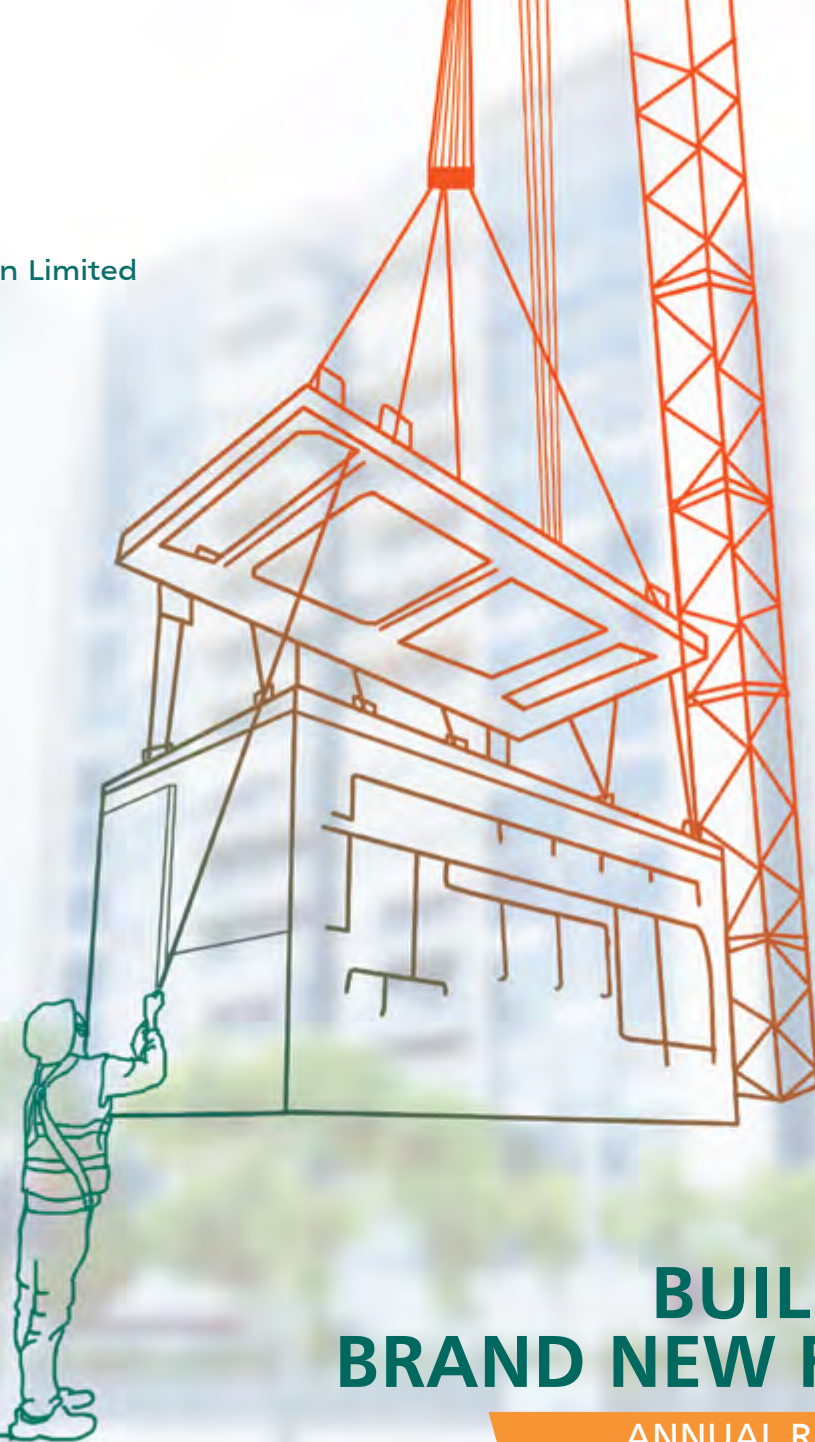




Hor Kew Corporation Limited



BUILDING A BRAND NEW FUTURE

ANNUAL REPORT 2021

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OUR VISION

Our vision is to be a top-notch integrated building group in the region, leveraging on prefabrication technology and operational excellence to provide high value-added services to our customers.

OUR MISSION

We are fully dedicated to customers' satisfaction. We pledge ourselves to a policy of responding sensitively to our customers' progressive needs.

We commit ourselves to on-time completion of our projects, and to continuous improvement in our quality and cost effectiveness through employee re-training and effective utilisation of resources.

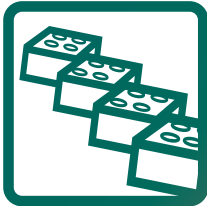


OUR CORE VALUES

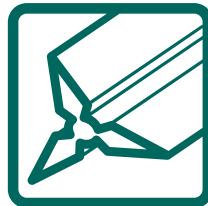


INTEGRITY

The cornerstone of our success.



quick **ADAPTATION**
to changing
environments.
The fittest survivor is
the most flexible.



corporate, social
and environmental
RESPONSIBILITY
We build for you. We
contribute to society.



continual
PERSEVERANCE
The spirit of tenacity
will see us through.

Hor Kew Corporation Limited is a building construction group, providing an integrated range of construction related products and services.

The Group's origin can be traced back to 1979 when Hor Kew Private Limited became the main business vehicle.

In 1983, the Group was awarded the first main building contract. This contract, with a value of \$28.5 million, was for the building of eight blocks of residential apartments.

In 1986, the Group embarked on the first property development project. Since then, the Group has completed several property development projects.

In 1990, the Group diversified its operations vertically and started the business of manufacturing and supply of prestressed and precast reinforced concrete building components as well as prefinished architectural precast components.

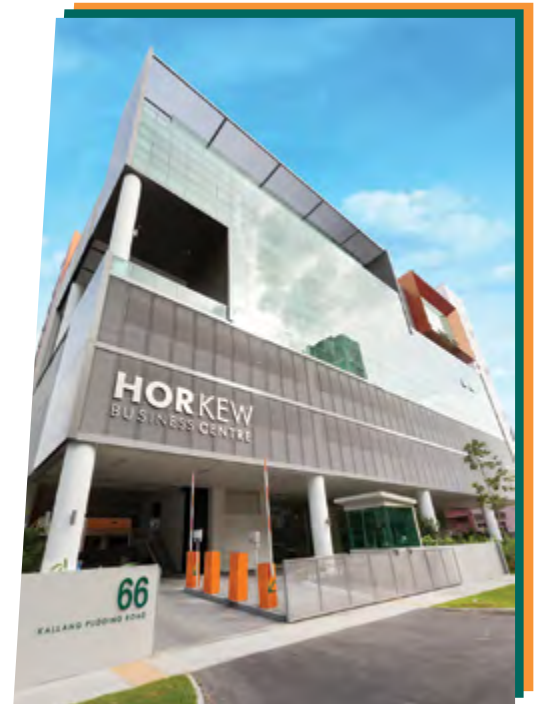
In 1994, the Group further enhanced its vertical integration by venturing into the manufacturing and supply of prefabricated architectural metal component business.

The Group also has precast and prefabrication operations in Malaysia.

The vertical integration of the Group's operations continues till today, as this enhances better control over the quality and progress of building projects undertaken, thus providing high value-added services to its customers.

Over the years, the Group has successfully completed many projects, and has achieved and received numerous awards.

By leveraging on its steady track record and expertise in the construction industry, the Group has grown to become a main board public listed construction group in Singapore.



CHAIRMAN'S MESSAGE



DEAR SHAREHOLDERS,

In our previous Annual Report, we talked about how COVID-19 ravaged the global economy, and the recovery of the local economy and our business towards the end of that financial year. Financial year ended 31 December 2021 (FY2021) was the second year that our business had been affected by the COVID-19, and indeed there were various challenging periods during the year whereby the outbreaks of the Delta and Omicron variants severely disrupted our production and delivery plans. Fortunately, by working together as a team, I am pleased to report that we managed to overcome those difficulties, and our Group achieved higher revenue and profits in FY2021 than the previous financial year.

In FY2021, the various Movement Control Orders (MCOs) implemented in Malaysia drastically reduced the production volumes at our Malaysian plants from time to time. Subsequent to the MCOs, we ramped up our production especially in the last few months of the year in order to catch up for lost time. Sales rebounded

strongly such that the full year revenue for FY2021 was higher than the previous financial year.

The COVID-19 with its intermittent resurgence outbreaks in FY2021 forced us to keep a really close watch over our finances. We controlled our manpower costs and overheads expenditures but were still able to maintain our effectiveness despite a leaner workforce. In FY2021, the Singapore Government continued to disburse grants via the foreign worker levy rebates and the Jobs Support Scheme. Whilst these amounts were reduced from the prior year, we were still extremely grateful as these government grants had defrayed the rising manpower costs. We also had to constantly maintain our inventories at optimum levels so that we could fulfill deliveries to customers in case of production halt due to sudden lockdowns or MCOs.

With a strong brand name in the local construction industry, our Group continues to forge lasting partnerships with valuable stakeholders. At the same time we were able to continuously achieve an efficient output despite a lean cost structure, and always meet customers' expectations without compromising on quality standards.

All our team efforts had been fruitful leading to the higher profits achieved in FY2021. We are proud that we not only successfully turned around our business in recent years but are also on track to sustained profitability. We will strive to further strengthen our financial position in the coming years.

CONTINUOUS IMPROVEMENTS TO SUSTAIN OUR COMPETITIVE ADVANTAGE

The Group has always emphasized on Research & Development investments to remain relevant in the market and stay ahead of competitors. Our metal prefabrication division had introduced the laser cut metal gate as a new product, and this has been well-received by customers.

The metal prefabrication division added the pocket door system to its product catalogue last year and has started deliveries to customers this year. We are looking to boost sales of this product in future.

During FY2021, our precast concrete division increased sales of Prefabricated Prefinished Volumetric Construction (PPVC) and Prefabricated Bathroom Units (PBUs) products to customers, which yielded higher margins than conventional precast products. PPVC is becoming increasingly mandatory in the tender of HDB projects under the Singapore Government's directive, so our early adoption had given us a competitive edge.

We take pride in our ability to constantly expand our product offerings to satisfy ever-changing customer needs. At the same time, we will continue to further enhance the designs of our existing products in our pursuit for perfection.

THRIVING AMIDST ECONOMIC CHALLENGES

The global economy is coming to terms with the ongoing Omicron variant which appears to be far less fatal than previous variants, and countries have started to open up their borders or relax measures. The local construction industry is expected to recover in the coming year to pre-COVID-19 level, however we remain cautious as we still foresee various challenges faced by our business.

Due to instability of the economic climate, we have become even more cautious by tendering for projects that are likely to yield reasonably good profit margins upon completion even if costs continue to escalate. Credit control is more important than ever, and we are now more selective in tender of projects with reputable and financially sound customers. To minimize default risk, we vigilantly monitor customer collections and timely carry out certain necessary actions.

With inflation worsening worldwide, we had to combat rising material costs as well as ever increasing labour costs due to restrictions on foreign labour. To protect our profit margins from being eroded by escalating costs, we implemented various cost savings initiatives throughout our Group, increased cost monitoring and further streamlined production processes.

In order to reduce business risk, the Group has taken steps to trim its

borrowings. Coupled with low loan interest rates that started in early FY2020 and remained that way, the Group reduced its finance costs significantly in FY2021 compared to the previous financial year. In the coming financial year however, interest rate hikes are unfortunately expected and we shall find ways to manage this rising business cost.

For the past two years, we had to deal with the challenge of keeping our workers safe from COVID-19 infection, which threatened to halt entire production lines. We also had to deal with the disruptions in production and deliveries brought about by sudden lockdowns. We hope that as vaccinations and booster shots are administered locally and worldwide, and with expectation that the COVID-19 will be brought under control in the near future, the business environment and the construction industry will normalise and stabilise.

The ongoing Russia-Ukraine war has stoked further inflation, with resulting rising energy costs bringing repercussions through entire economies. However, we believe that the worst is now behind us, and that things shall get better from here. We are highly confident in our ability to ensure our Group's continued success and also steer the business towards greater heights in the future.



CONCLUSION

On behalf of the Board of Directors, I would like to thank our valued business partners and customers for their continued support. To our shareholders, I express my heartfelt gratitude for your vote of confidence by staying the course with us. Last but not least, my earnest appreciation to all my colleagues for the hard work and dedication you have put in during the year. Let us work together as a team towards a better year 2022 and beyond!

MR BENJAMIN AW CHI-KEN
Executive Chairman and CEO

尊敬的股东,

在上一年份年报中,我们讲到2019年新型冠状病毒(「COVID-19」)如何肆虐全球经济,也讲到本地经济和我们集团的业务于该财年结束时复甦的情况。截至2021年12月31日止财政年度(2021年财年)是我们业务受到COVID-19疫情影响的第二个年度。于该年度,我们的业务确实经历了多个充满挑战的时期,因Delta及Omicron变种病毒引发的疫情令我们的生产及交付计划受到严重影响。幸好,我谨此欣然报告,本集团已透过发挥团体精神,成功克服了难关,于2021年财年录得比上一个财政年度更高的收益及利润。

于2021年财年,在马来西亚实施的多个行动管制令不时大幅降低我们马来西亚工厂的生产量。实施有关行动管制令之后,我们为弥补损失的时间而提高了产量,尤其于本年度最后几个月。销售额随即强势反弹,使2021年财年全年的收益高于上一个财政年度。

COVID-19疫情在2021年财年反复爆发,迫使我们必须密切关注财政收支。我们控制了人力成本和并控制着管理开支,而在人手减少的情况下,集团仍然能够保持效益。于2021年财年,新加坡政府继续透过外籍工人徵费退税及僱佣补贴计划发放补贴。虽然有关金额少于去年,但我们仍然十分感激这项措施,因为有关补贴有助我们弥补不断上涨的人力成本。我们还必须继续将存货维持在最佳水平,让我们能够在突然封城或实行动管



制令而停产的情况下,如常向客户交付货品。

凭藉我们在本地建造业建立的强大品牌形象,本集团继续与各位尊贵的持份者维持长久的业务伙伴关系。同时,我们能够以精简的成本架构不断实现高效产出,以及在不影响产品质量的情况下,永远满足客户的期望。

我们团队付出的一切努力都取得了成果,让我们在2021年财年录得较高利润。我们不仅在最近几年成功扭转了业务,而且还踏上了持续盈利的轨道。我们为此感到自豪。我们会努力,以进一步提升集团未来几年的财务状况。

精益求精,保持竞争优势

集团向来极力投资于研发项目,以保持市场相关性,领先竞争对手。本集团的预制金属分部推出了激光切割铁门这一新产品,大受客户青睐。

预制金属分部去年已把竖式移门系统添加到产品目录中,并在今年开始向客户交货。我们希望日后能够提升该产品的销售额。

于2021年财年,我们的预制混凝土分部增加了向客户销售预建预成的体积结构(PPVC)及预建浴室单元(PBU)产品的销量,这些产品较传统预制产品录得较高利润。在新加坡政府的发

展方向下，PPVC已逐渐成为建屋发展局项目投标的强制性标准，因此，我们提早采用PPVC让我们获得了竞争优势。

我们以能不断扩大产品系列，以满足客户千变万化的需求的能力引以为傲。同时，我们仍会不懈地完善现有产品设计，精益求精。

在经济困难中茁壮成长

由于相较之前其他变种病毒，Omicron的致命性似乎较低，因此全球经济都在学习与目前流行的Omicron变种病毒共存，各国亦开始开放边境或放宽防疫措施。预期本地建造业将在未来一年回復到爆发COVID-19疫情之前的水平。然而，我们仍会保持警惕，因为我们能够预见集团业务将会遇上的各种挑战。

鉴于经济环境的不确定性，我们变得更为谨慎，选择竞投一些即使成本继续上涨，完工时亦可能产生相当不错的利润率的项目。现在，信用控制比任何时候都重要，为此我们更为倾向竞投与信誉良好、财务稳健的客户相关的项目。为减低违约风险，我们会小心监察向客户收款的情况，及时采纳若干必要行动。

随着全球通胀问题恶化，我们不得不对抗不断上升的材料成本，以及因外劳限制而不断增加的劳工成本。为了保障利润率免受攀升的成本侵蚀，我们在整个集团范围内实施了多个成本节约措施，加强了成本监控，并进一步精简了生产过程。

为减低业务风险，本集团已采取措施削减借款。借款的减少，再加上2020年财年初开始持续录得的低息率，令本集团于2021年财年的财务成本较上一个财政年度大幅减少。但不幸的是，我们预期有关利率将会在未来一个财政年度攀升。我们将寻找办法管理业务成本上涨的问题。

过去两年，我们都必须面对避免工人染疫的挑战，因为疫情的爆发有机会导致整个生产线停产。我们还需要处理突然封城对生产及交付造成的干扰。我们希望，随着新加坡本地和世界各地的疫苗和加强针接种率上升，以及期望COVID-19疫情将在不久的将来受到控制，营商环境和建造业将会回復正常、稳定。

目前持续的俄乌战争进一步刺激了通胀，导致能源成本上升，对整个经济

都构成影响。然而，我们相信最坏的日子已经过去，一切都会好起来。我们十分有信心，我们有能力确保本集团持续取得成功，以及将业务在未来导向更高的水平。

结语

我谨代表董事会感谢一如既往地支持我们的每位商业伙伴与客户。对我们的股东，我为你们对好逑的信任致以万分谢意。最后，对我的同事们，我也衷心地珍惜你们辛勤的工作与奉献。让我们为共创一个更美好的2022年和未来而携手努力！

胡志庆先生

执行主席兼执行总裁



OPERATIONS REVIEW

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

The Group generated revenue of \$56.8 million for the financial year ended 31 December 2021 ("FY2021"), which represented an increase of \$7.1 million over revenue of \$49.7 million for the financial year ended 31 December 2020 ("FY2020"). This increase was due to extreme low sales levels in several months of FY2020 and also higher deliveries in FY2021 due to stronger order books.

The Group recorded a higher gross profit of \$13.3 million in FY2021 compared to \$9.9 million in FY2020, due to combined effects of higher revenue in FY2021 and better profit margins of newer projects. The Group's gross profit margin improved from 19.9% in FY2020 to 23.4% in FY2021.

The Group earned a lower interest income from fixed deposits of \$147,000 in FY2021 compared to \$230,000 in FY2020 mainly due to decrease in fixed deposits and decline in interest rates.

Other income of the Group decreased from \$6.0 million in FY2020 to \$4.0 million in FY2021, mainly due to foreign exchange gain of \$1.6 million in FY2020 but nil in FY2021.

General and administrative expenses increased from \$8.1 million in FY2020 to \$9.6 million in FY2021, mainly due

to increase in depreciation costs of \$0.9 million.

Finance costs decreased from \$1.8 million in FY2020 to \$1.0 million in FY2021 mainly due to reduction in the Group's borrowings via repayments and interest rates remained low.

The Group had lower net impairment losses on financial and contract assets of \$2.9 million in FY2021, compared to \$5.9 million in FY2020, mainly due to improvement in credit control.

The Group recorded a profit before tax of \$4.0 million in FY2021 (FY2020: profit before tax of \$0.4 million).

The Group provided tax credit of \$61,000 in FY2021 after taking into consideration of available tax allowances and reliefs, and recognition of deferred taxation in respect of prior years (FY2020: tax expense of \$41,000).

Profit after tax of the Group for FY2021 was \$4.0 million (FY2020: profit after tax of \$0.3 million).

The Group suffered other comprehensive loss of \$199,000 in FY2021 mainly due to unfavourable currency movements in foreign subsidiaries (FY2020: other comprehensive income of \$21,000).



The Group reported total comprehensive income of \$3.8 million in FY2021 (FY2020: total comprehensive income of \$0.4 million).

STATEMENT OF FINANCIAL POSITION

Total non-current assets decreased by \$1.2 million. Property, plant and equipment fell \$3.9 million from 31 December 2020 mainly due to depreciation costs. Non-current trade receivables, being retention sums receivable from customers for projects, increased by \$1.1 million. Investment properties increased by \$0.6 million as at 31 December 2021 due to valuation gains. Non-current

other receivables of \$0.6 million as at 31 December 2021 pertained to long term receivable for a keyman insurance policy taken up during the financial year. Deferred tax assets increased by \$0.4 million.

Current assets of the Group decreased by \$6.9 million from 31 December 2020 to 31 December 2021, mainly due to \$3.6 million decrease in cash and cash equivalents and \$2.2 million decrease in trade receivables.

Total assets of the Group decreased \$8.1 million, from \$165.0 million as at 31 December 2020 to \$156.9 million as at 31 December 2021.

Trade and other payables decreased by \$2.0 million mainly due to more timely settlement of payables from better cash flow liquidity that was brought about by higher profits. Total borrowings decreased by \$7.8 million mainly due to repayment of loans. Contract liabilities decreased by \$1.5 million from 31 December 2020.

Total liabilities of the Group decreased by \$12.0 million from 31 December 2020 and stood at \$92.7 million as at 31 December 2021.

Shareholders' equity of the Group increased by \$3.8 million and recorded at \$64.3 million as at 31 December 2021. The increase was due to total comprehensive income of \$3.8 million for the year.

STATEMENT OF CASH FLOWS

The Group generated \$8.7 million in its operating activities in FY2021.

It used \$1.8 million in its investing activities and \$3.7 million in its financing activities in FY2021.

Overall, the Group's cash increased by \$3.2 million in FY2021, and the cash and cash equivalents stood at \$5.8 million as at 31 December 2021.



BOARD OF DIRECTORS



MR BENJAMIN AW CHI-KEN
Executive Chairman And CEO

Mr Benjamin Aw Chi-Ken was appointed as the Executive Chairman and CEO on 1 April 2020. Mr Benjamin Aw is responsible for the overall strategic decisions of the Group.

He is also overseeing the business development, corporate matters, financial planning, general management and investment decisions of the Group.

Prior to joining the Group, Mr Benjamin Aw started his career by working in the banks as a Personal Financial Adviser and Relationship Manager with both offshore financial institutions and a local bank. In addition to his banking experience, Mr Benjamin Aw has accumulated more than 8 years of hands-on experience as a professional in mechanical and electrical elevator transportation systems and the construction industry holding various positions in regional, managerial, agencies and manufacturers roles.

Mr Benjamin Aw holds a Bachelor of Arts degree with First Class Honours in Accounting and Finance from University of North London, London, United Kingdom and a Degree in Masters of Science in Finance from The City University, London, United Kingdom.

Mr Benjamin Aw was first appointed to the Board of Directors on 27 February 2014 and last re-elected on 29 June 2020.

He will be due for re-election at the forthcoming Annual General Meeting.



MS ELICIA AW YING YING
Executive Director

Ms Elicia Aw Ying Ying is an Executive Director and is responsible for directing the day to day business operations as well as the strategic management of the Group's subsidiaries Prefab Technology Pte Ltd, Prefab Technology 3 Pte Ltd, Prefab Technology Sdn Bhd and Prefab Metal Sdn Bhd.

Ms Elicia Aw joined the Group in 2002 as a Project Manager and in year 2011 was appointed as the General Manager of Prefab Technology Pte Ltd and Prefab Technology 3 Pte Ltd. She continues to play a pivotal role in overseeing and directing the design and manufacture of prestressed and precast reinforced concrete building components as well as the prefabricated architectural metal components.

Ms Elicia Aw holds a Bachelor of Engineering (Civil) degree with Honours from the National University of Singapore.

Ms Elicia Aw was first appointed to the Board of Directors on 27 February 2014 and last re-elected on 30 April 2021.



DR LOW SEOW CHAY

Non-Executive And Independent Director

Dr Low Seow Chay is a Non-Executive and Independent Director of the Company.

Dr Low is the Chairman of the Company's Audit Committee, and a member of the Nominating Committee and Remuneration Committee.

Dr Low Seow Chay is the Independent Director of LK Technology Holdings Ltd (Hong Kong). He is also the Director of Clean Water Tech Pte Ltd, Casa Property Development Sdn Bhd, Fantastic Modern Sdn. Bhd., Genius Chamber Sdn. Bhd. and Casa Poly Builder Sdn. Bhd. He is the Adviser for RHT Digital & Media Pte Ltd.

Dr Low holds a Doctorate degree in Mechanical Engineering from University of Manchester, United Kingdom.

Dr Low was first appointed to the Board of Directors on 3 April 2000 and last re-elected on 30 April 2021.



MR WILLIAM CHEW YEW MENG

Non-Executive And Independent Director

Mr William Chew Yew Meng is a Non-Executive and Independent Director of the Company.

