SIN HENG
HEAVY MACHINERY LIMITED

# 2022

ANNUAL REPORT

新興重型機械有限公司

# SIN HENG

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# CONTENTS

# CORPORATE PROFILE

Established in 1969, the home-grown Sin Heng Group has grown into the leading heavy lifting service provider of today, occupying the mid range lifting capacity segment in Singapore. Over the years, Sin Heng Group has participated in many major infrastructure and geotechnic projects in Singapore and established ourselves as a heavy lifting specialist with a proven track record.

Sin Heng's five decades of lifting experience and expertise, together with a comprehensive fleet of cranes and aerial lifts, allows us to actively contribute in the development of Singapore as it provides reliability and assurance to all past and future partners of the Group.

The Group has also gradually expanded its presence in the ASEAN region to provide convenience and better serve our overseas customers. Sin Heng's overseas operations are fully equipped with professional maintenance service teams trained with the support of our equipment manufacturers.

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

## OUR BUSINESS

Sin Heng Group's core business divisions are complementary in nature, as our Equipment Rental business involves the rental of cranes and aerial lifts; while our Trading business involves the trading of both new and used cranes and aerial lifts. The Group also undertakes the sales and distribution of spare parts for the cranes and aerial lifts that we deal in as part of our commitment to customers.

The Group has an extensive global network of suppliers which it sources lifting equipment, including directly from equipment manufacturers such as Kobelco and Kato; and various end-users, equipment rental companies and trading houses to fulfill all customer needs.

Other than Singapore, Sin Heng Group also has an active regional footprint in Malaysia, Indonesia and Myanmar. The Group is also constantly on the lookout to expand its reach to new geographic regions with promising business prospects.

## OUR PROFESSIONALISM

Sin Heng's broad technical expertise and excellent after-sales services has enabled the Group to earn a reputation for consistently delivering operational, service and safety excellence to customers. The Group is committed to provide safe, high quality and reliable lifting services to customers across Asia through our team of well-trained equipment operators and mechanics to meet the exacting demands and requirements of customers in the most professional manner.

## OUR DISTRIBUTORSHIPS

As validation of our commitment to reliability, Sin Heng Heavy Machinery Limited is the authorised regional distributor for cranes and parts of Kobelco (Japanese crawler crane specialist) and Kato (Japanese hydraulic cranes specialist).


KATO
KATO

KATO

SIN HENG HEAVY MACHINERY LIMITED

# 400 units

## Celebrating our 400th milestone in our long-standing collaboration with Kato Works

Sin Heng marked the purchase of our 400th brand new crane from Kato Works milestone with a joyous celebration at Kato Works' corporate headquarters in Tokyo. We are immensely happy to have achieved this major milestone with Kato Works, one of the world's most renowned and prolific crane manufacturers. With roots going back more than 50 years, Sin Heng has grown to be a key player in the rental and trading of cranes, aerial lifts and other heavy lifting equipment in Asia. Through our extensive network in South East Asia, Sin Heng has been actively promoting Kato Works' superior crane products in the region. Our 400th milestone with our trustworthy partner speaks of a continued success story for both Sin Heng and Kato Works.

"Congratulations on the achievement of the epoch-making milestone of the 400th unit KATO crane delivery. I also would like to express my sincere appreciation to you for our long-lasting Partnership. We have created many unforgettable and valuable memories together since we first connected a long time ago.

Due to the Covid-19 pandemic, the world has changed. In spite of the difficult circumstances, I finally meet you today. During this tough period, like other manufacturing companies, our company faced difficulties, yet now there is a growing momentum to create something new and better. I am confident to introduce to you our new line of products that are set to meet your expectation and that of your customers.

I am sure we will be able to continue working together in the future. Allow me to congratulate you again, on your success today and in the future. Thank you."

- **Mr Kimiyasu Kato,** President, Kato Works Co., Ltd

"Our success would not have been possible without a close relationship with our partners and customers. We are grateful for our long-lasting collaboration with KATO. We would like to take the opportunity to spotlight the good experience we have had with KATO's products when it comes to reliability, performance and safety. In addition to high-quality products, KATO also provides us with continuous engineering and service support.

Infrastructure development is leading economic recovery in Singapore and other regions in Asia, and we are proud to continue investing in our relationship with KATO which continues to provide us with high-quality cranes to meet the growing demand.

We want to express our gratitude and appreciation for everyone who has supported us: KATO, our valued customers, and our excellent employees who have shown immense efforts over the years. Thank you for your contribution and support to Sin Heng.

Such a milestone allows us to look back and reflect on what has made us successful while inspiring us to drive ourselves toward our future goals. We are confident that we would make bigger contributions to the development of the industry and provide greater value for our partners and customers."

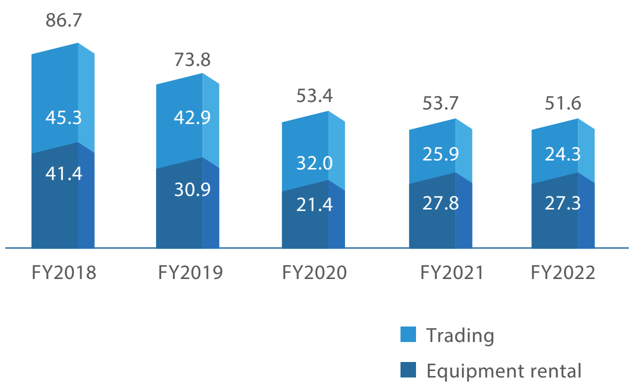
- **Mr Tan Ching Guan,** Executive Director, Sin Heng Heavy Machinery Limited

**Sin Heng Heavy Machinery Limited**
Authorised Distributor of KATO Cranes

Address: 26 Gul Road, Singapore 629346
Tel: (65) 6861 6111
Website: www.sinheng.com.sg

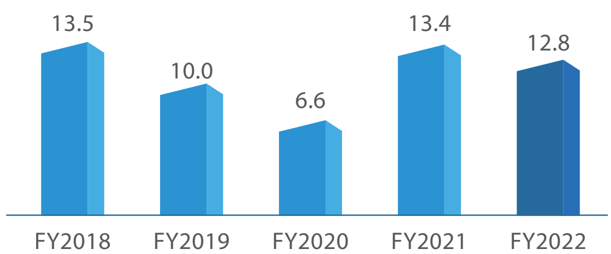
# FINANCIAL HIGHLIGHTS

## REVENUE
(S$Million)

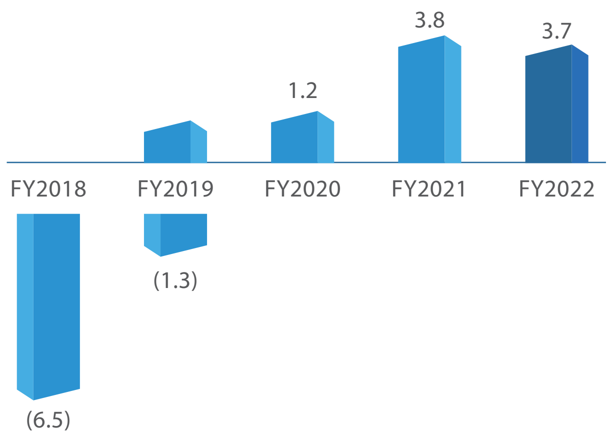



| | 2018 | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|---|
| **Equipment Rental Fleet** | | | | | |
| Aggregate crane lifting capacity (tons) | 18,369 | 15,294 | 12,444 | 11,399 | **11,624** |
| Average crane lifting capacity (tons) | 103 | 112 | 101 | 99 | **99** |
| Cranes (units) | 179 | 137 | 123 | 115 | **117** |
| Lifts (units) | 244 | 182 | 175 | 192 | **256** |

## GROSS PROFIT
(S$Million)




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



# FINANCIAL HIGHLIGHTS

## FINANCIAL PERFORMANCE SUMMARY

| (S$'000) | FY2018 | FY2019 | FY2020 | FY2021 | FY2022 |
|---|---|---|---|---|---|
| **Statement of Profit or Loss** | | | | | |
| Total revenue | 86,678 | 73,790 | 53,357 | 53,730 | **51,570** |
| – Trading | 45,250 | 42,899 | 32,019 | 25,908 | **24,269** |
| – Equipment rental | 41,428 | 30,891 | 21,338 | 27,822 | **27,301** |
| Gross profit | 13,456 | 10,043 | 6,563 | 13,390 | **12,839** |
| – Trading | 3,816 | 4,831 | 4,159 | 5,393 | **4,993** |
| – Equipment rental | 9,640 | 5,212 | 2,404 | 7,997 | **7,846** |
| Depreciation of property, plant and equipment | 13,125 | 10,662 | 8,093 | 7,535 | **6,825** |
| Profit/(loss) before income tax | (5,823) | (2,019) | 756 | 4,818 | **4,395** |
| Profit/(loss) attributable to owners of the Company | (6,482) | (1,279) | 1,196 | 3,766 | **3,651** |
| **Statement of Cash Flows** | | | | | |
| Cash flows from/(used in) operating activities | 30,538 | 19,651 | 14,060 | 26,984 | **(8,156)** |
| **Statement of Financial Position** | | | | | |
| Total assets | 151,479 | 134,630 | 127,445 | 124,109 | **125,696** |
| – Crane and lifts | 95,232 | 69,582 | 56,397 | 51,557 | **56,968** |
| Total liabilities | 38,557 | 23,175 | 14,976 | 15,308 | **20,956** |
| Total equity | 112,922 | 111,455 | 112,469 | 108,801 | **104,740** |
| No. of shares issued (thousand) | 114,889 | 114,889 | 114,889 | 114,889 | **114,889** |
| No. of shares held as treasury shares (thousand) | 876 | 876 | 876 | 1,476 | **1,476** |
| **Financial Indicators** | | | | | |
| Revenue growth | (39.9%) | (14.9%) | (27.7%) | 0.7% | **(4.0%)** |
| Gross profit margin | 15.5% | 13.6% | 12.3% | 24.9% | **24.9%** |
| Net asset value per ordinary share (dollars) | 0.99 | 0.98 | 0.99 | 0.96 | **0.92** |
| Based on profit/(loss) attributable to owners of the Company | | | | | |
| Net profit margin | (7.5%) | (1.7%) | 2.2% | 7.0% | **7.1%** |
| Return on equity | (5.7%) | (1.1%) | 1.1% | 3.5% | **3.5%** |
| Basic earnings/(loss) per share (cents) | (5.68) | (1.12) | 1.05 | 3.31 | **3.22** |

# OUR GLOBAL NETWORK


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

# MESSAGE TO SHAREHOLDERS

**Tan Ah Lye**
*Executive Director & CEO*

**Earnings per share**

**3.22¢**

**FY2021: 3.31¢**

## Dear Shareholders,

On behalf of the Board of Directors, we are pleased to present to you the annual report of Sin Heng Heavy Machinery Limited and its subsidiaries (the "**Group**"), for the financial year ended 31 December 2022 ("**FY2022**").

## Year in Review

In FY2022, the Group has recorded total revenue of S$51.6 million and gross profit of S$12.8 million, representing a year-on-year decrease of 4.0% and 4.1%, respectively. Profit for the year was S$3.7 million, a decrease of 3.1% compared to FY2021.

The global economy experienced multiple challenges in 2022 – rapidly rising inflation and interest rates, intensifying geopolitical tensions and supply chain disruptions, which were further worsened by the Ukraine war. Against this challenging backdrop, we considered the current financial performance to be reasonable.

Additionally, the Group has also considered the local political climate in Myanmar and had taken steps to reduce our risk exposure, which resulted in a lower contribution from the Myanmar operations to the Group's FY2022 results.

In 2022, we took the opportunity to recycle some of our aging equipment in our rental fleet with newer equipment by taking advantage of the cheaper Japanese Yen. This is in order to capitalise on the emerging demand from the public construction sector for new MRT lines. With the new MRT lines, it would increase connectivity and make commuting more efficient.

We funded our equipment acquisition through a mixture of cash reserves and debt financing. We learned from the pandemic times, the importance of having healthy cash reserves that enabled us to withstand the difficult environment.

On other matters, we have embarked on a re-development of our workshop facility located at 26 Gul Road, Singapore 629346, in conjunction with our successful 20-year lease extension from JTC Corporation. This construction of the new workshop facility will enable us to have a modern facility capable of meeting our operational demands. It is expected to be completed by the first half of 2024.

## Outlook

The Building and Construction Authority ("**BCA**") has announced that the total construction demand in 2023 is projected to range between $27 billion and $32 billion, with the public sector expected to contribute about 60% of the total construction demand, between $16 billion and $19 billion. Civil engineering construction demand is anticipated to stay firm with continued support from MRT line construction and other infrastructure works. Over the medium-term, BCA expects public sector construction demand will be supported by various major developments such as MRT projects including the Cross Island Line (Phases 2 & 3), Downtown Line Extension to Sungei Kadut and Brickland North South Line station and Toa Payoh Integrated Development and Woodlands Checkpoint redevelopment.

Locally, Singapore's seventh and eighth MRT line, the Jurong Region Line ("**JRL**") and Cross Island Line ("**CRL**") had begun construction in Q1 2023. Sin Heng is heavily invested in the success of these new MRT lines and the public construction sector, and we will always support the improvement of our local infrastructure for a better and greener future for all Singaporeans.

In the region, the elevated interest rate environment will pose financing and credit risks while geopolitical, inflation and the recent banking crisis will heighten pressure to the existing operating business environment. The Group will

# MESSAGE TO SHAREHOLDERS

**Leong Wing Kong**
*Independent Chairman*

**Dividend per share**

**3.5¢**

**FY2021: 5.0¢**

continue its efforts to streamline and renew its rental fleet in tandem with the market requirements.

As the Group gears up for the future, we will continue to closely monitor the market and economic conditions to capitalise on all suitable opportunities as we strive to preserve and maintain our success story.

## Dividend

For FY2022, the Board of Directors have proposed a dividend of 3.5 Singapore cents per ordinary share to reward our shareholders for your resolute loyalty to Sin Heng over the years. The proposed dividend comprises a first and final dividend of 1.0 Singapore cents and a special dividend of 2.5 Singapore cents respectively, totalling S$4.0 million, subject to shareholders' approval at the forthcoming Annual General Meeting.

## Changes to the Board

During the year, our Non-Executive Non-Independent Chairman, Mr. Teo Yi-Dar, and Lead Independent Director, Mr. Soh Sai Kiang, had retired from the Board. We would like to express our deepest gratitude to both Directors for their leadership and guidance to Sin Heng over the years.

We would also like to extend a warm welcome to Independent Director, Mr. Rai Satish, who joined us on 27 September 2022. Mr. Satish is also a member of the Audit ad Risk Committee, Nominating Committee and Remuneration Committee. We are confident that his insights and experience will be invaluable to the Group.

## Acknowledgement and Appreciation

On behalf of the Board and Management, we would like to extend our appreciation to our team of dedicated staff who have showcased their commitment, perseverance and tenacity in the current business environment. Your combined efforts have allowed Sin Heng to achieve our success today, and the continuation of our teamwork can attain greater heights collectively.

Last but not least, to all of our valued customers, suppliers and business associates, we would also like to take this opportunity to extend our gratitude for your unwavering support and trust in us, and to take our partnerships to the next level.

