255)	22,914
<u>2019</u>						
Non-interest bearing	-	12,406	-	-	-	12,406
Lease liabilities (fixed rate)	3.00 – 3.16	3,266	3,443	167	(509)	6,367
		15,672	3,443	167	(509)	18,773

NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

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

(iv) Liquidity risk management (Continued)

Liquidity and interest risk analyses (Continued)

Non-derivative financial assets

All the non-derivative financial assets are repayable within one year and non-interest bearing (Notes 8 and 9), except for short-term interests on cash balances (Note 7) and FVTPL (Note 15) which are relatively insignificant to the Group and the Company.

Derivative financial instruments

The Group and Company's derivative financial instruments comprise foreign exchange forward contracts amounting to \$Nil (2019: \$40,000 liability) (Note 10).

(v) Fair value of financial assets and financial liabilities

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

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

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

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

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

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

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

	Fair value hierarchy as at 31 December 2020			
	Total	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
<u>Group and Company</u>				
Financial assets				
Financial assets at fair value through profit or loss (Note 15)	404	404	-	-
Financial liabilities				
Derivative financial instruments (Note 10)	-	-	-	-

	Fair value hierarchy as at 31 December 2019			
	Total	Level 1	Level 2	Level 3
	\$'000	\$'000	\$'000	\$'000
<u>Group and Company</u>				
Financial assets				
Financial assets at fair value through profit or loss (Note 15)	553	553	-	-
Financial liabilities				
Derivative financial instruments (Note 10)	40	-	40	-

(c) *Capital management policies and objectives*

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

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

As a part of the review of capital structure, management considers the cost of capital and the risks associated with each source of financing. The management of capital structure includes making decisions relating to payment of dividends and the redemption of existing loans. The Group's overall strategy remains unchanged from 2019.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

5 RELATED COMPANY TRANSACTIONS

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

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

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

6 OTHER RELATED PARTY TRANSACTIONS

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

Compensation of directors and key management personnel

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

	Group	
	2020 \$'000	2019 \$'000
Short-term benefits	2,469	2,951
Post-employment benefits	105	110
	2,574	3,061

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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Cash at bank	17,561	13,386	14,729	10,304
Cash on hand	50	160	3	4
Fixed deposits	15,008	11,532	2,002	–
	32,619	25,078	16,734	10,308

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

7 CASH AND CASH EQUIVALENTS (CONTINUED)

As at 31 December 2020, fixed deposits bore interest from 0.3% to 0.65% per annum (2019: 1.65% to 2.05% per annum) and for a tenure of 3 months to 1 year (2019: 3 months to 1 year). The fixed deposits can be readily converted into cash with minimal charges and is subject to an insignificant risk of changes in value.

8 TRADE RECEIVABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Outside parties	24,916	25,135	15,865	16,508
Subsidiaries	–	–	11,320	12,383
	24,916	25,135	27,185	28,891
Less: Loss allowances	(1,762)	(2,068)	(336)	(484)
	23,154	23,067	26,849	28,407

The credit period ranges from 30 to 180 days (2019: 30 to 180 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition. No interest is charged on the outstanding trade receivables. The Group assesses the potential customer's credit quality and determines credit limits to be allowed before accepting any new customer. Credit limits granted to customers are reviewed regularly.

Analysis of trade receivables

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

8 TRADE RECEIVABLES (CONTINUED)

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

2020	Group				
	Trade receivables – days past due				
	Not past due	< 3 months	< 12 months	> 12 months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Estimated total gross carrying amount at default	10,680	10,160	2,119	1,957	24,916
Lifetime ECL	(70)	(117)	(365)	(1,210)	(1,762)
					<u>23,154</u>

2019	Group				
	Trade receivables – days past due				
	Not past due	< 3 months	< 12 months	> 12 months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Estimated total gross carrying amount at default	12,401	5,949	4,898	1,887	25,135
Lifetime ECL	(70)	(120)	(504)	(1,374)	(2,068)
					<u>23,067</u>

2020	Company				
	Trade receivables – days past due				
	Not past due	< 3 months	< 12 months	> 12 months	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
Estimated total gross carrying amount at default	6,328	8,043	2,170	10,644	27,185
Lifetime ECL	(52)	(89)	(123)	(72)	(336)
					<u>26,849</u>

NOTES TO FINANCIAL STATEMENTS

31 December 2020

8 TRADE RECEIVABLES (CONTINUED)

2019	Company				Total \$'000
	Trade receivables – days past due > 3 months and				
	Not past due \$'000	< 3 months \$'000	< 12 months \$'000	> 12 months \$'000	
Estimated total gross carrying amount at default	9,257	4,368	2,918	12,348	28,891
Lifetime ECL	(52)	(89)	(248)	(95)	(484)
					<u>28,407</u>

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

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

	Group	
	2020 \$'000	2019 \$'000
At beginning of the year	2,068	1,772
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement (Note 28)	57	1,313
Bad debts recovered	(239)	(261)
Trade receivables written off	(113)	(751)
Foreign exchange gains or losses	(11)	(5)
At the end of the year	<u>1,762</u>	<u>2,068</u>

	Company	
	2020 \$'000	2019 \$'000
At beginning of the year	484	755
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement	–	484
Trade receivables written off	(148)	(755)
At the end of the year	<u>336</u>	<u>484</u>

During the year, trade receivables amounting to \$10,000 (2019: \$65,000) were written off as bad debts.