He is a member of the Company's Audit Committee, and Chairman of the Nominating Committee and Remuneration Committee.

Mr William Chew is the Chief Executive Director of FAST, a non-profit organisation providing social support, humanitarian aid and skills training for foreign domestic workers. He was the founding member of FAST and formerly its Executive Director.

As the Charter President of the Lions Club of Singapore Centennial, Mr William Chew is actively involved in serving the needy and the community.

Mr William Chew obtained his Bachelor of Arts Degree in Social Work and Sociology from the National University of Singapore. He holds a Master's Degree in Mass Communication from Oklahoma City University, United States of America and holds a post graduate in Training and Development from ITD, United Kingdom.

Mr William Chew was first appointed to the Board of Directors on 3 April 2000 and last re-elected on 29 April 2019.

He will be due for re-election at the forthcoming Annual General Meeting.

BOARD OF DIRECTORS



MR LEE SEN CHOON

Non-Executive And Independent Director

Mr Lee Sen Choon is a Non-Executive and Independent Director of the Company.

Mr Lee is also a member of the Company's Audit Committee, Nominating Committee and Remuneration Committee.

He is the Managing Partner of UHY Lee Seng Chan & Co and has more than 30 years of experience in the areas of accounting, auditing, taxation and corporate secretarial practices. In addition, Mr Lee is a director of Singapore Chinese High School and Hwa Chong International School. Mr Lee is also the Chairman of the School Advisory Committee of Xingnan Primary School. He sits on the board of another public listed company as Independent Director.

Mr Lee holds a Bachelor of Science degree with Honours from the Nanyang University and a Post-graduate Diploma in Management from University of Salford. He is also a fellow member of the Institute of Chartered Accountants in England and Wales, as well as a practicing member of the Institute of Singapore Chartered Accountants.

Mr Lee was first appointed to the Board of Directors on 1 January 2003 and last re-elected on 29 June 2020.



MR DENNIS AW KHOON HWEE

Non-Executive And Non-Independent Director

Mr Dennis Aw Khoon Hwee was a Non-Executive and Non-Independent Director until his resignation on 4 March 2021.

Having been with the organisation since 1983, Mr Dennis Aw helped to propel the Group to diversified interests in construction, prefabrication and property development from its general construction origins.

Mr Dennis Aw holds a Diploma in Building from the Singapore Polytechnic and a Bachelor of Business Administration degree from the Royal Melbourne Institute of Technology, Australia.

Mr Dennis Aw was first appointed to the Board of Directors on 10 November 1999 and last re-elected on 26 April 2007.

He resigned as Executive Chairman & CEO and relinquished his position as a member of the Remuneration Committee and Nominating Committee on 30 March 2020.



MR MICHAEL SOH CHIA YANG

Mr Michael Soh Chia Yang is the Financial Controller and is responsible for the Group's accounting, tax planning, banking and compliance with financial reporting and regulatory requirements.

Prior to joining the Group in 2017, Mr Michael Soh had 14 years of experience covering audit, financial reporting and operational accounting. His audit experience came from two of the Big Four accounting firms and his accounting experience came from a local listed company, a German Multinational Corporation and an established shipping company.

Mr Michael Soh holds a Bachelor of Accountancy degree from the Nanyang Technological University.

MS AW LAY SIM

Ms Aw Lay Sim is the Group Human Resource Director. She oversees the human resource, administration and information technology functions of the Group as well as facility management of the investment property in Singapore.

Having been with the organisation since 1984, Ms Aw has accumulated more than 30 years of hands-on experience in the building and construction industry. She plays a pivotal role in ensuring due compliance in respect of the various legal and statutory requirements relating to the employment of foreign workers in Singapore as well as other human resource, administrative, information technology and facilities management matters.

Ms Aw holds a Bachelor of Arts (Economics and Geography) degree from the Wilfrid Laurier University, Canada.

MR STEVEN AW SOON HWEE

Mr Steven Aw Soon Hwee is the Managing Director of Prefab Technology Pte Ltd, the Group's subsidiary engaged in the design and manufacture of prestressed and precast reinforced concrete building components.

Having joined the organisation since 1983, he oversees the day-to-day operational matters of the subsidiary and is responsible for the overall strategic business decisions and development of it.

Mr Steven Aw has a wealth of more than 30 years of experience in the building and construction industry and his contribution towards the prefabrication division has significantly enhanced the overall objectives and goals of the Group.

SUMMARISED FINANCIAL HIGHLIGHTS

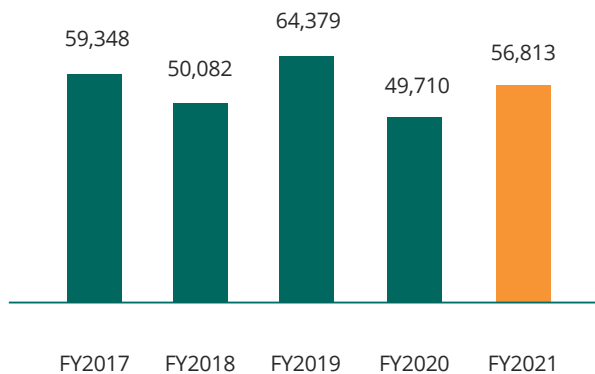
| | FY2017 \$'000 (Restated) | FY2018 \$'000 | FY2019 \$'000 | FY2020 \$'000 | FY2021 \$'000 |
|--|--------------------------------|------------------|------------------|------------------|------------------|
| Financial Performance | | | | | |
| Revenue | 59,348 | 50,082 | 64,379 | 49,710 | 56,813 |
| (Loss)/Profit before Tax | (3,463) | (30,636) | 520 | 373 | 3,961 |
| (Loss)/Profit Attributable to Shareholders | (3,288) | (30,848) | 900 | 332 | 4,022 |
| Assets and Liabilities | | | | | |
| Non-Current Assets | 85,098 | 85,902 | 91,573 | 89,227 | 88,013 |
| Net Current Assets/(Liabilities) | 12,009 | 7,739 | 2,293 | (18,180) | 11,991 |
| Non-Current Liabilities | (5,528) | (34,421) | (33,768) | (10,596) | (35,730) |
| Equity and Non-Controlling Interests | 91,579 | 59,220 | 60,098 | 60,451 | 64,274 |
| Per Share Basis | | | | | |
| Basic (Loss)/Earnings Per Share (cents) | (6.31) | (59.25) | 1.73 | 0.64 | 7.72 |
| Net Assets Per Share (\$) | 1.76 | 1.14 | 1.15 | 1.16 | 1.23 |

On 1 January 2018, the Group adopted SFRS(I) 1 and SFRS(I) 15 retrospectively. The financial performance, assets and liabilities, net assets per share and basic loss per share for 2017 have been restated as a result of this adoption.

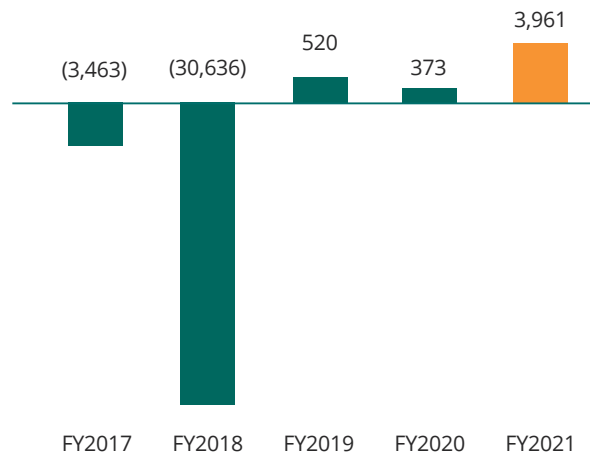


SUMMARISED FINANCIAL HIGHLIGHTS

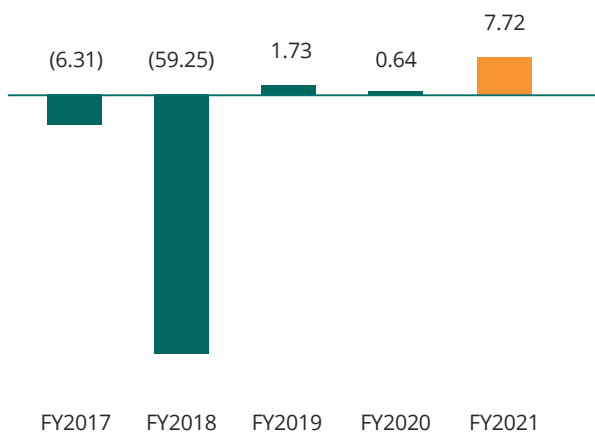
REVENUE (\$'000)



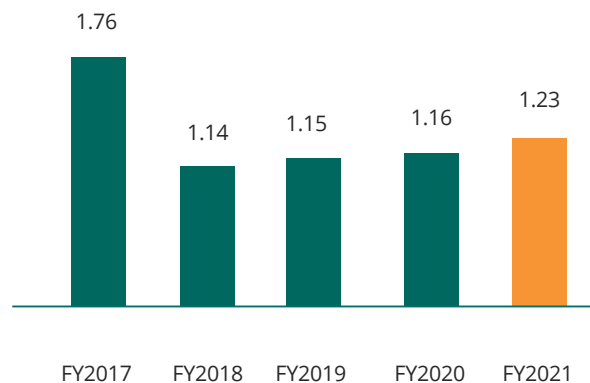
(LOSS)/PROFIT BEFORE TAX (\$'000)



BASIC (LOSS)/EARNINGS PER SHARE (EPS) (cents)



NET ASSETS PER SHARE (\$)



CORPORATE INFORMATION

DIRECTORS

Executive

Benjamin Aw Chi-Ken
(Executive Chairman and Chief Executive Officer)
Elicia Aw Ying Ying

Non-Executive and Independent

Dr Low Seow Chay
Lee Sen Choon
William Chew Yew Meng

COMPANY SECRETARIES

Koh Ee Koon
Judy Koh Geok Hoon

REGISTERED OFFICE

66 Kallang Pudding Road
#07-01 Hor Kew Business Centre
Singapore 349324

REGISTRAR AND SHARE TRANSFER OFFICE

In.Corp Corporate Services Pte. Ltd.
30 Cecil Street
#19-08 Prudential Tower
Singapore 049712

INDEPENDENT AUDITOR

Baker Tilly TFW LLP
Chartered Accountants of Singapore
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778
Partner-in-charge: Ng Wei Lun
(Appointed since financial year ended 31 December 2021)

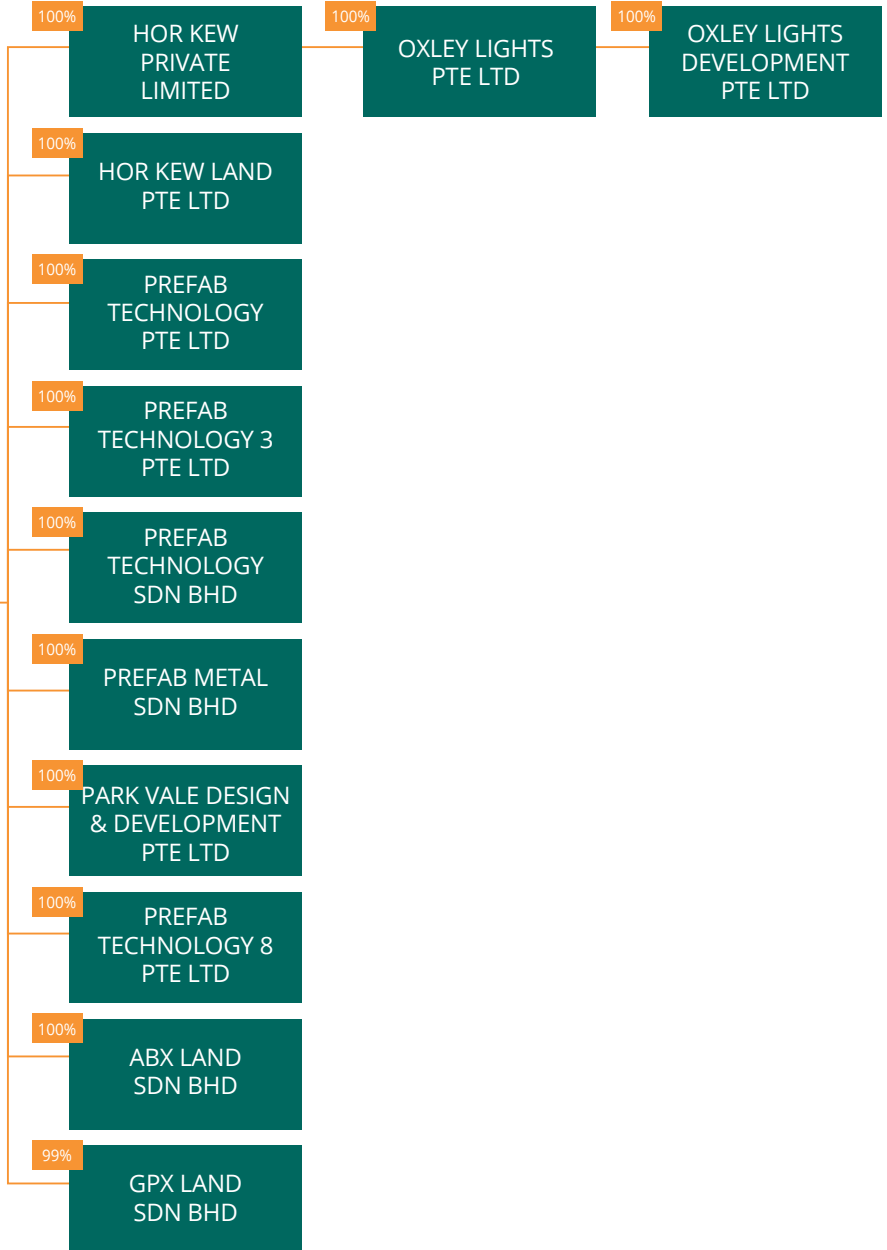
BANKERS

United Overseas Bank Limited
DBS Bank Limited





Hor Kew Corporation Limited



CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) of Hor Kew Corporation Limited (the “Company”) and its subsidiary companies (collectively, the “Group”) are committed to maintaining a high standard of corporate governance which is essential to the long term sustainability of the Group’s business and performance.

This report outlines the Group’s corporate governance processes and practices that were in place throughout the financial year ended 31 December 2021, with specific reference to the principles and provisions of the Code of Corporate Governance 2018 (the “Code”), which forms part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The Board believes that for the financial year ended 31 December 2021, the Company has generally adhered to the principles, provisions and recommendations as set out in the Code and where there are deviations from the Code, the reasons for the deviations are explained accordingly.

BOARD MATTERS

The Board’s Conduct of 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.*

Provision 1.1 of the Code: Directors are fiduciaries who act objectively in the best interests of the Company

The primary function of the Board is to protect and enhance long term value and returns for all shareholders. Besides carrying out its statutory responsibilities, the Board’s role is to:

1. guide the formulation of the Group’s overall long-term strategic plans and performance objectives as well as operational initiatives;
2. establish and oversee the processes of evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
3. review and approve annual budgets, major funding proposals, investment and divestment proposals;
4. monitor the performance of the Management;
5. set the Company’s values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and duly met;
6. consider sustainability issues such as environmental and social factors; and
7. assume responsibility for corporate governance.

Provision 1.2 of the Code: Directors' induction, training and development

Newly appointed Directors are provided with background information about the Company and the Group and are invited to visit the Group's operations and facilities to have a good understanding of the Group's business and operations.

Board members are encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. In addition, the Company works closely with professionals to apprise Directors with updates on risk management and key changes to relevant regulatory requirements and accounting standards.

Provision 1.3 of the Code: Matters requiring Board's approval

Although the day-to-day management of the Company is delegated to the Executive Directors, the approval of the Board is required for matters such as corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisitions and disposals of assets, major corporate policies on key areas of operations, major corporate actions such as share issuance, the release of the Group's results and announcement to shareholders, declaration of dividends and interested person transactions.

Provision 1.4 of the Code: Board Committees

The Board has established three Board committees, namely Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC") with clearly defined terms of reference. The terms of reference, committee structures and membership are reviewed on a regular basis by the Board, along with the committee structures and membership, to ensure their continued relevance.

Provision 1.5 of the Code: Board Meetings and Attendance

The Board met three times during the financial year to discuss key activities and business strategies, review the operations and performance, as well as address key policy matters of the Group. The Directors were furnished with relevant information beforehand in order to enable them to obtain further explanations where necessary, and be adequately briefed prior to the respective meetings. Minutes of the meetings are also available to the respective Board members. In addition, ad-hoc and non-scheduled meetings are convened by Board members to deliberate on urgent and substantive matters. The Company's Constitution allows for telephone, audio and video conferencing, or other electronic means of communication to facilitate participation at the meetings of the Board.

CORPORATE GOVERNANCE REPORT

Details of Directors' attendance at Board and Board Committee meetings held during the financial year ended 31 December 2021 are summarised as follows:

ATTENDANCE AT BOARD AND BOARD COMMITTEE MEETINGS

| | Board | Audit Committee | Nominating Committee | Remuneration Committee |
|-------------------------|------------------|-----------------|----------------------|------------------------|
| Number of meetings held | 3 | 3 | 1 | 1 |
| Name of Director | ATTENDANCE | | | |
| Benjamin Aw Chi-Ken | 3 | NA | 1 ⁽¹⁾ | 1 ⁽¹⁾ |
| Elicia Aw Ying Ying | 3 | NA | NA | NA |
| Dr Low Seow Chay | 3 | 3 | 1 | 1 |
| Lee Sen Choon | 3 | 3 | 1 | 1 |
| William Chew Yew Meng | 2 | 2 | 1 | 1 |
| Dennis Aw Khoon Hwee | 0 ⁽²⁾ | NA | NA | NA |

Notes:

- (1) Attendance at meetings was on a "By Invitation" basis.
- (2) Dennis Aw Khoon Hwee resigned as Non-Executive and Non-Independent Director on 4 March 2021.

NA - Not Applicable

Matters that are specifically reserved to the Board for its decision making are:

- (a) financial results announcements, annual financial statements and report;
- (b) material acquisition and disposal of assets and investments;
- (c) major investment and funding decisions;
- (d) share issuances, dividends and other distributions to shareholders;
- (e) convening shareholders' meetings;
- (f) capital expenditure exceeding a prescribed limit; and
- (g) interested person transactions of a material nature.

Provision 1.6 of the Code: Access to information

The Board receives complete and adequate information on an on-going basis. Management provides the Executive Directors with monthly management accounts and the rest of the Board members with half-yearly management accounts. The agenda for Board meetings is prepared in consultation with the Executive Chairman and CEO and is circulated one week in advance of each meeting to Board members.

Where decisions to be taken by the Board require specialised knowledge or expert opinion, the Board obtains independent professional advice as and when necessary so as to discharge their duties and responsibilities effectively.

Provision 1.7 of the Code: Access to Management and Company Secretary

Management personnel who can provide additional insight into the matters at hand are invited to be present at the relevant time during a Board meeting. Furthermore, the Board has separate and independent access to the Company Secretary and senior executives, and there is no restriction of access to the senior management team of the Company or the Group at all times in carrying out its duties. Non-Executive Directors have also been invited to various functions whereby they may be informally introduced to officers of the Group.

The Company Secretary attends all formal Board meetings and ensures that Board procedures are followed, and that all applicable rules and regulations are complied with. The minutes of Board and Audit Committee meetings are circulated to the Board. The appointment and removal of the Company Secretary is subject to the approval of the Board.

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.*

Provision 2.1 of the Code: Director independence

Provision 2.2 of the Code: Independent directors make up a majority of the Board

Provision 2.3 of the Code: Non-executive directors make up a majority of the Board

CORPORATE GOVERNANCE REPORT

Provision 2.4 of the Code: Board Composition

The Board has five members, comprising two Executive Directors and three Independent and Non-Executive Directors as follows:

| | |
|-----------------------|--|
| Benjamin Aw Chi-Ken | (Executive Chairman and Chief Executive Officer (“CEO”)) |
| Elicia Aw Ying Ying | (Executive Director) |
| Dr Low Seow Chay | (Independent and Non-Executive Director) |
| Lee Sen Choon | (Independent and Non-Executive Director) |
| William Chew Yew Meng | (Independent and Non-Executive Director) |

The Board has examined its size and is satisfied that it is an appropriate size for effective decision making, taking into account the nature and scope of the Company’s operations.

Following the resignation of Mr Dennis Aw Khoon Hwee, Non-Executive and Non-Independent Director, on 4 March 2021, the Independent Directors constitute a majority of the Board. The Board deems the current Independent Directors competent as they are respected individuals from different backgrounds whose core competencies, qualifications, skillsets and experiences are extensive and complementary to the Company.

Each Director has been appointed on the strength of his calibre, experience, grasp of corporate strategy and potential to contribute to the Company and its businesses. As each of the Directors brings valuable insights from different perspectives vital to the strategic interests of the Company, the Board considers that its Directors possess the necessary competencies to provide Management with a diverse and objective perspective on issues so as to lead and govern the Company effectively.

The Board recognises that Independent Directors may over time develop significant insights in the Group’s businesses and operations, and can continue to provide noteworthy and valuable contributions to the Board.

The independence of the Independent Directors must be based on the substance of their professionalism, integrity, and objectivity, and not merely based on form, such as the number of years which they have served on the Board.

Under Rule 210(5)(d)(iii) of the SGX-ST Listing Manual, which took effect on 1 January 2022, the continued appointment of an independent director who has served an aggregate period of more than nine years (whether before or after the listing) will be subject to a two-tier voting process, to be approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the directors and the CEO, and associates of such directors and CEO. Such resolutions may remain in force until the earlier of the following: (i) the retirement or resignation of that director, or (ii) the conclusion of the 3rd Annual General Meeting (“AGM”) of the Company following the passing of the resolutions.

Currently, Dr Low Seow Chay, Mr Lee Sen Choon and Mr William Chew Yew Meng have served on the Board for more than nine years from the date of their first appointment.

The Board has subjected their independence status to a particularly rigorous review.

The Board is of the view that Dr Low Seow Chay, Mr Lee Sen Choon and Mr William Chew Yew Meng have demonstrated strong independent character and judgement over the years in discharging their duties and responsibilities as Independent Directors of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. They have expressed individual viewpoints, debated issues and objectively scrutinized and challenged the Management. They have sought clarification and amplification as they deemed necessary, including through direct access to the Management.

Taking into account the above, and also having weighed the need for the Board's renewal against tenure for relative benefit, the Board has affirmed that Dr Low Seow Chay, Mr Lee Sen Choon and Mr William Chew Yew Meng continue to be considered Independent Directors, notwithstanding they have served on the Board for more than nine years.

The Company adopted the two-tier voting process ahead of the SGX-ST Listing Manual Rule 210(5)(d)(iii) which came into effect on 1 January 2022 and passed the respective resolutions proposing the re-election of Dr Low Seow Chay, Mr Lee Sen Choon and Mr William Chew Yew Meng and their continued appointment as Independent Directors at the previous AGM.

Provision 2.5 of the Code: Meeting of Independent Directors without Management

Once a year, a formal session is arranged for the Independent Directors to meet without the presence of Management and Executive Directors to review any matters that might be raised privately.

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.*

Provision 3.1 of the Code: Separation of the roles of the Chairman and the Chief Executive Officer ("CEO")

Provision 3.2 of the Code: Division of responsibilities between the Chairman and CEO

CORPORATE GOVERNANCE REPORT

Provision 3.3 of the Code: Lead Independent Director

The Board is of the view that, based on the Group's current scope and nature of operations, it is in the best interests of the Group to adopt a single leadership structure, whereby the Chairman and CEO (or equivalent) is the same person, so as to facilitate effective decision-making for the needs of the Group's businesses.

The corporate governance duties of the Chairman and CEO include:

1. leading the Board to ensure its effectiveness on all aspects of its role and setting its agenda;
2. promoting high standards of corporate governance;
3. ensuring that the Directors receive complete, accurate and timely information;
4. ensuring effective communication with shareholders;
5. encouraging constructive relations within the Board;
6. facilitating effective contribution of Non-Executive Directors;
7. encouraging constructive relations between the Board and Management;
8. facilitating the effective contribution of Non-Executive Directors in particular; and
9. promoting a culture of openness and debate at the Board level

All major proposals and decisions made by the Executive Chairman and CEO are discussed and reviewed by the AC. His performance and appointment to the Board is reviewed periodically by the NC and his remuneration package is reviewed periodically by the RC. As the AC and RC consists of all independent directors and majority of the NC members are independent directors, the Board believes that there are sufficient strong and independent elements and adequate safeguards in place against an uneven concentration of power and authority in a single individual.