**Leong Wing Kong**
Independent Chairman

**Tan Ah Lye**
Executive Director & CEO


JLG LIFT
JLG LIFT
SIN HENG
1500SJ
1060
SIN HENG
881

# OPERATIONS REVIEW

In 2022, Sin Heng achieved the 400th unit milestone purchased from Kato Works, heavy lifting equipment manufacturer. The Group is immensely proud to be the regional authorised distributor of such a reputable brand and reliable equipment.

At the end of FY2022, the Group had a total fleet size of 373 units of cranes and aerial lifts, compared to a total fleet size of 307 units of cranes and aerial lifts in FY2021. The Group continues to expand our rental fleet to capture the emerging market demand.

## FINANCIAL PERFORMANCE

For the financial year ended 31 December 2022, the Group has recorded revenue of $51.6 million (2021: $53.7 million) and a net profit of $3.7 million (2021: $3.8 million) while earnings per share was 3.22 cents (2021: 3.31 cents).

**Revenue** ▼ 4.0% from $53,730k

**$51,570k**

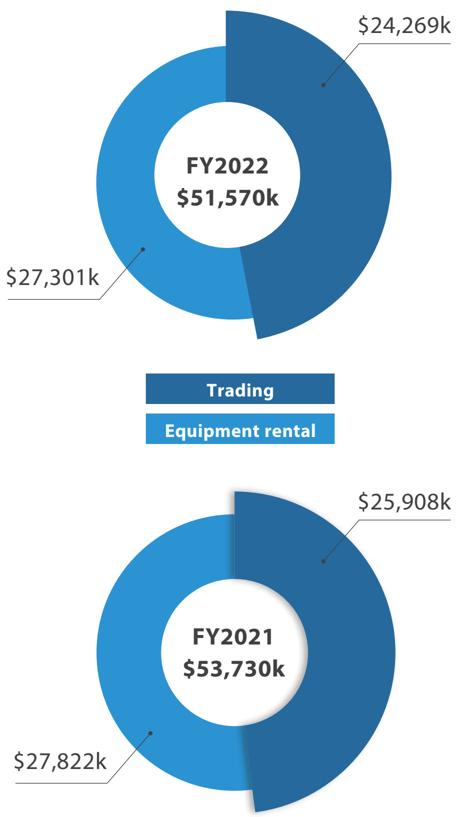
**Gross Profit** ▼ 4.1% from $13,390k

**$12,839k**

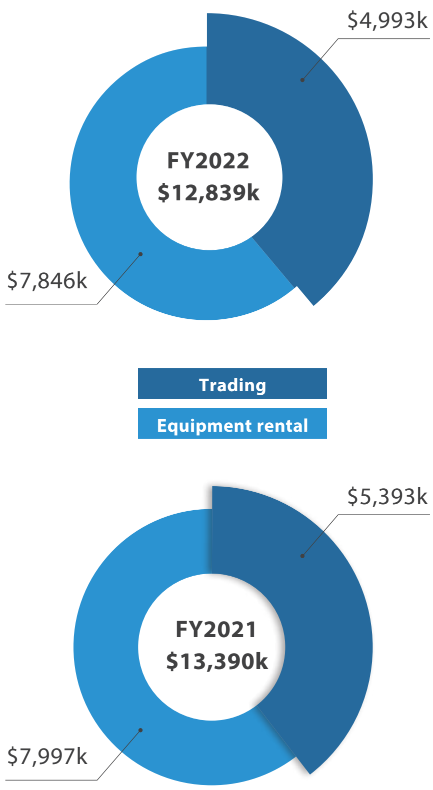
**Net Profit** ▼ 3.1% from $3,766k

**$3,651k**

**REVENUE**




**GROSS PROFIT**




The Group's reported revenue and gross profit in FY2022 had decreased compared to FY2021, mainly due to the reduced level of activity in the Myanmar operation as a result of the local political climate that resulted in a decreased contribution from the Myanmar operations. Gross profit margin for both business segments have largely remained stable from FY2021 to FY2022.

Trading segment revenue and gross profit had decreased as there was reduced market demand for higher tonnage cranes in FY2022.

Equipment rental segment revenue and segment gross profit had slightly decreased in FY2022, due to the decreased contribution from Myanmar.

# OPERATIONS REVIEW

## PROFIT OR LOSS

| | FY2022 | FY2021 | % change |
|---|---|---|---|
| Other operating income | **1,443** | 1,738 | ▼ 17.0% |
| Selling expenses | **(477)** | (346) | ▲ 37.9% |
| Administrative expenses | **(9,290)** | (8,993) | ▲ 3.3% |
| Other operating expenses | **(125)** | (788) | ▼ 84.1% |
| Finance costs | **(64)** | (183) | ▼ 65.0% |

Other income decreased by 17.0% in FY2022, due to the absence of government job support scheme income in FY2022.

Selling expenses increased by 37.9% in FY2022, due to higher entertainment and travelling expenses incurred compared to FY2021 as travel restrictions were lifted.

Administrative expenses were comparable to FY2021, with a slight increase by 3.3% in FY2022, due to increase in directors' remuneration and professional fees.

Other operating expenses had decreased by 84.1% in FY2022, which was mainly due to net foreign exchange gain recorded in the periods in FY2022 as compared to a net foreign exchange loss recorded in FY2021.

Finance costs had decreased by 65.0% in FY2022 compared to FY2021 due to lower lease interest expense as certain lease liabilities were fully repaid during the year.


## FINANCIAL POSITION

| | FY2022 | FY2021 | Variance |
|---|---|---|---|
| Total Assets | **125,696** | 124,109 | 1,587 |
| – Current assets | **57,759** | 60,724 | (2,965) |
| – Non-current assets | **67,937** | 63,385 | 4,552 |
| Total Liabilities | **20,956** | 15,308 | 5,648 |
| – Current liabilities | **7,661** | 4,660 | 3,001 |
| – Non-current liabilities | **13,295** | 10,648 | 2,647 |
| Total Equity | **104,740** | 108,801 | (4,061) |

Current assets as at 31 December 2022 had decreased due to decrease in cash and bank balances, which was partially offset by increase in trade and other receivables and inventories.

Non-current assets as at 31 December 2022 had increased mainly due to acquisitions of new cranes (plant and equipment) as rental fleet.

Current liabilities as at 31 December 2022 had increased as a result of drawdown of new lease liabilities (hire purchase) and bills payable, offset by a decrease in other payables.

Non-current liabilities as at 31 December 2022 had increased as a result of drawdown of new lease liabilities (hire purchase).

As at 31 December 2022, total equity decreased by $4.1 million compared to prior year due to payment of dividend offset against net profit for the year.

As at 31 December 2022, the Group registered a positive working capital of $50.1 million as compared to that of $56.0 million as at 31 December 2021. The Group has managed to maintain its net cash position as at 31 December 2022.

# SIN HENG IS AN AUTHORISED DISTRIBUTOR FOR THESE LEADING BRANDS


KATO


KATO

KOBELCO

KOBELCO

# BOARD OF DIRECTORS

As of 31 December 2022

## MR LEONG WING KONG

*Independent Chairman*

Mr Leong Wing Kong was appointed as Independent Director on 1 July 2020. He is the Chairman of the Board and 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.

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## MR TAN AH LYE

*Executive Director and Chief Executive Officer*

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

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

# BOARD OF DIRECTORS

As of 31 December 2022

## 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 2022

## MR LIM KENG HOE

*Independent Director*

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

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

Mr Rai Satish was appointed as Independent Director on 27 September 2022. He is a member of the Audit and Risk Committee, the Nominating Committee and the Remuneration Committee. Mr Rai is currently practicing as an advocate and solicitor with Kalidass Law Corporation. Before embarking on law as a mid-career switch, he was employed as a Principal Assistant Clerk of the Parliament of Singapore for nearly 7 years. During his stint in the Parliament of Singapore, he was primarily involved in rendering advice to Ministries and Members of Parliament on parliamentary law, practice and procedure. Mr Rai served as the Secretary to the Estimates Committee of the 11th Parliament of Singapore and was the Budget Coordinator for Parliament during Budget 2011 and 2012. He was also the Management Representative for Parliament Secretariat in their ISO 9001 certification and recertification drives.

After completing his law degree, Mr Rai was called to the Singapore Bar in May 2018. He had joined a small-sized law firm thereafter, where he was engaged in a mixed-practice, predominantly focused on criminal law. Mr Rai joined Kalidass Law Corporation in April 2021, where he continues to be engaged in a mixed-practice, with a focus on landlord-tenant matters, estate planning matters and criminal law.

## MR RAI SATISH

*Independent Director*

# CORPORATE INFORMATION

## BOARD OF DIRECTORS:

**Leong Wing Kong**
*Independent Chairman*

**Tan Ah Lye**
*Executive Director & CEO*

**Tan Cheng Kwong**
*Executive Director & Deputy CEO*

**Tan Cheng Guan**
*Executive Director*

**Lim Keng Hoe**
*Independent Director*

**Rai Satish**
*Independent Director*

## AUDIT & RISK COMMITTEE:

**Leong Wing Kong**
*Chairman*

**Lim Keng Hoe**
**Rai Satish**

## NOMINATING COMMITTEE:

**Lim Keng Hoe**
*Chairman*

**Leong Wing Kong**
**Rai Satish**

## REMUNERATION COMMITTEE:

**Lim Keng Hoe**
*Chairman*

**Leong Wing Kong**
**Rai Satish**

## COMPANY SECRETARY:

**Siau Kuei Lian, ACS ACG**

## REGISTERED OFFICE:

26 Gul Road
Singapore 629346

## SHARE REGISTRAR AND SHARE TRANSFER OFFICE:

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

## AUDITORS:

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

# CORPORATE GOVERNANCE REPORT

The Board of Directors ("**Board**") of Sin Heng Heavy Machinery Limited ("**Company**") recognises the importance of and is committed to maintaining a high standard of corporate governance. The Company is guided in its corporate governance practices by the Code of Corporate Governance 2018 (the "**Code**") so as to protect shareholders' interests and enhance long-term shareholders' value and corporate transparency. This Corporate Governance Report outlines the Group's corporate governance processes and activities during the financial year ended 31 December 2022 ("**FY2022**") 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 principal duties of the Board include the following:

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

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

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

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

# CORPORATE GOVERNANCE REPORT

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

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

The following table sets out the attendance of each Director at the Board and Board Committees meetings held during FY2022:

| Name of Director | Board | ARC | NC | RC |
|---|---|---|---|---|
| | Number of Meetings Held: 2 | Number of Meetings Held: 2 | Number of Meetings Held: 1 | Number of Meetings Held: 1 |
| | Meetings Attended | Meetings Attended | Meetings Attended | Meetings Attended |
| Tan Ah Lye | 2 | – | – | – |
| Tan Cheng Guan | 2 | – | – | – |
| Tan Cheng Kwong | 2 | – | – | – |
| Soh Sai Kiang[(1)] | 2 | 2 | 1 | 1 |
| Teo Yi-Dar[(2)] | 2 | 2 | 1 | 1 |
| Leong Wing Kong | 2 | 2 | 1 | 1 |
| Lim Keng Hoe | 2 | 2 | 1 | 1 |
| Rai Satish[(3)] | – | – | – | – |

**Notes:**

(1) Mr. Soh Sai Kiang resigned as the Lead Independent Director of the Company on 24 August 2022.

(2) Mr. Teo Yi-Dar resigned as the Non-Executive Non-Independent Chairman of the Company on 26 September 2022.

(3) Mr. Rai Satish was appointed as an Independent Director of the Company, member of the Audit and Risk Committee, the Nominating Committee and the Remuneration Committee on 27 September 2022.

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

Mr. Rai Satish was appointed to the Board on 27 September 2022 and underwent an orientation of the Company that provides its background information, history, mission and value. As Mr. Rai Satish has no prior experience as a director of a company listed on the SGX-ST, he is in the midst of completing the Mandatory Training conducted by SID and he has attended 6 modules in 2022.

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

The details of updates, seminars and training programmes attended by the Directors in FY2022 include, amongst others:–

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

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

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

- Sustainability e-training programme 2022 conducted by SID.

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

# CORPORATE GOVERNANCE REPORT

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

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

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

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

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

**Board Composition and Guidance**

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

Presently, the Board comprises three (3) Executive Directors and three (3) Independent Directors:–

| **Name of Director** | **Board** | **ARC** | **NC** | **RC** |
|---|---|---|---|---|
| Leong Wing Kong | Independent Chairman | Chairman | Member | Member |
| Tan Ah Lye | Executive Director & Chief Executive Officer ("**CEO**") | – | – | – |
| Tan Cheng Kwong | Executive Director & Deputy CEO | – | – | – |
| Tan Cheng Guan | Executive Director | – | – | – |
| Lim Keng Hoe | Independent Director | Member | Chairman | Chairman |
| Rai Satish | Independent Director | Member | Member | Member |

# CORPORATE GOVERNANCE REPORT

In view of the Chairman of the Board being an Independent Director, the Company complied with Provision 2.2 of the Code. Although the Non-Executive Directors did not make up a majority of the Board, in pursuance to Provision 2.3 of the Code, the Board is of the view that there is an appropriate level of independence with the Independent Directors constituting half of the Board, and diversity of thought and background in its composition to enable the Board to make decisions in the best interests of the Company. In particular, the Independent Directors chairing the ARC, NC and RC as well as the Board have sufficient standing and authority to weigh in on any significant matter. The NC considered the dynamics within the Board and the following matters in deliberating on independence and diversity, and the observation of Principle 2 of the Code.

In view of the current Board composition, where three (3) Directors (out of a six (6) member Board) who are Non-Executive Independent Directors, the Company had complied with Rule 210(5)(c) of the Listing Rules of the SGX-ST, which requires the Board to have at least one-third of the Directors who are independent and free of any material business or financial connection with the Company.

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

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

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

During FY2022, one of the Independent Directors, namely Mr. Soh Sai Kiang, had served on the Board for more than nine (9) years and had resigned as a Director of the Company on 24 August 2022. Saved for this, none of the Independent Directors has served on the Board beyond nine (9) years from the date of their first appointments.

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

The Company has a written board diversity policy which sets out the policy and framework for promoting diversity on the Board and believes that a diverse Board will enhance decision making of the Board by utilising the variety of skills, industry, and business experiences and competencies, gender, age, ethnicity and culture, geographical background and nationalities, tenure of services and other distinguishing qualities.

# CORPORATE GOVERNANCE REPORT

On an annual basis, the NC has reviewed the size and composition of the Board and Board Committees, which comprises members of both genders and from different backgrounds whose core competencies, qualifications, skills and experiences, met with the requirement of the Group. The NC will periodically review the competencies of the Directors to ensure effective governance of the Company and contribution to the Board. All Directors will submit to the NC on an annual basis a completed Board and Board Committees Evaluation Questionnaire (including composition of the Board and Board Committees). The NC has reviewed the completed Questionnaire for FY2022, and is satisfied that the Board has the appropriate mix of expertise, experiences, and skills in supporting the attainment of the Company's strategic objectives and sustainable development.

The Board and the Board Committees currently comprise persons who as a group provide an appropriate balance and diversity of skills, experience and knowledge to the Company. The Directors, as a group, provide core competencies such as accounting, finance, industry knowledge, strategic planning, business judgement and general management required for the Board and the Board Committees to be effective.

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

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 on the Board as the presence of Non-Executive Directors and Independent Directors are of calibre necessary to carry sufficient weight in the Board's decisions.

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

**Chairman and Chief Executive Officer**

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

Mr. Leong Wing Kong is the 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.