NOTES TO FINANCIAL STATEMENTS

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9 OTHER RECEIVABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Subsidiaries	–	–	3,657	5,083
Deposits	90	70	50	40
Prepayments	984	1,302	191	223
Sundry debtors	172	337	16	43
	1,246	1,709	3,914	5,389

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

Analysis of other receivables

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

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

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

NOTES TO FINANCIAL STATEMENTS

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10 DERIVATIVE FINANCIAL INSTRUMENTS

	Group & Company		Group & Company	
	2020		2019	
	Assets	Liabilities	Assets	Liabilities
	\$'000	\$'000	\$'000	\$'000
Foreign currency forward contracts	-	-	-	40

The Group utilises foreign currency forward contracts to purchase and sell Singapore dollar ("SGD"), and Japanese yen ("JPY"), 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	
	2020	2019	2020	2019
	'000	'000	'000	'000
Sell SGD	-	4,454	-	4,454
Buy JPY	-	355,000	-	355,000

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 gain in fair value of the forward foreign exchange contract was \$40,000 in 2020 (2019: loss of \$101,000) and have been taken up in profit or loss.

11 INVENTORIES

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Cranes and aerial lifts	3,930	3,938	2,500	1,094

Movement in the allowance for inventory obsolescence:

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the year	-	78	-	-
Transfer to property, plant and equipment	-	(73)	-	-
Disposals	-	(5)	-	-
Balance at end of the year	-	-	-	-

The cost of inventories recognised as an expense was \$Nil (2019: \$Nil) in respect of write-off of inventory.

NOTES TO FINANCIAL STATEMENTS

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12 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land \$'000	Leasehold land \$'000	Workshop building \$'000	Cranes \$'000	Aerial lifts \$'000	Motor vehicles \$'000	Plant and equipment \$'000	Total \$'000
Cost:								
At 1 January 2019	3,068	506	6,665	135,558	13,222	4,761	4,442	168,222
Additions	–	–	91	–	–	416	193	700
Transfer from inventories	–	–	–	3,770	1,458	–	–	5,228
Transfer to inventories	–	–	–	(29,424)	(5,042)	–	–	(34,466)
Disposals	–	–	–	(909)	(46)	(897)	(506)	(2,358)
Written off	–	–	–	–	–	(258)	(213)	(471)
Exchange differences	(12)	–	(9)	13	2	8	13	15
At 31 December 2019	3,056	506	6,747	109,008	9,594	4,030	3,929	136,870
Additions	–	–	2	1,039	–	97	40	1,178
Transfer from inventories	–	–	–	4,019	1,930	–	–	5,949
Transfer to inventories	–	–	–	(24,649)	(2,874)	–	–	(27,523)
Disposals	–	–	–	–	–	(276)	(44)	(320)
Written off	–	–	–	–	–	–	(2)	(2)
Exchange differences	(6)	–	(5)	1,075	41	48	45	1,198
At 31 December 2020	3,050	506	6,744	90,492	8,691	3,899	3,968	117,350
Accumulated depreciation:								
At 1 January 2019	–	28	3,010	45,527	5,465	3,248	2,553	59,831
Depreciation for the year	–	14	199	8,453	1,042	608	346	10,662
Transfer to inventories	–	–	–	(10,648)	(2,108)	–	–	(12,756)
Disposals	–	–	–	(300)	(24)	(733)	(142)	(1,199)
Written off	–	–	–	–	–	(224)	(210)	(434)
Exchange differences	–	–	–	(12)	–	–	13	1
At 31 December 2019	–	42	3,209	43,020	4,375	2,899	2,560	56,105
Depreciation for the year	–	14	198	6,436	786	377	282	8,093
Transfer to inventories	–	–	–	(11,760)	(1,659)	–	–	(13,419)
Disposals	–	–	–	–	–	(161)	(44)	(205)
Written off	–	–	–	–	–	–	(1)	(1)
Exchange differences	–	–	–	355	19	24	38	436
At 31 December 2020	–	56	3,407	38,051	3,521	3,139	2,835	51,009
Impairment:								
At 1 January 2019	–	–	–	1,588	233	–	–	1,821
Impairment loss recognised	–	–	–	514	–	–	–	514
Transfer from inventories	–	–	–	–	73	–	–	73
Transfer to inventories	–	–	–	(579)	(164)	–	–	(743)
Exchange differences	–	–	–	(40)	–	–	–	(40)
At 31 December 2019	–	–	–	1,483	142	–	–	1,625
Transfer to inventories	–	–	–	(388)	(37)	–	–	(425)
Exchange differences	–	–	–	14	–	–	–	14
At 31 December 2020	–	–	–	1,109	105	–	–	1,214
Carrying amount:								
At 31 December 2020	3,050	450	3,337	51,332	5,065	760	1,133	65,127
At 31 December 2019	3,056	464	3,538	64,505	5,077	1,131	1,369	79,140