In view that the Chairman and CEO is the same person, the Board has appointed Dr Low Seow Chay as the Lead Independent Director of the Board since 12 November 2013 to work closely with other Independent Directors as and when necessary and meet with them without the presence of other Directors to discuss matters that are decided at Board 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.*

Provision 4.1 of the Code: Role of the NC

Provision 4.2 of the Code: Composition of NC

The NC comprises the three Independent and Non-Executive Directors and the Executive Chairman and CEO who have been tasked with the authority and responsibility to devise an appropriate process to review and evaluate the performance of the Board as a whole as well as each Director on the Board. The chairman of the NC is an Independent and Non-Executive Director, and is not a substantial shareholder or directly or indirectly, associated with a substantial shareholder of the Company. The members of the NC are as follows:

| | |
|-----------------------|-----------------------------|
| William Chew Yew Meng | (Chairman) |
| Dr Low Seow Chay | |
| Lee Sen Choon | |
| Benjamin Aw Chi-Ken | (Appointed on 4 March 2021) |

The primary responsibilities of the NC are:

1. To make recommendations to the Board on the appointment of new Executive and Non-Executive Directors, including making recommendations on the composition of the Board generally and the balance between Executive and Non-Executive Directors appointed to the Board, as well as ensuring that there are procedures in place for the selection and appointment of Directors.
2. To regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary.
3. To be responsible for assessing nominees or candidates for appointment or election to the Board, determining whether or not such nominees or candidates have the requisite qualifications and whether or not they are independent.
4. To determine, on an annual basis, if a Director is independent. If the NC determines that a Director, who has one or more of the relationships as set out in the Code is in fact independent, the NC would disclose in full, the nature of the Director's relationship and bear responsibility for explaining why the Director should be considered independent.
5. To recommend Directors who are retiring by rotation to be nominated for re-election.
6. To decide whether or not a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly when he has multiple board representations.
7. To be responsible for assessing the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

CORPORATE GOVERNANCE REPORT

Provision 4.3 of the Code: Board renewal and succession planning

The Company does not have a formal criterion of selection for the appointment of new Directors to the Board. When the need for a new Director arises, or where it is considered that the Board would benefit from the services of a new Director with particular skills or to replace a retiring Director, the NC, in consultation with the Board, will determine the selection criteria and will select candidates with the appropriate expertise and experience for the position. In its search and nomination process for a new Director, the NC may rely on search companies, personal contacts and recommendations for the right candidates. The NC ensures that the newly appointed Director is aware of his duties and obligations.

Board appointment is made by the Board after the NC has, upon reviewing the resume of the proposed Director and conducting appropriate interviews, recommended the appointment to the Board. The NC is also in charge of re-nominating retiring Directors, having regard to their contributions and performance. Pursuant to the Constitution of the Company, one-third of the Directors shall retire from office at the Company's annual general meeting every year, provided that all Directors shall retire from office at least once every three years. Newly appointed Director by the Board is required to retire at the next annual general meeting following his appointment. Retiring Directors are eligible to offer themselves for re-election. Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of his own performance or re-nomination as Director.

Provision 4.4 of the Code: Circumstances affecting Director's independence

As described under Principle 2 of this report, the Company has put in place a process to ensure the continuous monitoring of the independence of the Directors. Each Independent Director is required annually to complete a checklist to confirm his independence. Furthermore, the NC determines annually, and as and when circumstances require, whether a Director is independent, taking into consideration the disclosures by the Director of any relationships with the Company, its related corporations, its substantial shareholders or its officers and the checklist completed by each independent director. Having made its review, the NC is of the view that all Independent Directors have satisfied the criteria for independence.

Provision 4.5 of the Code: Multiple listed company directorships and other principal commitments

All Directors are required to declare their board representations. The NC has reviewed the contribution by each Director taking into consideration the Director's number of listed board representations and other principal commitments. The NC and the Board are of the view that, setting maximum number of listed company board representation that a Director may hold is not meaningful, as long as the Director is able to devote sufficient time and attention to the Company's affairs. As such, the Board does not propose the maximum number of listed company board representations which Directors may hold until such need arises. Notwithstanding the number of listed company board representations and other principal commitments some of the Directors are holding, the NC considers the conduct of meeting, the decision-making process, attendance and participation of each Board member to be satisfactory.

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.*

Provision 5.1 and 5.2 of the Code: Assessment of effectiveness of the Board and Board Committees and assessing the contribution by individual directors

With the Board's approval, the NC has decided for the financial year under review on how the Board's performance is to be evaluated as a whole, and proposed objective performance criteria including Board composition, size and expertise, Board information and timeliness, as well as Board commitment and accountability. In assessing each Director's performance and contribution to the effectiveness of the Board, the NC takes into consideration factors such as attendance, preparedness, candour and participation at Board and Board Committee meetings.

The NC met once during the financial year under review on 26 February 2021. Each member of the NC abstains from voting on any resolution in respect of the assessment of his own performance or re-nomination as a Director. Details of Board members' qualifications and experience including the year of initial appointment and last re-election, are presented in this Annual Report under the heading "Board of Directors".

The NC is of the opinion that the independence of the Non-Executive Directors is maintained and that each Director has contributed to the effectiveness of the Board as a whole. The Board has accepted the NC's nomination and has recommended the following Directors, who have given their consent for re-election, to be put forward for re-election at the forthcoming AGM:-

Benjamin Aw Chi-Ken (Retiring pursuant to Article 91)
William Chew Yew Meng (Retiring pursuant to Article 91)

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information as set out in Appendix 7.4.1 relating to the retiring Directors seeking re-election at the forthcoming AGM is disclosed below:-

| Name of Director | Benjamin Aw Chi-Ken | William Chew Yew Meng |
|---|----------------------------|------------------------------|
| Date of first appointment | 27 February 2014 | 3 April 2000 |
| Date of last re-appointment (if applicable) | 29 June 2020 | 29 April 2019 |
| Age | 44 | 65 |
| Country of principal residence | Singapore | Singapore |

CORPORATE GOVERNANCE REPORT

| Name of Director | Benjamin Aw Chi-Ken | William Chew Yew Meng |
|---|---|--|
| The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process) | The Board, having considered the recommendation of the Nominating Committee and succession planning, and having assessed Benjamin Aw Chi-Ken's working experiences and leaderships in the Group, is of the view that Benjamin Aw Chi-Ken has the requisite experiences to assume the responsibilities as Executive Director of the Company. | The Board, having considered the recommendation of the Nominating Committee and having assessed Mr William Chew Yew Meng's experiences, is of the view that Mr William Chew Yew Meng has the requisite knowledge and experiences to assume the responsibilities as Independent Director of the Company. |
| Whether appointment is executive, and if so, the area of responsibility | Executive Director and responsible for the overall strategic decisions of the Group. He is also overseeing the business development, corporate matters, financial planning, general management and investment decisions of the Group. | Non-Executive. |
| Job Title (e.g. Lead ID, AC Chairman, AC member etc.) | Executive Chairman and CEO. Member of Nominating Committee. | Independent Director, Member of the Audit Committee, Chairman of the Nominating Committee and Remuneration Committee. |
| Professional qualifications | Bachelor of Arts degree (First Class Honours) in Accounting and Finance from University of North London, London, United Kingdom. Degree in Masters of Science in Finance from The City University, London, United Kingdom. | Bachelor of Arts Degree in Social Work and Sociology from National University of Singapore Master's Degree in Mass Communication from Oklahoma City University, USA. Post graduate in Training and Development from ITD, UK. |
| Working experience and occupation(s) during the past 10 years | Prior to joining the Group, Mr Benjamin Aw started his career by working in the banks as a Personal Financial Adviser and Relationship Manager with both offshore financial institutions and a local bank. In addition to his banking experience, Mr Benjamin Aw has accumulated more than 8 years of hands on experience as a professional in mechanical and electrical elevator transportation systems and the construction industry holding various positions in regional, managerial, agencies and manufacturers roles. | Mr William Chew is a Partner of HR Agenda Partnership. He is also the Chief Executive Director of FAST, a non-profit organisation providing social support, humanitarian aid and skills training for foreign domestic workers. He was the founding member of FAST and formerly its Executive Director. As the Charter President of the Lions Club of Singapore Centennial, Mr William Chew is actively involved in serving the needy and the community. |

CORPORATE GOVERNANCE REPORT

| Name of Director | Benjamin Aw Chi-Ken | William Chew Yew Meng |
|---|--|--|
| Shareholding interest in the listed issuer and its subsidiaries | Yes | No |
| 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 | <p>Brother of Ms Elicia Aw Ying Ying, Executive Director of Hor Kew Corporation Limited.</p> <p>Nephew of Mr Dennis Aw Khooon Hwee, substantial shareholder of Hor Kew Corporation Limited.</p> <p>Nephew of Mr Aw Soon Hwee, substantial shareholder of Hor Kew Corporation Limited.</p> <p>Son of Dr Aw Leng Hwee (deceased), substantial shareholder of Hor Kew Corporation Limited.</p> | None |
| Conflict of interest (including any competing business) | No | No |
| Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer | Yes | Yes |
| <p>Other Principal Commitments* Including Directorships#</p> <p>* "Principal Commitments" has the same meaning as defined in the Code.</p> <p># These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)</p> | | |
| Past (for the last 5 years) | No | Chief Executive Director of FAST. |
| Present | <p>Executive Director of XJ Elevator Engineering Private Limited, XJ Elevator Private Limited, Hor Kew Holdings Pte Ltd, Hor Kew International Pte Ltd, Hor Kew Pte Ltd, Hor Kew Land Pte Ltd, Oxley Lights Pte Ltd, Oxley Lights Development Pte Ltd, Prefab Technology Pte Ltd, Prefab Technology 3 Pte Ltd, Prefab Technology 8 Pte Ltd, Park Vale Design & Development Pte Ltd, ABX Land Sdn Bhd and GPX Land Sdn Bhd.</p> | <p>Chief Executive Director of FAST.</p> <p>Charter President of the Lions Club of Singapore Centennial.</p> |

CORPORATE GOVERNANCE REPORT

| Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given. | | |
|---|----------------------------|------------------------------|
| Name of Director | Benjamin Aw Chi-Ken | William Chew Yew Meng |
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No | No |
| (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No | No |
| (c) Whether there is any unsatisfied judgment against him? | No | No |
| (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No | No |
| (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No | No |
| (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No | No |

CORPORATE GOVERNANCE REPORT

| Name of Director | Benjamin Aw Chi-Ken | William Chew Yew Meng |
|--|---------------------|-----------------------|
| (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No | No |
| (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No | No |
| (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No | No |
| (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :— (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | No | No |
| (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No | No |

CORPORATE GOVERNANCE REPORT

| Name of Director | Benjamin Aw Chi-Ken | William Chew Yew Meng |
|--|---|---|
| Disclosure applicable to the appointment of Director only. | | |
| Any prior experience as a director of an issuer listed on the Exchange? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. | Yes Mr Benjamin Aw Chi-Ken is currently the Executive Chairman and CEO of the Company, which is listed on the SGX-ST. | Yes Mr William Chew Yew Meng is currently an Independent Non-Executive Director of the Company, which is listed on the SGX-ST. |
| Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable) | Not Applicable. This is a re-election of a director, and Mr Benjamin Aw Chi-Ken has prior experience as a director of an issuer listed on the SGX-ST. | Not Applicable. This is a re-election of a director, and Mr William Chew Yew Meng has prior experience as a director of an issuer listed on the SGX-ST. |

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.*

Provision 6.1 of the Code: RC to recommend remuneration framework and packages

Provision 6.2 of the Code: Composition of RC

The RC ensures that there is a formal and transparent procedure for fixing the remuneration packages of individual Directors and senior executives. The RC comprises the following three Independent and Non-Executive Directors. The chairman of the RC is an Independent and Non-Executive Director:

William Chew Yew Meng (Chairman)
 Dr Low Seow Chay
 Lee Sen Choon

The overriding principle is that no Director should be involved in deciding his own remuneration. The RC has adopted written terms of reference that define its membership, roles, functions and administration.

The primary responsibilities of the RC are as follows:

1. To review and recommend to the Board in consultation with the Chairman of the Board, a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the Executive Directors and senior executives (those reporting directly to the Executive Chairman and CEO) and employees related to the Executive Directors and substantial shareholders of the Company.
2. To review and recommend to the Board in consultation with the Chairman of the Board, any long term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.
3. To carry out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board from time to time.
4. As part of its review, the RC shall ensure that:
 - (i) all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, share options and benefits-in-kind should be covered.
 - (ii) the remuneration packages should be comparable within the industry and comparable companies and shall include a performance-related element coupled with appropriate and meaningful measures of assessing individual Executive Directors' and senior executives' performance.
 - (iii) the remuneration packages of employees related to Executive Directors and substantial shareholders are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibility.

Provision 6.3 of the Code: RC to consider and ensure all aspects of remuneration are fair

The Group advocates a performance based remuneration system for Executive Directors and key executives that is flexible and responsive to the market, comprising a base salary and other fixed allowances, as well as variable performance bonus and participation in any long-term incentive scheme involving the offer of shares or grant of options.

In determining such remuneration packages, the RC will ensure that they are adequate by considering, in consultation with the Executive Chairman and CEO, amongst other things, the respective individual's responsibilities, skills, expertise and contribution to the Group's performance, and whether they are competitive and sufficient to ensure that the Group is able to attract and retain the best available executive talent, meanwhile keeping tabs that they are not excessive.

The RC has adopted a framework which consists of a base fee to remunerate Non-Executive Directors based on their appointments and roles in the respective Committees, as well as the fees payable by comparable companies. Fees for the Non-Executive Directors will be tabled at the forthcoming AGM to be held on 29 April 2022 for shareholders' approval.

CORPORATE GOVERNANCE REPORT

Provision 6.4 of the Code: Expert advice on remuneration

The members of the RC are familiar with executive compensation matters as they have prior experience in managing businesses and/or are holding other directorships. The RC has access to expert advice regarding executive compensation matters, if required. The Board did not engage any external remuneration consultant to advise on remuneration matters for FY2021.

Level and Mix of Remuneration

Principle 7: *The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the company.*

Provision 7.1 and 7.3 of the Code: Remuneration of Executive Directors and key management personnel are appropriately structured to link rewards to performance

The RC has reviewed the terms and conditions of all service agreements and recommended to the Board any changes to such terms and conditions at the expiry of such service agreements. All recommendations by the RC are submitted for endorsement by the full Board. The RC confirms that there is no onerous termination clause in any of the service agreements.

The Executive Directors owe fiduciary duties to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties. The Company does not make use of 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.

Provision 7.2 of the Code: Remuneration of Non-Executive Directors dependent on contribution, effort, time spent and responsibilities

The Independent Directors receive directors' fees for their effort and time spent, responsibilities and contribution to the Board, subject to shareholders' approval at annual general meetings. The Independent Directors are not over-compensated to the extent that their independence may be compromised.

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 relationships between remuneration, performance and value creation.*

Provision 8.1 and 8.3 of the Code: Remuneration disclosures of Directors and key management personnel; Details of employee share schemes

CORPORATE GOVERNANCE REPORT

A breakdown showing the level and mix of each Director's remuneration for the financial year ended 31 December 2021 is set out below:

REMUNERATION BANDS OF DIRECTORS AND TOP EXECUTIVES

| Remuneration Bands/ Name of Director | Salary ⁽¹⁾ % | Bonus/ Profit-sharing % | Directors' Fees ⁽²⁾ % | Total % |
|---|----------------------------|-------------------------------|--|------------|
| \$250,000 to below \$500,000 | | | | |
| Benjamin Aw Chi-Ken | 68 | 32 | - | 100 |
| Elicia Aw Ying Ying | 57 | 43 | - | 100 |
| Below \$250,000 | | | | |
| Dr Low Seow Chay | - | - | 100 | 100 |
| Lee Sen Choon | - | - | 100 | 100 |
| William Chew Yew Meng | - | - | 100 | 100 |
| Dennis Aw Khoon Hwee | - | - | - | - |

The Board is aware of the recommendation of the Code that the Company should fully disclose the remuneration of each individual Director and the CEO on a named basis. However, the Company does not believe it is in its interest to disclose such details having regard to the highly competitive human resource environment and the confidential nature of remuneration matters.

The Board is of the view that the information disclosed in the Annual Report would be sufficient for the shareholders to have an adequate understanding of the Company's remuneration policies and practices.

| Name of top key management personnel (who is not a director) | Salary ⁽¹⁾ % | Bonus/ Profit-sharing % | Total % |
|---|----------------------------|-------------------------------|------------|
| \$250,000 to below \$500,000 | | | |
| Steven Aw Soon Hwee ⁽³⁾ | 37 | 63 | 100 |
| Below \$250,000 | | | |
| Aw Lay Sim ⁽³⁾ | 78 | 22 | 100 |
| Michael Soh Chia Yang | 83 | 17 | 100 |

Notes:

- (1) Salary is inclusive of allowances, Central Provident Fund contribution and benefits-in-kind.
- (2) Directors' fees are only payable after approval by shareholders at the forthcoming Annual General Meeting.
- (3) Steven Aw Soon Hwee and Aw Lay Sim are the uncle and auntie of Benjamin Aw Chi-Ken respectively.

CORPORATE GOVERNANCE REPORT

The aggregate remuneration paid to the top three (2020: three) key management personnel of the Group amounted to \$853,000 (2020: \$462,000) for the financial year ended 31 December 2021.

The Board is aware of the recommendation of the Code that the Company should report to the shareholders each year on the remuneration of at least the top five key management personnel (who are not also directors or the CEO). However, the Group's key management team comprises of Executive Directors and three key management personnel. The Board is of the view that the current size of the key management team is appropriate, taking into account the nature and scope of the operations of the Group.

The Company does not have any employee share scheme.

Provision 8.2 of the Code: Remuneration disclosures of related employees

No other employee, other than Steven Aw Soon Hwee and Aw Lay Sim, whose remuneration exceeded \$100,000 during the financial year is an immediate family member of a Director or the CEO.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

Provision 9.1 of the Code: Board determines the nature and extent of risks

The Group has established a Risk Assessment Framework for the identification of key risks within the Group's business, namely Business and Strategic Risks, Financial Risks and Operational Risks.

The Group recognises risk management as a collective effort beginning with the individual subsidiaries and business units, followed by the operating segments and ultimately the Management and the Board, working as a team. A self-assessment process, conducted regularly by the Management, was introduced to ensure that the Group's risk management controls are effective.

Minimum acceptable controls have been implemented to enhance the Group's internal control function in areas such as finance, operations, compliance and information technology. The internal control measures aim to ensure that the Group's assets are safeguarded, proper accounting records are maintained, and that financial information used within the business and for publication is reliable.

The risk management system has been integrated throughout the Group and has become an essential part of its business planning and monitoring process. On an annual basis, the Management reports to the Board on the Group's risk profile, evaluates results and counter-measures to mitigate or transfer identified potential risks so as to ensure that the process is operating effectively as planned.

Provision 9.2 of the Code: Assurance from CEO, CFO and other key management personnel

For the financial year ended 31 December 2021, the Board has:

- (a) received assurance from the CEO and the Financial Controller (“FC”) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group’s operations and finances; and
- (b) received assurance from the CEO, the FC and other key management personnel that an effective risk management and internal control system has been put in place to ensure compliance with all the relevant regulatory requirements.

Based on the framework of risk management controls and internal controls established and maintained by the Group, the work performed by the Management, the reviews undertaken by the independent auditor and internal audit function, and the written assurances from the CEO and the FC that the financial records have been properly maintained, the Board, with the concurrence of the AC, is of the opinion that the Group’s internal control and risk management systems in place are effective and adequate to address financial, operational, compliance and information technology controls risks which the Group considers relevant and material to its operations.

Audit Committee

Principle 10: *The Board has an Audit Committee (“AC”) which discharges its duties objectively.*

Provision 10.1 of the Code: Duties of AC

Provision 10.2 of the Code: Composition of AC

Provision 10.3 of the Code: AC does not comprise former partners or directors of the Company’s auditing firm

Provision 10.4 of the Code: Primary reporting line of the internal audit function is to AC; Internal audit function has unfettered access to Company’s documents, records, properties and personnel

Provision 10.5 of the Code: AC meets with the auditors without the presence of Management annually

The role of the AC is to assist the Board in the execution of its corporate governance responsibilities within the established Board’s references and requirements. The financial statements, accounting policies and system of internal accounting controls are responsibilities that fall under the ambit of the AC. The AC has its set of written terms of reference defining its scope of authority and its major functions.

The AC comprises three members who are all Non-Executive and Independent Directors as follows:

Dr Low Seow Chay (Chairman)
Lee Sen Choon
William Chew Yew Meng

CORPORATE GOVERNANCE REPORT

The members of the AC collectively have expertise or experience in financial management, and are qualified to discharge the AC's responsibilities.

In performing its functions, the AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation from the Management, and has been given full discretion to invite any Director or executive officer to attend its meetings, as well as reasonable resources to enable it to discharge its functions properly.

Internal Audit Function

The AC is tasked to oversee the implementation of an effective system of internal controls as well as putting in place a risk management framework to continually identify, evaluate and manage significant business risks of the Group. The AC has the mandate to authorise special reviews or investigations, where appropriate in discharging its responsibilities.

The size of the operations of the Group does not warrant the Group having an in-house internal audit function at this juncture. The internal audit function of the Group is therefore currently outsourced to In.Corp Business Advisory Pte. Ltd. ("Internal Auditor") which reports directly to the AC. The Internal Auditor has the requisite skill sets and experience and have carried out their function according to the Standards for Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The Internal Auditor supports the AC in its role to assess the adequacy and effectiveness of the Group's overall system of operational, financial, technology and compliance related controls and this aids the AC in discharging its responsibilities.

To ensure the adequacy of the internal audit function, the AC reviews and approves the risk based internal audit plan on an annual basis. The internal audit function is adequately staffed with sufficiently experienced and qualified professionals who conduct their reviews in accordance with the International Professional Practices Framework Standards.

The internal audit function is independent of all the areas and activities which are covered under the scope of review and the team members have unfettered access to all documents and personnel relating to the areas or activities which are covered under the annual internal audit plan.

The Internal Auditor has reported its audit findings and recommendations directly to the AC. The internal audit findings report has also been given to the independent auditor to ensure effective use of resources and to avoid duplication of effort.

The AC is satisfied that the internal audit function is independent, effective and adequately resourced.

The main functions of the AC are as follows:

1. Reviews the audit plan of the Independent Auditor of the Company and the co-operation given by the Management to the Independent Auditor;
2. Reviews the half-yearly and full-year announcements on the financial performance and financial position of the Group and the Company before their submission to the Board;
3. Reviews the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company and Independent Auditor's report on those financial statements before their submission to the Board;
4. Reviews the effectiveness of the Group's material internal controls, including financial, operational and compliance controls and risk management;
5. Meets with the independent auditor, other Committees and Management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
6. Reviews legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes, and any reports received from regulators;
7. Reviews the cost effectiveness of the audit and the independence and objectivity of the Independent Auditor and Internal Auditor;
8. Reviews the nature and extent of non-audit services, if any, provided by the Independent Auditor and Internal Auditor;
9. Recommends to the Board the Independent Auditor to be nominated, approves the compensation of the Independent Auditor and Internal Auditor, and reviews the scope and results of the audit;
10. Reports actions and minutes of the AC meetings to the Board with such recommendations as the AC considers appropriate; and
11. Reviews interested person transactions in accordance with the requirements of the SGX-ST Listing Manual; and
12. Reviews the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The Company discloses and clearly communicates to employees, the existence of a whistleblowing policy and procedures for raising such concerns.

The AC has the expressed power to conduct or authorise investigations into any matters within its terms of reference. Minutes of the AC meetings are regularly submitted to the Board for its information and review.

The AC convened three meetings during the financial year. The AC meets with the Independent Auditor, without the presence of the Company's Management, at least once a year.

CORPORATE GOVERNANCE REPORT

The Company has complied with Rule 712 and Rule 716 of the SGX-ST Listing Manual in relation to the appointment of its Independent Auditor. In accordance to Rule 716 of the SGX-ST Listing Manual, the Board and the AC confirm that they are satisfied that the appointment of different auditing firms for its subsidiary companies would not compromise the standard and effectiveness of the audit of the Group.