# CORPORATE GOVERNANCE REPORT

The responsibilities of the 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 Independent Chairman in any of the above.

As the Chairman of the Board is independent, the appointment of a Lead Independent Director is not necessary. In addition, the Independent Directors, led by the Independent Chairman, meet amongst themselves without the presence of the other Directors, where necessary, and the Independent Chairman will provide feedback to the CEO after such meetings.

**Board Membership**

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

The NC consists of three (3) Independent Directors, all of whom, including the Chairman, are independent. The NC members are:

Mr. Lim Keng Hoe (Chairman)
Mr. Leong Wing Kong
Mr. Rai Satish

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;

# CORPORATE GOVERNANCE REPORT

(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; and

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

The NC is responsible for identifying and recommending potential candidates for appointment as directors to the Board. The NC, in consultation with the Board, evaluates and determines the selection criteria so as to identify candidates with the appropriate expertise and experience for the appointment as new director. The selection criterion of the candidate includes integrity, diversity of competencies, background, expertise, knowledge and business experiences which will complement the skills and competencies of the existing Directors on the Board. The candidate must be a person of integrity and must be able to commit sufficient time and attention to the affairs of the Company, especially if he is serving on multiple boards. The NC will ensure that new Directors are aware of their duties and obligations.

The NC seeks potential candidates widely and beyond directors/management recommendations and 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.

In FY2022, the NC and the Board had reviewed the size and composition of the Board and was of the view that the Board should consist of an additional Independent Director who has legal expertise. In this respect, the Board appointed Mr. Rai Satish as an Independent Director of the Company through the introduction by the Directors. The NC had conducted an interview with Mr. Rai Satish and assessed his qualifications, legal background, expertise and knowledge. After considering the necessary and desirable competencies, the NC and the Board considered and agreed that Mr. Rai Satish was suitable to serve in the role of Independent Director.

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

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

The NC had recommended to the Board that Mr. Tan Ah Lye and Mr. Leong Wing Kong be nominated for re-election pursuant to Regulation 89 of the Company's Constitution and Mr. Rai Satish 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.

# CORPORATE GOVERNANCE REPORT

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

Mr. Leong Wing Kong and Mr. Rai Satish, 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. Leong Wing Kong and Mr. Rai Satish have consented for re-election at the forthcoming AGM.

Details of the retiring Directors seeking for re-election at the AGM are set out in pages 43 to 48 of this Annual Report in compliance with the Rule 720(6) of the Listing Manual of the SGX-ST.

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

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

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

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

There is no alternate director being appointed to the Board.

# CORPORATE GOVERNANCE REPORT

**Board Performance**

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

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

All Directors review and evaluate the performance and assess the effectiveness of the Board and Board Committees as a whole and the results of each assessment are considered by the NC, which has the responsibility of assisting the Board in the evaluation of the Board's and Board Committees' effectiveness. Factors such as (1) the structure and size of the Board and Board Committees, (2) the manner in which the Board and Board Committees meetings are conducted, (3) the Board's and Board Committees' accountability, (4) the process to review and approve the corporate strategy and planning, (5) the Board's access to information, and (6) access to the Key Management to ensure the establishment of a risk management system and internal control are applied to evaluate the Board's, Board Committees' and each Director's performance. Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution in respect of the assessment of his own performance or re-nomination as a Director. The NC held one (1) meeting during FY2022.

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

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

Assessment parameters for Directors' performance include their level of participation at Board and Board Committees meetings and the quality of their contribution to Board processes and the business strategies and performance of the Group. The NC's evaluation of the individual Directors for FY2022 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 Independent Chairman to effect continuing improvements on Board processes.

Based on the summary of the evaluation for FY2022 together with the feedback and recommendations from individual Directors, members of the Board and the respective Board Committees, the NC is of the view that the overall effectiveness of the Board as a whole and the Board Committees and individual Directors have been satisfactory for the financial year.

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

For FY2022, the NC has not engaged any external facilitator to assist in the assessment of the performance of the Board and the Board Committees.

# CORPORATE GOVERNANCE REPORT

**(B) REMUNERATION MATTERS**

**Procedures for Developing Remuneration Policies**

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

The RC consists of three (3) Independent Directors, all of whom, including the Chairman, are independent. The RC members are:

Mr. Lim Keng Hoe (Chairman)
Mr. Leong Wing Kong
Mr. Rai Satish

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

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

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

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

No Director will be involved in determining his own remuneration.

The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises. The expense of such services shall be borne by the Company. No external professional was engaged by the Company to advise on the executive remuneration in FY2022.

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.

The RC held one (1) meeting during FY2022.

# CORPORATE GOVERNANCE REPORT

**Level and Mix of Remuneration**

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

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

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

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

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

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

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself of 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 comprise a fixed component and a variable component. The fixed component of remuneration for the Executive Directors is based on the service agreements entered between the Company and the Executive Director, and for Key Management Personnel is based on the employment contract with them. Each of our Executive Directors has a service contract that covers a period of three years.

# CORPORATE GOVERNANCE REPORT

The variable component of remuneration for both Executive Directors and Key Management Personnel includes a bonus and a profit sharing incentive which is linked to the Company's and individual's performances to align their interests with the shareholders.

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

The following table shows a breakdown of the remuneration of the Executive Directors, Non-Executive Directors, Key Management Personnel, Immediate Family Member of Directors or CEO in percentage terms for FY2022:

| | Salary[6] (%) | Bonus & profit sharing (%) | Other Benefits (%) | Directors' Fees[7] (%) | Total (%) |
|---|---|---|---|---|---|
| **Executive Directors:** | | | | | |
| **S$500,001 to S$750,000** | | | | | |
| Tan Cheng Guan | 61 | 29 | 10 | 0 | 100 |
| Tan Cheng Kwong (Cheng Qingguang) | 61 | 34 | 5 | 0 | 100 |
| **S$250,001 to S$500,000** | | | | | |
| Tan Ah Lye | 63 | 34 | 3 | 0 | 100 |
| **Non-Executive Directors:** | | | | | |
| **Below S$250,000** | | | | | |
| Soh Sai Kiang[1] | – | – | – | 100 | 100 |
| Teo Yi-Dar[2] | – | – | – | 100 | 100 |
| Leong Wing Kong | – | – | – | 100 | 100 |
| Lim Keng Hoe | – | – | – | 100 | 100 |
| Rai Satish[3] | – | – | – | 100 | 100 |
| **Key Management Personnel:** | | | | | |
| **S$500,001 to S$750,000** | | | | | |
| Tan Cheng Soon, Don[4] | 64 | 32 | 4 | 0 | 100 |
| **S$250,001 to S$500,000** | | | | | |
| Yang Yung Kang | 62 | 38 | 0 | 0 | 100 |
| **Below S$250,000** | | | | | |
| Wee Soe Chuen, Gary[5] | 100 | 0 | 0 | 0 | 100 |

**Notes:**

(1) Mr. Soh Sai Kiang resigned as the Lead Independent Director of the Company on 24 August 2022.

(2) Mr. Teo Yi-Dar resigned as the Non-Executive Non-Independent Chairman of the Company on 26 September 2022.

(3) Mr. Rai Satish was appointed as an Independent Director of the Company on 27 September 2022.

(4) 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).

(5) Mr. Wee Soe Chuen, Gary resigned on 7 February 2022.

(6) Includes Central Provident Fund Contribution.

(7) The Directors' fees are subject to the approval of the shareholders at the forthcoming AGM.

# CORPORATE GOVERNANCE REPORT

The Group had only identified three Key Management Personnel for the financial year ended 31 December 2022.

The aggregate remuneration of the top Key Management Personnel (who are not Directors or the CEO) amounted to S$793,810.

For FY2022, there were no termination, retirement or post-employment benefits granted to Directors and relevant Key Management Personnel other than the standard contractual notice period and termination payment in lieu of service.

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

**Share Award Scheme**

The SHHM Employee Share Option Scheme had expired on 20 December 2019. No new Share Award Scheme is issue during FY2022.

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

Save for Mr. Tan Cheng Soon, Don, in the above-disclosed table there were no other employees who are substantial Shareholders, or are immediate family members of a Director, the CEO or a substantial Shareholder, and whose remuneration exceeded S$100,000 during FY2022.

**(C) ACCOUNTABILITY AND AUDIT**

**Risk Management and Internal Controls**

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

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

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

# CORPORATE GOVERNANCE REPORT

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

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

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

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 FY2022 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.

# CORPORATE GOVERNANCE REPORT

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 2022 to meet the needs of the Group's existing business objectives, having addressed the risks which the Group considers relevant and material to its operations. While acknowledging their responsibility for the system of internal controls, the Directors are aware that such a system is designed to manage, rather than eliminate risks, and therefore cannot provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors or mis-statements, poor judgement in decision-making, human error, losses, fraud or other irregularities.

**Audit and Risk Committee**

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

The ARC consists of three (3) Independent Directors, all of whom, including the Chairman, are independent. The ARC members are:

Mr. Leong Wing Kong (Chairman)
Mr. Lim Keng Hoe
Mr. Rai Satish

The Board is of the view that the members of the ARC are appropriately qualified and possess recent and relevant accounting or related financial management expertise or experience to discharge their responsibilities. All ARC members have many years of experience in accounting, finance and/or legal related expertise and experience. The profile of the members of the ARC can be found on pages 16 to 18 of this Annual Report.

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

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

(xii) overseeing risk management; and

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

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.

# CORPORATE GOVERNANCE REPORT

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 FY2022 amounted to S$151,000 and S$35,000 respectively.

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

For FY2022, the Company confirms that it is in compliance with Rules 712 and 715 of the Listing Rules of the SGX-ST in relation to the appointment of audit firms for the Group. The ARC and the Board are satisfied with the standards and the effectiveness of the audits performed by the independent external auditors of the subsidiaries and significant associated companies of the Group, other than those of the Company.

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

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

As of the date of this Annual Report, there were no reports received through the whistleblowing mechanism.

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

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

MSRM is an affiliated firm of Moore Stephens LLP, a leading accounting and consulting firm that has been established in Singapore for more than 30 years. MSRM is a member of the Institute of Internal Auditors Singapore ("**IIA**") and staffed with persons with the relevant qualifications and experience, to perform the review and testing of controls of the Group's processes consistent with the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the Institute of Internal Auditors.

The internal audit team is led by Ms Lao Mei Leng, a Director of MSRM and also an Audit Partner of Moore Stephens LLP. Ms Lao is a practising member of the Institute of Singapore Chartered Accountants ("**ISCA**") and a member of IIA and SID. She has more than 25 years of audit & advisory experience and provides assurance services, sustainability reporting and advisory services, documentation of policies and procedures, SOX compliance and corporate governance review to a wide range of public-listed companies, private companies, MAS-regulated entities and government agencies. Ms Lao is assisted by a Manager with more than 8 years of relevant experience.

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

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

## (D) SHAREHOLDER RIGHTS AND ENGAGEMENT

**Shareholder rights and conduct of general meetings**

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

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

# CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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 2022, these minutes are available to Shareholders on SGX-ST website and the Company's website.

In view of the COVID-19 situation in Singapore, the Company's last AGM held on 29 April 2022 ("**2022 AGM**") was held by way of electronic means pursuant to the COVID-19 (Temporary Measures)(Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("**COVID-19 Order**"). The notice of AGM was not published in the newspaper, but was instead disseminated to Shareholders through publication on SGX-ST website and the Company's website, in accordance with the alternative arrangements for holding of the AGM pursuant to the COVID-19 Order. The Company had also published a notice to Shareholders, together with the notice of AGM, detailing the alternative arrangements for the 2022 AGM, during the COVID-19 pandemic. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions to the Company in advance of the meeting, addressing of substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the AGM as proxy, have also been put in place.

# CORPORATE GOVERNANCE REPORT

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 FY2022, the Company declared and recommended first and final dividend and special dividend of 3.5 Singapore cents per ordinary share, comprising ordinary dividend of 1.0 Singapore cents and special dividend of 2.5 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 2022, these documents are available to Shareholders on SGX-ST website and the Company's website;

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

The AGM is the principal forum for dialogue with Shareholders. The Company recognises the value of feedback from Shareholders. During the general meetings, Shareholders are given ample time and opportunities to air their views and concerns. All the Directors will endeavour to attend the AGMs and EGMs, and Shareholders will be given the chance to share their thoughts and ideas or ask questions relating to the resolutions to be passed or on other corporate and business issues. In view of the COVID-19 situation in Singapore, please refer to Principle 11 above for the relevant information on the proceedings of the 2022 AGM held in FY2022.

## (E) MANAGING STAKEHOLDERS RELATIONSHIPS

**Engagement with stakeholders**

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

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

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

The Company's approach to the engagement with key stakeholders and materiality assessment were disclosed in the Company's Sustainability Report for FY2021. More details will be disclosed in the standalone Sustainability Report for FY2022. The Company will continue to monitor and improve its engagement to ensure that the best interests of the Company are served.

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

## (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.

# CORPORATE GOVERNANCE REPORT

**(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 FY2022.

**(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 FY2022.

# CORPORATE GOVERNANCE REPORT

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

| **Name of Director** | **Tan Ah Lye** |
|---|---|
| Date of appointment | 31 October 2012 |
| Date of last re-election (if applicable) | 30 April 2021<br>Due for re-election at the AGM to be held on 28 April 2023 |
| Age | 83 |
| 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 Ah Lye's contributions and performance as the Executive Director and CEO of the Company. |
| Whether appointment is executive, and if so, the area of responsibility | Executive<br><br>Mr. Tan Ah Lye is in charge of overall operations and financial performance of the Company. |
| Job title | Executive Director and CEO |
| Professional qualifications | Nil |
| Working experience and occupation(s) during the past 10 years | October 2012 – June 2016: Non-Executive Chairman of Sin Heng Heavy Machinery Limited<br><br>July 2016 – November 2017: Executive Chairman of Sin Heng Heavy Machinery Limited<br><br>November 2017 – Current: Executive Director and Chief Executive Officer of Sin Heng Heavy Machinery Limited |
| Shareholding interest in the listed issuer and its subsidiaries | The Company<br>Direct Interest: 304,000 ordinary shares<br>Deemed Interest: 32,273,200 ordinary shares<br><br>Subsidiaries of the Group<br>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. |

# CORPORATE GOVERNANCE REPORT

| Name of Director | Tan Ah Lye |
|---|---|
| Conflict of interest (including any competing business) | None |
| Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer | Yes |
| Other Principal Commitments Including Directorships | Past (for the last 5 years)<br>TAL Capital Pte. Ltd.<br><br>Other Principal Commitments (for the last 5 years)<br>Nil<br><br>Present<br>TAL Holdings Pte. Ltd.<br>Lye Holdings Pte. Ltd.<br>Tady Timber Co Pte. Ltd.<br><br>Other Principal Commitments<br>Nil |

# CORPORATE GOVERNANCE REPORT

| **Name of Director** | **Leong Wing Kong** |
|---|---|
| Date of appointment | 1 July 2020 |
| Date of last re-election (if applicable) | 30 April 2021<br>Due for re-election at the AGM to be held on 28 April 2023 |
| Age | 53 |
| 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 Wing Kong's contributions and performance as the Independent Chairman of the Company. |
| Whether appointment is executive, and if so, the area of responsibility | Non-Executive. |
| Job title | Independent Chairman, 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) |
| Working experience and occupation(s) during the past 10 years | 2000 – 2014: Vice President at Advent International Corporation and SEAVI Advent Management Pte Ltd<br>2015 to current: Private Investor |
| Shareholding interest in the listed issuer and its subsidiaries | The Company<br>Nil<br>Subsidiaries of the Group<br>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 7H) under Rule 720(1) has been submitted to the listed issuer | Yes |