NOTES TO FINANCIAL STATEMENTS

31 December 2020

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Workshop building \$'000	Cranes \$'000	Motor vehicles \$'000	Plant and equipment \$'000	Total \$'000
<u>Company</u>					
Cost:					
At 1 January 2019	3,951	59,740	2,524	2,463	68,678
Additions	–	–	352	116	468
Transfer from inventories	–	3,770	–	–	3,770
Transfer to inventories	–	(6,871)	–	–	(6,871)
Disposals	–	–	(281)	(506)	(787)
Written off	–	–	(258)	(213)	(471)
At 31 December 2019	3,951	56,639	2,337	1,860	64,787
Additions	–	1,039	–	17	1,056
Transfer from inventories	–	3,321	–	–	3,321
Transfer to inventories	–	(5,646)	–	–	(5,646)
Disposals	–	–	(132)	(44)	(176)
Written off	–	–	–	(2)	(2)
At 31 December 2020	3,951	55,353	2,205	1,831	63,340
Accumulated depreciation:					
At 1 January 2019	2,925	24,375	1,948	1,522	30,770
Depreciation for the year	158	3,823	325	162	4,468
Transfer to inventories	–	(3,779)	–	–	(3,779)
Disposals	–	–	(230)	(142)	(372)
Written off	–	–	(224)	(210)	(434)
At 31 December 2019	3,083	24,419	1,819	1,332	30,653
Depreciation for the year	158	3,624	171	119	4,072
Transfer to inventories	–	(3,624)	–	–	(3,624)
Disposals	–	–	(44)	(44)	(88)
Written off	–	–	–	(1)	(1)
At 31 December 2020	3,241	24,419	1,946	1,406	31,012
Impairment:					
At 1 January 2019	–	307	–	–	307
Transfer to inventories	–	(131)	–	–	(131)
At 31 December 2019	–	176	–	–	176
Transfer to inventories	–	(72)	–	–	(72)
At 31 December 2020	–	104	–	–	104
Carrying amount:					
At 31 December 2020	710	30,830	259	425	32,224
At 31 December 2019	868	32,044	518	528	33,958

NOTES TO FINANCIAL STATEMENTS

31 December 2020

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, the Group carried out a review of the recoverable amount of its cranes and aerial lifts, having regard to the future market and economic conditions. These assets are used in the Group's rental segment. The review led to recognition of \$Nil (2019: \$514,000 impairment loss) that has been recognised in profit or loss (Note 28), and included in the other operating expenses line item in the consolidated statement of profit or loss and other comprehensive incomes. The Group determined the recoverable amounts of these assets based on value in use calculations which require the use of key estimates such as utilisation rates and discount rates. The discount rates used in measuring value in use ranges within 7% to 9% per annum (2019: 6% to 9% per annum).

The carrying amounts of finance lease assets classified within property, plant and equipment with corresponding lease liabilities (Note 19) are as follows:

	Group		Company	
	Cranes \$'000	Motor vehicle \$'000	Cranes \$'000	Motor vehicle \$'000
At 1 January 2019	35,607	29	20,475	-
Transfer to property, plant and equipments, upon settlement of lease liabilities	(12,368)	(15)	(7,326)	-
Additions	1,437	-	1,437	-
At 31 December 2019	24,676	14	14,586	-
Transfer to property, plant and equipments, upon settlement of lease liabilities	(8,062)	(14)	(4,177)	-
At 31 December 2020	16,614	-	10,409	-

NOTES TO FINANCIAL STATEMENTS

31 December 2020

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Details of the freehold land, leasehold land and building held by the Group as at 31 December 2020 are as follows:

Location	Gross area (sq.m)	Tenure	Use
<u>Freehold land</u>			
Lot 50622, Jalan Bukit Kemuning, Seksyen 32, 40460 Shah Alam Selangor	9,853	Freehold	Office and yard
<u>Leasehold land</u>			
PTB 1472, Mukim Tanjung Surat, Kota Tinggi, Johor 81100	8,741	37 years from 31 October 2016	Office and yard
<u>Workshop building</u>			
26 Gul Road Singapore 629346	14,176	25 years from year 2000	Office and yard

13 RIGHT-OF-USE ASSETS

The Group leases leasehold building and dormitory units. The average lease term is 5 years (2019: 5 years).

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

Right-of-use assets

	JTC Building \$'000	Dormitory \$'000	Total \$'000
<u>The Group</u>			
Cost:			
At 1 January 2019 and 31 December 2019	1,238	158	1,396
Addition	–	78	78
At 31 December 2020	1,238	236	1,474
Accumulated depreciation:			
At 1 January 2019	–	–	–
Depreciation	181	80	261
At 31 December 2019	181	80	261
Depreciation	180	78	258
At 31 December 2020	361	158	519

NOTES TO FINANCIAL STATEMENTS

31 December 2020

13 RIGHT-OF-USE ASSETS (CONTINUED)

	JTC Building \$'000	Dormitory \$'000	Total \$'000
Carrying amount:			
At 31 December 2020	877	78	955
At 31 December 2019	1,057	78	1,135
<u>The Company</u>			
Cost:			
At 1 January 2019 and 31 December 2019	642	158	800
Addition	–	78	78
At 31 December 2020	642	236	878
Accumulated depreciation:			
At 1 January 2019	–	–	–
Depreciation	92	80	172
At 31 December 2019	92	80	172
Depreciation	93	78	171
At 31 December 2020	185	158	343
Carrying amount:			
At 31 December 2020	457	78	535
At 31 December 2019	550	78	628

In addition, the Group made upfront payment(s) in full to secure the right-of-use of certain leasehold land. This leasehold land, with net book value amounting to \$450,000 (2019: \$464,000) is presented within property, plant and equipment (Note 12).

Right-of-use assets acquired under leasing arrangements are presented together with the owned assets of the same class. Details of such leased assets are disclosed in Note 12.