The Company's Independent Auditor, Baker Tilly TFW LLP ("Baker Tilly"), carry out their annual statutory audit to the extent of their scope as laid out in their audit plan. Internal control weaknesses noted during their audit, and their recommendations for improvement thereof are reported to the AC.

The Management will follow up on the Independent Auditor's recommendations as part of its role in the review of the Group's internal control system.

There was no non-audit related work carried out by the Independent Auditor in the current financial year, and accordingly, no non-audit fees were paid to Baker Tilly.

For the financial year ended 31 December 2021, remuneration paid or payable to Baker Tilly in relation to audit services are detailed as below:-

| | 2021 | 2020 |
|------------------------|---------------|--------|
| | \$'000 | \$'000 |
| Fee for audit services | 120 | 120 |

The AC has recommended to the Board that Baker Tilly be nominated for re-appointment as Independent Auditor at the forthcoming AGM.

None of the AC members are former partners or directors of Baker Tilly.

Whistleblowing Policy

The Company has established a Code of Conduct and Business Ethics that sets the principles of the code of conduct and business ethics which applies to all employees of the Group. This code covers areas such as conduct in workplace, business conduct, protection of the Company's assets, confidentiality of information and conflict of interest, etc. Directors, key management personnel and employees are expected to observe and uphold high standards of integrity which are in compliance with the Company's policies and the law and regulations of the countries in which it operates.

The Group has put in place a whistleblowing framework, endorsed by the Board and the AC, which provides the mechanisms whereby employees may, in confidence, raise concerns or observations about possible corporate malpractices and improprieties in financial reporting or other matters directly to Dr Low Seow Chay, Chairman of the AC.

Details of the whistleblowing policies, together with the dedicated whistleblowing communication channel has been made available to all employees. The whistleblowing framework has a well-defined process which ensures independent investigation of issues and concerns raised and appropriate follow-up action and provides assurance that employees will be protected from reprisal within the limits of the law or victimisation for whistleblowing in good faith.

Anonymous reporting will also be attended to and anonymity honoured. The whistleblowing policy and procedures are reviewed by the AC from time to time to ensure that they remain relevant.

The AC reports to the Board on such matters at the Board meetings. Should the AC receive reports relating to serious offences and/or criminal activities in the Group, the AC and the Board have access to the appropriate external advice where necessary. Where appropriate or required, a report shall be made to the relevant government authorities for further investigation or action.

There were no reported incident pertaining to whistle blowing during the financial year ended 31 December 2021 and until the date of this Annual Report.

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.*

Provision 11.1 of the Code: **Company provides shareholders with the opportunity to participate effectively and vote at general meetings**

Provision 11.2 of the Code: **Separate resolution on each substantially separate issue**

Provision 11.4 of the Code: **Company's Constitution allow for absentia voting of shareholders**

To facilitate participation by shareholders, all general meetings of the Company are held in Singapore. Shareholders have the opportunity to participate effectively in and to vote at general meetings of shareholders. Shareholders are informed of the rules, including voting procedures that govern general meetings of shareholders. Separate resolutions are proposed on each substantially separate issue, for approval by shareholders at general meetings. The Company's Constitution provides that shareholders of the Company are allowed to vote in person or by way of duly appointed proxies.

All shareholders of the Company can retrieve soft copies of the Annual Report and Notice of Annual General Meeting from SGXNET. Shareholders are encouraged to participate by raising their queries before or at the AGM as the case may be.

CORPORATE GOVERNANCE REPORT

The Company's Independent Auditor will also be present to address any shareholders' queries about the conduct of the audit and the preparation and content of the auditor's report.

Voting for all resolutions at general meetings will be conducted by poll and the voting results, including the total numbers and percentages of votes cast for or against each resolution are announced via the SGXNET on the same day.

In FY2021, due to the COVID-19 situation, the Company held its AGM by way of electronic means as shareholders were not allowed to attend the AGM in person. Alternative arrangements relating to attendance at the FY2021 AGM via electronic means, submission of questions to the Chairman of the Meeting in advance of the 2021 AGM, addressing substantial and relevant questions prior to the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, were put in place for the 2021 AGM. The minutes of the 2021 AGM were announced on the SGXNet within one month after the 2021 AGM. As the COVID-19 situation continues to remain uncertain, the forthcoming AGM to be held on 29 April 2022 will be convened and held in similar manner.

Provision 11.3 of the Code: All Directors attend general meetings

All Directors are required to attend the Annual General Meeting and the Chairman of the Board and the respective Chairman of the AC, NC and RC are present and available to address shareholders' queries or concerns.

Provision 11.5 of the Code: Minutes of general meeting are published on the Company's corporate website

The Company Secretary prepares minutes of general meetings which include substantial and relevant comments or queries from shareholders and responses from the Board and the Management, and such minutes are available to shareholders upon their request.

The Company does not publish minutes of general meetings of shareholders on its corporate website. The minutes of general meetings will be published on the SGXNET as soon as practicable within one (1) month from the date of the Company's AGM.

Provision 11.6 of the Code: Dividend policy

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Company's earnings, financial conditions, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the foregoing, any pay-out of dividends would be clearly communicated to shareholders via announcements released on SGXNET.

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.*

Provision 12.1 of the Code: Company provides avenues for communication between the Board and shareholders

Provision 12.2 and 12.3 of the Code: Company has in place an investor relations policy and the policy sets out mechanism of communication between the shareholders and the Company

The Company maintains full and adequate disclosure, in a timely manner, of material events and matters concerning its businesses through SGXNET, public announcements, circulars to shareholders and annual reports.

The Company does not practise selective disclosure of material information. Half-year and full-year financial results and price sensitive information is disclosed in an accurate and comprehensive manner through SGXNET on a timely basis.

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.*

Provision 13.1 and 13.2 of the Code: Engagement with material stakeholder groups

Provision 13.3 of the Code: Corporate website to engage stakeholders

Relationship with Stakeholders

The Company values input from all of its stakeholder groups, and maintains its corporate website to communicate and engage with all stakeholders. The Company identifies stakeholders as groups that have an impact or have the potential to be impacted by its business, as well as those external organisations that have expertise in aspects that the Company considers material.

The Company's corporate website is at www.horkew.com.sg, and provides information about the Company such as its corporate profile, vision and mission, core values and various businesses.

Sustainability Report

In line with our commitment to sustainable business, we are currently preparing and will be publishing our sustainability report for the financial year ended 31 December 2021 in due course. The report will be prepared with reference to Global Reporting Initiative (GRI) standards and details our economic, social and environmental activities and performance for the financial year.

CORPORATE GOVERNANCE REPORT

DEALING IN SECURITIES

The Company has adopted an internal code based on Rule 1207 (19) of the SGX-ST Listing Manual in relation to dealings in the securities of the Company.

Pursuant to the internal code, Directors and officers of the Company are prohibited from dealing in the Company's securities during the period commencing one month before the announcement of the Company's half-year and full-year results and at any time when in possession of any unpublished material price sensitive information. It has been highlighted that Directors and officers are expected to observe insider trading laws at all times. They are also advised not to deal in the Company's securities on short-term considerations.

INTERESTED PERSON TRANSACTIONS ("IPTs")

As a listed company on the Singapore Exchange, the Company is required to comply with Chapter 9 of the Singapore Exchange Listing Manual on interested person transactions. To ensure compliance with Chapter 9, the AC, as well as the Board, meets half-yearly to review if the Company will be entering into any interested person transaction. If the Company is intending to enter into an interested person transaction, the AC and the Board will ensure that the transaction is carried out based on normal commercial terms and will not be prejudicial to the interest of the Company and its minority shareholders.

The Company does not have a general mandate from shareholders for IPTs pursuant to Rule 920 of the Listing Manual of the SGX-ST.

When a potential conflict of interest arises, the Director concerned does not participate in discussions and refrains from exercising any influence over other members of the Board.

The AC is satisfied that the review procedures for IPTs and the reviews to be made half-yearly by the AC in relation thereto are adequate to ensure that the IPTs will be transacted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority shareholders. The Company confirms that there were no IPTs of \$100,000 or more entered into during the financial year ended 31 December 2021.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and any of its subsidiary companies involving the interests of the Chief Executive Officer, any Director or controlling shareholder during the financial year ended 31 December 2021.

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HOR KEW CORPORATION LIMITED AND ITS SUBSIDIARY COMPANIES

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Hor Kew Corporation Limited (the "Company") and its subsidiary corporations (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2021.

In the opinion of the directors:

- (i) 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 53 to 120 are properly drawn up so as to give a true and fair view of the financial position of the Group and the Company as at 31 December 2021, and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International); and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Benjamin Aw Chi-Ken (Executive Chairman and Chief Executive Officer)
Elicia Aw Ying Ying
Dr Low Seow Chay
Lee Sen Choon
William Chew Yew Meng

Arrangement to enable directors to acquire benefits

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and/or related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Act except as follows:

| Name of directors and corporations in which interest are held | Shareholdings registered in the name of director | | | Shareholdings in which the director is deemed to have an interest | | |
|---|--|---------------|--------------|---|---------------|--------------|
| | At 1.1.2021 | At 31.12.2021 | At 21.1.2022 | At 1.1.2021 | At 31.12.2021 | At 21.1.2022 |
| The Company (Ordinary shares) | | | | | | |
| Benjamin Aw Chi-Ken | 3,683,882 | 3,683,882 | 3,683,882 | – | – | – |
| Elicia Aw Ying Ying | 611,625 | 611,625 | 611,625 | – | – | – |
| Dr Low Seow Chay | 4,166 | 4,166 | 4,166 | – | – | – |

Share options

No option to take up unissued shares of the Company or its subsidiary corporations was granted during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations whether granted before or during the financial year.

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

Audit Committee

The Audit Committee (“AC”) at the date of this statement comprises three (3) directors, all of whom are independent. The AC members are as follows:

Dr Low Seow Chay (Chairman)
Lee Sen Choon
William Chew Yew Meng

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Act. Their functions are detailed in the Report on Corporate Governance.

In performing its functions, the Audit Committee met with the Company’s independent and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company’s internal accounting control system.

The Audit Committee also reviewed the following:

- Assistance provided by the Company’s management to the internal and independent auditors;
- Half-yearly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- Interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee is satisfied with the independence and objectivity of the independent auditor and has recommended to the Board that Baker Tilly TFW LLP be nominated for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the Board of Directors

Benjamin Aw Chi-Ken
Executive Chairman and Chief Executive Officer

Elicia Aw Ying Ying
Executive Director

Singapore

14 April 2022

INDEPENDENT AUDITOR’S REPORT TO THE MEMBERS OF HOR KEW CORPORATION LIMITED

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Hor Kew Corporation Limited (the “Company”) and its subsidiary companies (the “Group”) as set out on pages 53 to 120, which comprise the statements of financial position of the Group and the Company as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

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

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. 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.

Impairment of trade receivables and contract assets

As disclosed in Notes 14 and 21 to the financial statements, the net carrying amount of the Group’s trade receivables and contract assets totaling \$21,431,000 (2020: \$21,824,000), after deducting impairment losses of \$15,194,000 (2020: \$12,972,000), accounted for approximately 14% (2020: 13%) of the Group’s total assets as at 31 December 2021.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOR KEW CORPORATION LIMITED

Report on the Audit of the Financial Statements (cont'd)

Key Audit Matters (cont'd)

Impairment of trade receivables and contract assets (cont'd)

Management determines the expected credit losses ("ECL") of trade receivables and contract assets by applying the simplified approach and using the provision matrix to measure the lifetime ECL for trade receivables and contract assets. The ECL rates for each category of debtors are estimated based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions including the impact arising from COVID-19 pandemic. The measurement of allowance for ECL for trade receivables and contract assets is considered to be a key audit matter as it requires management to exercise judgement and make assumptions with respect to past events, current conditions and forecasts of future economic conditions as disclosed in Notes 3 and 35 to the financial statements.

Our procedures to address the key audit matter

We obtained an understanding and evaluated the Group's ECL assessment for trade receivables and contract assets. We assessed the reasonableness of management's judgement and assumptions applied in the ECL model such as management's determination of historical credit loss rates, the application of respective ECL rates for each category of past due status of debtors and debtors regarded as credit-impaired, and management's consideration of current and future economic conditions specific to its trade receivables and contract assets. We checked the arithmetic accuracy of management's computation of ECL and tested management's categorisation of debtors by their past due status.

We also reviewed the adequacy of disclosures relating to the ECL assessment of trade receivables and contract assets and the Group's credit risk made in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the Annual Report 2021, but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF HOR KEW CORPORATION LIMITED

Report on the Audit of the Financial Statements (cont'd)

Responsibilities of Management and Directors for the Financial Statements (cont'd)

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 directors' 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:

- 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.
- 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.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- 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
HOR KEW CORPORATION LIMITED (cont'd)**

Report on the Audit of the Financial Statements (cont'd)

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

- 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.
- 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 period 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 those 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 Ng Wei Lun.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

14 April 2022

HOR KEW CORPORATION LIMITED AND ITS SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME**

For the financial year ended 31 December 2021

| | | Group | |
|--|------|------------------------------|----------------|
| | Note | 2021 \$'000 | 2020 \$'000 |
| Revenue | 5 | 56,813 | 49,710 |
| Cost of sales | | (43,534) | (39,779) |
| | | <hr/> | |
| Gross profit | | 13,279 | 9,931 |
| Interest income | | 147 | 230 |
| Other income | 6 | 3,988 | 6,018 |
| Expenses | | | |
| General and administrative expenses | | (9,584) | (8,130) |
| Finance costs | 7 | (1,007) | (1,772) |
| Net impairment loss of financial and contract assets | | (2,862) | (5,904) |
| | | <hr/> | |
| Profit before tax | 8 | 3,961 | 373 |
| Tax credit/(expense) | 9 | 61 | (41) |
| | | <hr/> | |
| Profit for the financial year | | 4,022 | 332 |
| | | <hr/> | |
| Other comprehensive (loss)/income: | | | |
| <i>Items that are or may be reclassified subsequently to profit or loss:</i> | | | |
| Currency translation differences arising from consolidation | | (192) | 21 |
| <i>Items that will not be reclassified subsequently to profit or loss:</i> | | | |
| Fair value loss on financial assets at fair value through other comprehensive income | | (7) | – |
| | | <hr/> | |
| Other comprehensive (loss)/income for the financial year, net of tax | | (199) | 21 |
| | | <hr/> | |
| Total comprehensive income for the financial year | | 3,823 | 353 |
| | | <hr/> | |
| | | Cents | Cents |
| Earnings per share | 10 | | |
| Basic | | 7.72 | 0.64 |
| Diluted | | 7.72 | 0.64 |
| | | <hr/> | |

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

HOR KEW CORPORATION LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENTS OF FINANCIAL POSITION At 31 December 2021

| | Note | Group | | Company | |
|--|------|----------------|----------------|----------------|----------------|
| | | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 11 | 39,129 | 42,997 | 10 | 59 |
| Investment properties | 12 | 40,681 | 40,125 | – | – |
| Investment in subsidiary companies | 13 | – | – | 59,185 | 48,383 |
| Trade receivables | 14 | 7,213 | 6,105 | – | – |
| Insurance asset | 15 | 564 | – | – | – |
| Deferred tax assets | 16 | 426 | – | – | – |
| Total non-current assets | | 88,013 | 89,227 | 59,195 | 48,442 |
| Current assets | | | | | |
| Development properties | 17 | 18,652 | 18,934 | – | – |
| Inventories | 18 | 9,231 | 9,448 | – | – |
| Trade receivables | 14 | 13,232 | 15,456 | – | – |
| Other receivables | 19 | 1,008 | 1,355 | 21,196 | 11,660 |
| Loan to a third party | 20 | – | 931 | – | – |
| Contract assets | 21 | 986 | 263 | 1,597 | 1,367 |
| Financial assets at fair value through other comprehensive income | 22 | 11 | 18 | 10 | 16 |
| Cash and cash equivalents | 23 | 25,808 | 29,398 | 134 | 4 |
| Total current assets | | 68,928 | 75,803 | 22,937 | 13,047 |
| Total assets | | 156,941 | 165,030 | 82,132 | 61,489 |
| Non-current liabilities | | | | | |
| Borrowings | 24 | 33,727 | 8,435 | – | – |
| Deferred tax liabilities | 16 | 2,003 | 2,161 | – | – |
| Total non-current liabilities | | 35,730 | 10,596 | – | – |
| Current liabilities | | | | | |
| Trade payables | 25 | 20,246 | 22,587 | – | – |
| Other payables | 26 | 4,226 | 3,933 | 38,145 | 37,046 |
| Contract liabilities | 21 | 406 | 1,942 | – | – |
| Borrowings | 24 | 31,197 | 64,852 | 6 | 30 |
| Provisions | 27 | 132 | 73 | – | – |
| Derivative financial instruments | 28 | – | 383 | – | – |
| Tax payables | | 730 | 213 | 68 | 68 |
| Total current liabilities | | 56,937 | 93,983 | 38,219 | 37,144 |
| Total liabilities | | 92,667 | 104,579 | 38,219 | 37,144 |
| Net assets | | 64,274 | 60,451 | 43,913 | 24,345 |
| Equity | | | | | |
| Share capital | 29 | 68,323 | 68,323 | 68,323 | 68,323 |
| Other reserves | 30 | (6,539) | (6,340) | (3) | 3 |
| Accumulated profits/(losses) | | 2,490 | (1,532) | (24,407) | (43,981) |
| Total equity | | 64,274 | 60,451 | 43,913 | 24,345 |

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

HOR KEW CORPORATION LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2021

| | Share capital \$'000 | Other reserves \$'000 | Accumulated (losses)/profits \$'000 | Total equity \$'000 |
|--|-------------------------------------|--------------------------------------|--|------------------------------------|
| Group | | | | |
| Balance at 1 January 2020 | 68,323 | (6,361) | (1,864) | 60,098 |
| Profit for the financial year | – | – | 332 | 332 |
| Other comprehensive income for the financial year, net of tax | | | | |
| - Currency translation differences arising from consolidation | – | 21 | – | 21 |
| Total comprehensive income for the financial year | – | 21 | 332 | 353 |
| Balance at 31 December 2020 | 68,323 | (6,340) | (1,532) | 60,451 |
| Profit for the financial year | – | – | 4,022 | 4,022 |
| Other comprehensive loss for the financial year, net of tax | | | | |
| - Currency translation differences arising from consolidation | – | (192) | – | (192) |
| - Fair value loss on financial assets at fair value through other comprehensive income | – | (7) | – | (7) |
| Total comprehensive (loss)/income for the financial year | – | (199) | 4,022 | 3,823 |
| Balance at 31 December 2021 | 68,323 | (6,539) | 2,490 | 64,274 |

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

HOR KEW CORPORATION LIMITED AND ITS SUBSIDIARY COMPANIES

STATEMENT OF CHANGES IN EQUITY
For the financial year ended 31 December 2021

| | Share capital \$'000 | Other reserves \$'000 | Accumulated losses \$'000 | Total equity \$'000 |
|--|-------------------------------------|--------------------------------------|--|------------------------------------|
| Company | | | | |
| Balance at 1 January 2020 | 68,323 | 3 | (43,741) | 24,585 |
| Loss and total comprehensive loss for the financial year | – | – | (240) | (240) |
| Balance at 31 December 2020 | 68,323 | 3 | (43,981) | 24,345 |
| Profit for the financial year | – | – | 19,574 | 19,574 |
| Other comprehensive loss for the financial year, net of tax | | | | |
| - Fair value loss on financial assets at fair value through other comprehensive income | – | (6) | – | (6) |
| Total comprehensive (loss)/income for the financial year | – | (6) | 19,574 | 19,568 |
| Balance at 31 December 2021 | 68,323 | (3) | (24,407) | 43,913 |

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

HOR KEW CORPORATION LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CASH FLOWS
For the financial year ended 31 December 2021

| | Group | |
|--|----------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Profit before tax | 3,961 | 373 |
| Adjustments for: | | |
| Depreciation of property, plant and equipment | 6,458 | 5,591 |
| Fair value (gain)/loss on derivative financial instruments | (17) | 108 |
| Fair value gain on investment properties | (556) | (136) |
| Amortisation of prepaid insurance premiums | 1 | – |
| Fair value gain on insurance asset | (6) | – |
| Gain on disposal of property, plant and equipment | (101) | (61) |
| Interest expense | 1,007 | 1,772 |
| Interest income | (147) | (230) |
| Unrealised loss/(gain) on foreign exchange | 556 | (1,666) |
| | <hr/> | <hr/> |
| Operating cash flows before working capital changes | 11,156 | 5,751 |
| Changes in operating assets and liabilities: | | |
| Inventories | 277 | (449) |
| Receivables | 1,466 | 6,837 |
| Contract assets | (723) | (69) |
| Contract liabilities | (1,536) | (1,875) |
| Payables | (1,988) | (6,172) |
| Currency translation adjustments | 16 | (6) |
| | <hr/> | <hr/> |
| Cash generated from operations | 8,668 | 4,017 |
| Income tax (paid)/refunded | (4) | 7 |
| | <hr/> | <hr/> |
| Net cash generated from operating activities | 8,664 | 4,024 |
| | <hr/> | <hr/> |
| Cash flows from investing activities | | |
| Proceeds from disposal of property, plant and equipment | 186 | 75 |
| Payment for settlement of derivative financial instruments | (366) | – |
| Purchases of property, plant and equipment (Note A) | (2,518) | (3,321) |
| Repayment of loan from a third party | 931 | 387 |
| | <hr/> | <hr/> |
| Net cash used in investing activities | (1,767) | (2,859) |
| | <hr/> | <hr/> |

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

HOR KEW CORPORATION LIMITED AND ITS SUBSIDIARY COMPANIES

CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)
For the financial year ended 31 December 2021

| | Group | |
|---|----------------|--------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Cash flows from financing activities | | |
| Drawdown of borrowings | 5,544 | 4,530 |
| Interest paid | (918) | (1,687) |
| Interest paid on lease liabilities | (89) | (83) |
| Repayment of borrowings | (14,960) | (4,252) |
| Uplift in fixed deposits pledged | 6,700 | 1,030 |
| | <hr/> | <hr/> |
| Net cash used in financing activities | (3,723) | (462) |
| | <hr/> | <hr/> |
| Net increase in cash and cash equivalents | 3,174 | 703 |
| Cash and cash equivalents at beginning of financial year | 2,703 | 1,998 |
| Effects of exchange rate changes on cash and cash equivalents | (43) | 2 |
| | <hr/> | <hr/> |
| Cash and cash equivalents at end of financial year | 5,834 | 2,703 |
| | <hr/> | <hr/> |
| Cash and cash equivalents are represented by: | | |
| Cash and cash equivalents on the consolidated statement of financial position (Note 23) | 25,808 | 29,398 |
| Fixed deposits pledged (Note 23) | (19,974) | (26,695) |
| | <hr/> | <hr/> |
| Cash and cash equivalents per consolidated statement of cash flows | 5,834 | 2,703 |
| | <hr/> | <hr/> |
| <u>Note A - Purchases of property, plant and equipment (“PPE”)</u> | | |
| Aggregate cost of PPE acquired (Note 11) | 2,948 | 5,675 |
| Less: Additions to right-of-use assets | (430) | (2,354) |
| | <hr/> | <hr/> |
| Net cash outflow for purchases of PPE | 2,518 | 3,321 |
| | <hr/> | <hr/> |

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

HOR KEW CORPORATION LIMITED AND ITS SUBSIDIARY COMPANIES

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 Corporate information

Hor Kew Corporation Limited (the “Company”) (Co. Reg. No. 199903415K) is domiciled and incorporated in Singapore as a private limited liability company on 18 June 1999. It was converted to a public company on 29 March 2000 and is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 66 Kallang Pudding Road, #07-01 Hor Kew Business Centre, Singapore 349324.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiary companies are disclosed in Note 4. There have been no significant changes in the nature of these activities during the financial year.

2 Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollar (“\$”) (rounded to the nearest thousand (\$’000) except when otherwise indicated), and have been prepared in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International) (“SFRS(I”). The financial statements have been prepared under the historical cost convention except as disclosed in the following accounting policies.

The preparation of financial statements in conformity with SFRS(I) requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management’s best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

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.

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and current borrowings approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

2 Summary of significant accounting policies (cont'd)

2.1 Basis of preparation (cont'd)

New and revised standards that are adopted

In the current financial year, the Group has adopted all the new and revised SFRS(I) and SFRS(I) Interpretations (“SFRS(I) INT”) that are relevant to its operations and effective for the current financial year.

The adoption of these new and revised SFRS(I) and SFRS(I) INT did not have any material effect on the financial performance or position of the Group.