# CORPORATE GOVERNANCE REPORT

| Name of Director | Leong Wing Kong |
|---|---|
| Other Principal Commitments Including Directorships | Past (for the last 5 years)<br>Nil<br><br>Other Principal Commitments (for the last 5 years)<br>Nil<br><br>Present<br>Nil<br><br>Other Principal Commitments<br>Nil |

# CORPORATE GOVERNANCE REPORT

| **Name of Director** | **Rai Satish** |
|---|---|
| Date of appointment | 27 September 2022 |
| Date of last re-election (if applicable) | Nil<br>Due for re-election at the AGM to be held on 28 April 2023 |
| Age | 44 |
| 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. Rai Satish's contributions and performance as an Independent Director of the Company. |
| Whether appointment is executive, and if so, the area of responsibility | Non-Executive |
| Job title | Independent Director, a member of the Audit and Risk Committee, the Nominating Committee and the Remuneration Committee |
| Professional qualifications | Bachelor of Law |
| Working experience and occupation(s) during the past 10 years | January 2016 – September 2016: Haridass Ho and Partners<br>October 2016 – May 2017: Jacob Mansur and Pillai<br>April 2018 – October 2018: Parliament of Singapore<br>November 2018 – March 2020: Jacob Mansur and Pillai<br>July 2020 – April 2021: Parliament of Singapore<br>April 2022 – Present: Kalidass Law Corporation |
| Shareholding interest in the listed issuer and its subsidiaries | The Company<br>Direct interest: 10,000 shares<br><br>Subsidiaries of the Group<br>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 |

# CORPORATE GOVERNANCE REPORT

| **Name of Director** | **Rai Satish** |
| --- | --- |
| Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer | Yes |
| Other Principal Commitments Including Directorships | Past (for the last 5 years)<br>Nil<br><br>Other Principal Commitments (for the last 5 years)<br>Nil<br><br>Present<br>Nil<br><br>Other Principal Commitments<br>Nil |

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

# FINANCIAL CONTENTS

# DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2022.

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 59 to 122 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 2022, 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 2022 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
Leong Wing Kong
Lim Keng Hoe
Rai Satish (Appointed on 27 September 2022)

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

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

# DIRECTORS' STATEMENT

3 **DIRECTORS' INTERESTS IN SHARES AND DEBENTURES**

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

| | **Shareholdings registered in name of director or nominees** | | **Shareholdings in which directors are deemed to have an interest** | |
|---|---|---|---|---|
| **Name of directors and companies in which interest are held** | **At beginning of year or date of appointment, if later** | **At end of year** | **At beginning of year or date of appointment, if later** | **At end of year** |
| The Company (Ordinary Shares) | | | | |
| Tan Ah Lye | 304,000 | 304,000 | 32,273,200 | 32,273,200 |
| Rai Satish | 10,000 | 10,000 | – | – |

By virtue of Section 7 of the Singapore Companies Act 1967, Mr. Tan Ah Lye is deemed to have interests in the Company and all the related corporations of the Company as at 31 December 2022.

The directors' interests in the shares and options of the Company at 21 January 2023 were the same at 31 December 2022.

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. Lim Keng Hoe, an independent director and Mr. Rai Satish, an independent director. The Audit and Risk Committee has met twice since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

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

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

(c) the audit plans of the external auditors;

(d) 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;

(e) 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;

(f) the interested person transactions as specified under Chapter 9 of the SGX-ST Listing Manual Rules;

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

(h) 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.

# DIRECTORS' STATEMENT

**6 AUDITORS**

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

ON BEHALF OF THE DIRECTORS

.............................................................

Tan Ah Lye

.............................................................

Leong Wing Kong

31 March 2023

# 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 2022, 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 59 to 122.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

**Basis for Opinion**

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

**Key Audit Matters**

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

**Key Audit Matters (Continued)**

| Key Audit Matters | Our audit performed and responses thereon |
|---|---|
| **Cranes and aerial lifts classified as inventories or property, plant and equipment**<br><br>The Group classifies cranes and aerial lifts purchased for sale to customers as inventories. When such machinery are purchased for leasing to customers, these are classified as property, plant and equipment. As at 31 December 2022, the cranes and aerial lifts classified as inventories and property, plant and equipment of the Group amounted to $5,744,000 and $56,968,000, respectively.<br><br>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.<br><br>The accounting policies for inventories and property, plant and equipment are disclosed in Note 2 to the financial statements and the carrying amounts for inventories and property, plant and equipment of the Group are disclosed in Notes 10 and 11 to the financial statements respectively. | We obtained an understanding of the design and implementation of management's controls in place over the impairment assessment of cranes and aerial lifts. We performed procedures to evaluate and challenge the key assumptions used by management in their assessment of the net realisable value of inventories and the recoverable amount of the cranes and aerial lifts classified as property, plant and equipment.<br><br>Cranes and aerial lifts classified as inventories<br><br>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.<br><br>Cranes and aerial lifts classified as property, plant and equipment<br><br>We obtained management's value-in-use calculations and evaluated the reasonableness of management's key assumptions such as rental rates and utilisation rates. We involved our internal valuation specialist to evaluate the valuation methodology and to review key inputs such as discount rate.<br><br>We considered the adequacy and appropriateness of the disclosures of inventories and property, plant and equipment contained in Notes 10 and 11 to the financial statements respectively. |

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

**Key Audit Matters (Continued)**

| **Key Audit Matters** | **Our audit performed and responses thereon** |
|---|---|
| **Recoverability of trade receivables**<br><br>As at 31 December 2022, the trade receivables of the Group amounted to $9,453,000.<br><br>Management judgement is required in assessing the ultimate realisation of the receivables, including the assessment of expected credit losses under SFRS(I) 9 *Financial Instruments*, current creditworthiness and the past collection history of identified customers.<br><br>The accounting policy for valuation of trade receivables is disclosed in Note 2 to the financial statements and the carrying amount of trade receivables is disclosed in Note 8 to the financial statements. | We obtained an understanding of the Group's processes and controls relating to the monitoring of trade receivables and considered the aging of the debts to identify collection risks. We performed audit procedures, amongst others, on a sample basis, reviewing customers' payment history and obtaining evidence of receipts from the customers subsequent to the financial year end.<br><br>We also performed analysis of aging of trade receivables and evaluated management's assessment of material overdue trade receivables, considering the specific customers' profile and risks when no impairment allowance was made.<br><br>In addition, we reviewed and assessed the reasonableness of the Group's historical loss rates and estimates of expected future loss rates, management's assessment of forward looking macro-economic factors and the eventual expected credit losses in accordance with SFRS(I) 9 *Financial Instruments*.<br><br>We considered the adequacy and appropriateness of the related disclosures and classifications contained in Note 8 to the financial statements. |

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

**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.

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.

# INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

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

(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.

**Report on Other Legal and Regulatory Requirements**

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

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2023

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | 2022 | 2021 | 2022 | 2021 |
| | | $'000 | $'000 | $'000 | $'000 |
| **ASSETS** | | | | | |
| **Current assets** | | | | | |
| Cash and cash equivalents | 7 | **38,051** | 48,018 | **21,259** | 30,493 |
| Trade receivables | 8 | **9,453** | 8,370 | **14,971** | 9,007 |
| Other receivables and prepayments | 9 | **2,711** | 1,281 | **2,818** | 3,838 |
| Lease receivables | 12 | **–** | – | **96** | 96 |
| Inventories | 10 | **5,744** | 1,255 | **3,644** | 538 |
| Financial assets at fair value through profit or loss | 14 | **1,800** | 1,800 | **1,800** | 1,800 |
| Total current assets | | **57,759** | 60,724 | **44,588** | 45,772 |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 11 | **63,893** | 59,253 | **36,799** | 31,563 |
| Right-of-use assets | 12 | **3,604** | 3,773 | **3,358** | 3,440 |
| Lease receivables | 12 | **–** | – | **176** | 272 |
| Investment in subsidiaries | 13 | **–** | – | **21,282** | 25,082 |
| Financial assets at fair value through profit or loss | 14 | **430** | 349 | **430** | 349 |
| Other assets | 15 | **10** | 10 | **10** | 10 |
| Total non-current assets | | **67,937** | 63,385 | **62,055** | 60,716 |
| **Total assets** | | **125,696** | 124,109 | **106,643** | 106,488 |

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

| | | Group | | Company | |
|---|---|---|---|---|---|
| | Note | 2022 | 2021 | 2022 | 2021 |
| | | $'000 | $'000 | $'000 | $'000 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Bills payable | 16 | **1,135** | – | **1,135** | – |
| Derivative financial instruments | 17 | **138** | 100 | **138** | 100 |
| Trade payables | 18 | **992** | 739 | **9,270** | 7,622 |
| Other payables | 19 | **3,045** | 3,263 | **8,270** | 7,389 |
| Lease liabilities | 20 | **2,038** | 558 | **2,038** | 558 |
| Income tax payable | | **313** | – | **153** | – |
| Total current liabilities | | **7,661** | 4,660 | **21,004** | 15,669 |
| **Non-current liabilities** | | | | | |
| Lease liabilities | 20 | **6,232** | 3,942 | **6,232** | 3,942 |
| Deferred tax liabilities | 21 | **7,063** | 6,706 | **3,650** | 3,460 |
| Total non-current liabilities | | **13,295** | 10,648 | **9,882** | 7,402 |
| **Capital and reserves** | | | | | |
| Share capital | 22 | **41,846** | 41,846 | **41,846** | 41,846 |
| Retained earnings | | **72,783** | 74,803 | **34,502** | 42,162 |
| Treasury shares | 23 | **(591)** | (591) | **(591)** | (591) |
| Translation reserves | | **(8,375)** | (6,334) | **–** | – |
| Capital reserve | | **(923)** | (923) | **–** | – |
| Total equity attributable to owners of the Company | | **104,740** | 108,801 | **75,757** | 83,417 |
| Total equity | | **104,740** | 108,801 | **75,757** | 83,417 |
| **Total liabilities and equity** | | **125,696** | 124,109 | **106,643** | 106,488 |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

| | Note | Group 2022 $'000 | 2021 $'000 |
|---|---|---|---|
| **Revenue** | 24 | **51,570** | 53,730 |
| **Cost of sales** | | **(38,731)** | (40,340) |
| **Gross profit** | | **12,839** | 13,390 |
| Other operating income | 25 | **1,443** | 1,738 |
| Selling expenses | | **(477)** | (346) |
| Administrative expenses | | **(9,290)** | (8,993) |
| Other operating expenses | 26 | **(125)** | (998) |
| Reversal of impairment losses on financial assets | 8 | **69** | 210 |
| Finance costs | 27 | **(64)** | (183) |
| **Profit before income tax** | | **4,395** | 4,818 |
| Income tax expense | 28 | **(744)** | (1,052) |
| **Profit for the year attributable to owners of the Company** | | **3,651** | 3,766 |
| **Profit per share (cents):** | | | |
| Basic and diluted | 30 | **3.22** | 3.31 |
| **Profit for the year** | 29 | **3,651** | 3,766 |
| **Other comprehensive (loss)/income:** | | | |
| *Items that may be reclassified subsequently to profit or loss* | | | |
| Exchange differences on translation of foreign operations | | **(2,041)** | (1,499) |
| Cumulative exchange differences on disposal of a subsidiary | | **–** | 2 |
| **Total comprehensive income for the year attributable to owners of the Company** | | **1,610** | 2,269 |

See accompanying notes to financial statements.

# STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2022

| | Share capital $'000 | Treasury shares $'000 | Translation reserves $'000 | Capital reserve $'000 | Retained earnings $'000 | Attributable to equity holders of the Company $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|
| Group | | | | | | | |
| Balance at 1 January 2021 | 41,846 | (355) | (4,837) | (923) | 76,738 | 112,469 | 112,469 |
| *Total comprehensive income/(loss) for the year:* | | | | | | | |
| Profit for the year | – | – | – | – | 3,766 | 3,766 | 3,766 |
| Other comprehensive loss for the year | – | – | (1,497) | – | – | (1,497) | (1,497) |
| Total | – | – | (1,497) | – | 3,766 | 2,269 | 2,269 |
| *Transactions with owners, recognised directly in equity* | | | | | | | |
| Dividends paid (Note 31) | – | – | – | – | (5,701) | (5,701) | (5,701) |
| Repurchase of shares (Note 23) | – | (236) | – | – | – | (236) | (236) |
| Total | – | (236) | – | – | (5,701) | (5,937) | (5,937) |
| Balance at 31 December 2021 | 41,846 | (591) | (6,334) | (923) | 74,803 | 108,801 | 108,801 |
| *Total comprehensive income/(loss) for the year:* | | | | | | | |
| Profit for the year | – | – | – | – | 3,651 | 3,651 | 3,651 |
| Other comprehensive loss for the year | – | – | (2,041) | – | – | (2,041) | (2,041) |
| Total | – | – | (2,041) | – | 3,651 | 1,610 | 1,610 |
| *Transactions with owners, recognised directly in equity* | | | | | | | |
| Dividends paid (Note 31) | – | – | – | – | (5,671) | (5,671) | (5,671) |
| Total | – | – | – | – | (5,671) | (5,671) | (5,671) |
| Balance at 31 December 2022 | **41,846** | **(591)** | **(8,375)** | **(923)** | **72,783** | **104,740** | **104,740** |

# STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2022

| | Share capital $'000 | Treasury shares $'000 | Retained earnings $'000 | Total $'000 |
|---|---|---|---|---|
| Company | | | | |
| Balance at 1 January 2021 | 41,846 | (355) | 45,613 | 87,104 |
| Profit for the year, representing total comprehensive income for the year | – | – | 2,250 | 2,250 |
| Total | – | – | 2,250 | 2,250 |
| *Transactions with owners, recognised directly in equity* | | | | |
| Dividends paid (Note 31) | – | – | (5,701) | (5,701) |
| Repurchase of shares (Note 23) | – | (236) | – | (236) |
| | – | (236) | (5,701) | (5,937) |
| Balance at 31 December 2021 | 41,846 | (591) | 42,162 | 83,417 |
| Loss for the year, representing total comprehensive loss for the year | – | – | (1,989) | (1,989) |
| Total | – | – | (1,989) | (1,989) |
| *Transactions with owners, recognised directly in equity* | | | | |
| Dividends paid (Note 31) | – | – | (5,671) | (5,671) |
| | – | – | (5,671) | (5,671) |
| Balance at 31 December 2022 | **41,846** | **(591)** | **34,502** | **75,757** |

See accompanying notes to financial statements.