As at 31 December 2020, the Company has current and non-current lease receivables amounting to \$84,000 (2019: \$82,000) and \$380,000 (2019: \$432,000) from its subsidiary arising from the subleasing of office premises within the JTC Building.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

14 INVESTMENT IN SUBSIDIARIES

	Company	
	2020 \$'000	2019 \$'000
Unquoted equity shares – at cost	6,643	6,643
Loan to subsidiaries	22,742	22,742
	29,385	29,385

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

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

Name of subsidiary	Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held		Principal activity
		2020 %	2019 %	
Held by the Company				
Sin Heng Aerial Lifts Pte Ltd ⁽¹⁾	Singapore	100	100	Rental and trading of aerial lifts.
SH Heavy Machinery Sdn Bhd ⁽²⁾	Malaysia	100	100	Rental and trading of cranes.
Sin Heng Vina Co. Ltd ⁽⁴⁾	Vietnam	100	100	Dormant.
SH Equipment Pte Ltd ⁽³⁾	Singapore	100	100	Trading of equipment.
PT SH Machinery Indonesia ⁽⁴⁾	Indonesia	100	100	Trading of spare parts.
SH Equipment Holdings Sdn Bhd ⁽⁴⁾	Malaysia	100	100	Investment Holding.
SH Equipment (HK) Limited ⁽⁴⁾	Hong Kong	100	100	Dormant.
Held by subsidiaries				
SH Equipment (Myanmar) Company Limited ⁽⁴⁾	Myanmar	100	100	Rental of equipment.
Bestari Industrial Holdings Sdn Bhd ("Bestari") ⁽⁴⁾	Malaysia	100	100	Investment Holding.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2020	2019
	\$'000	\$'000
Quoted equity shares, at fair value	404	553

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

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

16 OTHER ASSETS

	Group and Company	
	2020	2019
	\$'000	\$'000
Golf club memberships	69	69
Allowance for impairment	(59)	(59)
Golf club memberships, at fair value	10	10

17 TRADE PAYABLES

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Outside parties	958	1,318	730	815
Subsidiary	-	-	6,459	2,271
	958	1,318	7,189	3,086

The average credit period on purchases of goods is 30 to 90 days (2019: 30 to 90 days). No interest is charged on the outstanding balance.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

18 OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Outside parties	180	143	-	-
Subsidiary	-	-	10,415	7,064
Accrued expenses	1,983	2,370	1,641	1,860
Deposits received	467	365	241	356
	2,630	2,878	12,297	9,280

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

19 LEASE LIABILITIES

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Maturity analysis:				
Within one year	3,241	5,382	2,160	3,266
In the second to fifth year inclusive	2,357	6,752	1,523	3,443
After five years	-	167	-	167
	5,598	12,301	3,683	6,876
Less: Unearned interest	(351)	(714)	(255)	(509)
	5,247	11,587	3,428	6,367
Analysed as:				
Current	3,014	4,870	2,006	3,018
Non-current	2,233	6,717	1,422	3,349
	5,247	11,587	3,428	6,367

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

19 LEASE LIABILITIES (CONTINUED)

Reconciliation of liabilities arising from financing activities

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

	Non-cash changes					31 December 2020 \$'000
	1 January 2020 \$'000	Financing cash flow \$'000	Acquisition \$'000	New lease liabilities \$'000	Foreign	
					exchange movement \$'000	
Lease liabilities (Note 19)	11,587	(6,408)	–	78	(10)	5,247
	11,587	(6,408)	–	78	(10)	5,247

	Non-cash changes					31 December 2019 \$'000
	1 January 2019 \$'000	Financing cash flow ⁽ⁱ⁾ \$'000	Acquisition \$'000	New lease liabilities \$'000	Foreign	
					exchange movement \$'000	
Bills payable	5,272	(5,272)	–	–	–	–
Bank loans	833	(4,933)	4,100	–	–	–
Finance leases	–	–	–	–	–	–
Lease liabilities (Note 19)	20,062	(9,640)	–	1,193	(28)	11,587
	26,167	(19,845)	4,100	1,193	(28)	11,587

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

20 DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation	
	Group \$'000	Company \$'000
Balance at 1 January 2019	7,010	2,723
(Credit) Charge to profit or loss (Note 27)	(508)	486
Exchange differences	(16)	–
Balance at 31 December 2019	6,486	3,209
Credit to profit or loss (Note 27)	(345)	(209)
Exchange differences	(4)	–
Balance at 31 December 2020	6,137	3,000

21 SHARE CAPITAL

	Group and Company			
	2020 '000	2019 '000	2020 \$'000	2019 \$'000
	Number of ordinary shares			
Issued and paid-up:				
At beginning and end of the year	114,889	114,889	41,846	41,846

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

22 TREASURY SHARES

	Group and Company			
	2020 '000	2019 '000	2020 \$'000	2019 \$'000
	Number of ordinary shares			
At beginning and end of the year	876	876	355	355

23 REVENUE

	Group	
	2020 \$'000	2019 \$'000
Trading of cranes and aerial lifts recognised at a point in time	32,019	42,899
Rental of cranes and aerial lifts recognised over time	19,262	28,243
Servicing of cranes and aerial lifts recognised over time	2,076	2,648
	53,357	73,790

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

24 OTHER OPERATING INCOME

	Group	
	2020 \$'000	2019 \$'000
Rental of office and warehouse space	69	67
Insurance claim received	250	1,009
Gain on disposal of property, plant and equipment	10	75
Interest income	328	711
Bad debts written back	239	261
Fair value gain arising on financial assets designated as at FVTPL	-	141
Foreign exchange gain	1,198	468
Government grants	1,865	-
Others	376	74
	4,335	2,806

NOTES TO FINANCIAL STATEMENTS

31 December 2020

24 OTHER OPERATING INCOME (CONTINUED)

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

25 OTHER OPERATING EXPENSES

	Group	
	2020 \$’000	2019 \$’000
Impairment of property, plant and equipment	–	514
Impairment loss on financial assets, subject to ECL	57	1,313
Property, plant and equipment written off	1	37
Bad debts written off	10	65
Fair value loss arising on financial assets designated as at FVTPL	149	–
Others	217	190
	434	2,119

26 FINANCE COSTS

	Group	
	2020 \$’000	2019 \$’000
Interest expenses on:		
– Bills payable	–	105
– Bank loans	–	48
– Lease liabilities	473	832
	473	985