New and revised standards not yet effective

New standards, amendments to standards and interpretations that have been issued at the end of the reporting period but are not yet effective for the financial year ended 31 December 2021 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group.

2.2 Foreign currencies

Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which that entity operates (the “functional currency”). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollar, which is the Company’s functional and presentation currency.

Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Currency translation gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss, except for currency translation differences on net investment in foreign operations and borrowings and other currency instruments qualifying as net investment hedges for foreign operations, which are recognised in other comprehensive income and accumulated in the currency translation reserve within equity in the consolidated financial statements. The currency translation reserve is reclassified from equity to profit or loss on disposal of the foreign operation.

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

2 Summary of significant accounting policies (cont'd)

2.2 Foreign currencies (cont'd)

Translation of Group entities' financial statements

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

- (i) Assets and liabilities are translated at the closing rates at the end of the reporting period;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- (iii) All resulting exchange differences are recognised in other comprehensive income and accumulated in the currency translation reserve within equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations (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 the currency translation reserve within equity.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

On disposal of a foreign operation/entity, the cumulative amount of the currency translation reserve relating to that particular foreign operation/entity is reclassified from equity and recognised in profit or loss when the gain or loss on disposal is recognised.

2.3 Subsidiary companies

Subsidiary companies are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's statement of financial position, investment in subsidiary companies are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiary companies at the end of the reporting period. Subsidiary companies are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

The financial statements of the subsidiary companies are prepared for the same reporting date as the parent company. Consistent accounting policies are applied for like transactions and events in similar circumstances.

Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognised in assets, such as inventory and property, plant and equipment, are eliminated in full.

2 Summary of significant accounting policies (cont'd)

2.4 Basis of consolidation (cont'd)

Business combinations are accounted for using the acquisition method. The consideration transferred for the acquisition comprises the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes the fair value of any contingent consideration arrangement and the fair value of any pre-existing equity interest in the subsidiary company. Acquisition-related costs are recognised as expenses as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Any excess of the fair value of the consideration transferred in the business combination, the amount of any non-controlling interest in the acquiree (if any) and the fair value of the Group's previously held equity interest in the acquiree (if any), over the fair value of the net identifiable assets acquired is recorded as goodwill. In instances where the latter amount exceeds the former and the measurement of all amounts has been reviewed, the excess is recognised as gain on bargain purchase in profit or loss on the date of acquisition.

Non-controlling interests are that part of the net results of operations and of net assets of a subsidiary company attributable to the interests which are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and statement of financial position. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary company, even if this results in the non-controlling interests having a deficit balance.

For non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation, the Group elects on an acquisition-by-acquisition basis whether to measure them at fair value, or at the non-controlling interests' proportionate share of the acquiree's net identifiable assets, at the acquisition date. All other non-controlling interests are measured at acquisition-date fair value or, when applicable, on the basis specified in another standard.

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Changes in the Company's ownership interest in subsidiary company that do not result in a loss of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The carrying amount of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributable to the equity holders of the Company.

When a change in the Company's ownership interest in subsidiary company results in a loss of control over the subsidiary company, the assets and liabilities of the subsidiary company including any goodwill, non-controlling interest and other components of equity related to the subsidiary company are derecognised. Amounts recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to accumulated profits if required by a specific SFRS(I).

Any retained equity interest in the previous subsidiary company is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

2 Summary of significant accounting policies (cont'd)

2.5 Property, plant and equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land are stated at cost less any accumulated impairment losses while freehold properties and leasehold land and buildings are stated at deemed costs, upon election of the optional exemption in SFRS(I) in 2017, less accumulated depreciation and any accumulated impairment losses.

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

Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised.

On disposal of a property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to profit or loss.

Depreciation

No depreciation is provided on freehold land.

Leasehold land and buildings are amortised evenly over the terms of the leases, expire at various dates in 2022 and 2027.

Depreciation is calculated on a straight-line basis to write off the cost or revalued amount of other property, plant and equipment over their expected useful lives. The estimated useful lives are as follows:

| | Years |
|---|--------------------------------|
| Freehold properties | 50 |
| Leased factory premises | over the lease term of 3 years |
| Plant and machinery and factory equipment | 3 to 12 |
| Motor vehicles | 3 to 8 |
| Office equipment, furniture and fittings | 1 to 10 |
| Renovation | 5 |
| Moulds | 1 to 5 |

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated assets are retained in the financial statements until they are no longer in use.

2 Summary of significant accounting policies (cont'd)

2.6 Investment properties

Investment properties include those portions of properties that are held to earn rental income and/or for capital appreciation or for a currently indeterminate use. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised as addition and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvement is charged to profit or loss when incurred.

Transfers are made to or from investment property only when there is a change in use. When transfer is made between investment property and development property, its carrying amount at the date of transfer becomes its carrying amount for subsequent accounting.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.7 Impairment of non-financial assets excluding goodwill

At the end of each reporting period, the Group assesses the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

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.

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 previously recognised impairment loss for an asset other than goodwill is only reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. A reversal of an impairment loss is recognised immediately in profit or loss.

2 Summary of significant accounting policies (cont'd)

2.8 Development properties

Development properties are properties held or developed for sale in the ordinary course of business. Development properties are measured at the lower of cost and net realisable value. The costs are assigned by using specific identification which includes acquisition costs, development expenditure, capitalised borrowing costs and other costs directly attributable to the development activities. Net realisable value represents the estimated selling price less cost to complete and costs to be incurred in selling the property.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Raw materials are stated at cost on a weighted average basis. The cost of finished goods and work-in-progress includes raw materials, direct labour, other direct costs and related production overheads based on normal operating capacity but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

2.10 Financial assets

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets. The Group classifies its financial assets in the following measurement categories:

- Amortised cost;
- Fair value through other comprehensive income ("FVOCI"); and
- Fair value through profit or loss ("FVTPL").

The classification is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets.

The Group reclassifies financial assets when and only when its business model for managing those assets changes.

2 Summary of significant accounting policies (cont'd)

2.10 Financial assets (cont'd)

Subsequent measurement

i) Debt instruments

Debt instruments include cash and cash equivalents, loan to a third party, trade receivables and other receivables (excluding prepayments and JSS grant receivable).

The Group measures financial assets at amortised cost if both of the following conditions are met:

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

Financial assets at amortised cost are subsequently measured using the effective interest rate (“EIR”) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

ii) Insurance asset

Insurance asset comprises of prepaid insurance premiums for protection cover and financial assets at FVTPL. The financial assets at FVTPL is valued at fair value and gain and losses arising from changes in fair values and impairment losses are recognised in profit or loss.

iii) Equity instruments

For equity investments which are not held for trading or not a contingent consideration recognised by an acquirer in a business combination, the Group may make an irrevocable election (on an investment by investment basis) to designate equity investments as at FVOCI.

The Group has designated all of its equity investments that are not held for trading as at FVOCI at initial recognition. Gains and losses arising from changes in fair value of these equity investments classified as FVOCI are presented as “fair value gains/losses” in other comprehensive income and accumulated in fair value reserve and will never be reclassified to profit or loss. On disposal of an equity investment, the difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income. Fair value reserve relating to the disposed asset would be transferred to retained earnings upon disposal. Dividends from equity investments are recognised in profit or loss and presented in “other income”. Equity investments classified as FVOCI are not subject to impairment assessment.

2 Summary of significant accounting policies (cont'd)

2.10 Financial assets (cont'd)

Impairment

The Group recognises an allowance for expected credit losses (“ECLs”) for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the debtors and the economic environment.

If the Group has measured the loss allowance for a financial asset 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 assets with a corresponding adjustment to their carrying amount through a loss allowance account.

2.11 Cash and cash equivalents in the consolidated statement of cash flows

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand, deposits with financial institutions which are subject to an insignificant risk of change in value, bank overdrafts that form an integral part of the Group’s cash management, other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value and excludes pledged fixed deposits.

2.12 Financial liabilities

Financial liabilities include trade payables, other payables (excluding provision for unutilised annual leave), borrowings and derivative financial instruments.

Financial liabilities are recognised on the statement of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

Financial liabilities are recognised initially at fair value, plus, in the case of financial liabilities other than derivatives, directly attributable transaction costs.

Subsequent to initial recognition, financial liabilities at FVTPL are measured at fair value. Other financial liabilities are measured at amortised cost using the effective interest method.

2 Summary of significant accounting policies (cont'd)

2.12 Financial liabilities (cont'd)

For financial liabilities other than FVTPL, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process. Any gains or losses arising from changes in fair value of financial liabilities at FVTPL are recognised in profit or loss. Net gains or losses on financial liabilities at FVTPL include exchange differences. A financial liability is derecognised when the obligation under the liability is extinguished.

2.13 Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are initially recognised at their fair values.

Subsequent to initial measurement, the financial guarantees are measured at the higher of the amount initially recognised less cumulative amount of income recognised in accordance with the principles of SFRS(I) 15 *Revenue from Contracts with Customers* and the amount of expected loss computed using the impairment methodology under SFRS(I) 9 *Financial Instruments*.

2.14 Provisions for other liabilities

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past event, and it is probable that an outflow of economic resources will be required to settle that obligation and the amount can be estimated reliably. Provisions are measured at the management's best estimate of the expenditure required to settle the obligation at the end of the reporting period. Where the effect of the time value of money is material, the amount of the provision shall be discounted to present value using a pre-tax discount rate that reflects the current market assessment of the time value of money and risks specific to the obligation.

When discounting is used, the increase in the provision due to passage time is recognised as a finance cost in profit or loss.

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

2.15 Derivative financial instruments

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at the end of the subsequent reporting period. Changes in the fair value of derivative financial instruments that are not designated or do not qualify for hedge accounting are recognised in profit or loss as they arise.

2.16 Share capital

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2 Summary of significant accounting policies (cont'd)

2.17 Revenue recognition

Sale of precast and prefabricated components

The Group manufactures and supplies precast and prefabricated components to customers. The Group recognises revenue when (or as) a performance obligation is satisfied i.e. when “control” of the goods underlying the particular performance obligation is transferred to customers. A performance obligation represents a good (or a bundle of goods) that is distinct or a series of distinct goods that are substantially the same. The Group recognises revenue over time by measuring the progress towards complete satisfaction of performance obligations. The Group has determined that the output method based on units delivered reflects the over-time transfer of control to customers and when the Group has the right to consideration from the customers. The amount of revenue recognised is based on the contractual price. The Group will progressively bills its customer in accordance with the billing terms in the sales contracts. No element of financing is deemed present.

Contract assets relate to the Group’s rights to consideration for work completed but not billed at the reporting date. Contract liabilities relate to advance consideration received from customers and billings in excess of revenue recognised to-date. Contract liabilities are recognised as revenue as and when the Group satisfies the performance obligations under its contracts.

Where a retention sum is withheld by the customer in accordance with the contract or the industry practices, it is classified as receivables as the retention sum provides the customer with assurance that the related product sold will function as intended because it complies with agreed-upon specifications.

Management fee

Management fee income is recognised when services are rendered. A contract asset is recognised when the Company has performed under the contract but has not yet billed the customer. Contract assets are transferred to receivables when the right to consideration become unconditional.

Rental income

Lease payments from operating leases are recognised on a straight-line basis over the lease term.

Interest income

Interest income is recognised using the effective interest method.

2.18 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

When the Group entity is the lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases (i.e. for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets (e.g. leases of tablet and personal computers, small items of office equipment and telephones). For these exempted 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.

2 Summary of significant accounting policies (cont'd)

2.18 Leases

When the Group entity is the lessee (cont'd)

Lease liabilities

The lease liabilities are 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 its incremental borrowing rate.

Lease payments included in the measurement of the lease liabilities comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liabilities are presented within “borrowings” in the statements of financial position.

The lease liabilities are subsequently measured by increasing the carrying amount to reflect interest on the lease liabilities using the effective interest method, and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liabilities (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct cost, less any lease incentive received.

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 *Provisions, Contingent Liabilities and Contingent Assets*. To the extent that the cost relates 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 subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful life of the underlying asset. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The depreciation starts at the commencement date of the lease.

The right-of use assets (except for those which meets the definition of an investment property) are presented within “property, plant and equipment” in the statements of financial position. Right-of-use asset which meets the definition of an investment property are presented within “investment properties” and accounted in accordance with Note 2.6. The Group applies SFRS(I) 1-36 *Impairment of Assets* to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2.7.

2 Summary of significant accounting policies (cont'd)

2.18 Leases (cont'd)

When the Group entity is the 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 sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct cost 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.

2.19 Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

When the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate.

2.20 Employee benefits

Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund in Singapore, and will have no legal or constructive obligation to pay further contributions once the contributions have been paid. Contributions to defined contribution plans are recognised as an expense in the period in which the related service is performed.

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.

2.21 Borrowing costs

Borrowing costs, which comprise interest and other costs incurred in connection with the borrowing of funds, are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are recognised in profit or loss using the effective interest method.

2 Summary of significant accounting policies (cont'd)

2.22 Income taxes

Income tax on the profit or loss for the year comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that they relate to items recognised outside profit or loss, either in other comprehensive income or directly in equity in which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively).

Current tax is the expected tax payable or recoverable on the taxable income for the current year, using tax rates enacted or substantively enacted at the end of the reporting period, and any adjustment to tax payable or recoverable in respect of previous years. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided using the liability method, on all temporary differences at the end of the reporting period arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except where the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination, and at the time of the transaction, affects neither the accounting nor taxable profit or loss.

Deferred income tax is provided on temporary differences arising on investment in subsidiary companies, except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on currently enacted or substantively enacted tax rates at the end of the reporting period.

Deferred income tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amounts of its assets and liabilities except for investment properties. Investment property measured at fair value is presumed to be recovered entirely through sale.

2.23 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incurs expenses, including revenues and expenses that relate to transactions with other components of the Group. Operating segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker for making decisions about allocating resources and assessing performance of the operating segments.

3 Critical accounting judgement and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future.

Critical judgement in applying the Group's accounting policies

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgement that has the most significant effect on the amounts recognised in the financial statements (apart from those involving estimations):

Determining the lease term

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For the leases of leasehold land and factory premises, the following factors are considered to be most relevant:

- If any leasehold improvements are expected to have a significant remaining value, the Group typically includes the extension option in lease liabilities; and
- Otherwise, the Group considers other factors including its historical lease periods and the costs and business disruption required to replace the leased asset.

The assessment of reasonable certainty to exercise extension options is only revised if a significant change in circumstances occurs which affects this assessment, and that is within the control of the lessee.

Key sources of estimation uncertainty

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

Calculation of loss allowance

When measuring ECL, the Group and Company use reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions with consideration on the impact of COVID-19 pandemic and how these conditions will affect the Group's ECL assessment. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions including the impact arising from COVID-19 pandemic.

The Group uses a provision matrix to calculate ECL for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

3 Critical accounting judgement and key sources of estimation uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

Calculation of loss allowance (cont'd)

The Group determined the ECL of trade receivables and contract assets by using a provision matrix that is based on its historical observed default rates. The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience, adjusted as appropriate to reflect current conditions and forecasts of future economic conditions.

As the calculation of loss allowance on trade receivables, other receivables and contract assets is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of receivables. Details of ECL measurement and carrying amounts of trade receivables, loan to a third party, contract assets, other receivables and amounts due from subsidiary companies at the end of the reporting period are disclosed in Notes 35, 14, 20, 21 and 19 respectively.

Useful lives of property, plant and equipment

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives, after taking into account their estimated residual values.

The Group reviews the useful lives and residual values of property, plant and equipment at the end of each reporting period in accordance with the accounting policy in Note 2.5. The estimation of the useful lives and residual values involves assumptions concerning the future and estimations of the assets common life expectancies and expected level of usage. Any changes in the expected useful lives of these assets would affect the carrying amount of property, plant and equipment, and the depreciation charge for the financial year.

The carrying amounts of the Group's and the Company's property, plant and equipment at the end of the reporting period and the depreciation charge for the financial year are disclosed in Note 11.

Allowance for inventories

Management determines whether an allowance is required for any shortfall in net realisable value of inventories by reviewing the inventory listing on a periodic basis. The review involves a comparison of the carrying value of the inventory items with the respective net realisable value as well as the forecasted demand for the inventories. Following the review, management sets up the necessary allowance for any shortfall in the net realisable value of the inventories.

The carrying amounts of the Group's inventories at the end of the reporting period and the amount of inventories written down for the financial year are disclosed in Note 18.

Impairment of investment in subsidiary companies

Management assesses impairment of investment in subsidiary companies whenever events or changes in circumstances indicate that the carrying amount of the investment may not be recoverable or indicate that the recoverable amount of the investment may be higher than the carrying amount. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and value in use) of the investment is estimated to determine the impairment loss or write-back of impairment. Fair value less cost to sell calculation is based on observable market prices or market valuations less incremental costs for disposing asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the investment or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

The carrying amount of the Company's investment in subsidiary companies at the end of the reporting period and impairment losses for the financial year are disclosed in Note 13.

3 Critical accounting judgement and key sources of estimation uncertainty (cont'd)

Key sources of estimation uncertainty (cont'd)

Deferred income tax assets

The Group recognises deferred income tax assets on deductible temporary differences to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the deductible temporary differences can be utilised and that the Group is able to satisfy the continuing ownership test.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits and/or taxable temporary differences. The unrecognised potential deferred tax assets of the Group and the carrying amounts of the Group's deferred assets and liabilities at the end of the reporting period are disclosed in Note 16.

4 Group entities

The subsidiary companies at 31 December are:

| Name of entity (Country of incorporation/ place of business) | Principal activities | Ownership interest | |
|---|---|-----------------------|-----------|
| | | 2021 % | 2020 % |
| Subsidiary companies held by the Company | | | |
| Hor Kew Private Limited (Singapore) | Investment holding | 100 | 100 |
| Hor Kew Land Pte Ltd (Singapore) | Dormant | 100 | 100 |
| Park Vale Design & Development Pte Ltd (Singapore) ⁽¹⁾ | Dormant | 100 | 100 |
| Prefab Technology Pte Ltd (Singapore) | Design, manufacture and sale of prestressed and precast reinforced concrete building components | 100 | 100 |
| Prefab Technology 3 Pte Ltd (Singapore) | Design, manufacture and sale of prefabricated architectural metal components | 100 | 100 |
| Prefab Technology 8 Pte Ltd (Singapore) ⁽¹⁾ | Rental of machinery | 100 | 100 |
| GPX Land Sdn. Bhd. (Malaysia) ⁽²⁾ | Dormant | 99 | 99 |
| ABX Land Sdn. Bhd. (Malaysia) ⁽²⁾ | Property investment and development | 100 | 100 |
| Prefab Technology Sdn. Bhd. (Malaysia) ⁽³⁾ | Design, manufacture and sale of precast concrete building components | 100 | 100 |

4 Group entities (cont'd)

The subsidiary companies at 31 December are (cont'd):

| Name of entity (Country of incorporation/ place of business) | Principal activities | Ownership interest | |
|--|---|-----------------------|-----------|
| | | 2021 % | 2020 % |
| Subsidiary companies held by the Company (cont'd) | | | |
| Prefab Metal Sdn. Bhd. (Malaysia) ⁽³⁾ | Design, manufacture and sale of prefabricated metal components | 100 | 100 |
| Subsidiary company held by Hor Kew Private Limited | | | |
| Oxley Lights Pte Ltd (Singapore) | Investment holding | 100 | 100 |
| Subsidiary company held by Oxley Lights Pte Ltd | | | |
| Oxley Lights Development Pte Ltd (Singapore) | Property investment and development | 100 | 100 |

All the companies are audited by Baker Tilly TFW LLP, Singapore except for the following:

- (1) Audited by T S Choo & Co, Singapore
- (2) Audited by Baker Tilly Malaysia, independent member firm of Baker Tilly International in Malaysia
- (3) Audited by Tee & Partners, Malaysia

In accordance to Rule 716 of the Singapore Exchange Securities Trading Limited Listing Manual, the Board of Directors of the Company and Audit Committee confirmed that they are satisfied that the appointment of different auditing firms for its subsidiary companies would not compromise the standard and effectiveness of the audit of the Group.

5 Revenue

The following table provides a disaggregation disclosure of the Group's revenue by primary geographical market, major product line and timing of revenue recognition.

| | 2021 \$'000 | 2020 \$'000 |
|--------------------------------------|----------------|----------------|
| <i>Primary geographical market</i> | | |
| Singapore | 56,813 | 49,710 |
| <i>Major product line</i> | | |
| Precast concrete building components | 39,933 | 38,273 |
| Prefabricated metal components | 16,880 | 11,437 |
| | 56,813 | 49,710 |
| <i>Timing of revenue recognition</i> | | |
| Over time | 56,813 | 49,710 |

5 Revenue (cont'd)

The Group applies the practical expedient in SFRS(I) 15 and does not disclose information about its remaining performance obligation if:

- The performance obligation is part of a contract that has an original expected duration of one year or less; or
- The Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, and it recognises revenue in that amount.

6 Other income

| | Group | |
|---|---------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Fair value gain on investment properties (Note 12) | 556 | 136 |
| Fair value gain on derivative financial instruments (Note 28) | 17 | – |
| Gain on disposal of property, plant and equipment | 101 | 61 |
| Gain on foreign exchange | – | 1,630 |
| Fair value gain on insurance asset (Note 15) | 6 | – |
| Government grant income | 968 | 1,978 |
| Rental income from: | | |
| - investment properties (Note 12) | 996 | 1,012 |
| - subleasing right-of-use assets | 144 | 6 |
| - others | 10 | 3 |
| Sales of scrap materials | 533 | 269 |
| Sundry income | 657 | 923 |
| | 3,988 | 6,018 |

Government grant income of \$352,000 (2020: \$788,000) was recognised during the financial year under the Jobs Support Scheme (the “JSS”). Under the JSS, the Singapore Government will co-fund gross monthly wages paid to each local employee through cash subsidies with the objective of helping employers retain local employees. The JSS is a temporary scheme introduced in the Singapore budget 2020 and had been extended up to 2021 by the Government.

Government grant income of \$465,000 (2020: \$870,000) relates to foreign worker levy rebates received from the Singapore Government to support businesses employing foreign workers on work permits and S-passes that had to suspend operations during the circuit breaker period. The foreign worker levy rebates scheme had also been extended up to 2022 by the Government.

During the financial year ended 31 December 2020, the Group had recognised government grant income of \$101,000 in relation to property tax rebates and cash grants received from the Singapore Government to help businesses deal with the impact from COVID-19 pandemic. For the property tax rebates, the Group is obliged to pass on the benefits to its tenants and has transferred these to the tenants in form of rent rebates during the financial year. For the cash grant, the Group is obliged to waive up to two months rental to eligible tenants.

7 Finance costs

| | Group | |
|-------------------------------------|---------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Interest expense on: | | |
| - bank overdrafts | – | 2 |
| - bills payables and trust receipts | 70 | 120 |
| - fixed advance facility | 117 | 123 |
| - lease liabilities | 89 | 83 |
| - term loans | 731 | 1,444 |
| | 1,007 | 1,772 |

8 Profit before tax

| | Group | |
|---|---------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Profit before tax is arrived at after charging/(crediting): | | |
| Amortisation of prepaid insurance premiums (Note 15) | 1 | – |
| Auditors' remuneration paid/payable to: | | |
| - auditor of the Company | 120 | 120 |
| - other auditors of the Group* | 27 | 26 |
| Depreciation of property, plant and equipment (Note 11) | 6,458 | 5,591 |
| Directors' fees: | | |
| - directors of the Company | 88 | 88 |
| - director of a subsidiary company | 7 | 6 |
| Fair value loss on derivative financial instruments (Note 28) | – | 108 |
| Fees for non-audit services paid to: | | |
| - auditor of the Company | – | – |
| - other auditors of the Group | – | – |
| Government grant expense** | – | 87 |
| Net impairment loss on trade receivables | 2,862 | 5,904 |
| Inventories written down (Note 18) | 394 | 367 |
| Loss on foreign exchange | 581 | – |
| Rental expense | 375 | 81 |
| Reversal of inventories written down (Note 18) | – | (4) |
| Staff costs*** | 8,884 | 8,739 |

* Includes independent member firm of the Baker Tilly International network.