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| **Operating activities** | | |
| Profit before income tax | **4,395** | 4,818 |
| Adjustments for: | | |
| Unrealised fair value loss from derivative financial instruments | **38** | 100 |
| Depreciation of property, plant and equipment | **6,825** | 7,535 |
| Depreciation of right-of-use assets | **266** | 261 |
| Write-back of allowance for doubtful debts | **(69)** | (210) |
| Interest expense | **64** | 183 |
| Interest income | **(337)** | (154) |
| Net unrealised foreign exchange (gain) loss | **(162)** | 907 |
| Bad debts recovered | **–** | (173) |
| (Gain) Loss on disposal of property, plant and equipment | **(417)** | 1 |
| Loss on deregistration of a subsidiary | **–** | 2 |
| Inventories written off | **–** | 16 |
| Fair value (gain) loss arising on financial assets designated as at FVTPL | **(81)** | 55 |
| Operating cash flows before movements in working capital | **10,522** | 13,341 |
| Trade receivables | **(1,131)** | 14,898 |
| Other receivables and prepaid expenses | **(933)** | (110) |
| Inventories | **4,717** | 12,568 |
| Trade payables | **261** | (215) |
| Other payables | **(179)** | 672 |
| Cash generated from operations | **13,257** | 41,154 |
| Income tax paid | **(517)** | (465) |
| Purchase of property, plant and equipment (Note A) | **(20,896)** | (13,705) |
| Net cash (used in)/from operating activities | **(8,156)** | 26,984 |
| **Investing activities** | | |
| Interest received | **337** | 154 |
| Purchase of property, plant and equipment (Note A) | **(307)** | (68) |
| Purchase of financial assets designated as at FVTPL | **–** | (1,800) |
| Proceeds from disposal of property, plant and equipment | **449** | 201 |
| Net cash from/(used in) investing activities | **479** | (1,513) |

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| **Financing activities** | | |
| Bills payable | **1,135** | – |
| Interest paid | **(64)** | (183) |
| Proceeds from hire purchase facilities | **3,363** | – |
| Repayment of lease liabilities | **(890)** | (3,804) |
| Purchase of treasury shares | **–** | (236) |
| Dividends paid | **(5,671)** | (5,701) |
| Net cash used in financing activities | **(2,127)** | (9,924) |
| Net (decrease) increase in cash and cash equivalents | **(9,804)** | 15,547 |
| Cash and cash equivalents at beginning of year | **48,018** | 32,619 |
| Effect of exchange rate changes on the cash and cash equivalents held in foreign currencies | **(163)** | (148) |
| **Cash and cash equivalents at end of year (Note 7)** | **38,051** | 48,018 |

Note A

During the financial year ended 31 December 2022, 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 $22,403,000 (2021: $13,773,000) for which $4,563,000 (2021: $Nil) were acquired with corresponding lease liabilities (Note 20).

See accompanying notes to financial statements.

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 1 GENERAL

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

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

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2022 were authorised for issue by the Board of Directors on 31 March 2023.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

ADOPTION OF NEW AND REVISED STANDARDS – On 1 January 2022, 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) 1-1 *Classification of Liabilities as Current or Non-current*(1)
- Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*(1)
- Amendments to SFRS(I) 1-12: *Deferred Tax to Assets and Liabilities arising from a Single Transaction*(1)
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies*(1)

(1) 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 2022

**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 2022

**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 2022

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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

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

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

Financial assets

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Classification of financial assets

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

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

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

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

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

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

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

Amortised cost and effective interest method

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 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 2022

## 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 2022

## 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 related facilities and custody services, if any.

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

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

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

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

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

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

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

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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Significant increase in credit risk (Continued)

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 2022

## 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Measurement and recognition of expected credit losses (Continued)

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;
- 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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**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.

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 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Financial liabilities and equity instruments (Continued)**

Financial liabilities at FVTPL (Continued)

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

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

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

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

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

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

Financial liabilities subsequently measured at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) 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 2022

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Financial liabilities and equity instruments (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 have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Derivative financial instruments

The Group enters into foreign exchange forward contract to manage its exposure to foreign exchange rate risks. Further details of derivative financial instruments are disclosed in Note 17.

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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Leases (Continued)**

The Group as lessor (Continued)

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

The Group as lessee

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

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

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

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

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

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 2022

**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.

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

2 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases (Continued)**

The Group as lessee (Continued)

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 2022

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Leases (Continued)**

The Group as lessee (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 2022

**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 based on output method is an appropriate measure of progress towards complete satisfaction of these performance obligations under SFRS(I) 15 *Revenue from Contracts with Customers*.

Interest income

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

Dividend income

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

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

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

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

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

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

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

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

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

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.

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

## 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 2022

**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 may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

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

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

Allowance for inventories

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

Allowance for trade receivables

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 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 | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| **Financial assets** | | | | |
| Financial assets at amortised cost | **48,769** | 56,718 | **38,655** | 43,153 |
| Financial assets measured at FVTPL | **2,230** | 2,149 | **2,230** | 2,149 |
| | **50,999** | 58,867 | **40,885** | 45,302 |
| **Financial liabilities** | | | | |
| Financial liabilities at amortised cost | **5,172** | 4,002 | **18,675** | 15,011 |
| Lease liabilities | **8,270** | 4,500 | **8,270** | 4,500 |
| Derivative instruments not designated in hedge accounting relationships | **138** | 100 | **138** | 100 |
| | **13,580** | 8,602 | **27,083** | 19,611 |

*(b) Financial risk management policies and objectives*

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

(i) Credit risk management

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

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

(i) Credit risk management (Continued)

Of the trade receivables balance at the end of the year, $3.2 million (2021: $1.3 million) is due from 2 of the Group's largest customers (2021: 1 customer). 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 2 customers (2021: 1 customer) did not exceed 20% (2021: 20%) 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 2022, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

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

(i) Credit risk management (Continued)

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

| Group | Note | Internal credit rating | 12-month or lifetime ECL | Gross carrying amount $'000 | Loss allowance $'000 | Net carrying amount $'000 |
|---|---|---|---|---|---|---|
| 2022 | | | | | | |
| Trade receivables | 8 | **(*)** | **Lifetime ECL (simplified approach)** | **10,717** | **(1,264)** | **9,453** |
| Deposits | 9 | **Performing** | **12-month ECL** | **1,059** | **–** | **1,059** |
| Sundry debtors | 9 | **Performing** | **12-month ECL** | **206** | **–** | **206** |
| | | | | | **(1,264)** | |
| 2021 | | | | | | |
| Trade receivables | 8 | (*) | Lifetime ECL (simplified approach) | 9,888 | (1,518) | 8,370 |
| Deposits | 9 | Performing | 12-month ECL | 130 | – | 130 |
| Sundry debtors | 9 | Performing | 12-month ECL | 200 | – | 200 |
| | | | | | (1,518) | |
| Company | | | | | | |
| 2022 | | | | | | |
| Trade receivables | 8 | **(*)** | **Lifetime ECL (simplified approach)** | **15,739** | **(768)** | **14,971** |
| Deposits | 9 | **Performing** | **12-month ECL** | **292** | **–** | **292** |
| Sundry debtors | 9 | **Performing** | **12-month ECL** | **42** | **–** | **42** |
| Advances to subsidiaries | 9 | **Performing** | **12-month ECL** | **2,199** | **(108)** | **2,091** |
| | | | | | **(876)** | |
| 2021 | | | | | | |
| Trade receivables | 8 | (*) | Lifetime ECL (simplified approach) | 9,775 | (768) | 9,007 |
| Deposits | 9 | Performing | 12-month ECL | 89 | – | 89 |
| Sundry debtors | 9 | Performing | 12-month ECL | 15 | – | 15 |
| Advances to subsidiaries | 9 | Performing | 12-month ECL | 3,691 | (142) | 3,549 |
| | | | | | (910) | |

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

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

(i) Credit risk management (Continued)

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

(ii) Interest rate risk management

The Group's and Company's exposure to changes in interest rates relates primarily to interest-bearing lease liabilities as disclosed in Note 20 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** | |
| | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** | **2022** | **2021** |
| | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** | **$'000** |
| Japanese yen | **3,653** | 19 | **275** | 186 | **3,653** | 19 | **275** | 186 |
| Malaysian ringgit | **7** | 8 | **–** | – | **7** | 8 | **–** | – |
| Singapore dollar | **1,151** | 897 | **–** | 2 | **–** | – | **–** | – |
| United States dollar | **5,024** | 1,472 | **68** | 13 | **155** | 582 | **–** | – |

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

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

(iii) Foreign currency risk management (Continued)

*Foreign currency sensitivity*

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Impact arising from | | | | |
| Japanese yen | (338) | 17 | (338) | 17 |
| Malaysian ringgit | (1) | (1) | (1) | (1) |
| Singapore dollar | (115) | (90) | – | – |
| United States dollar | (496) | (146) | (16) | (58) |

* Denotes amount less than $1,000.

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, profit for the year will 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 2022

## 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** | | | | | | |
| 2022 | | | | | | |
| Non-interest bearing | **–** | **5,172** | **–** | **–** | **–** | **5,172** |
| Lease liabilities (fixed rate) | **3.00** | **2,162** | **3,838** | **3,980** | **(1,710)** | **8,270** |
| | | **7,334** | **3,838** | **3,980** | **(1,710)** | **13,442** |
| 2021 | | | | | | |
| Non-interest bearing | – | 4,002 | – | – | – | 4,002 |
| Lease liabilities (fixed rate) | 3.00 – 3.22 | 602 | 1,245 | 4,281 | (1,628) | 4,500 |
| | | 4,604 | 1,245 | 4,281 | (1,628) | 8,502 |
| **Company** | | | | | | |
| 2022 | | | | | | |
| Non-interest bearing | **–** | **18,675** | **–** | **–** | **–** | **18,675** |
| Lease liabilities (fixed rate) | **3.00** | **2,162** | **3,838** | **3,980** | **(1,710)** | **8,270** |
| | | **20,837** | **3,838** | **3,980** | **(1,710)** | **26,945** |
| 2021 | | | | | | |
| Non-interest bearing | – | 15,011 | – | – | – | 15,011 |
| Lease liabilities (fixed rate) | 3.00 – 3.22 | 602 | 1,245 | 4,281 | (1,628) | 4,500 |
| | | 15,613 | 1,245 | 4,281 | (1,628) | 19,511 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

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

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

(iv) Liquidity risk management (Continued)

*Liquidity and interest risk analyses (Continued)*

**Non-derivative financial assets**

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

**Derivative financial instruments**

The Group and Company's derivative financial instruments comprise foreign exchange forward contracts amounting to a liability of $138,000 (2021: $100,000) (Note 17).

(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).

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 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)

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

| | **Fair value hierarchy as at 31 December 2022** | | | |
|---|---|---|---|---|
| | **Total** | **Level 1** | **Level 2** | **Level 3** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Group and Company | | | | |
| **Financial assets** | | | | |
| Financial assets at fair value through profit or loss (Note 14) | **2,230** | **430** | **1,800** | **–** |
| **Financial liabilities** | | | | |
| Derivative financial instruments (Note 17) | **138** | **–** | **138** | **–** |

| | **Fair value hierarchy as at 31 December 2021** | | | |
|---|---|---|---|---|
| | **Total** | **Level 1** | **Level 2** | **Level 3** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Group and Company | | | | |
| **Financial assets** | | | | |
| Financial assets at fair value through profit or loss (Note 14) | 2,149 | 349 | 1,800 | – |
| **Financial liabilities** | | | | |
| Derivative financial instruments (Note 17) | 100 | – | 100 | – |

*(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 Note 20) and equity attributable to equity holders of the Company, comprising issued share capital, retained earnings and reserves.

As a part of the review of capital structure, management considers the cost of capital and the risks associated with each source of financing. The management of capital structure includes making decisions relating to payment of dividends and the redemption of any existing loans. The Group's overall strategy remains unchanged from 2021.

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 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 | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Short-term benefits | **2,467** | 2,426 |
| Post-employment benefits | **77** | 91 |
| | **2,544** | 2,517 |

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 | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Cash at bank | **19,909** | 36,740 | **16,253** | 30,492 |
| Cash on hand | **101** | 271 | **3** | 1 |
| Fixed deposits | **18,041** | 11,007 | **5,003** | – |
| | **38,051** | 48,018 | **21,259** | 30,493 |

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

As at 31 December 2022, fixed deposits bore interest from 3.1% to 4.5% per annum (2021: 0.45% per annum) and for a tenure of 1 month to 1 year (2021: 6 months). The fixed deposits can be readily converted into cash with minimal charges and is subject to an insignificant risk of changes in value.

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 8 TRADE RECEIVABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Outside parties | **10,717** | 9,888 | **7,360** | 5,225 |
| Subsidiaries | **–** | – | **8,379** | 4,550 |
| | **10,717** | 9,888 | **15,739** | 9,775 |
| Less: Loss allowances | **(1,264)** | (1,518) | **(768)** | (768) |
| | **9,453** | 8,370 | **14,971** | 9,007 |

As at 1 January 2021, trade receivables from contracts with customers amounted to $23,154,000 (net of loss allowance of $1,762,000).

The credit period ranges from 30 to 180 days (2021: 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 2022

## 8 TRADE RECEIVABLES (CONTINUED)

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

| | Group<br>Trade receivables – days past due | | | | |
|---|---|---|---|---|---|
| | Not past due<br>$'000 | < 3 months<br>$'000 | > 3 months and<br>< 12 months<br>$'000 | > 12 months<br>$'000 | Total<br>$'000 |
| 2022 | | | | | |
| Estimated total gross carrying amount at default | **2,243** | **4,456** | **2,478** | **1,540** | **10,717** |
| Lifetime ECL | **(11)** | **(56)** | **(106)** | **(1,091)** | **(1,264)** |
| | | | | | **9,453** |
| 2021 | | | | | |
| Estimated total gross carrying amount at default | 2,408 | 3,833 | 800 | 2,847 | 9,888 |
| Lifetime ECL | (17) | (42) | (191) | (1,268) | (1,518) |
| | | | | | 8,370 |

| | Company<br>Trade receivables – days past due | | | | |
|---|---|---|---|---|---|
| | Not past due<br>$'000 | < 3 months<br>$'000 | > 3 months and<br>< 12 months<br>$'000 | > 12 months<br>$'000 | Total<br>$'000 |
| 2022 | | | | | |
| Estimated total gross carrying amount at default | **1,658** | **5,360** | **5,191** | **3,530** | **15,739** |
| Lifetime ECL | **(3)** | **(24)** | **(108)** | **(633)** | **(768)** |
| | | | | | **14,971** |
| 2021 | | | | | |
| Estimated total gross carrying amount at default | 1,618 | 4,305 | 418 | 3,434 | 9,775 |
| Lifetime ECL | (58) | (122) | (88) | (500) | (768) |
| | | | | | 9,007 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 8 TRADE RECEIVABLES (CONTINUED)

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

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

| | **Group** | |
|---|---|---|
| | **Lifetime ECL – credit-impaired** | |
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| At beginning of the year | **1,518** | 1,762 |
| Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement (Note 29) | **(19)** | (200) |
| Write-back of allowance for doubtful debts (Note 29) | **(50)** | (10) |
| Trade receivables written off | **(138)** | (37) |
| Foreign exchange gains or losses | **(47)** | 3 |
| At the end of the year | **1,264** | 1,518 |

| | **Company** | |
|---|---|---|
| | **Lifetime ECL – credit-impaired** | |
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| At beginning of the year | **768** | 336 |
| Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement | **–** | 632 |
| Write-back of allowance for doubtful debts | **–** | (200) |
| At the end of the year | **768** | 768 |

During the year, trade receivables amounting to $Nil (2021: $Nil) were written off as bad debts.