NOTES TO FINANCIAL STATEMENTS

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27 INCOME TAX BENEFIT

	Group	
	2020 \$'000	2019 \$'000
Current tax:		
– Current year	345	133
– Over provision in prior years	(440)	(365)
Deferred tax:		
– Current year	(721)	(102)
– Under (Over provision) in prior years	376	(406)
	(440)	(740)

Domestic income tax is calculated at 17% (2019: 17%) of the estimated assessable income for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

	Group	
	2020 \$'000	2019 \$'000
Profit (Loss) before income tax	756	(2,019)
Income tax (benefit) expense at the income tax rate of 17% (2019: 17%)	129	(343)
Tax effect of expenses not deductible for tax purpose	289	309
Tax effect of income not taxable in determining taxable profit	(488)	(26)
Tax effect of tax losses and capital allowances not recognised as deferred tax assets	47	334
Effect of utilisation of capital allowances previously not recognised as deferred tax assets	(304)	–
Effect of different tax rates of overseas subsidiaries	(48)	(244)
Over provision of current tax in prior years	(440)	(365)
Under (Over provision) of deferred tax in prior years	376	(406)
Others	(1)	1
Total income tax benefit	(440)	(740)

Subject to the agreement of the tax authority, at the end of the reporting period, the Group has unused tax losses of \$452,000 (2019: unused tax losses of \$177,000 and unutilised capital allowances of \$1,789,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

28 PROFIT (LOSS) FOR THE YEAR

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

	Group	
	2020 \$'000	2019 \$'000
Cost of defined contribution plans included in employee benefits expense	1,025	1,250
Directors' remuneration	1,563	1,863
Employee benefits expense (including directors' remuneration)	12,404	16,077
Net foreign exchange gain	(1,198)	(468)
(Gain) Loss on changes in fair value of derivatives financial instruments	(40)	101
Impairment of property, plant and equipment	–	514
Impairment loss on financial assets	57	1,313
Bad debts written off	10	65
Property, plant and equipment written off	1	37
Fair value loss (gain) arising on financial assets designated as at FVTPL	149	(141)
Cost of inventories recognised as expense	27,382	37,456
Government grant	(1,865)	–
Audit fees:		
– paid to auditors of the Company	110	110
– paid to other auditors	32	39
Non-audit fees:		
– paid to auditors of the Company	39	52

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

	2020 \$'000	2019 \$'000
Depreciation expense on right-of-use assets	258	258
Interest expense on lease liabilities	473	832

NOTES TO FINANCIAL STATEMENTS

31 December 2020

29 PROFIT (LOSS) PER SHARE

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

	2020	2019
Profit (loss) for the year attributable to owners of the Company (\$'000)	1,196	(1,279)
Weighted average number of fully paid ordinary shares in issue ('000)	114,013	114,013
Basic and diluted profit (loss) per share (cents)	<u>1.05</u>	<u>(1.12)</u>

30 DIVIDENDS

During the financial year, no interim dividend was declared (2019: \$Nil).

Subsequent to the end of financial year, the directors of the Company recommended that a tax-exempt one-tier first and final dividend of 5 cents per ordinary share totalling \$5,701,000 (2019: \$Nil) be paid for the financial year ended 31 December 2020. The dividend is subject to approval by shareholders at the forthcoming Annual General Meeting and hence the proposed dividend has not been accrued as a liability as at the end of the reporting period.

31 SEGMENT INFORMATION

Goods and Services from which reportable segments derive their revenue

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

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

The Group's reportable operating segments are as follows:

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

NOTES TO FINANCIAL STATEMENTS

31 December 2020

31 SEGMENT INFORMATION (CONTINUED)

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

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

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

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

	Equipment rental	Trading	Total
	\$'000	\$'000	\$'000
2020			
Revenue			
Segment revenue	21,338	32,019	53,357
Results			
Segment results	2,404	4,159	6,563
Selling expenses	(176)	(265)	(441)
Other operating income			4,335
Administrative expenses			(8,794)
Other operating expenses			(434)
Finance costs	(450)	(23)	(473)
Profit before tax			756
Income tax benefit			440
Profit for the year			1,196
Other information			
Capital expenditure	(4,134)	(588)	(4,722)
Depreciation expense	(7,755)	(596)	(8,351)
Gain on disposal of property, plant and equipment	10	-	10
Property, plant and equipment written off	(1)	-	(1)
Bad debts written off	(10)	-	(10)
Impairment loss on financial assets, subject to ECL	(57)	-	(57)

NOTES TO FINANCIAL STATEMENTS

31 December 2020

31 SEGMENT INFORMATION (CONTINUED)

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

	Equipment rental \$'000	Trading \$'000	Total \$'000
2019			
Revenue			
Segment revenue	30,891	42,899	73,790
Results			
Segment results	5,212	4,831	10,043
Selling expenses	(464)	(643)	(1,107)
Other operating income			2,806
Administrative expenses			(10,657)
Other operating expenses			(2,119)
Finance costs	(828)	(157)	(985)
Loss before tax			(2,019)
Income tax expense			740
Loss for the year			(1,279)
Other information			
Capital expenditure	(1,478)	(682)	(2,160)
Depreciation expense	(10,314)	(609)	(10,923)
Gain on disposal of property, plant and equipment	75	–	75
Property, plant and equipment written off	(37)	–	(37)
Impairment of property, plant and equipment	(514)	–	(514)
Bad debts written off	(65)	–	(65)
Impairment loss on financial assets, subject to ECL	(1,313)	–	(1,313)

Revenue reported above represents revenue generated from external customers.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