** Government grant expense relates to the property tax rebates and cash grants received from the Singapore Government that were transferred to tenants in the form of rent rebates during the financial year and rental waivers provided to eligible tenants as part of the qualifying conditions of the cash grant.

| | Group | |
|--|---------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| *** Staff costs | | |
| Short-term employee benefits | 8,643 | 8,499 |
| Contribution to defined contribution plans | 241 | 240 |
| Total staff costs | 8,884 | 8,739 |

9 Tax (credit)/expense

| | Group | |
|--|---------------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Income tax: | | |
| - current year | 501 | (8) |
| - under provision in respect of prior years | 22 | 201 |
| | 523 | 193 |
| Deferred income tax: | | |
| - current year (Note 16) | (158) | (152) |
| - recognition of deferred taxation in respect of prior years (Note 16) | (426) | – |
| | (584) | (152) |
| | (61) | 41 |

The income tax (credit)/expense on the results of the financial year differs from the amount of income tax determined by applying the domestic rates applicable to profit in the countries where the Group operates due to the following factors:

| | Group | |
|--|----------------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Profit before tax | 3,961 | 373 |
| Tax at the domestic rates applicable to profit in the countries where the Group operates | 744 | 115 |
| Expenses not deductible for tax purposes | 946 | 597 |
| Income not subject to tax | (181) | (537) |
| Singapore statutory stepped income exemption | (27) | – |
| Deferred tax assets not recognised | 279 | 160 |
| Utilisation of deferred tax assets not recognised previously | (1,408) | (495) |
| Under provision of taxation in respect of prior years | 22 | 201 |
| Recognition of deferred taxation in respect of prior years | (426) | – |
| Others | (10) | – |
| | (61) | 41 |

The above tax reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The statutory income tax rate applicable is 17% (2020: 17%) for companies incorporated in Singapore and 24% (2020: 24%) for companies incorporated in Malaysia.

10 Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following:

| | Group | |
|---|---------------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Profit for the financial year attributable to equity holders of the Company | 4,022 | 332 |
| | '000 | '000 |
| Weighted average number of ordinary shares in issue | | |
| - Basic weighted average | 52,067 | 52,067 |
| - Fully diluted weighted average | 52,067 | 52,067 |

Basic earnings per share is calculated based on the Group's profit for the financial year attributable to equity holders of the Company divided by the weighted average number of ordinary shares in issue during the financial year.

The diluted earnings per share is the same as the basic earnings per share as there is no dilutive share outstanding during the relevant period.

Earnings per share of the Group for the current year reported on and the immediately preceding financial year are as follows:

| | Group | |
|----------------------------|--------------|-------|
| | 2021 | 2020 |
| | Cents | Cents |
| Basic earnings per share | 7.72 | 0.64 |
| Diluted earnings per share | 7.72 | 0.64 |

11 Property, plant and equipment

| | Freehold properties \$'000 | Leasehold land and buildings \$'000 | Leased factory premises \$'000 | Plant and machinery and factory equipment \$'000 | Motor vehicles \$'000 | Office equipment, furniture and fittings \$'000 | Renovation \$'000 | Moulds \$'000 | Total \$'000 |
|--|-------------------------------|--|-----------------------------------|---|--------------------------|--|----------------------|------------------|-----------------|
| Group - 2021 | | | | | | | | | |
| Cost | | | | | | | | | |
| At 1 January 2021 | 29,640 | 17,188 | 2,011 | 10,256 | 2,420 | 2,438 | 823 | 8,809 | 73,585 |
| Additions | 82 | 430 | – | 28 | – | 59 | 30 | 2,319 | 2,948 |
| Currency translation differences | (195) | (22) | – | (66) | (4) | (3) | (1) | (95) | (386) |
| Disposals | – | – | – | – | – | – | – | (1,080) | (1,080) |
| At 31 December 2021 | 29,527 | 17,596 | 2,011 | 10,218 | 2,416 | 2,494 | 852 | 9,953 | 75,067 |
| Accumulated impairment loss | | | | | | | | | |
| At 1 January 2021 and 31 December 2021 | 824 | 65 | – | – | – | – | – | – | 889 |
| Accumulated depreciation | | | | | | | | | |
| At 1 January 2021 | 1,613 | 8,381 | 380 | 7,217 | 1,919 | 2,329 | 821 | 7,039 | 29,699 |
| Depreciation charge | 442 | 1,516 | 652 | 620 | 251 | 47 | 1 | 2,929 | 6,458 |
| Currency translation differences | (57) | 39 | – | (17) | (3) | 1 | (1) | (75) | (113) |
| Disposals | – | – | – | – | – | – | – | (995) | (995) |
| At 31 December 2021 | 1,998 | 9,936 | 1,032 | 7,820 | 2,167 | 2,377 | 821 | 8,898 | 35,049 |
| Net carrying amount | | | | | | | | | |
| At 31 December 2021 | 26,705 | 7,595 | 979 | 2,398 | 249 | 117 | 31 | 1,055 | 39,129 |

11 Property, plant and equipment (cont'd)

| | Freehold properties \$'000 | Leasehold land and buildings \$'000 | Leased factory premises \$'000 | Plant and machinery and factory equipment \$'000 | Motor vehicles \$'000 | Office equipment, furniture and fittings \$'000 | Renovation \$'000 | Moulds \$'000 | Total \$'000 |
|--|---------------------------------------|--|---|---|----------------------------------|--|------------------------------|--------------------------|-------------------------|
| Group - 2020 | | | | | | | | | |
| Cost | | | | | | | | | |
| At 1 January 2020 | 29,602 | 16,881 | – | 9,354 | 2,343 | 2,428 | 823 | 6,897 | 68,328 |
| Additions | 201 | 307 | 2,011 | 727 | 91 | 10 | – | 2,328 | 5,675 |
| Written off | – | – | – | – | – | – | – | (255) | (255) |
| Currency translation differences | 8 | – | – | 4 | – | – | – | 7 | 19 |
| Disposals | – | – | – | – | (14) | – | – | (168) | (182) |
| Reclassification | (171) | – | – | 171 | – | – | – | – | – |
| At 31 December 2020 | 29,640 | 17,188 | 2,011 | 10,256 | 2,420 | 2,438 | 823 | 8,809 | 73,585 |
| Accumulated impairment loss | | | | | | | | | |
| At 1 January 2020 and 31 December 2020 | 824 | 65 | – | – | – | – | – | – | 889 |
| Accumulated depreciation | | | | | | | | | |
| At 1 January 2020 | 1,169 | 6,779 | – | 6,586 | 1,608 | 2,263 | 817 | 5,301 | 24,523 |
| Depreciation charge | 443 | 1,602 | 380 | 629 | 313 | 66 | 4 | 2,154 | 5,591 |
| Written off | – | – | – | – | – | – | – | (255) | (255) |
| Currency translation differences | 1 | – | – | 2 | – | – | – | 5 | 8 |
| Disposals | – | – | – | – | (2) | – | – | (166) | (168) |
| At 31 December 2020 | 1,613 | 8,381 | 380 | 7,217 | 1,919 | 2,329 | 821 | 7,039 | 29,699 |
| Net carrying amount | | | | | | | | | |
| At 31 December 2020 | 27,203 | 8,742 | 1,631 | 3,039 | 501 | 109 | 2 | 1,770 | 42,997 |

11 Property, plant and equipment (cont'd)

(i) Freehold properties comprise the following:

a) Geran Mukim 99 Lot 388 in the Mukim of Senai (“Freehold Property I”)

The property erected on the freehold land at Geran Mukim 99 Lot 388 in the Mukim of Senai, District of Kulai, Johor Bahru, Malaysia is a single-storey detached factory with a double-storey office annex, a single-storey detached factory, a guard house, a pump house and a bin centre associated with concrete fabrication.

b) Geran Mukim 98 Lot 389 in the Mukim of Senai (“Freehold Property II”)

The property erected on the freehold land at Geran Mukim 98 Lot 389 in the Mukim of Senai, District of Kulai, Johor Bahru, Malaysia is a double-storey detached office cum guard house, a single-storey open-sided fabrication yard, one block of three-storey cabin, a power substation and a bin centre associated with concrete fabrication.

c) 66 Kallang Pudding Road (“Freehold Property III”)

The property erected on the freehold land at 66 Kallang Pudding Road, Singapore 349324 is an 8-storey multiple-user industrial complex with a 2-storey carpark.

Freehold Property III comprises a portion that is used as corporate office of the Group which are accounted for under property, plant and equipment, and another portion is held to earn rental income and/or for capital appreciation which are accounted for under investment properties (Note 12).

(ii) Leasehold land and buildings comprise the following:

a) 66 Sungei Kadut Street 1 (“Leasehold Property I”)

A precast fabrication factory with two 2-storey office buildings, a single storey factory building and a 2-storey factory building with a 4-storey extension which includes staff dormitories situated at 66 Sungei Kadut Street 1, Sungei Kadut Industrial Estate, Singapore 729367. The land lease was originally for 30 years starting from 16 January 1990. The lease was subsequently extended to 31 December 2022.

b) 99 Pioneer Road (“Leasehold Property II”)

A part single/part 3-storey Type ‘D8’ standard detached factory with mezzanine level and 2 open-sided sheds situated at 99 Pioneer Road, Jurong Industrial Estate, Singapore 639580. The land lease is for 30 years starting from 1 December 1997.

c) Geran Mukim 270 Lot 1265 and Geran Mukim 271 Lot 1266 in the Mukim of Senai (“Leasehold Property III”)

The property erected on the leasehold land at Geran Mukim 270 Lot 1265 and Geran Mukim 271 Lot 1266 in Mukim of Senai, District of Kulai, Johor Bahru, Malaysia is a single-storey open-sided fabrication yard with two container offices, one block of two-storey cabin hostel with toilet facilities, a guard house and a storeroom built of corrugated metal sheets. The land lease expires on 1 June 2024.

(iii) The net carrying amount of freehold properties and leasehold land and buildings amounting to \$22,561,000 (2020: \$23,060,000) and \$6,553,000 (2020: \$7,613,000) are mortgaged to banks to secure banking facilities of the Group (Note 24).

11 Property, plant and equipment (cont'd)

- (iv) At the end of the reporting period, the net carrying value of the Group's property, plant and equipment under right-of-use assets were \$9,201,000 (2020: \$11,246,000) (Note 32).
- (v) At the end of the reporting period, motor vehicles of the Group with net carrying value of \$39,000 (2020: \$165,000) are registered in the name of the directors and key management of the Group who held the motor vehicles in trust for the Group.

| | Office equipment, furniture and fittings \$'000 | Motor vehicles \$'000 | Renovation \$'000 | Total \$'000 |
|---|--|--------------------------------------|------------------------------|-------------------------|
| Company | | | | |
| 2021 | | | | |
| Cost | | | | |
| At 1 January 2021 and 31 December 2021 | 495 | 418 | 176 | 1,089 |
| Accumulated depreciation | | | | |
| At 1 January 2021 | 487 | 367 | 176 | 1,030 |
| Depreciation charge | 3 | 46 | – | 49 |
| At 31 December 2021 | 490 | 413 | 176 | 1,079 |
| Net carrying amount | | | | |
| At 31 December 2021 | 5 | 5 | – | 10 |
| 2020 | | | | |
| Cost | | | | |
| At 1 January 2020 | 493 | 418 | 176 | 1,087 |
| Additions | 2 | – | – | 2 |
| At 31 December 2020 | 495 | 418 | 176 | 1,089 |
| Accumulated depreciation | | | | |
| At 1 January 2020 | 484 | 283 | 176 | 943 |
| Depreciation charge | 3 | 84 | – | 87 |
| At 31 December 2020 | 487 | 367 | 176 | 1,030 |
| Net carrying amount | | | | |
| At 31 December 2020 | 8 | 51 | – | 59 |

- (i) At the end of the reporting period, the net carrying value of the Company's right-of-use assets is \$6,000 (2020: \$44,000) (Note 32).
- (ii) At the end of the reporting period, motor vehicles of the Company with net carrying value of \$6,000 (2020: \$51,000) are registered in the name of the director and key management of the Company who held the motor vehicles in trust for the Company.

12 Investment properties

| | Group | |
|--|---------------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| At 1 January | 40,125 | 39,989 |
| Fair value gain recognised in profit or loss | 556 | 136 |
| At 31 December | 40,681 | 40,125 |

The following amounts are recognised in profit or loss:

| | | |
|---|------------|-------|
| Fair value gain on investment properties | 556 | 136 |
| Rental income | 996 | 1,012 |
| Direct operating expenses arising from investment properties that generated rental income | 365 | 295 |

The investment properties held by the Group at the end of the reporting period are as follows:

| | | Group | |
|-------------------|--------------------|---------------|--------|
| | | 2021 | 2020 |
| | | \$'000 | \$'000 |
| Properties | Tenure | | |
| Property 1 | 70 years from 1993 | 1,219 | 1,163 |
| Property 2 | Freehold | 34,162 | 33,662 |
| Property 3 | Freehold | 5,300 | 5,300 |
| | | 40,681 | 40,125 |

Property 1

Property 1 comprises commercial office units located at 23B, 23C, 23G, 23H, 23J and 23K, Fuhua Complex of Quanzhou, The People's Republic of China. Property 1 units are leased out to non-related parties under cancellable operating leases.

At the end of the reporting period, the fair value of the Property 1 is determined based on the desktop valuation performed by a professional valuer. In valuing the portions of the property which are vacant, direct comparison method of valuation was adopted whereby comparisons based on actual sales or offerings of comparable properties have been made. Comparable properties with similar character, location, sizes and so on are analysed and carefully weighted against all respective advantages and disadvantages of the properties in order to arrive at a fair comparison of value. In respect of the portions of the property which are subject to existing tenancies, the income method of valuation was adopted whereby the net rental income derived from the existing tenancies are capitalised at appropriate term yields and due allowance has been made on the reversionary interests. This fair value measurement is categorised in the Level 3 of the fair value hierarchy.

Property 2

Property 2 comprises the portion of 8-storey multiple-user industrial complex with a 2-storey carpark located at 66 Kallang Pudding Road, Singapore 349324 which are held to earn rental income and/or for capital appreciation (Note 11(i)(c)). Property 2 is mortgaged to bank to secure banking facilities of the Group (Note 24).

12 Investment properties (cont'd)

Property 2 (cont'd)

At the end of the reporting period, the fair value of the Property 2 is determined based on the desktop valuation performed by a professional valuer using a direct comparison with recent transactions of comparable properties within the vicinity at the end of the reporting period. The valuer has taken into consideration the prevailing market conditions and has made due adjustments for differences between the property and the comparables in terms of locations, size, layout and other factors affecting its value. This fair value measurement is categorised in the Level 3 of the fair value hierarchy.

Property 3

Property 3 comprises 2 apartment units, #02-06 and #02-07 One Oxley Rise, Singapore 238714 which are held to earn rental income and/or for capital appreciation. Property 3 is mortgaged to bank to secure banking facilities of the Group (Note 24).

At the end of the reporting period, the fair value of the Property 3 is determined based on the desktop valuation performed by a professional valuer using a direct comparison with recent transactions of comparable properties within the vicinity at the end of the reporting period. The valuer has taken into consideration the prevailing market conditions and has made due adjustments for differences between the property and the comparables in terms of locations, size, layout and other factors affecting its value. This fair value measurement is categorised in the Level 3 of the fair value hierarchy.

The following table shows the significant unobservable inputs used in the valuation model:

| Description | Fair value \$'000 | Valuation technique | Significant unobservable input ⁽¹⁾ | Range |
|--------------------|------------------------------|--|---|-----------------------------|
| 2021 | | | | |
| Property 1 | 1,219 | Direct comparison method Income method | Price per square metre ⁽²⁾ Capitalisation rate ⁽³⁾ | \$1,300 to \$1,600 4.50% |
| Property 2 | 34,162 | Direct comparison method | Price per square metre ⁽²⁾ | \$19,200 to \$23,400 |
| Property 3 | 5,300 | Direct comparison method | Price per square metre ⁽²⁾ | \$19,400 to \$22,700 |
| 2020 | | | | |
| Property 1 | 1,163 | Direct comparison method Income method | Price per square metre ⁽²⁾ Capitalisation rate ⁽³⁾ | \$1,300 to \$1,600 4.50% |
| Property 2 | 33,662 | Direct comparison method | Price per square metre ⁽²⁾ | \$14,700 to \$24,300 |
| Property 3 | 5,300 | Direct comparison method | Price per square metre ⁽²⁾ | \$21,400 to \$22,000 |

12 Investment properties (cont'd)

The following table shows the significant unobservable inputs used in the valuation model (cont'd):

- (1) The significant unobservable input of the properties are yet to be adjusted for any differences in terms of locations, tenure, physical characteristics or condition of the specific properties by the professional valuer.
- (2) Any significant isolated increases (decreases) in the significant unobservable input would result in a significantly higher (lower) fair value measurement.
- (3) Any significant isolated increases (decreases) in the significant unobservable input would result in a significantly lower (higher) fair value measurement.

13 Investment in subsidiary companies

| | Company | |
|-------------------------------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Unquoted equity shares at cost | 54,198 | 54,198 |
| Impairment losses | (27,162) | (37,964) |
| | <hr/> 27,036 | 16,234 |
| Loans due from subsidiary companies | 32,149 | 32,149 |
| | <hr/> 59,185 | 48,383 |

The movement in the allowance for impairment losses is as follows:

| | Company | |
|---------------------------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| At 1 January | 37,964 | 37,964 |
| Write-back of impairment losses | (10,802) | – |
| At 31 December | <hr/> 27,162 | 37,964 |

See Note 4 for details of subsidiary companies.

Management has performed a review of the recoverable amounts of the investment in subsidiary companies. Management considered it appropriate to fully reverse \$10,802,000 (2020: \$Nil) of the prior years' impairment losses to the carrying amount of \$24,902,000 (2020: \$14,100,000) for a subsidiary company in the prefabrication segment as this subsidiary company was profitable and generated positive cash inflows from operating activities during the financial year ended 31 December 2021. The recoverable amount of the subsidiary company was determined based on a value in use calculation using cash flow projections from forecasts approved by management covering a five-year period. These forecasts have been updated to reflect the most recent development as at the reporting date. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rate used to extrapolate cash flow projects beyond the five year period are 8.1% (2020: 9.3%) and 3.0% (2020: 3.0%). Any reasonably possible change in a key assumption used in the cash flow projections will not result in significant changes to the carrying amount of the subsidiary company.

Management determined that owing to the nature of the activities of the subsidiary companies, the loans due from subsidiary companies are quasi-equity in nature, non-interest bearing and are therefore included in the investment in subsidiary companies. The settlements of the quasi-equity loans are neither planned nor likely to occur in the foreseeable future and accordingly, the amounts are stated at cost.

14 Trade receivables

| | Group | |
|--|-----------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Third party receivables | 32,097 | 30,251 |
| Related party receivables | 3,542 | 4,282 |
| | 35,639 | 34,533 |
| Impairment loss on trade receivables (Note 35) | (15,194) | (12,972) |
| | 20,445 | 21,561 |
| Represented by: | | |
| - Non-current | 7,213 | 6,105 |
| - Current | 13,232 | 15,456 |
| | 20,445 | 21,561 |

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2020: 30 to 90 days) credit terms. Included in trade receivables are retention sums withheld by customers amounted to \$8,885,000 (2020: \$9,555,000). As at the reporting date, impairment loss on related party receivables amounted to \$1,349,000 (2020: \$2,114,000).

During the financial year, net impairment loss on trade receivables amounted to \$2,862,000 (2020: \$5,904,000) was recognised.

15 Insurance asset

| | Group | |
|---|---------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| <i>Prepaid insurance premiums for protection cover</i> | | |
| At 1 January | – | – |
| Additions | 100 | – |
| Amount amortised to profit or loss | (1) | – |
| | 99 | – |
| Less: Prepaid insurance premiums for protection cover to be amortised within 12 months | (1) | – |
| At 31 December | 98 | – |
| <i>Financial assets at fair value through profit or loss</i> | | |
| At 1 January | – | – |
| Additions | 460 | – |
| Increase in fair value recognised in profit or loss | 6 | – |
| At 31 December | 466 | – |
| Total | 564 | – |

15 Insurance asset (cont'd)

During the financial year ended 31 December 2021, the Group took up a single premium keyman insurance policy amounting to \$560,000 for a director of the Group. The premium is fully paid through a revolving credit loan and is pledged to the bank to secure banking facilities granted to the Group (Note 24). The policy will mature in 2079. Upon a death claim of the insured, 100% of the insured amount plus the accumulated investment returns will be paid to the bank to repay the borrowings and the remaining amount will then be payable to the Group.

At the date of inception of the policy, the total surrender value amounted to \$460,000. The difference between the single premium of \$560,000 paid and initial cash surrender value of \$460,000 at inception is recorded as a prepayment and amortised over the policy years.

The fair value of the keyman life insurance policy is based on the cash surrender value of the insurance policy contracts as stated in the annual statement received from the insurance company and is categorised in Level 2 of the fair value hierarchy.

16 Deferred tax

Deferred tax assets

| | Group | |
|-------------------------------------|---------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| At 1 January | – | – |
| Credited to profit or loss (Note 9) | 426 | – |
| At 31 December | 426 | – |

Deferred tax assets are attributable to the following:

| | | |
|--|------------|---|
| Accelerated accounting depreciation | 401 | – |
| Other deductible temporary differences | 25 | – |
| | 426 | – |

Deferred tax liabilities

| | Group | |
|-------------------------------------|---------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| At 1 January | 2,161 | 2,313 |
| Credited to profit or loss (Note 9) | (158) | (152) |
| At 31 December | 2,003 | 2,161 |

Deferred tax liabilities are attributable to the following:

| | | |
|---|--------------|-------|
| Accelerated tax depreciation | (60) | (30) |
| Revaluation gain of property, plant and equipment | 2,063 | 2,191 |
| | 2,003 | 2,161 |

16 Deferred tax (cont'd)

During the financial year, one of the Group's subsidiary companies successfully entered into a number of long-term sales contracts. As a result, management revised its estimates of future taxable profits and recognised the tax effect of \$2,505,000 of previously unrecognised accelerated accounting depreciation on property, plant and equipment and provisions made as deferred tax asset because management considered it probable that future taxable profit would be available against which such temporary differences can be used.

At the end of the reporting period, the Group has potential tax benefits arising from unabsorbed tax losses and unabsorbed capital allowances of approximately \$26,422,000 (2020: \$28,314,000) and \$1,678,000 (2020: \$5,931,000) respectively, that are available for carry-forward to offset against future taxable profits and/or taxable temporary differences of the companies in which the tax losses and unabsorbed capital allowances differences arose, subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The unutilised tax losses can be carried forward indefinitely except for those arising from the subsidiary companies in the jurisdiction of Malaysia amounting to \$3,686,000 (2020: \$4,458,000) which can only be carried forward for a maximum period of 10 consecutive years of assessment expiring in year 2028 to be utilised against income from any business source.

The potential deferred tax assets on the following deductible temporary differences have not been recognised in the financial statements at the end of the reporting period:

| | Group | |
|-------------------------------------|---------------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Unabsorbed tax losses | 26,422 | 28,314 |
| Unabsorbed capital allowances | 1,678 | 5,931 |
| Accelerated accounting depreciation | 1,890 | 4,602 |
| Others | 31 | 122 |
| | 30,021 | 38,969 |

The potential deferred tax assets have not been recognised in the financial statements as it is not probable that the future taxable profits and/or taxable temporary differences in these companies will be available and sufficient to allow these deductible temporary differences to be realised in the foreseeable future.

17 Development properties

| | Group | |
|---------------------------------------|---------------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| <i>Unsold development properties:</i> | | |
| At 1 January | 18,934 | 18,923 |
| Currency translation differences | (282) | 11 |
| At 31 December | 18,652 | 18,934 |

Development properties comprise 6 parcels of vacant residential lands and 3 parcels of vacant commercial lands located within Kota Seriemas, Nilai, Negeri Sembilan, Malaysia with total land areas of 741,554 square metres. The Group intends to develop a township on these land, but yet to commence any development activities as at 31 December 2021.