## 9 OTHER RECEIVABLES

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Subsidiaries | **–** | – | **2,199** | 3,691 |
| Deposits | **1,059** | 130 | **292** | 89 |
| Prepayments | **566** | 951 | **206** | 185 |
| Sundry debtors | **1,086** | 200 | **229** | 15 |
| | **2,711** | 1,281 | **2,926** | 3,980 |
| Less: Loss allowances | **–** | – | **(108)** | (142) |
| | **2,711** | 1,281 | **2,818** | 3,838 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 9 OTHER RECEIVABLES (CONTINUED)

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

| | Company Lifetime ECL – credit-impaired | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| At beginning of the year | **142** | – |
| Change in loss allowance due to new other receivables originated, net of those derecognised due to settlement | **(34)** | 142 |
| At the end of the year | **108** | 142 |

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.

## 10 INVENTORIES

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Cranes and aerial lifts | **4,008** | 995 | **2,048** | 538 |
| Goods-in-transit | **1,736** | 260 | **1,596** | – |
| | **5,744** | 1,255 | **3,644** | 538 |

The cost of inventories recognised as an expense was $Nil (2021: $16,000) in respect of write-off of inventory.

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 11 PROPERTY, PLANT AND EQUIPMENT

| | Freehold land $'000 | Leasehold land $'000 | Workshop building $'000 | Cranes $'000 | Aerial lifts $'000 | Motor vehicles $'000 | Plant and equipment $'000 | Total $'000 |
|---|---|---|---|---|---|---|---|---|
| Group | | | | | | | | |
| **Cost:** | | | | | | | | |
| At 1 January 2021 | 3,050 | 506 | 6,744 | 90,492 | 8,691 | 3,899 | 3,968 | 117,350 |
| Additions | – | – | 8 | 3,473 | – | 38 | 22 | 3,541 |
| Transfer from inventories | – | – | – | 7,697 | 3,100 | – | – | 10,797 |
| Transfer to inventories | – | – | – | (18,855) | (1,668) | – | – | (20,523) |
| Disposals | – | – | – | – | – | (71) | (402) | (473) |
| Exchange differences | (46) | (1) | (37) | (3,092) | (115) | (254) | (120) | (3,665) |
| At 31 December 2021 | 3,004 | 505 | 6,715 | 79,715 | 10,008 | 3,612 | 3,468 | 107,027 |
| Additions | – | – | – | 7,083 | – | 285 | 22 | 7,390 |
| Transfer from inventories | – | – | – | 11,453 | 4,007 | – | – | 15,460 |
| Transfer to inventories | – | – | – | (17,696) | (2,077) | – | – | (19,773) |
| Disposals | – | – | – | – | – | (725) | (226) | (951) |
| Exchange differences | (183) | (31) | (168) | (2,044) | (43) | (88) | (140) | (2,697) |
| At 31 December 2022 | **2,821** | **474** | **6,547** | **78,511** | **11,895** | **3,084** | **3,124** | **106,456** |
| **Accumulated depreciation:** | | | | | | | | |
| At 1 January 2021 | – | 56 | 3,407 | 38,051 | 3,521 | 3,139 | 2,835 | 51,009 |
| Depreciation for the year | – | 14 | 221 | 5,984 | 869 | 217 | 230 | 7,535 |
| Transfer to inventories | – | – | – | (9,278) | (708) | – | – | (9,986) |
| Disposals | – | – | – | – | – | (71) | (200) | (271) |
| Exchange differences | – | (2) | (2) | (1,028) | (77) | (73) | (163) | (1,345) |
| At 31 December 2021 | – | 68 | 3,626 | 33,729 | 3,605 | 3,212 | 2,702 | 46,942 |
| Depreciation for the year | – | 14 | 219 | 5,209 | 978 | 205 | 200 | 6,825 |
| Transfer to inventories | – | – | – | (9,041) | (952) | – | – | (9,993) |
| Disposals | – | – | – | – | – | (695) | (224) | (919) |
| Exchange differences | – | (5) | (16) | (755) | (29) | (79) | (102) | (986) |
| At 31 December 2022 | **–** | **77** | **3,829** | **29,142** | **3,602** | **2,643** | **2,576** | **41,869** |
| **Impairment:** | | | | | | | | |
| At 1 January 2021 | – | – | – | 1,109 | 105 | – | – | 1,214 |
| Transfer to inventories | – | – | – | (82) | (15) | – | – | (97) |
| Exchange differences | – | – | – | (285) | – | – | – | (285) |
| At 31 December 2021 | – | – | – | 742 | 90 | – | – | 832 |
| Transfer to inventories | – | – | – | (46) | (28) | – | – | (74) |
| Exchange differences | – | – | – | (64) | – | – | – | (64) |
| At 31 December 2022 | **–** | **–** | **–** | **632** | **62** | **–** | **–** | **694** |
| **Carrying amount:** | | | | | | | | |
| At 31 December 2021 | 3,004 | 437 | 3,089 | 45,244 | 6,313 | 400 | 766 | 59,253 |
| At 31 December 2022 | **2,821** | **397** | **2,718** | **48,737** | **8,231** | **441** | **548** | **63,893** |

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| | Workshop building $'000 | Cranes $'000 | Motor vehicles $'000 | Plant and equipment $'000 | Total $'000 |
|---|---|---|---|---|---|
| Company | | | | | |
| **Cost:** | | | | | |
| At 1 January 2021 | 3,951 | 55,353 | 2,205 | 1,831 | 63,340 |
| Additions | – | 3,473 | 37 | 5 | 3,515 |
| Transfer from inventories | – | 4,578 | – | – | 4,578 |
| Transfer to inventories | – | (8,547) | – | – | (8,547) |
| Disposal | – | – | – | (374) | (374) |
| At 31 December 2021 | 3,951 | 54,857 | 2,242 | 1,462 | 62,512 |
| Additions | – | 7,083 | 285 | 17 | 7,385 |
| Transfer from inventories | – | 6,718 | – | – | 6,718 |
| Transfer to inventories | – | (11,542) | – | – | (11,542) |
| Disposal | – | – | (465) | (23) | (488) |
| At 31 December 2022 | **3,951** | **57,116** | **2,062** | **1,456** | **64,585** |
| **Accumulated depreciation:** | | | | | |
| At 1 January 2021 | 3,241 | 24,419 | 1,946 | 1,406 | 31,012 |
| Depreciation for the year | 157 | 3,764 | 99 | 82 | 4,102 |
| Transfer to inventories | – | (4,037) | – | – | (4,037) |
| Disposal | – | – | – | (174) | (174) |
| At 31 December 2021 | 3,398 | 24,146 | 2,045 | 1,314 | 30,903 |
| Depreciation for the year | 158 | 3,829 | 137 | 60 | 4,184 |
| Transfer to inventories | – | (6,813) | – | – | (6,813) |
| Disposal | – | – | (465) | (23) | (488) |
| At 31 December 2022 | **3,556** | **21,162** | **1,717** | **1,351** | **27,786** |
| **Impairment:** | | | | | |
| At 1 January 2021 | – | 104 | – | – | 104 |
| Transfer to inventories | – | (58) | – | – | (58) |
| At 31 December 2021 | – | 46 | – | – | 46 |
| Transfer to inventories | – | (46) | – | – | (46) |
| At 31 December 2022 | **–** | **–** | **–** | **–** | **–** |
| **Carrying amount:** | | | | | |
| At 31 December 2021 | 553 | 30,665 | 197 | 148 | 31,563 |
| At 31 December 2022 | **395** | **35,954** | **345** | **105** | **36,799** |

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 11 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, the Group carried out a review of the recoverable amount of its cranes and aerial lifts, having regard to the future market and economic conditions. These assets are used in the Group's rental segment. Impairment loss, if any, is included in the other operating expenses line item in the consolidated statement of profit or loss and other comprehensive income. The Group determined the recoverable amounts of these assets based on value-in-use calculations which require the use of key estimates such as rental rates and utilisation rates. The discount rates used in measuring value-in-use ranges within 7.0% to 9.0% per annum (2021: 7.0% to 9.5% per annum).

As at 31 December 2022, the carrying amount of finance lease assets classified within property, plant and equipment with corresponding lease liabilities (Note 20) of the Group and Company amounted to $7,852,000 (2021: $1,851,000) and $7,852,000 (2021: $1,851,000) respectively.

Details of the freehold land, leasehold land and building held by the Group as at 31 December 2022 are as follows:

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 12 RIGHT-OF-USE ASSETS

The Group leases leasehold land and dormitory units, with remaining lease term of 23 years and 1 year.

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

Right-of-use assets

| | JTC Corporation ("JTC") Land $'000 | Dormitory $'000 | Total $'000 |
|---|---|---|---|
| The Group | | | |
| **Cost:** | | | |
| At 1 January 2021 | 1,238 | 236 | 1,474 |
| Addition | 3,000 | 79 | 3,079 |
| At 31 December 2021 | 4,238 | 315 | 4,553 |
| Addition | – | 97 | 97 |
| Written-off | – | (236) | (236) |
| At 31 December 2022 | **4,238** | **176** | **4,414** |
| **Accumulated depreciation:** | | | |
| At 1 January 2021 | 361 | 158 | 519 |
| Depreciation | 182 | 79 | 261 |
| At 31 December 2021 | 543 | 237 | 780 |
| Depreciation | 182 | 84 | 266 |
| Written-off | – | (236) | (236) |
| At 31 December 2022 | **725** | **85** | **810** |
| **Carrying amount:** | | | |
| At 31 December 2021 | 3,695 | 78 | 3,773 |
| At 31 December 2022 | **3,513** | **91** | **3,604** |

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 12 RIGHT-OF-USE ASSETS (CONTINUED)

Right-of-use assets (Continued)

| | JTC Corporation ("JTC") Land $'000 | Dormitory $'000 | Total $'000 |
|---|---|---|---|
| The Company | | | |
| **Cost:** | | | |
| At 1 January 2021 | 642 | 236 | 878 |
| Addition | 3,000 | 79 | 3,079 |
| At 31 December 2021 | 3,642 | 315 | 3,957 |
| Addition | – | 97 | 97 |
| Written-off | | (236) | (236) |
| At 31 December 2022 | **3,642** | **176** | **3,818** |
| **Accumulated depreciation:** | | | |
| At 1 January 2021 | 185 | 158 | 343 |
| Depreciation | 95 | 79 | 174 |
| At 31 December 2021 | 280 | 237 | 517 |
| Depreciation | 95 | 84 | 179 |
| Written-off | – | (236) | (236) |
| At 31 December 2022 | **375** | **85** | **460** |
| **Carrying amount:** | | | |
| At 31 December 2021 | 3,362 | 78 | 3,440 |
| At 31 December 2022 | **3,267** | **91** | **3,358** |

In 2021, the Company had recognised an addition to right-of-use assets of $3,000,000 in respect of renewal of land lease for a term of 20 years to be granted by JTC.

In addition, the Group made upfront payment(s) in full to secure the right-of-use of certain leasehold land. This leasehold land, with net book value amounting to $397,000 (2021: $437,000) is presented within property, plant and equipment (Note 11).

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

As at 31 December 2022, the Company has current and non-current lease receivables amounting to $96,000 (2021: $96,000) and $176,000 (2021: $272,000) from its subsidiary arising from the subleasing of office premises within the JTC Corporation Land.

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 13 INVESTMENT IN SUBSIDIARIES

| | Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Unquoted equity shares – at cost | **6,641** | 6,641 |
| Loan to subsidiaries | **19,372** | 19,372 |
| Less: Impairment loss | **(4,731)** | (931) |
| | **21,282** | 25,082 |

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 |
|---|---|---|---|---|
| | | **2022** | **2021** | |
| | | **%** | **%** | |
| **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. |
| **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 2022

## 14 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

| | Group and Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| **Current:** | | |
| (a) Short-term note | **1,800** | 1,800 |
| **Non-current:** | | |
| (b) Quoted equity shares, at fair value | **430** | 349 |
| | **2,230** | 2,149 |

The investments comprise:

(a) investment in short-term note which offers the Group and the Company the opportunity for return through interest income at 3.85% (2021: 1.1%) per annum. The investment has a maturity period of 3 months. The fair value of this investment is based on the quoted closing market prices on the last market day of the financial year. The investment matured in January 2023.

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

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

## 15 OTHER ASSETS

| | Group and Company | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Golf club memberships | **69** | 69 |
| Allowance for impairment | **(59)** | (59) |
| Golf club memberships, at fair value | **10** | 10 |

## 16 BILLS PAYABLE

In 2022, the bills payables were unsecured, and repayable within a month.

These bills payables were fully repaid in January 2023.

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 17 DERIVATIVE FINANCIAL INSTRUMENTS

| | Group & Company | | | |
|---|---|---|---|---|
| | 2022 | | 2021 | |
| | Assets | Liabilities | Assets | Liabilities |
| | $'000 | $'000 | $'000 | $'000 |
| Foreign currency forward contracts | **–** | **(138)** | – | (100) |

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | '000 | '000 | '000 | '000 |
| Buy JPY | **583,600** | 756,209 | **583,600** | 756,209 |

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

The loss in fair value of the forward foreign exchange contract was $138,000 in 2022 (2021: $100,000) and this has been taken up in profit or loss.

## 18 TRADE PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | $'000 | $'000 | $'000 | $'000 |
| Outside parties | **992** | 739 | **698** | 511 |
| Subsidiary | **–** | – | **8,572** | 7,111 |
| | **992** | 739 | **9,270** | 7,622 |

The average credit period on purchases of goods is 30 to 90 days (2021: 30 to 90 days). No interest is charged on the outstanding balance.

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 19 OTHER PAYABLES

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Outside parties | **181** | 261 | **11** | – |
| Subsidiary | **–** | – | **5,810** | 4,775 |
| Accrued expenses | **2,724** | 2,528 | **2,360** | 2,147 |
| Deposits received | **140** | 474 | **89** | 467 |
| | **3,045** | 3,263 | **8,270** | 7,389 |

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

## 20 LEASE LIABILITIES

| | Group | | Company | |
|---|---|---|---|---|
| | **2022** | **2021** | **2022** | **2021** |
| | **$'000** | **$'000** | **$'000** | **$'000** |
| Maturity analysis: | | | | |
| Within one year | **2,162** | 602 | **2,162** | 602 |
| In the second to fifth year inclusive | **3,838** | 1,245 | **3,838** | 1,245 |
| After five years | **3,980** | 4,281 | **3,980** | 4,281 |
| | **9,980** | 6,128 | **9,980** | 6,128 |
| Less: Unearned interest | **(1,710)** | (1,628) | **(1,710)** | (1,628) |
| | **8,270** | 4,500 | **8,270** | 4,500 |
| Analysed as: | | | | |
| Current | **2,038** | 558 | **2,038** | 558 |
| Non-current | **6,232** | 3,942 | **6,232** | 3,942 |
| | **8,270** | 4,500 | **8,270** | 4,500 |

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 20 LEASE LIABILITIES (CONTINUED)

Reconciliation of liabilities arising from financing activities

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

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | **1 January 2022 $'000** | **Financing cash flow $'000** | **Acquisition $'000** | **New lease liabilities $'000** | **Foreign exchange movement $'000** | **31 December 2022 $'000** |
| Lease liabilities (Note 20) | 4,500 | (890) | 4,563 | 97 | – | 8,270 |
| | 4,500 | (890) | 4,563 | 97 | – | 8,270 |

| | | | Non-cash changes | | | |
|---|---|---|---|---|---|---|
| | **1 January 2021 $'000** | **Financing cash flow $'000** | **Acquisition $'000** | **New lease liabilities $'000** | **Foreign exchange movement $'000** | **31 December 2021 $'000** |
| Lease liabilities (Note 20) | 5,247 | (3,804) | – | 3,079 | (22) | 4,500 |
| | 5,247 | (3,804) | – | 3,079 | (22) | 4,500 |

## 21 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 2021 | 6,137 | 3,000 |
| Charge to profit or loss (Note 28) | 591 | 460 |
| Exchange differences | (22) | – |
| Balance at 31 December 2021 | 6,706 | 3,460 |
| Charge to profit or loss (Note 28) | 491 | 190 |
| Exchange differences | (134) | – |
| Balance at 31 December 2022 | **7,063** | **3,650** |

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 22 SHARE CAPITAL

| | Group and Company | | | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | '000 | '000 | $'000 | $'000 |
| | Number of ordinary shares | | | |
| Issued and paid-up: | | | | |
| At beginning and end of the year | **114,889** | 114,889 | **41,846** | 41,846 |

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

## 23 TREASURY SHARES

| | Group and Company | | | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | '000 | '000 | $'000 | $'000 |
| | Number of ordinary shares | | | |
| At beginning of the year | **1,476** | 876 | **591** | 355 |
| Repurchase of shares | **–** | 600 | **–** | 236 |
| At the end of the year | **1,476** | 1,476 | **591** | 591 |

In 2021, the Company acquired 600,000 of its own shares through purchases on the Singapore Exchange. The total amount paid to acquire the shares was approximately $236,000 and has been deducted from shareholder's equity.