31 SEGMENT INFORMATION (CONTINUED)

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

	Equipment rental \$'000	Trading \$'000	Total \$'000
2020			
Assets and liabilities			
Segment assets	65,096	19,340	84,436
Unallocated corporate assets			43,009
Total assets			127,445
Segment liabilities	6,067	606	6,673
Unallocated corporate liabilities			8,303
			14,976
2019			
Assets and liabilities			
Segment assets	91,641	6,132	97,773
Unallocated corporate assets			36,857
Total assets			134,630
Segment liabilities	12,330	940	13,270
Unallocated corporate liabilities			9,905
Total liabilities			23,175

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

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	Taiwan \$'000	Others \$'000	Total \$'000
2020									
Revenue from									
external customers	21,996	18,939	2,841	5,719	559	400	2,240	663	53,357
2019									
Revenue from									
external customers	27,408	26,076	1,712	12,256	1,876	367	-	4,095	73,790

NOTES TO FINANCIAL STATEMENTS

31 December 2020

31 SEGMENT INFORMATION (CONTINUED)

Geographical segment information (Continued)

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

Non-current assets

Property, plant and equipment

	2020	2019
	\$'000	\$'000
Singapore	37,162	38,779
Malaysia	20,101	28,118
Myanmar	7,848	7,463
Vietnam	–	4,761
Indonesia	16	19
	65,127	79,140

Major customer information

For FY2020, revenue from one (2019: one) customer amounted to more than 10% of the Group's revenue.

32 CAPITAL COMMITMENTS

	Group	
	2020	2019
	\$'000	\$'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the financial statements	2,498	5,320

33 OPERATING LEASE ARRANGEMENTS

The Group as lessee

As at 31 December 2020, the Group is committed to \$224,000 (2019: \$255,000) for leases exempted under SFRS(I) 16.

NOTES TO FINANCIAL STATEMENTS

31 December 2020

33 OPERATING LEASE ARRANGEMENTS (CONTINUED)

The Group as lessor

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

	The Group as lessor	
	2020	2019
	\$'000	\$'000
Rental income	69	67
	The Group	
	2020	2019
	\$'000	\$'000
Maturity analysis of operating lease payments:		
Within one year	45	67
In the second to fifth year inclusive	-	52
Total	45	119

STATISTICS OF SHAREHOLDINGS

As at 18 March 2021

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 SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	99	7.26	783	0.00
100 – 1,000	132	9.69	73,446	0.06
1,001 – 10,000	689	50.55	3,306,444	2.90
10,001 – 1,000,000	431	31.62	25,833,118	22.66
1,000,001 AND ABOVE	12	0.88	84,799,209	74.38
TOTAL	1,363	100.00	114,013,000	100.00

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	TAL HOLDINGS PTE LTD	32,273,200	28.31
2	UOB KAY HIAN PRIVATE LIMITED	30,998,100	27.19
3	DB NOMINEES (SINGAPORE) PTE LTD	4,502,800	3.95
4	DBS NOMINEES (PRIVATE) LIMITED	3,590,996	3.15
5	PHILLIP SECURITIES PTE LTD	3,079,025	2.70
6	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	2,015,600	1.77
7	SHRINIWAS RAI	1,850,960	1.62
8	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,673,940	1.47
9	GOH GUAN SIONG (WU YUANXIANG)	1,381,400	1.21
10	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,314,107	1.15
11	LIM GUAN CHONG	1,102,061	0.97
12	YUUKI IKEDA	1,017,020	0.89
13	YEO SENG CHONG	1,000,000	0.88
14	OCBC SECURITIES PRIVATE LIMITED	907,800	0.80
15	HSBC (SINGAPORE) NOMINEES PTE LTD	715,800	0.63
16	SIM KIM TENG ANNIE	687,800	0.60
17	HONG LEONG FINANCE NOMINEES PTE LTD	680,000	0.60
18	SIM SZE MAY	680,000	0.60
19	LOOI BOCK HEAY	500,000	0.44
20	LIM SIU HORNG	425,000	0.37
TOTAL		90,395,609	79.30

STATISTICS OF SHAREHOLDINGS

As at 18 March 2021

No.	Name	Direct Interest		Deemed Interests	
		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.	United Hope Pte. Ltd.	30,950,000 ⁽²⁾	27.15	–	–
4.	Teo Yi-Dar	1,600	0.00	30,950,000 ⁽³⁾	27.15

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

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on Shareholders' Information as at 18 March 2021, approximately 44.27% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM”) of Sin Heng Heavy Machinery Limited (the “Company”) will be held by way of electronic means on Friday, 30 April 2021 at 10.00 a.m. to transact the business as set out below:

AS ORDINARY BUSINESSES

1. To receive and adopt the Directors’ Statement and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2020, together with the Auditors’ Report thereon.
Resolution 1
2. To re-elect the following Directors of the Company retiring pursuant to Regulations 89 and 96 of the Constitution of the Company:–
 - (a) Mr. Tan Ah Lye (Retiring under Regulation 89) **Resolution 2**
 - (b) Mr. Soh Sai Kiang (Retiring under Regulation 89) **Resolution 3**
 - (c) Mr. Teo Yi-Dar (Retiring under Regulation 96) **Resolution 4**
 - (d) Mr. Leong Wing Kong (Retiring under Regulation 96) **Resolution 5**
[See Explanatory Notes (i), (ii), (iii) and (iv)]
3.
 - (a) That, subject to and contingent upon passing of Resolution 3 and pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”) which will take effect from 1 January 2022, Shareholders to approve the continued appointment of Mr. Soh Sai Kiang as an Independent Director of the Company, and the authority conferred by this Resolution shall remain in force until the earlier of the following: (a) the retirement or resignation of Mr. Soh Sai Kiang; or (b) the conclusion of the third AGM of the Company following the passing of this Resolution.
Resolution 6
 - (b) That, subject to and contingent upon the passing of Resolutions 3 and 6 and pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Shareholders, excluding the directors, the chief executive officer and their respective associates, to approve the continued appointment of Mr. Soh Sai Kiang as an Independent Director of the Company, and the authority conferred by this Resolution shall remain in force until the earlier of the following: (a) the retirement or resignation of Mr. Soh Sai Kiang; or (b) the conclusion of the third AGM of the Company following the passing of this Resolution.
Resolution 7
[See Explanatory Notes (v)]
4. To declare a first and final dividend of 0.5 Singapore cents and special dividend of 4.5 Singapore cents per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2020.
Resolution 8
5. To approve the payment of Directors’ fees of S\$246,186 for the financial year ended 31 December 2020 (2019: S\$336,899).
Resolution 9

NOTICE OF ANNUAL GENERAL MEETING

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

Resolution 10

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

AS SPECIAL BUSINESSES

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

8. **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 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);

NOTICE OF ANNUAL GENERAL MEETING

- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and Instruments that may be issued under sub-paragraph (1) above, the percentage of issued Shares and Instruments shall be based on the number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of Shares;

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

- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (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 11

[See Explanatory Note (vi)]

9. Adoption of the Share Buy-back Mandate

That:

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

NOTICE OF ANNUAL GENERAL MEETING

- (ii) off-market purchase pursuant to an equal access scheme in accordance with Section 76C of the Companies Act, Chapter 50 ("**Off-Market Share Buy-Back**"),

and otherwise in accordance with all other laws and regulations, including but not limited to, the listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buy-Back Mandate**");

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

- (i) the conclusion of the next Annual General Meeting of the Company or the date by which such Annual General Meeting is required by law to be held;
- (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated; or
- (iii) the date on which the authority conferred by the proposed Share Buy-Back Mandate is revoked or varied by ordinary resolution of the Company in a general meeting;

- (c) in this Resolution:

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

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

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

- (i) in the case of an On-Market Share Buy-Back, 105% of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Share Buy-Back, 120% of the Average Closing Price of the Shares; and

NOTICE OF ANNUAL GENERAL MEETING

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

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

Resolution 12

[See Explanatory Note (vii)]

By Order of the Board

Ms Siau Kuei Lian
Ms Fiona Lim Pei Pei
Company Secretaries
Singapore, 8 April 2021

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Mr. Tan Ah Lye will, upon re-election as a Director of the Company remain as the Executive Director and Chief Executive Officer. Please refer to page 39 of the Corporate Governance Report in the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.
- (ii) Mr. Soh Sai Kiang will, upon re-election as a Director of the Company remain as an Independent Director, the Chairman of Remuneration Committee and Nominating Committee and a member of the Audit and Risk Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to pages 40 to 41 of the Corporate Governance Report in the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.
- (iii) Mr. Teo Yi-Dar will, upon re-election as a Director of the Company, remain as the Non-Executive Non-Independent Chairman, a member of the Audit and Risk Committee, Remuneration Committee and Nominating Committee. Please refer to pages 36 to 38 of the Corporate Governance Report in the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.
- (iv) Mr. Leong Wing Kong will, upon re-election as a Director of the Company remain as an Independent Director, the Chairman of Audit and Risk Committee and a member of Remuneration Committee and Nominating Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to page 42 of the Corporate Governance Report in the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.
- (v) Resolutions 6 and 7, which are subject to the continued appointment of Mr. Soh Sai Kiang as a Director of the Company, are proposed in anticipation of Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST.

Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will take effect from 1 January 2022, Mr. Soh Sai Kiang, having served on the Board beyond nine (9) years from the date of his first appointment, will not be considered an Independent Director on 1 January 2022 unless his appointment as an Independent Director is approved in separate resolutions by (A) all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their respective associates. The Company is seeking at this AGM to obtain the required approval in separate resolutions by (A) by all Shareholders and (B) Shareholders, excluding the directors, the chief executive officer and their respective associates prior to 1 January 2022 as required for his continued appointment as an Independent Director of the Company. Resolutions 6 and 7 above, if passed, will enable Mr. Soh Sai Kiang to continue his appointment as an Independent Director of the Company (unless his appointment has been changed subsequent to the AGM) pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST and to Provisions 2.1 of the Code of Corporate Governance 2018 and the approvals shall remain in force until the earlier of (a) his retirement or resignation; or (b) the conclusion of the third AGM of the Company following the passing of the Resolutions 6 and 7. Resolution 6 is conditional upon Resolution 7 being duly approved, else Mr. Soh Sai Kiang will be designated as Non-Independent Director of the Company with effect from 1 January 2022 and the Board will consider other alternative including refreshment of the Board.

- (vi) Resolution 11 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a pro rata basis to existing shareholders of the Company.

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

- (vii) Resolution 12 above, if passed, will empower the Directors of the Company, from the date of this Annual General Meeting until the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of On-Market Share Buy-Back or Off-Market Share Buy-Back of up to 10% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the Maximum Price as defined in the Appendix to the Notice of the AGM dated 8 April 2021 (the "Appendix"). The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of ordinary shares by the Company pursuant to the Share Buy-Back Mandate on the audited consolidated financial statements of the Group (as defined in the Appendix) for the financial year ended 31 December 2020 are set out in greater detail in the Appendix.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. The AGM will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trust, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or audio-only stream only), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, are set out in the accompanying Company's announcement dated 8 April 2021. This announcement may be accessed at the Company's website at <http://www.sinheng.com.sg> or SGX's website at <https://www.sgx.com/securities/company-announcements>.
3. Pursuant to Part 4 of the COVID-19 (Temporary Measures) Act 2020, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which, the appointment of Chairman of the Meeting as proxy for that Resolution will be treated as invalid.