18 Inventories

| | Group | |
|------------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Raw materials | 2,519 | 2,614 |
| Work-in-progress | 490 | 473 |
| Finished goods | 6,222 | 6,361 |
| | 9,231 | 9,448 |

The following amounts are recognised in profit or loss:

| | | |
|---|---------------|--------|
| Inventories recognised as an expense in cost of sales | 44,700 | 39,779 |
| Inclusive of the following: | | |
| - Inventories written down (Note 8) | 394 | 367 |
| - Reversal of inventories written down (Note 8) | – | (4) |

19 Other receivables

| | Group | | Company | |
|---------------------------------------|----------------|----------------|-----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Amount due from a director | – | 249 | – | – |
| Amounts due from subsidiary companies | – | – | 49,986 | 48,907 |
| Sundry receivables | 1,213 | 1,448 | 3 | 220 |
| Impairment loss on receivables | (893) | (893) | (28,810) | (37,500) |
| | 320 | 804 | 21,179 | 11,627 |
| Sundry deposits | 435 | 251 | – | – |
| Prepayments | 253 | 300 | 17 | 33 |
| | 1,008 | 1,355 | 21,196 | 11,660 |

The amount due from a director and amounts due from subsidiary companies are non-trade in nature, unsecured, interest-free and repayable on demand. As at the reporting date, the Company's impairment loss on amounts due from subsidiary companies amounted to \$28,810,000 (2020: \$37,500,000).

20 Loan to a third party

The loan to a third party is unsecured, bears interest at 9% (2020: 9%) per annum and is repayable on quarterly instalments up to October 2022. The amount was fully repaid on 18 February 2021.

The loan approximates its fair value at the end of the reporting period.

21 Contract assets and liabilities

The Group receives payments from customers based on a billing schedule, as established in contracts. Contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date on the Group's prefabrication business. The Company's contract assets relate to management service performed but not billed at the reporting date. Contract liabilities relate to advance consideration received from customers and billings in excess of revenue recognised to-date. Contract liabilities are recognised as revenue as and when the Group satisfies the performance obligations under its contracts.

21 Contract assets and liabilities (cont'd)

The following table provides information about contract assets and contract liabilities from contracts with customers.

| | 2021 \$'000 | 2020 \$'000 | 1.1.2020 \$'000 |
|---|------------------------------|----------------|--------------------|
| Group | | | |
| Trade receivables from contracts with customers | 20,445 | 21,561 | 28,515 |
| Contract assets | 986 | 263 | 195 |
| Contract liabilities | 406 | 1,942 | 3,817 |
| <hr/> | | | |
| Company | | | |
| Contract assets | 1,597 | 1,367 | 2,016 |
| <hr/> | | | |

Significant changes in the contract assets/liabilities balances during the financial year are as follows:

| | Contract assets | |
|---|------------------------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Group | | |
| Contract assets reclassified to trade receivables | 263 | 195 |
| Work completed but not billed | 986 | 263 |
| <hr/> | | |
| Company | | |
| Contract assets reclassified to other receivables | 1,367 | 2,016 |
| Service performed but not billed | 1,597 | 1,367 |
| <hr/> | | |
| Contract liabilities | | |
| | 2021 \$'000 | 2020 \$'000 |
| Group | | |
| Revenue recognised that was included in the contract liabilities balance at the beginning of the financial year | 1,729 | 2,726 |
| Increases due to advances received, excluding amounts recognised as revenue during the year | 193 | 851 |
| <hr/> | | |

22 Financial assets at fair value through other comprehensive income

This represents quoted equity securities listed in Singapore which are not held for trading. Accordingly, management has elected to designate this investment in equity shares at fair value through other comprehensive income. It is the Group's strategy to hold this investment for long-term purposes.

23 Cash and cash equivalents

| | Group | | Company | |
|------------------------|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Cash and bank balances | 5,825 | 1,673 | 134 | 4 |
| Fixed deposits | 19,983 | 27,725 | – | – |
| | 25,808 | 29,398 | 134 | 4 |

Fixed deposits are placed for periods between 1 and 12 months (2020: 1 and 12 months) and bear interest rates ranging from 0.05% to 2.02% (2020: 0.15% to 1.70%) per annum. Fixed deposits of \$19,974,000 (2020: \$26,695,000) are pledged to banks to secure banking facilities of the Group (Note 24).

24 Borrowings

| | Group | | Company | |
|-----------------------------------|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| <i>Non-current</i> | | | | |
| Term Loan A | 25,000 | – | – | – |
| Term Loan B | – | 263 | – | – |
| Term Loan C | 1,439 | 1,722 | – | – |
| Term Loan D | 3,613 | 4,221 | – | – |
| Term Loan E | 2,869 | 1,640 | – | – |
| Term Loan F | 1,960 | 220 | – | – |
| Lease liabilities | 1,074 | 1,838 | – | – |
| Current portion of term loan | (2,228) | (1,469) | – | – |
| | 33,727 | 8,435 | – | – |
| <i>Current</i> | | | | |
| Term Loan A | – | 25,000 | – | – |
| Bills payables and trust receipts | 3,319 | 2,384 | – | – |
| Short term loans | 18,040 | 28,290 | – | – |
| Fixed advance facility | 6,300 | 6,300 | – | – |
| Lease liabilities | 1,310 | 1,409 | 6 | 30 |
| Current portion of term loan | 2,228 | 1,469 | – | – |
| | 31,197 | 64,852 | 6 | 30 |
| | 64,924 | 73,287 | 6 | 30 |

The Group's borrowings are secured by legal mortgages over certain freehold properties (Note 11), leasehold land and buildings (Note 11), certain investment properties (Note 12), fixed deposits (Note 23), a corporate guarantee from the Company and the keyman insurance policy (Note 15).

Term Loan A is also secured by an assignment of all rights, title, benefits and interests in connection with any insurance policies, leases, tenancy agreements and/or sale and purchase agreements with respect to the investment property.

24 Borrowings (cont'd)

Term Loan A was refinanced on 31 October 2021 and will be repayable on 31 October 2023. Term Loan A bears interest rate at 1.20% (2020: 1.20%) per annum above the Association of Banks in Singapore (ABS) Swap offer rate. The effective interest rate is 1.50% (2020: 3.16%) per annum. The Group had exchanged the variable swap offer rate with fixed interest rate by entering into interest rate swap agreement with a bank whereby it receives interest at variable swap offer rate and pays interest at a fixed rate at 3.16% per annum. The contract was ceased on 29 October 2021. The information of interest rate swap was disclosed in Note 28.

Term Loan B is repayable by 20 quarterly principal instalments. The first principal instalment commenced on 5 September 2017. The Term Loan B bears interest rate at 1.25% (2020: 1.25%) per annum above the bank's Cost of Fund. The effective interest rate is 3.18% (2020: 4.06%) per annum. Term loan B was fully repaid in November 2021.

Term Loan C is repayable in 84 monthly instalments up to 2026. The Term Loan C bears fixed interest rate at 2.38% (2020: 2.38%) per annum.

Term Loan D is repayable in 56 monthly instalments of \$73,000 commencing from 5 September 2019 with a bullet balance payment at the end. The Term Loan D bears interest rate of 1.75% (2020: 1.75%) per annum above the bank's Cost of Fund. The effective interest rate is 2.48% (2020: 2.61%) per annum.

Term Loan E and Term Loan F are repayable in 60 monthly instalments commencing from 6 August 2020 and 30 November 2020 respectively. On 18 August 2021, the Group borrowed additional borrowings for Term Loan E and is repayable in 48 monthly instalments. The Term Loan E and Term Loan F bear fixed interest rate at 2.50% (2020: 2.50%) per annum.

The bills payables and trust receipts bear effective interest rates ranging from 1.58% to 3.48% (2020: 1.50% to 4.36%) per annum.

The short term loans represent revolving credit loans which are due for rollover on a monthly basis. The short term loans bear effective interest rates ranging from 0.12% to 1.50% (2020: 0.66% to 1.45%) per annum.

The fixed advance facility was refinanced on 10 January 2021 and is repayable on 21 January 2022. The fixed advance facility bears interest rate of 1.30% (2020: 1.30%) per annum above the 1-month Singapore Interbank Offered Rate (SIBOR) rate. The effective interest rate is 1.55% (2020: 1.55%) per annum. Subsequent to year end, the fixed advance facility is refinanced for 2 years and is repayable on 21 January 2024.

The carrying amounts of current borrowings approximate their fair values at the end of the reporting period.

Based on the discounted cash flow analysis using a discount rate based upon market lending rate for similar borrowings which the management expects would be available to the Group at the end of the reporting period, the fair values of the fixed rate borrowings at the end of the reporting period approximate their carrying values as there are no significant changes in the market lending interest rates available to the Group at the end of the reporting period. The floating rate borrowings are instruments that are repriced to market interest rates on or near the end of the reporting period. Accordingly, the fair values of these borrowings, determined from discounted cash flow analysis using market lending rates for similar borrowings which the management expects would be available to the Group at the end of the reporting period, would approximate their carrying amounts at the end of the reporting period. This fair value measurement for disclosure purposes is categorised in the Level 3 of the fair value hierarchy.

24 Borrowings (cont'd)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

| | Term loans \$'000 | Bills payables and trust receipts \$'000 | Fixed advance facility \$'000 | Lease liabilities \$'000 | Total \$'000 |
|--|----------------------------------|---|--|---|-------------------------|
| Balance at 1 January 2020 | 61,116 | 2,308 | 5,400 | 1,833 | 70,657 |
| Changes from financing cash flows: | | | | | |
| - Drawdown | 3,332 | 298 | 900 | – | 4,530 |
| - Repayments | (3,090) | (222) | – | (940) | (4,252) |
| - Interest paid | (1,442) | (120) | (123) | (83) | (1,768) |
| Non-cash changes: | | | | | |
| - Currency translation differences | (2) | – | – | – | (2) |
| - Interest expense | 1,444 | 120 | 123 | 83 | 1,770 |
| - Interest payable | (2) | – | – | – | (2) |
| - New leases | – | – | – | 2,354 | 2,354 |
| Balance at 31 December 2020 | 61,356 | 2,384 | 6,300 | 3,247 | 73,287 |
| Changes from financing cash flows: | | | | | |
| - Drawdown | 2,580 | 2,404 | – | 560 | 5,544 |
| - Repayments | (12,215) | (1,457) | – | (1,288) | (14,960) |
| - Interest paid | (731) | (70) | (117) | (89) | (1,007) |
| Non-cash changes: | | | | | |
| - Currency translation differences | 80 | (12) | – | (5) | 63 |
| - Interest expense | 731 | 70 | 117 | 89 | 1,007 |
| - New leases | – | – | – | 430 | 430 |
| - Purchase of keyman insurance | 560 | – | – | – | 560 |
| Balance at 31 December 2021 | 52,361 | 3,319 | 6,300 | 2,944 | 64,924 |

25 Trade payables

| | Group | |
|--------------------------------|---------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Third party payables | 18,999 | 21,502 |
| Sub-contractors' retention sum | 1,247 | 1,085 |
| | 20,246 | 22,587 |

26 Other payables

| | Group | | Company | |
|-------------------------------------|---------------|---------------|----------------|---------------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Accrued operating expenses | 2,677 | 2,924 | 1,014 | 893 |
| Amounts due to subsidiary companies | – | – | 37,077 | 36,031 |
| Deposits received | 254 | 232 | – | – |
| Sundry payables | 1,295 | 777 | 54 | 122 |
| | 4,226 | 3,933 | 38,145 | 37,046 |

The amounts due to subsidiary companies are non-trade in nature, unsecured, interest-free and payable on demand.

27 Provisions

| | Group | |
|---|---------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| <i>Provision for onerous contracts</i> | | |
| At 1 January | 73 | 1,533 |
| Provisions made/(utilisation of provisions) | 59 | (1,460) |
| At 31 December | 132 | 73 |

The Group has entered into contracts with customers to deliver precast concrete and prefabricated metal components. Due to the rising cost of materials, the aggregate costs to fulfil certain contracts are higher than the economic benefits expected to be received. As such, a provision for onerous contracts was recognised.

Significant judgements were made by management to estimate the total contract costs to complete, which were used to determine (i) the Group's recognition of the provision for the onerous contract and (ii) when it is probable that the total unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received. In making these estimates, management has relied on the expertise of quantity surveyors to determine the estimated total contract cost and also on past experience of completed projects. The estimated total contract costs are reviewed every reporting period and adjusted where necessary, with the corresponding effect of change being recognised prospectively from the date of change.

28 Derivative financial instruments

| | Group | | | | | |
|--------------------------------|--|--------------------------|-------------------------------|--|--------------------------|-------------------------------|
| | Contract/ Nominal amount \$'000 | 2021 | | Contract/ Nominal amount \$'000 | 2020 | |
| | | Fair value | | | Fair value | |
| | | Assets \$'000 | Liabilities \$'000 | | Assets \$'000 | Liabilities \$'000 |
| Non-hedging instruments | | | | | | |
| - Interest rate swap | - | - | - | 25,000 | - | 383 |

During the financial year ended 31 December 2020, the Group's fair value of interest rate swap contract was provided by a reputable financial institution, which was calculated as the present value of the estimated future cash flows based on observable yield curves, and their fair values were estimated to be approximately \$383,000.

Gain in fair value of non-hedging interest rate swap contract amounting to \$17,000 (2020: loss of \$108,000) had been recognised in profit or loss for the financial year.

29 Share capital

| | Group and Company | |
|--|--------------------------|------------------------|
| | 2021 \$'000 | 2020 \$'000 |
| Issued and fully paid capital | | |
| 52,066,937 ordinary shares with no par value | 68,323 | 68,323 |

All issued shares are fully paid ordinary shares with no par value.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

30 Other reserves

| | Group | | Company | |
|------------------------------|------------------------|------------------------|------------------------|------------------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Fair value reserve | (5) | 2 | (3) | 3 |
| Currency translation reserve | (6,534) | (6,342) | - | - |
| | (6,539) | (6,340) | (3) | 3 |

30 Other reserves (cont'd)

Fair value reserve

| | Group | | Company | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| At 1 January | 2 | 2 | 3 | 3 |
| Fair value loss on financial assets at fair value through other comprehensive income | (7) | – | (6) | – |
| At 31 December | (5) | 2 | (3) | 3 |

Fair value reserve represents fair value adjustments on quoted equity securities classified as financial assets at fair value through other comprehensive income.

Currency translation reserve

| | Group | | Company | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| At 1 January | (6,342) | (6,363) | – | – |
| Net currency translation differences of financial statements of foreign subsidiary companies | (192) | 21 | – | – |
| At 31 December | (6,534) | (6,342) | – | – |

Currency translation reserve arises from the translation of foreign subsidiary companies' financial statements whose functional currencies are different from the presentation currency of the Group.

31 Segmental information

For management purposes, the Group is organised into business units based on their products and services. The operating segments of the Group are as follows:

- (i) The property investment and development segment is involved in the development, sales and leasing of residential, commercial and industrial properties.
- (ii) The construction segment is in the business of constructing residential, institutional, industrial and commercial properties as the main contractor.
- (iii) The prefabrication segment is in the business of design, manufacture and sales of prestressed and reinforced concrete building components as well as prefabricated architectural metal components.
- (iv) Others segment comprises mainly the Group level corporate services and treasury functions.

31 Segmental information (cont'd)

The segment information provided to management for the operating segments are as follows:

| | Property investment and development \$'000 | Construction \$'000 | Prefabrication \$'000 | Others \$'000 | Eliminations \$'000 | Consolidated \$'000 |
|--|---|--------------------------------|----------------------------------|--------------------------|--------------------------------|--------------------------------|
| Group - 2021 | | | | | | |
| Revenue: | | | | | | |
| Sales to external customers | – | – | 56,813 | – | – | 56,813 |
| Intersegment sales | – | – | – | 1,597 | (1,597) | – |
| Total revenue | – | – | 56,813 | 1,597 | (1,597) | 56,813 |
| Results: | | | | | | |
| Segment profit | 665 | 862 | 2,347 | 87 | – | 3,961 |
| Tax expense | | | | | | 61 |
| Profit for the financial year | | | | | | 4,022 |
| Other significant non-cash expenses: | | | | | | |
| (Reversal of)/Allowance for impairment loss on trade receivables | (55) | 4 | 2,913 | – | – | 2,862 |
| Depreciation of property, plant and equipment | 264 | 80 | 6,066 | 48 | – | 6,458 |
| Fair value gain on derivative financial instruments | (17) | – | – | – | – | (17) |
| Fair value gain on investment properties | (500) | (56) | – | – | – | (556) |
| Unrealised loss on foreign exchange | 115 | 1 | 440 | – | – | 556 |
| Segment assets | 75,662 | 4,954 | 67,095 | 8,804 | – | 156,515 |
| Unallocated assets | | | | | | 426 |
| Total assets | | | | | | 156,941 |
| Segment assets includes: Additions to non-current assets | – | – | 2,948 | – | – | 2,948 |
| Segment liabilities | 25,368 | 17,630 | 45,863 | 1,073 | – | 89,934 |
| Unallocated liabilities | | | | | | 2,733 |
| Total liabilities | | | | | | 92,667 |

31 Segmental information (cont'd)

The segment information provided to management for the operating segments are as follows (cont'd):

| | Property investment and development \$'000 | Construction \$'000 | Prefabrication \$'000 | Others \$'000 | Eliminations \$'000 | Consolidated \$'000 |
|---|---|--------------------------------|----------------------------------|--------------------------|--------------------------------|--------------------------------|
| Group - 2020 | | | | | | |
| Revenue: | | | | | | |
| Sales to external customers | – | – | 49,710 | – | – | 49,710 |
| Intersegment sales | – | – | – | 1,367 | (1,367) | – |
| Total revenue | – | – | 49,710 | 1,367 | (1,367) | 49,710 |
| Results: | | | | | | |
| Segment profit/(loss) | 1,520 | (512) | (413) | (222) | – | 373 |
| Tax expense | | | | | | (41) |
| Profit for the financial year | | | | | | 332 |
| Other significant non-cash expenses: | | | | | | |
| Impairment loss on trade receivables | – | 37 | 5,867 | – | – | 5,904 |
| Depreciation of property, plant and equipment | 1 | 81 | 5,160 | 349 | – | 5,591 |
| Fair value loss on derivative financial instruments | 108 | – | – | – | – | 108 |
| Fair value gain on investment properties | – | (136) | – | – | – | (136) |
| Unrealised gain on foreign exchange | (1,666) | – | – | – | – | (1,666) |
| Segment assets | 83,178 | 4,294 | 68,377 | 9,181 | – | 165,030 |
| Unallocated assets | | | | | | – |
| Total assets | | | | | | 165,030 |
| Segment assets includes: | | | | | | |
| Additions to non-current assets | – | – | 5,673 | 2 | – | 5,675 |
| Segment liabilities | 25,861 | 29,743 | 45,552 | 1,049 | – | 102,205 |
| Unallocated liabilities | | | | | | 2,374 |
| Total liabilities | | | | | | 104,579 |

31 Segmental information (cont'd)

Segment results

Management monitors the operating results of its operating segments separately for the purpose of making decisions about resource allocation and performance assessment. Income taxes are managed on a group basis and are not allocated to operating segments. Sales between operating segments are on terms agreed by the group companies concerned.

Segment assets

The amounts provided to the management with respect to total assets are measured in a manner consistent with that of the financial statements. Management monitors the assets attributable to each segment for the purposes of monitoring segment performance and for allocating resources between segments. All assets are allocated to reportable segments other than deferred tax assets and tax recoverable which are classified as unallocated assets.

Segment liabilities

The amounts provided to the management with respect to total liabilities are measured in a manner consistent with that of the financial statements. All liabilities are allocated to the reportable segments based on the operations of the segments other than deferred tax liabilities and tax payables. These liabilities are classified as unallocated liabilities.

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

| | Group | | | |
|--------------------------------|------------------------------------|--------|---------------------------|--------|
| | Sales to external customers | | Non-current assets | |
| | 2021 | 2020 | 2021 | 2020 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Singapore | 56,813 | 49,710 | 48,091 | 60,821 |
| The People's Republic of China | – | – | 1,219 | 1,163 |
| Malaysia | – | – | 30,598 | 21,138 |
| | 56,813 | 49,710 | 79,908 | 83,122 |

Non-current assets information presented above are non-current assets as presented on the statement of financial position excluding financial instruments and deferred tax assets.

Information about major customers

Revenue from major customers which amounts to more than 10% of the Group's revenue are as follows:

| | Group | |
|---|---------------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Prefabrication segment - 3 (2020: 4) external customers | | |
| - Customer 1 | – | 6,901 |
| - Customer 2 | 9,303 | 14,366 |
| - Customer 3 | – | 5,549 |
| - Customer 4 | – | 7,032 |
| - Customer 5 | 6,835 | – |
| - Customer 6 | 6,907 | – |
| | 23,045 | 33,848 |

32 Leases

a) The Group as a lessee

Nature of the Group's leasing activities – Group as a lessee

The Group's leasing activities comprise the following:

- (i) The Group leases various motor vehicles, plant and equipment and also makes annual lease payments for leasehold land and factory premises. The right-of-use of these assets are classified as property, plant and equipment (Note 11).
- (ii) In addition, the Group leases certain office equipment. These leases are short-term and/or low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

The maturity analysis of the lease liabilities is disclosed in Note 35.

Information about leases for which the Group is a lessee is presented below:

Carrying amount of right-of-use assets

The carrying amount of right-of-use assets are as follows:

| | Group | | Company | |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| <u>Classified within</u> <u>property, plant</u> <u>and equipment</u> | | | | |
| Leasehold land and building | 7,595 | 8,742 | – | – |
| Leased factory premises | 979 | 1,631 | – | – |
| Motor vehicles | 194 | 374 | 6 | 44 |
| Plant and equipment | 433 | 499 | – | – |
| | 9,201 | 11,246 | 6 | 44 |
| | | | | |
| Additions to right-of- use assets | 430 | 2,354 | – | – |

32 Leases (cont'd)

a) The Group as a lessee (cont'd)

Amounts recognised in profit or loss

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| <u>Depreciation charge for the financial year</u> | | | | |
| Leasehold land and building | 1,516 | 1,602 | – | – |
| Leased factory premises | 652 | 380 | – | – |
| Motor vehicles | 181 | 212 | 38 | 38 |
| Plant and equipment | 58 | 48 | – | – |
| | 2,407 | 2,242 | 38 | 38 |
| <u>Lease expense not included in the measurement of lease liabilities</u> | | | | |
| Lease expense - short-term leases | 365 | 70 | – | – |
| Lease expense - low value assets leases | 10 | 11 | – | – |
| Total (Note 8) | 375 | 81 | – | – |
| Interest expense on lease liabilities | 89 | 83 | 1 | – |
| Income from subleasing right-of-use assets | 144 | 6 | – | – |

During the financial year, total cash flow for leases amounted to \$1,752,000 (2020: \$1,104,000).

Future cash outflow which are not capitalised in lease liabilities

Extension options

The leases of leasehold land and factory premises contains an extension option, for which the related lease payments had not been included in the lease liabilities as the subsidiary companies are not reasonably certain to extend the leases. This is used to maximise operational flexibility in terms of managing the assets used in the subsidiary companies' operations.

b) The Group as a lessor

Nature of the Group's leasing activities - Group as a lessor

The Group leased out its investment properties to various third parties for monthly lease payments. The lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred.

Rental income from investment properties are disclosed in Note 12.

32 Leases (cont'd)

b) The Group as a lessor (cont'd)

Nature of the Group's leasing activities - Group as a lessor (cont'd)

Subleases - classified as operating leases

The Group leases factory premises under a head lease arrangement and subleases part of the factory premises to a third party as an intermediate lessor. The sub-lease periods do not form a major part of the remaining lease terms under the head leases and accordingly, the sub-leases are classified as operating leases.

Income from subleasing recognised during the financial year was \$144,000 (2020: \$6,000).

Maturity analysis of lease payments - the Group as a lessor

The following table shows the maturity analysis of the undiscounted lease payments to be received:

| | 2021 \$'000 | 2020 \$'000 |
|-----------------------------------|------------------------------|----------------|
| Less than one year | 552 | 1,168 |
| 1 to 2 years | 473 | 327 |
| Total undiscounted lease payments | 1,025 | 1,495 |

33 Contingent liabilities

Financial guarantees

| | Company | |
|--|------------------------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Guarantees issued for banking facilities granted to subsidiary companies | 109,871 | 130,310 |
| Amounts of banking facilities utilised by subsidiary companies | 63,311 | 70,561 |

Management has assessed the fair values of these financial guarantees to have no material financial impact on the financial performance for the financial years ended 31 December 2021 and 31 December 2020.

34 Related party transactions

- a) In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties, who are not members of the Group during the financial year on terms agreed by the parties concerned:

| | Group | |
|--|---------------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Maintenance fee charged by a related party | 14 | 6 |

Related parties comprise mainly companies which are controlled by the Company's directors and their close family members.

The outstanding balances with related parties at the end of the reporting period are disclosed in Note 14.