## 24 REVENUE

| | Group | |
|---|---|---|
| | 2022 | 2021 |
| | $'000 | $'000 |
| Trading of cranes and aerial lifts recognised at a point in time | **24,269** | 25,908 |
| Rental of cranes and aerial lifts recognised over time | **24,054** | 24,771 |
| Servicing of cranes and aerial lifts recognised over time | **3,247** | 3,051 |
| | **51,570** | 53,730 |

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 25 OTHER OPERATING INCOME

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Rental of office and warehouse space | **–** | 38 |
| Insurance claim received | **364** | 14 |
| Gain on disposal of property, plant and equipment | **417** | – |
| Interest income | **337** | 154 |
| Bad debts recovered | **–** | 173 |
| Foreign exchange gain | **107** | – |
| Government grants | **77** | 1,178 |
| Fair value gain arising on financial assets designated as at FVTPL | **81** | – |
| Others | **60** | 181 |
| | **1,443** | 1,738 |

In 2021, the Group had received wage support for local employees under the Jobs Support Scheme ("JSS") from the Singapore Government amounting to income of $1,127,000, as part of the Government's measures to support businesses during the period of economic uncertainty impacted by COVID-19. The Group had complied with the conditions attached to the grants and the grants had been received. Grant income was 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 2021.

## 26 OTHER OPERATING EXPENSES

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Inventory written off | **–** | 16 |
| Loss on disposal of property, plant and equipment | **–** | 1 |
| Loss on deregistration of subsidiary | **–** | 2 |
| Fair value loss arising on financial assets designated as at FVTPL | **–** | 55 |
| Foreign exchange loss | **37** | 792 |
| Others | **88** | 132 |
| | **125** | 998 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 27 FINANCE COSTS

| | Group | |
|---|---|---|
| | 2022 | 2021 |
| | $'000 | $'000 |
| Interest expenses on: | | |
| – Lease liabilities | **64** | 183 |
| | **64** | 183 |

## 28 INCOME TAX EXPENSE

| | Group | |
|---|---|---|
| | 2022 | 2021 |
| | $'000 | $'000 |
| Current tax: | | |
| – Current year | **303** | 622 |
| – Over provision in prior years | **(50)** | (161) |
| Deferred tax: | | |
| – Current year | **404** | 321 |
| – Under provision in prior years | **87** | 270 |
| | **744** | 1,052 |

Domestic income tax is calculated at 17% (2021: 17%) of the estimated assessable income for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

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

| | Group | |
|---|---|---|
| | 2022 | 2021 |
| | $'000 | $'000 |
| Profit before income tax | **4,395** | 4,818 |
| Income tax expense at the income tax rate of 17% (2021: 17%) | **747** | 819 |
| Tax effect of expenses not deductible for tax purpose | **118** | 412 |
| Tax effect of income not taxable in determining taxable profit | **(50)** | (215) |
| Tax effect of tax losses and capital allowances not recognised as deferred tax assets | **–** | 160 |
| Effect of utilisation of capital allowances previously not recognised as deferred tax assets | **(160)** | (77) |
| Effect of different tax rates of overseas subsidiaries | **(26)** | (62) |
| Over provision of current tax in prior years | **(50)** | (161) |
| Under provision of deferred tax in prior years | **87** | 270 |
| Others | **78** | (94) |
| Total income tax expense | **744** | 1,052 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

### 28 INCOME TAX EXPENSE (CONTINUED)

Subject to the agreement of the tax authority, at the end of the reporting period, the Group has $Nil unabsorbed capital allowance (2021: unabsorbed capital allowance of $943,000) available for offset against future profits. No deferred
tax asset has been recognised due to the unpredictability of future profit streams.

### 29 PROFIT FOR THE YEAR

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

| | Group | |
|---|---|---|
| | 2022 | 2021 |
| | $'000 | $'000 |
| Cost of defined contribution plans included in employee benefits expense | **1,008** | 1,000 |
| Directors' remuneration | **1,844** | 1,726 |
| Employee benefits expense (including directors' remuneration) | **13,299** | 12,857 |
| Net foreign exchange loss | **107** | 792 |
| Write back of impairment loss on financial assets | **(69)** | (210) |
| Bad debts recovered | **–** | (173) |
| Fair value (gain) loss arising on financial assets designated as at FVTPL | **(81)** | 55 |
| Cost of inventories recognised as expense | **18,585** | 19,986 |
| Unrealised fair value loss from derivative financial instruments | **38** | 100 |
| Government grant | **(77)** | (1,178) |
| Audit fees: | | |
| – paid to auditors of the Company | **128** | 118 |
| – paid to other auditors | **23** | 24 |
| Non-audit fees: | | |
| – paid to other auditors | **35** | 48 |

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

| | 2022 | 2021 |
|---|---|---|
| | $'000 | $'000 |
| Depreciation expense on right-of-use assets | **266** | 261 |
| Interest expense on lease liabilities | **64** | 183 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 30 PROFIT PER SHARE

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

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

| | 2022 | 2021 |
|---|---|---|
| Profit for the year attributable to owners of the Company ($'000) | **3,651** | 3,766 |
| Weighted average number of fully paid ordinary shares in issue ('000) | **113,413** | 113,746 |
| Basic and diluted profit per share (cents) | **3.22** | 3.31 |

## 31 DIVIDENDS

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

In 2022, a tax-exempt one-tier first and final dividend of 1.0 cents per ordinary share and special dividend of 4.0 cents ordinary share, totalling $5,671,000 was declared and paid for the financial year ended 31 December 2021.

Subsequent to the end of the current financial year, the directors of the Company recommended that a tax-exempt one-tier first and final dividend of 1.0 cents per ordinary share and special dividend of 2.5 cents per ordinary share, totalling $3,969,000 be paid for the financial year ended 31 December 2022. 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.

## 32 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 2022

## 32 SEGMENT INFORMATION (CONTINUED)

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

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

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

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

| | Equipment rental $'000 | Trading $'000 | Total $'000 |
|---|---|---|---|
| **2022** | | | |
| **Revenue** | | | |
| Segment revenue | 27,301 | 24,269 | 51,570 |
| **Results** | | | |
| Segment results | 7,846 | 4,993 | 12,839 |
| Selling expenses | (253) | (224) | (477) |
| Other operating income | | | 1,443 |
| Administrative expenses | | | (9,290) |
| Other operating expenses | | | (125) |
| Reversal of impairment loss on financial assets | | | 69 |
| Finance costs | (53) | (11) | (64) |
| Profit before tax | | | 4,395 |
| Income tax expense | | | (744) |
| Profit for the year | | | 3,651 |
| **Other information** | | | |
| Capital expenditure | (22,399) | (4) | (22,403) |
| Depreciation expense | (6,673) | (418) | (7,091) |
| Gain on disposal of property, plant and equipment | 417 | – | 417 |
| Reversal of impairment loss on financial assets, subject to ECL | 69 | – | 69 |

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 32 SEGMENT INFORMATION (CONTINUED)

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

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

Revenue reported above represents revenue generated from external customers.

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 32 SEGMENT INFORMATION (CONTINUED)

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

| | Equipment rental $'000 | Trading $'000 | Total $'000 |
|---|---|---|---|
| **2022** | | | |
| **Assets and liabilities** | | | |
| Segment assets | **65,046** | **17,648** | **82,694** |
| Unallocated corporate assets | | | **43,002** |
| Total assets | | | **125,696** |
| Segment liabilities | **7,444** | **1,818** | **9,262** |
| Unallocated corporate liabilities | | | **11,694** |
| | | | **20,956** |
| **2021** | | | |
| **Assets and liabilities** | | | |
| Segment assets | 60,252 | 12,584 | 72,836 |
| Unallocated corporate assets | | | 51,273 |
| Total assets | | | 124,109 |
| Segment liabilities | 3,337 | 1,902 | 5,239 |
| Unallocated corporate liabilities | | | 10,069 |
| | | | 15,308 |

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

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 32 SEGMENT INFORMATION (CONTINUED)

*Geographical segment information*

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

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Singapore | **34,620** | 39,757 |
| Indonesia | **5,838** | 608 |
| Malaysia | **3,461** | 4,475 |
| Myanmar | **796** | 1,522 |
| Taiwan | **6,526** | 5,492 |
| Others | **329** | 1,876 |
| | **51,570** | 53,730 |

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

**Non-current assets**

| Property, plant and equipment | **2022** | **2021** |
|---|---|---|
| | **$'000** | **$'000** |
| Singapore | **44,960** | 37,412 |
| Malaysia | **16,414** | 17,025 |
| Myanmar | **2,514** | 4,806 |
| Indonesia | **5** | 10 |
| | **63,893** | 59,253 |

*Major customer information*

In 2022, there was one customer (2021: nil) that contributed to more than 10% of the Group's revenue.

# NOTES TO FINANCIAL STATEMENTS

31 December 2022

## 33 CAPITAL COMMITMENTS

| | Group | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the financial statements | **10,410** | 14,395 |

## 34 OPERATING LEASE ARRANGEMENTS

**The Group as lessee**

As at 31 December 2022, the Group is committed to $164,000 (2021: $178,000) of short-term leases exempted under SFRS(I) 16.

**The Group as lessor**

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

| | The Group as lessor | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Rental income | – | 38 |

| | The Group | |
|---|---|---|
| | **2022** | **2021** |
| | **$'000** | **$'000** |
| Maturity analysis of operating lease payments: | | |
| Within one year | – | 38 |

# STATISTICS OF SHAREHOLDINGS

As at 17 March 2023

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

**DISTRIBUTION OF SHAREHOLDINGS**

| SIZE OF SHAREHOLDINGS | NO. OF SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 99 | 103 | 8.00 | 1,000 | 0.00 |
| 100 – 1,000 | 133 | 10.32 | 72,196 | 0.06 |
| 1,001 – 10,000 | 635 | 49.30 | 3,147,524 | 2.78 |
| 10,001 – 1,000,000 | 408 | 31.68 | 25,391,811 | 22.39 |
| 1,000,001 AND ABOVE | 9 | 0.70 | 84,800,469 | 74.77 |
| **TOTAL** | **1,288** | **100.00** | **113,413,000** | **100.00** |

**TWENTY LARGEST SHAREHOLDERS**

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | TAL HOLDINGS PTE LTD | 32,273,200 | 28.46 |
| 2 | UOB KAY HIAN PRIVATE LIMITED | 31,263,100 | 27.57 |
| 3 | PHILLIP SECURITIES PTE LTD | 6,777,337 | 5.98 |
| 4 | DBS NOMINEES (PRIVATE) LIMITED | 4,439,911 | 3.91 |
| 5 | DB NOMINEES (SINGAPORE) PTE LTD | 3,130,900 | 2.76 |
| 6 | SHRINIWAS RAI | 2,644,660 | 2.33 |
| 7 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 1,531,000 | 1.35 |
| 8 | LIM GUAN CHONG | 1,478,461 | 1.30 |
| 9 | ONG LIM WAN @ ONG TECK MENG | 1,261,900 | 1.11 |
| 10 | YEO SENG CHONG | 1,000,000 | 0.88 |
| 11 | OCBC SECURITIES PRIVATE LIMITED | 967,800 | 0.85 |
| 12 | YUUKI IKEDA | 932,820 | 0.82 |
| 13 | TAN SU LAN @ TAN SOO LUNG | 735,460 | 0.65 |
| 14 | NG LIN AI | 688,900 | 0.61 |
| 15 | SIM SZE MAY | 680,000 | 0.60 |
| 16 | HONG LEONG FINANCE NOMINEES PTE LTD | 680,000 | 0.60 |
| 17 | MAYBANK SECURITIES PTE. LTD. | 663,040 | 0.58 |
| 18 | HTAY HTAY NAING | 499,800 | 0.44 |
| 19 | LIM SIU HORNG | 425,000 | 0.37 |
| 20 | GOH TEOW HEE | 400,000 | 0.35 |
| | **TOTAL** | **92,473,289** | **81.52** |

# STATISTICS OF SHAREHOLDINGS

As at 17 March 2023

## SUBSTANTIAL SHAREHOLDERS AS AT 17 MARCH 2023

(As recorded in the Register of Substantial Shareholders)

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

**Notes:**

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

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

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

## PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on Shareholders' Information as at 17 March 2023, approximately 43.98% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting ("**AGM**") of Sin Heng Heavy Machinery Limited (the "**Company**") will be held by way of electronic means on Friday, 28 April 2023 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 2022, 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. Leong Wing Kong (Retiring under Regulation 89) **Resolution 3**

(c) Mr. Rai Satish (Retiring under Regulation 96) **Resolution 4**
[See Explanatory Notes (i), (ii) and (iii)]

3. To declare a first and final dividend of 1.0 Singapore cents and special dividend of 2.5 Singapore cents per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2022.
**Resolution 5**

4. To approve the payment of Directors' fees of S$155,932 for the financial year ended 31 December 2022 (2021: S$178,817).
**Resolution 6**

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

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

**AS SPECIAL BUSINESSES**

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

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

That pursuant to Section 161 of the Companies Act 1967 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

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

# NOTICE OF ANNUAL GENERAL MEETING

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

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

provided that:

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

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

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

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

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

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

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

# NOTICE OF ANNUAL GENERAL MEETING

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

**Resolution 8**
[See Explanatory Note (iv)]

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

That:

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

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

(ii) off-market purchase effected pursuant to an equal access scheme in accordance with Section 76C of the Companies Act 1967 ("**Off-Market Share Buy-Back**"),

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

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

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

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

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

# NOTICE OF ANNUAL GENERAL MEETING

(c) in this Resolution:

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

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

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

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

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

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

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

**Resolution 9**
[See Explanatory Note (v)]

By Order of the Board

Ms Siau Kuei Lian
Company Secretary
Singapore, 6 April 2023

# 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 of the Company. Please refer to pages 43 and 44 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. Leong Wing Kong will, upon re-election as a Director of the Company remain as the Independent Chairman, the Chairman of Audit and Risk Committee and a member of Remuneration Committee and Nominating Committee of the Company and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to pages 45 and 46 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. Rai Satish will, upon re-election as a Director of the Company remain as an Independent Director, a member of the Audit and Risk Committee, the Nominating Committee and the Remuneration Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST. Please refer to pages 47 and 48 of the Corporate Governance Report in the Annual Report for the detailed information as required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST.