The instrument appointing the Chairman of the Meeting as proxy must be deposited at the Company's share registrar's office, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 by mail or email to agm2021@sinheng.com.sg, or digital submission at <https://conveneagm.com/sg/sinheng>, in either case, by 10.00 a.m. on 28 April 2021 being not less than forty-eight (48) hours before the time appointed for holding the AGM. The Chairman of the Meeting, as proxy, need not be a member of the Company.

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

4. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the Meeting as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
5. Investors who hold shares through Relevant Intermediaries*, including under the Central Provident Fund Investment Scheme ("**CPF Investors**") or the Supplementary Retirement Scheme ("**SRS Investors**"), and who wish to appoint the Chairman of the Meeting as their proxy should approach their respective Relevant Intermediaries*, including CPF Agent Banks or SRS Operators, to submit their votes at least seven (7) working days before the Meeting (i.e. by 10.00 a.m. on 20 April 2021).

* 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.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy

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

- (i) processing and administration and analysis by the Company (or its agents or service providers) of the instruments appointing the Chairman of the Meeting as proxy for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof);
- (ii) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to the live audio-visual webcast or audio-only stream only to observe the proceedings of the AGM of the Company and providing them with any technical assistance where necessary;
- (iii) addressing substantial and relevant questions from members received before the AGM of the Company and if necessary, following up with the relevant members in relation to such questions; and
- (iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

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

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SIN HENG HEAVY MACHINERY LIMITED

(Company Registration No. 198101305R)
(Incorporated In the Republic of Singapore)

ANNUAL GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. Pursuant to Part 4 of the COVID-19 (Temporary Measures) Act 2020, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which, the appointment of Chairman of the Meeting as proxy for that Resolution will be treated as invalid.
2. Alternative arrangements to, among others, attendance, submission of questions in advance, voting by proxy at the Meeting, are set out in the Notice of Annual General Meeting dated 8 April 2021.
3. Persons, who would have been able to be appointed as proxies by relevant intermediaries under Section 181(1C) of the Companies Act, such as Central Provident Fund Investment Scheme and Supplementary Retirement Scheme (as may be applicable) and wishes to appoint the Chairman of the AGM as their proxy should approach their respective relevant intermediaries (e.g. CPF/SRS Approved Nominees such as CPF Agent Banks or SRS Operators) to submit their votes by 10.00 a.m. on 20 April 2021, being seven (7) working days before the AGM.
4. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ Name _____ (NRIC/Passport No./Co. Registration No.)
of _____ (Address)

being *a member/members of **SIN HENG HEAVY MACHINERY LIMITED** (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting (the "**Meeting**") as *my/our proxy to vote for *me/us on *my/our behalf at the Meeting to be held by way of electronic means on Friday, 30 April 2021 at 10.00 a.m. and at any adjournment thereof.

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

No.	Resolutions relating to:	No. of Votes 'For'**	No. of Votes 'Against'**	No. of Votes 'Abstain'**
Ordinary Businesses				
1	Adoption of the Directors' Statement and Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2020, together with the Auditors' Report thereon			
2	Re-election of Mr Tan Ah Lye as a Director of the Company			
3	Re-election of Mr Soh Sai Kiang as a Director of the Company			
4	Re-election of Mr Teo Yi-Dar as a Director of the Company			
5	Re-election of Mr Leong Wing Kong as a Director of the Company			
6	Approval of Mr Soh Sai Kiang's continued appointment as an Independent Director of the Company by shareholders			
7	Approval of Mr Soh Sai Kiang's continued appointment as an Independent Director of the Company by shareholders (excluding the directors, the chief executive officer and their respective associates)			
8	Payment of proposed first and final dividend of 0.5 Singapore cents and special dividend of 4.5 Singapore cents per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2020			
9	Approval of payment of Directors' fees of S\$246,186 for the financial year ended 31 December 2020 (2019: S\$336,899)			
10	Re-appointment of Messrs Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration			
Special Businesses				
11	Authority to issue new shares			
12	Adoption of the Share Buy-Back Mandate			

* Delete where inapplicable

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

Dated this _____ day of _____ 2021

Total number of Shares held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, 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. **Due to the current COVID-19 situation and the related safe distancing measures in Singapore, a member will not be able to attend the AGM in person.** A member of the Company who is not a Relevant Intermediary* entitled to vote at the Meeting must appoint the Chairman of the Meeting to act as proxy and direct the vote at the Meeting. A member (whether individual or corporate) appointing the Chairman of the AGM as proxy must give specific instructions as his/her/its manner of voting, or abstentions from voting, in the instrument of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
3. The instrument appointing the Chairman of the Meeting as proxy must be deposited at the office of the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 by mail or email to agm2021@sinheng.com.sg, or submit digitally at <https://conveneagm.com/sg/sinheng>, in either case, by 10.00 a.m. on 28 April 2021 being not less than forty-eight (48) hours before the time appointed for holding the AGM.
4. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing the Chairman of the Meeting as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it was an individual.
6. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) and wishes to appoint the Chairman of the Meeting as their proxy should approach their respective CPF and/or SRS Approved Nominees to submit their votes at least seven (7) working days before the Meeting (i.e. by 10.00 a.m. on 20 April 2021).

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

Personal Data Privacy:

By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 8 April 2021.



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