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

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

(v) Resolution 9 above, if passed, will empower the Directors of the Company, from the date of this AGM until the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier, to repurchase ordinary shares of the Company by way of On-Market Share Buy-Back or Off-Market Share Buy-Back of up to 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 6 April 2023 (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 2022 are set out in greater detail in the Appendix.

**Notes:**

General

1. 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, the AGM will be held by way of electronic means and the members will NOT be allowed to attend the AGM in person. However, an alternative arrangement has been provided to allow the members to participate and vote in the AGM via electronic means.

2. Alternative arrangements relating to, among others, attendance, submission of questions in advance, or "live" at the AGM, and/or voting at the AGM (i) "live" by the member or his/her/its duly appointed proxy(ies) (other than the Chairman of the AGM) via electronic means; or (ii) by appointing the Chairman of the AGM as a proxy to vote on the member's behalf at the AGM are set out in this Notice of AGM. The Notice of AGM is also made available on SGX-ST's website at https://www.sgx.com/securities/company-announcements and the Company's website at http://www.sinheng.com.sg. Printed copies of this Notice will not be sent to members or advertised in the national newspaper.

Participation in AGM proceedings via "Live Webcast/Live Audio Feed"

3. A member will be able to participate at the AGM by watching the AGM proceedings via a "live" audio video webcast via mobile phones, tablets or computers or by listening to the proceedings through a "live" audio-only feed via telephone ("**Live Webcast/Live Audio Feed**"). In order to do so, a member must pre-register by 10:00 a.m. on 26 April 2023 ("**Pre-registration Deadline**"), at https://conveneagm.com/sg/sinheng2023 ("**Pre-registration Website**") for the Company to authenticate his/her/its status as members.

4. To pre-register the Live Webcast/Live Audio Feed, kindly access the Pre-registration Website, using either the latest versions of Chrome, Safari, Edge or Firefox.

# NOTICE OF ANNUAL GENERAL MEETING

5. Following the authentication of his/her/its status as a member, such member will receive an email with instructions on how to access the Live Webcast/Live Audio Feed of the proceedings of the AGM by 10:00 a.m. on 27 April 2023.

6. Members who have registered by the Pre-registration Deadline but do not receive an email by 10:00 a.m. on 27 April 2023, may contact the Company for assistance at the email address: support@conveneagm.com with the following details included: (1) the full name of the member, and (2) his/her/its identification/registration number.

7. Investors who hold their shares through relevant intermediaries (including under Central Provident Fund Investment Scheme ("**CPF Investors**") and Supplementary Retirement Scheme ("**SRS Investors**")) and who wish to participate in the AGM should contact their relevant intermediaries (which include, in the case of CPF Investors and SRS Investors, their respective CPF Agent Banks and SRS Operators) through which they hold shares as soon as possible so that the necessary arrangements can be made by the relevant agents for them to participate in the AGM.

Submission of Questions in advance of or "live" at the AGM

8. Members may submit substantial and relevant textual questions related to the resolutions to be tabled for approval for the AGM in advance of, or "live" at, the AGM.

How to submit questions in advance of AGM

9. If a member wishes to submit questions related to the resolutions tabled for approval at the AGM, all questions must be submitted no later than 14 April 2023 through any of the following means:

   (i) ***Via registration website***. Shareholders who pre-register to participate at the AGM by watching the AGM proceedings via Live Webcast/Live Audio Feed may submit their questions via the Pre-registration Website at https://conveneagm.com/sg/sinheng2023.

   (ii) ***Via Company's email***. Shareholders may submit their questions to agm2023@sinheng.com.sg.

   and provide particulars as follows:

   - Full name (for individuals)/company name (for corporates) as per CDP/CPF/SRS Account records;
   - NRIC or Passport Number (for individuals)/Company Registration Number (for corporates);
   - Contact number and email address; and
   - The manner in which the member holds his/her/its shares in the Company (e.g. via CDP, CPF or SRS).

   Please note that the Company will not be able to answer questions from persons who provide insufficient details to enable the Company to verify his/her/its member status.

10. The Company will endeavour to address substantial and relevant questions received from members by 23 April 2023, 10:00 a.m., being not less than seventy-two (72) hours before the closing date and time for the lodgement of the proxy form via the SGX-ST's website and the Company's website. The Company will also address any subsequent clarifications sought or follow-up questions at the AGM in respect of substantial and relevant matters. These responses from the Board and the Management of the Company shall thereafter published on the SGX-ST's website and the Company's website, together with the minutes of AGM within one (1) month after the conclusion of the AGM. The minutes will include the responses to substantial and relevant questions received from members which are addressed during the AGM.

How to submit questions "live" at the AGM

11. Members may submit textual questions "live" at the AGM in the following manner:

   (a) Members or where applicable, their appointed proxy(ies) and Investors who have pre-registered and are verified to attend the AGM can ask questions relating to the ordinary resolutions tabled for approval at the AGM "live" at the AGM, by typing in and submitting their questions through the "live" ask-a-question function via the audio-visual webcast platform during the AGM within a certain prescribed time limit.

   (b) Members who wish to appoint a proxy(ies) (other than the Chairman of the AGM) to ask questions "live" at the AGM on their behalf must, in addition to completing and submitting an instrument appointing a proxy(ies), ensure that their proxy(ies) pre-register separately via the registration link before the Pre-registration Deadline, upon verification of the Proxy Form(s).

# NOTICE OF ANNUAL GENERAL MEETING

(c) Members (including CPF and SRS Investors) or, where applicable, their appointed proxy(ies) must access the AGM proceedings via the Live Webcast in order to ask questions "live" at the AGM, and will not be able to do so via the Live Audio Feed of the AGM proceedings.

(d) The Company will, during the AGM itself, address as many substantial and relevant questions (which are related to the resolutions to be tabled for approval at the AGM) which have not already been addressed prior to the AGM, as well as those received "live" at the AGM itself, as reasonably practicable. Where there are substantially similar questions, the Company will consolidate such questions; consequently, not all questions may be individually addressed.

Submission of instrument appointing a proxy(ies) to vote, or vote "live", at the AGM

12. Members who wish to exercise their voting rights at the AGM may:

(a) (where such members are individuals) vote "live" via electronic means at the AGM or (where such shareholders are individuals or corporates) appoint a proxy(ies) (other than the Chairman of the AGM)# to vote "live" via electronic means at the AGM on their behalf, or

# For the avoidance of doubt, CPF and SRS investors will not be able to appoint third-party proxy(ies) (i.e. persons other than the Chairman of the AGM) to vote "live" at the AGM on their behalf.

(b) (where such members are individuals or corporates) appoint the Chairman of the AGM as their proxy to vote on their behalf at the AGM.

- Members (including CPF and SRS Investors) and, where applicable, appointed proxy(ies), who wish to vote "live", at the AGM must first pre-register via the Pre-registration Website at https://conveneagm.com/sg/sinheng2023.

- Members (whether individual or corporate and including a Relevant Intermediary*) appointing the Chairman of the AGM as proxy must give specific instructions as to his manner of voting, or abstentions from voting, in the proxy form, failing which the appointment for that resolution will be treated as invalid.

13. A member who is not a Relevant Intermediary*, entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend, speak and vote in his/her stead at the AGM of the Company. Where a member appoints more than one proxy, he/she shall specify the proportion of his/her shareholding to be represented by each proxy in the form of proxy. A proxy need not be a member of the Company.

14. The Proxy Form for the AGM can be assessed at the Company's website at https://www.sinheng.com.sg and is made available with this Notice of AGM at the SGX-ST's website at https://www.sgx.com/securities/companyannouncements on the same day.

15. The Proxy Form must be submitted to the Company in the following manner:

(a) mail to office of the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632;

(b) scanned and email to agm2023@sinheng.com.sg; OR

(c) digital submission at https://conveneagm.com/sg/sinheng2023.

In either case, by 26 April 2023, 10:00 a.m. (being forty-eight (48) hours before the time fixed for the AGM) ("**Proxy Deadline**"), and in default the instrument of proxy shall not be treated as valid.

16. A member 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 scanning and sending it by email to the email address provided above.

17. Members are strongly encouraged to submit the completed proxy form electronically via email.

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

19. The Company shall be entitled to reject the instrument appointing the proxy or proxies if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the proxy or proxies (including any related attachment or supporting documents) (such as in the case where the appointor submits more than one instrument appointing the proxy or proxies).

# NOTICE OF ANNUAL GENERAL MEETING

20. Investors who hold shares through Relevant Intermediaries*, including under the CPF Investors or the SRS Investors, and who wish to appoint the Chairman of the Meeting as their proxy should approach their respective Relevant Intermediaries*, including CPF Agent Banks or SRS Operators, to submit their votes at least seven (7) working days before the AGM (i.e. by 5:00 p.m. on 18 April 2023).

21. In the case of a member whose Shares are entered against his/her/its name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001), the Company may reject any instrument appointing the proxy or proxies lodged if such member, being appointor, is not shown to have Shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Documents for the AGM

22. Documents relating to the business of the AGM, which comprise the Company's annual report for FY2022 as well as the AGM Notice and the accompanying appendix and the proxy form for the AGM will be sent to Shareholders solely by electronic means via publication on (i) the SGX-ST's website at https://www.sgx.com/securities/companyannouncements; and (ii) the Company's website at https://www.sinheng.com.sg. **Printed copies of these documents will NOT be sent to Shareholders**.

* A Relevant Intermediary is:

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

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

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

**Personal Data Privacy**

By (a) submitting details for the registration to observe the proceedings of the AGM via the Live Webcast/Live Audio Feed, or (b) submitting the Proxy Form appointing the proxy(ies), speak and vote at the AGM and/or any adjournment thereof, or (c) submitting any question prior to the AGM 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.

## SIN HENG HEAVY MACHINERY LIMITED

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

**IMPORTANT:**
1. Pursuant to the COVID-19 (Temporary Measures) Act 2020 (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the Annual General Meeting of the Company will be held by way of electronic means.
2. A member will not be able to attend the AGM in person. Alternative arrangements relating to the attendance of the AGM through electronic means, as well as conduct of the AGM and relevant guidance with full details are set out in the Notice of AGM dated 6 April 2023, which can be accessed via the SGX-ST's website at: https://www.sgx.com/securities/ company-announcements and the Company's website at http://www.sinheng.com.sg.
3. An investor who holds Shares under the Central Provident Fund Investment Scheme ("**CPF Investors**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) and who wishes to appoint the Chairman of the AGM as proxy should inform their respective CPF Agent Banks and/or SRS Operators to submit their votes at least 7 working days before the AGM.
4. This Proxy Form is not valid for use by CPF Investors and/or SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

## ANNUAL GENERAL MEETING PROXY FORM

*(Please see notes overleaf before completing this Form)*

I/We, ______________________________ Name ____________________ (NRIC/Passport No./Co. Registration No.)
of ____________________________________________________________ (Address)
being *a member/members of **SIN HENG HEAVY MACHINERY LIMITED** (the "**Company**"), hereby appoint

| Name | NRIC/Passport No. | Email Address^ | Proportion of Shareholdings | |
|---|---|---|---|---|
| | | | No. of Shares | % |
| Address | | | | |

and/or (delete as appropriate)

| Name | NRIC/Passport No. | Email Address^ | Proportion of Shareholdings | |
|---|---|---|---|---|
| | | | No. of Shares | % |
| Address | | | | |

^ *Appointed proxy(ies) will have to pre-register at the Pre-registration Website which is accessible from the URL: https://conveneagm.com/sg/sinheng2023 in order to access the Live Webcast or Live Audio Feed of the Annual General Meeting proceedings.*

or if no proxy is named, the Chairman of the Annual General Meeting of the Company as *my/our *proxy/proxies to attend, speak and vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held by way of electronic means on Friday, 28 April 2023 at 10:00 a.m. (the "**AGM**") and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies, to vote for or against, or to abstain on the Resolutions to be proposed at the AGM as indicated hereunder. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as proxy of 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 2022, 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. Leong Wing Kong as a Director of the Company | | | |
| 4 | Re-election of Mr. Rai Satish as a Director of the Company | | | |
| 5 | Payment of proposed first and final dividend of 1.0 Singapore cents and special dividend of 2.5 Singapore cents per ordinary share tax-exempt (one-tier) for the financial year ended 31 December 2022 | | | |
| 6 | Approval of payment of Directors' fees of S$155,932 for the financial year ended 31 December 2022 (2021: S$178,817) | | | |
| 7 | Re-appointment of Messrs Deloitte & Touche LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration | | | |
| **Special Businesses** | | | | |
| 8 | Authority to issue new shares | | | |
| 9 | Renewal of the Share Buy-Back Mandate | | | |

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

Dated this ________ day of ____________________ 2023

| Total number of Shares held |
|---|
| |

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

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**Notes**:

**The Proxy Form will be published on the Company's website at the URL https://www.sinheng.com.sg and will also be made available on the SGX-ST's website at the URL https://www.sgx.com/securities/company-announcements. There will be no despatch of printed copies of the Company's annual report for FY2022 as well as the AGM Notice and the accompanying appendix and the proxy form for the AGM to members.**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001), 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. **Member will not be able to attend the AGM in person.** If a member (individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it may:

   (a) (where the member is an individual) vote "live" via electronic means at the AGM or (where the member is an individual or corporate) appoint a proxy(ies) (other than the Chairman of the AGM)[#] to vote "live" via electronic means at the AGM on his/her/its behalf; or

   # For the avoidance of doubt, CPF and SRS investors will not be able to appoint third party proxy(ies) (i.e. persons other than the Chairman of the AGM) to vote "live" at the AGM on their behalf.

   (b) (where a member is an individual or corporate) appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM.

   (c) In appointing the Chairman of the AGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment for that resolution will be treated as invalid.

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

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

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

6. Subject to paragraph (7) below, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Live Webcast of the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the AGM.

7. An investor who holds Shares under the CPF Investor and/or the SRS Investor (as may be applicable) and wishes to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by 5:00 p.m. 18 April 2023) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf no later than the Proxy Deadline.

8. The Proxy Form must be submitted to the Company in the following manner:

   (a) mail to office of the Company's share registrar, Boardroom Corporate & Advisory Services Pte. Ltd., 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632;

   (b) scanned and email to agm2023@sinheng.com.sg; OR

   (c) digital submission at https://conveneagm.com/sg/sinheng2023.

   In either case, by 26 April 2023, 10:00 a.m. (being forty-eight (48) hours before the time fixed for the AGM) ("**Proxy Deadline**"), and in default the instrument of proxy shall not be treated as valid.

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

10. Members are strongly encouraged to submit completed proxy form electronically via email.

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

12. The Company shall be entitled to reject the instrument appointing the proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the proxy or proxies (including any related attachment or supporting documents). In addition, in the case of a member whose Shares are entered against his/her/its name in the Depository Register, the Company may reject any instrument appointing the proxy or proxies lodged if such member, being the appointor, is not shown to have Shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

* A Relevant Intermediary is:

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

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

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

**Personal Data Privacy:**

By 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 6 April 2023.

SIN HENG
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