- b) Key management personnel compensation

Total key management personnel compensation is analysed as follows:

| | Group | |
|--|---------------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Directors of the Company: | | |
| - short-term employee benefits | 815 | 914 |
| - contribution to defined contribution plans | 24 | 29 |
| - directors' fees | 88 | 88 |
| - severance gratuity | – | 500 |
| | 927 | 1,531 |
| Other key management personnel: | | |
| - short-term employee benefits | 822 | 435 |
| - contribution to defined contribution plans | 31 | 27 |
| | 853 | 462 |
| | 1,780 | 1,993 |

In addition, benefits in kind amounting to \$32,000 (2020: \$32,000) are in respect of motor vehicles used by the directors and key management of the Group.

34 Related party transactions (cont'd)

b) Key management personnel compensation (cont'd)

The number of directors and other key management personnel, and their remuneration bands are as follows:

| | Number of directors | | Number of other key management personnel | |
|--------------------------------|---------------------|----------|--|----------|
| | 2021 | 2020 | 2021 | 2020 |
| Above \$1,000,000 | – | – | – | – |
| \$750,000 to below \$1,000,000 | – | – | – | – |
| \$500,000 to below \$750,000 | – | 1 | – | – |
| \$250,000 to below \$500,000 | 2 | 2 | 1 | – |
| Below \$250,000 | 3 | 3 | 2 | 3 |
| | 5 | 6 | 3 | 3 |

The remuneration of key management personnel is determined by the Remuneration Committee, having regard to the performance of individuals and market trends.

35 Financial instruments

Categories of financial instruments

Financial instruments at their carrying amounts at the end of the reporting period are as follows:

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| <i>Financial assets:</i> | | | | |
| Financial assets at cost | – | – | 32,149 | 32,149 |
| Financial assets at amortised costs | 47,008 | 52,847 | 21,313 | 11,533 |
| Financial assets at fair value through profit or loss | 466 | – | – | – |
| Financial assets at fair value through other comprehensive income | 11 | 18 | 10 | 16 |
| <i>Financial liabilities:</i> | | | | |
| Financial liabilities at amortised cost | 89,055 | 99,582 | 38,151 | 37,076 |
| Financial liabilities at fair value through profit or loss | – | 383 | – | – |

Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from the operations and the use of financial instruments. The key financial risks include foreign currency risk, credit risk, interest rate risk, liquidity risk and market price risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks, and the objectives, policies and processes for the management of these risks.

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Foreign currency risk

The Group has currency exposures arising from transactions, assets and liabilities that are denominated in currencies other than the respective functional currencies of the entities in the Group. The foreign currencies in which the Group's currency risk arises are Australian dollar ("AUD"), Chinese Yuan ("CNY") and Singapore dollar ("SGD"). The Company has no significant exposure to foreign currency risk as nearly all of its transactions are in Singapore dollar. The Group and the Company do not hedge their net position.

The Company and its subsidiary companies maintain their respective books and accounts in their functional currencies. As a result, the Group is subjected to transaction and translation exposures resulting from currency exchange rate fluctuations. However, to minimise such foreign currency exposures, the Group uses currency borrowings and natural hedges.

At the end of the reporting period, the Group has the following significant financial assets and financial liabilities denominated in foreign currencies based on information provided to key management.

| | AUD \$'000 | CNY \$'000 | SGD \$'000 |
|---|-----------------------------|-----------------------------|-----------------------------|
| Group | | | |
| 2021 | | | |
| Cash and cash equivalents | 11,976 | 5,331 | 92 |
| Trade and other receivables | – | – | 2,783 |
| Bank borrowings | – | – | (3,613) |
| Trade and other payables | – | (236) | (20,667) |
| Net financial assets/(liabilities) denominated in foreign currencies | 11,976 | 5,095 | (21,405) |
| 2020 | | | |
| Cash and cash equivalents | 20,054 | 4,783 | 132 |
| Trade and other receivables | – | 4 | 31 |
| Bank borrowings | – | – | (4,221) |
| Trade and other payables | – | (175) | (18,533) |
| Net financial assets/(liabilities) denominated in foreign currencies | 20,054 | 4,612 | (22,591) |

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Foreign currency risk (cont'd)

The following table demonstrates the sensitivity to a reasonably possible change in the AUD, CNY and SGD exchange rates against the respective functional currencies of the Group's entities, with all other variables held constant, of the Group's profit after tax:

| | Increase/(decrease) in profit after tax Group | |
|------------------------------|--|------------------------|
| | 2021 \$'000 | 2020 \$'000 |
| AUD/SGD | | |
| - strengthened 5% (2020: 5%) | 497 | 832 |
| - weakened 5% (2020: 5%) | (497) | (832) |
| CNY/SGD | | |
| - strengthened 5% (2020: 5%) | 211 | 191 |
| - weakened 5% (2020: 5%) | (211) | (191) |
| SGD/MYR | | |
| - strengthened 5% (2020: 5%) | (888) | (938) |
| - weakened 5% (2020: 5%) | 888 | 938 |

Credit risk

Credit risk is the risk that companies and other parties will be unable to meet their obligations to the Group. The Group manages such risk by dealing with a diversity of credit-worthy counterparties to mitigate any significant concentration of credit risk. Credit policy includes assessing and evaluation of existing and new customers' credit reliability and monitoring of receivable collections.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses ("ECL"):

| Description of evaluation of financial assets | Basis for recognition and measurement of ECL |
|--|---|
| Counterparty has a low risk of default and does not have any past due amounts | 12-month ECL |
| Contractual payments are more than 90 days past due or where there has been a significant increase in credit risk since initial recognition | Lifetime ECL - not credit-impaired |
| Contractual payments are more than 1 year past due or there is evidence of credit impairment | Lifetime ECL - credit-impaired |
| There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings | Write-off |

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset 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, such as future economic and industry outlook that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- significant deterioration in external market indicators of credit risk for a particular financial instrument, e.g. a significant increase in the credit spread or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost;
- 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; and
- significant increases in credit risk on other financial instruments of the same debtor.

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.

Regardless of the evaluation of the above factors, the Group considers that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 90 days past due, based on the Group's historical information of payment trends of its receivables.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if it has a low risk of default; the borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and 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.

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, in full.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 1 year past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

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 such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

At the end of the reporting period, the Group has significant credit risk exposures mainly arising on trade receivables. Approximately 31% (2020: 39%) of the Group's trade receivables were due from 5 (2020: 3) major customers located in Singapore. The Company has significant credit risk exposures arising on loans due from subsidiary companies and amounts due from subsidiary companies amounting to \$53,325,000 (2020: \$43,556,000) which represented 99% (2020: 99%) of total receivables.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk is represented by the carrying amount of each financial assets presented on the statements of financial position and the amount of \$63,311,000 (2020: \$70,561,000) relating to corporate guarantees given by the Company to banks for the subsidiary companies' bank borrowings (Note 33).

Movements in credit loss allowance are as follows:

| | Trade receivables and contract assets \$'000 | Other financial assets at amortised cost \$'000 | Total \$'000 |
|--|---|--|-------------------------|
| Group | | | |
| Balance at 1 January 2020 | 7,068 | 893 | 7,961 |
| Loss allowance recognised: | | | |
| Lifetime ECL | | | |
| - simplified approach | 5,904 | – | 5,904 |
| Balance at 31 December 2020 | 12,972 | 893 | 13,865 |
| Loss allowance recognised: | | | |
| Lifetime ECL | | | |
| - simplified approach | 2,862 | – | 2,862 |
| Receivables written off as uncollectable | (640) | – | (640) |
| Balance at 31 December 2021 | 15,194 | 893 | 16,087 |

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Movements in credit loss allowance are as follows (cont'd):

| | Other financial assets at amortised cost \$'000 |
|--|--|
| Company | |
| Balance at 1 January 2020 and 31 December 2020 | 37,500 |
| Reversal of allowance | (8,690) |
| Balance at 31 December 2021 | 28,810 |

Trade receivables and contract assets

The Group has applied the simplified approach by using a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets.

The contract assets relate to the Group's rights to consideration for work completed but not billed at the reporting date, which have substantially the same risk characteristics as the trade receivables for the same type of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. Trade receivables and contract assets that shared the same credit risk characteristics and days past due are grouped together in measuring the expected credit losses.

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions including the impact arising from COVID-19 pandemic.

A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor such as when the debtor has been placed under liquidation, has entered into bankruptcy proceedings, cannot be located or are not recoverable despite legal recourse made to recover the debt, including reminders and letters of demand issued for debts due for more than 12 months.

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Trade receivables and contract assets (cont'd)

The Group's credit risk exposure in relation to trade receivables and contract assets under SFRS(I) 9 for the financial year are set out in the provision matrix below:

| | Not past due | ← Past due → | | | Total |
|---------------------------------------|---------------|---------------|----------------|------------------|---------------|
| | | 0 to 6 months | 6 to 12 months | More than 1 year | |
| 2021 | | | | | |
| Expected loss rate | 4.25% | 9.60% | 34.35% | 78.10% | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Gross receivables and contract assets | 10,687 | 7,761 | 460 | 17,717 | 36,625 |
| Loss allowance | 454 | 745 | 158 | 13,837 | 15,194 |
| 2020 | | | | | |
| Expected loss rate | 7.65% | 8.61% | 32.51% | 72.39% | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 |
| Gross receivables and contract assets | 12,543 | 5,891 | 852 | 15,510 | 34,796 |
| Loss allowance | 960 | 507 | 277 | 11,228 | 12,972 |

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Other financial assets at amortised cost

Other financial assets at amortised costs include other receivables, loan to a third party and cash and cash equivalents.

The table below details the credit quality of the Group's and Company's financial assets (other than trade receivables and contract assets):

| Group 2021 | 12-month or lifetime ECL | Gross carrying amount \$'000 | Loss allowance \$'000 | Net carrying amount \$'000 |
|--|---|---|--------------------------------------|---|
| Other receivables | Lifetime ECL | 1,648 | (893) | 755 |
| Cash and cash equivalents with financial institutions | N.A. Exposure limited | 25,808 | – | 25,808 |
| 2020 | | | | |
| Other receivables | Lifetime ECL | 1,850 | (893) | 957 |
| Loan to a third party | 12-month ECL | 931 | – | 931 |
| Cash and cash equivalents with financial institutions | N.A. Exposure limited | 29,398 | – | 29,398 |
| Company 2021 | | | | |
| Other receivables | Lifetime ECL | 49,989 | (28,810) | 21,179 |
| Loans due from subsidiary companies | 12-month ECL | 32,149 | – | 32,149 |
| Cash and cash equivalents with financial institutions | N.A. Exposure limited | 134 | – | 134 |
| 2020 | | | | |
| Other receivables | Lifetime ECL | 49,029 | (37,500) | 11,529 |
| Loans due from subsidiary companies | 12-month ECL | 32,149 | – | 32,149 |
| Cash and cash equivalents with financial institutions | N.A. Exposure limited | 4 | – | 4 |

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

Financial guarantee

The Company has issued financial guarantees to banks for borrowings of its subsidiary companies. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company does not expect credit loss exposure arising from these guarantees in view that the borrowings are secured by legal mortgages over certain freehold properties, leasehold land and buildings, certain investment properties, fixed deposits of the subsidiary companies and keyman insurance policy.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Company has no significant interest-bearing assets and liabilities. The Group's exposure to interest rate risk arises primarily from their borrowings and fixed deposits placed with the financial institutions. Borrowings at variable rates expose the Group to cash flow interest rate risk (i.e. the risk that the future cash flows of a financial instrument will fluctuate due to changes in market interest rates). Borrowings and fixed deposits at fixed rates expose the Group to fair value interest rate risk (i.e. the risk that the value of a financial instrument will fluctuate due to changes in market rates).

The Group's policy is to obtain the most favourable interest rates available and manage interest costs using a mix of fixed and floating rate debts depending on market and economic conditions. For interest income from fixed deposits, the Group and the Company manage interest rate risks by placing deposits with reputable financial institutions on varying maturities and interest rate terms.

As the Company has no significant interest-bearing assets and liabilities at variable rates, the Company's financial performance is substantially independent of changes in market interest rates.

Sensitivity analysis for interest rate risk of the Group

The sensitivity analysis below have been determined based on the exposure to interest rates for borrowings at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of borrowings that have floating rates.

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in SGD. If the SGD interest rates increase/decrease by 100 (2020: 100) basis points with all other variables including tax rate being held constant, the profit after tax of the Group will be lower/higher by \$249,000 (2020: \$269,000) as a result of higher/lower interest expense on these borrowings.

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arise primarily from mismatches of the maturities of financial assets and financial liabilities. The Group's and the Company's objective are to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. Short term funding is obtained from bank overdrafts and credit facilities subject to the Group's compliance with the loan covenants.

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

The table below summarises the maturity profile of the Group's and the Company's non-derivative financial liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

| | 1 year or less \$'000 | 1 to 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
|--|--------------------------------------|------------------------------------|------------------------------------|-------------------------|
| Group | | | | |
| 2021 | | | | |
| Trade payables | 20,246 | – | – | 20,246 |
| Other payables | 3,885 | – | – | 3,885 |
| Borrowings | 30,476 | 33,243 | – | 63,719 |
| Lease liabilities | 1,256 | 1,080 | 100 | 2,436 |
| | 55,863 | 34,323 | 100 | 90,286 |
| 2020 | | | | |
| Trade payables | 22,587 | – | – | 22,587 |
| Other payables | 3,708 | – | – | 3,708 |
| Borrowings | 64,269 | 6,519 | 335 | 71,123 |
| Lease liabilities | 1,335 | 1,825 | 209 | 3,369 |
| | 91,899 | 8,344 | 544 | 100,787 |
| Company | | | | |
| 2021 | | | | |
| Other payables | 38,146 | – | – | 38,146 |
| Lease liabilities | 6 | – | – | 6 |
| Financial guarantee contracts (Note 33) | 63,311 | – | – | 63,311 |
| | 101,463 | – | – | 101,463 |
| 2020 | | | | |
| Other payables | 37,046 | – | – | 37,046 |
| Lease liabilities | 25 | 6 | – | 31 |
| Financial guarantee contracts (Note 33) | 70,561 | – | – | 70,561 |
| | 107,632 | 6 | – | 107,638 |

35 Financial instruments (cont'd)

Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

At the end of the reporting period, the Company does not expect credit loss exposure arising from the financial guarantee contracts in view that the borrowings are secured by legal mortgages over certain freehold properties, leasehold land and buildings, certain investment properties and fixed deposits of its subsidiary companies.

The table below analyses the Group's derivative financial instruments for which contractual maturities are essential for an understanding of the timing of the cash flows into relevant maturity groups based on the contractual maturity date. The amounts disclosed in the table below are the contractual cash flows.

| | Group | |
|--------------------------------|-------------------------|---------------|
| | Less than 1 year | |
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Net settled interest rate swap | | |
| - Net cash outflows | - | 383 |

Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices other than interest or exchange rates. The Group is exposed mainly to the market price risk arising from changes in equity price of its investment in quoted securities. These instruments are classified as financial assets at fair value through other comprehensive income. The Group does not have exposure to commodity price risk.

The Group's objective is to manage investment returns and equity price risk by monitoring the fluctuations in the price of the quoted securities and the dividend yields.

The sensitivity analysis for market price risk is not disclosed as the effect on the profit or loss and other comprehensive income/fair value reserve is considered not significant.

36 Fair value of assets and liabilities

a) *Fair value hierarchy*

The tables below analyse the fair value measurements by the levels in the fair value hierarchy based on the inputs to the valuation techniques. The different levels are defined as follows:

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

36 Fair value of assets and liabilities (cont'd)

b) **Fair value measurements of assets and liabilities that are measured at fair value**

The following table presents the level of fair value hierarchy for each class of assets and liabilities measured at fair value on the statement of financial position at the end of the reporting period:

| | Level 1 | Level 2 | Level 3 | Total |
|--|----------------|----------------|----------------|---------------|
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Recurring fair value measurements | | | | |
| 2021 | | | | |
| Group | | | | |
| Financial assets | | | | |
| FVOCI | | | | |
| - Quoted equity securities | 11 | – | – | 11 |
| FVTPL | | | | |
| - Insurance asset | – | 466 | – | 466 |
| <hr/> | | | | |
| Non-financial assets | | | | |
| Investment properties | | | | |
| - Freehold properties | – | – | 39,462 | 39,462 |
| - Leasehold properties | – | – | 1,219 | 1,219 |
| <hr/> | | | | |
| Total non-financial assets | – | – | 40,681 | 40,681 |
| <hr/> | | | | |
| Company | | | | |
| Financial assets | | | | |
| FVOCI | | | | |
| - Quoted equity securities | 10 | – | – | 10 |
| <hr/> | | | | |

36 Fair value of assets and liabilities (cont'd)

b) Fair value measurements of assets and liabilities that are measured at fair value (cont'd)

| | Level 1 \$'000 | Level 2 \$'000 | Level 3 \$'000 | Total \$'000 |
|-----------------------------------|-------------------|-------------------|-------------------|-----------------|
| Recurring fair value measurements | | | | |
| 2020 | | | | |
| Group | | | | |
| Financial assets | | | | |
| FVOCI | | | | |
| - Quoted equity securities | 18 | – | – | 18 |
| Non-financial assets | | | | |
| Investment properties | | | | |
| - Freehold properties | – | – | 38,962 | 38,962 |
| - Leasehold properties | – | – | 1,163 | 1,163 |
| Total non-financial assets | – | – | 40,125 | 40,125 |
| Financial liabilities | | | | |
| Derivative financial instruments | – | 383 | – | 383 |
| Company | | | | |
| Financial assets | | | | |
| FVOCI | | | | |
| - Quoted equity securities | 16 | – | – | 16 |

Fair values have been determined for measurement purposes based on the following methods:

Quoted equity securities

The fair value of financial instruments traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in Level 1.

Insurance asset

The basis of determining fair values for measurement at the end of the reporting period is disclosed in Note 15.

Investment properties

The basis of determining fair values for measurement at the end of the reporting period is disclosed in Note 12.

Derivative financial instruments

The fair value of interest rate swap contract was provided by a reputable financial institution, which was calculated as the present value of the estimated future cash flows based on observable yield curves.

36 Fair value of assets and liabilities (cont'd)

c) Assets and liabilities not carried at fair value but which fair values are disclosed

The carrying amounts of non-current trade receivables and non-current borrowings approximate their fair values at the end of the reporting period, as the market lending rates at the end of the reporting period were not significantly different from either their respective coupon rates of the agreements or market lending rate at the initial measurement date.

The basis of determining fair values for disclosure purposes at the end of the reporting period are disclosed in Notes 14 and 24 respectively.

The above does not include financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair values due to their short-term nature and where the effect of discounting is immaterial.

d) Movements in Level 3 assets and liabilities measured at fair value

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value measurements:

| | Investment properties | |
|---|------------------------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Balance at beginning of financial year | 40,125 | 39,989 |
| Fair value gain recognised in profit or loss | 556 | 136 |
| | | |
| Balance at end of financial year | 40,681 | 40,125 |
| | | |
| Total gains for the financial year included in: | | |
| <i>Profit or loss:</i> | | |
| Other income | | |
| - fair value gain on investment properties | 556 | 136 |
| | | |

e) Valuation process applied by the Group

The fair values of investment properties are determined by professional valuers, having appropriate professional qualifications and experience in the category of property being valued at the end of the reporting period. The valuation reports and changes in fair value measurements are analysed and reported to the Audit Committee and Board of Directors.

37 Capital management

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

No changes were made in the objectives, policies or processes during the financial years ended 31 December 2021 and 31 December 2020.

37 Capital management (cont'd)

The Group and the Company monitor capital using a gearing ratio, which is net debts divided by total capital plus net debts. The Group and the Company include within net debts, borrowings, trade payables, other payables, less cash and cash equivalents. Capital represents equity attributable to equity holders of the Company. The Group's and the Company's policy is to keep the gearing ratio below 100%, as shown below:

| | Group | | Company | |
|---------------------------|-----------------|----------|----------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Borrowings | 64,924 | 73,287 | 6 | 30 |
| Trade payables | 20,246 | 22,587 | – | – |
| Other payables | 4,226 | 3,933 | 38,145 | 37,046 |
| Cash and cash equivalents | (25,808) | (29,398) | (134) | (4) |
| Net debts | 63,588 | 70,409 | 38,017 | 37,072 |
| Total equity | 64,274 | 60,451 | 43,913 | 24,345 |
| Capital and net debts | 127,862 | 130,860 | 81,930 | 61,417 |
| Gearing ratio | 50% | 54% | 46% | 60% |

38 Authorisation of financial statements

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors dated 14 April 2022.

STATISTICS OF SHAREHOLDINGS

As at 21 March 2022

| | | |
|-------------------------------------|---|------------------------|
| Share Capital | : | \$68,323,493 |
| Number of Issued and Paid-Up Shares | : | 52,066,937 |
| Class of Shares | : | Ordinary shares |
| Voting Rights | : | One (1) vote per share |
| Number of treasury shares | : | Nil |
| Number of subsidiary holdings | : | Nil |

DISTRIBUTION OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|-----------------------|---------------------|---------------|-------------------|---------------|
| 1 - 99 | 1,145 | 22.55 | 72,466 | 0.14 |
| 100 - 1,000 | 2,613 | 51.47 | 848,889 | 1.63 |
| 1,001 - 10,000 | 1,137 | 22.39 | 3,696,481 | 7.10 |
| 10,001 - 1,000,000 | 173 | 3.41 | 11,135,929 | 21.39 |
| 1,000,001 and above | 9 | 0.18 | 36,313,172 | 69.74 |
| | 5,077 | 100.00 | 52,066,937 | 100.00 |

TWENTY LARGEST SHAREHOLDERS

| S/N | Name | No. of Shares | % |
|-----|--|---------------|-------|
| 1 | HOR KEW HOLDINGS PTE LTD | 17,093,821 | 32.83 |
| 2 | AW KHOON HWEE | 5,413,499 | 10.40 |
| 3 | AW SOON HWEE | 3,327,746 | 6.39 |
| 4 | BNP PARIBAS NOMINEES SINGAPORE PTE LTD | 2,550,337 | 4.90 |
| 5 | AW YUE YING ELISE | 2,234,184 | 4.29 |
| 6 | NG LINGLING DAWN (HUANG LINGLING DAWN) | 1,801,017 | 3.46 |
| 7 | DBS NOMINEES (PRIVATE) LIMITED | 1,633,684 | 3.14 |
| 8 | AW CHI-KEN BENJAMIN (HU ZHIQING) | 1,133,545 | 2.18 |
| 9 | AW LAY SIM | 1,125,339 | 2.16 |
| 10 | AU YONG EANG | 833,333 | 1.60 |
| 11 | PHILLIP SECURITIES PTE LTD | 676,394 | 1.30 |
| 12 | AW YING YING ELICIA | 611,625 | 1.17 |
| 13 | GOH GUAN SIONG (WU YUANXIANG) | 525,700 | 1.01 |
| 14 | AW LAY TIN | 433,955 | 0.83 |

STATISTICS OF SHAREHOLDINGS

As at 21 March 2022

| S/N | Name | No. of Shares | % |
|-----|------------------------|-------------------|--------------|
| 15 | KHO CHUAN THYE PATRICK | 405,333 | 0.78 |
| 16 | TAN ENG CHUA EDWIN | 369,066 | 0.71 |
| 17 | AW XIAOYING ELEANOR | 358,093 | 0.69 |
| 18 | KUEK TONG AU | 331,500 | 0.64 |
| 19 | AW GEOK MUI | 264,759 | 0.51 |
| 20 | AW LAY CHOO | 264,759 | 0.51 |
| | Total | 41,387,689 | 79.50 |

PERCENTAGE OF SHAREHOLDINGS HELD BY THE PUBLIC

Based on information available to the Company as at 21 March 2022, approximately 33.14% of the issued ordinary shares of the Company are held by the public. Accordingly, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited has been complied with.

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholders as at 21 March 2022 as recorded in the Register of Substantial Shareholders maintained by the Company are:

| Name | Number of Shares | | | % |
|-----------------------------------|--------------------------|---------------------------|----------------|-------|
| | Direct Interest | Deemed Interest | Total Interest | |
| Hor Kew Holdings Pte Ltd | 17,093,821 | – | 17,093,821 | 32.83 |
| Aw Khoon Hwee | 5,413,499 | 17,093,821 ⁽¹⁾ | 22,507,320 | 43.23 |
| Estate of Aw Leng Hwee (deceased) | 53,333 ⁽²⁾ | 17,093,821 ⁽¹⁾ | 17,147,154 | 32.93 |
| Benjamin Aw Chi-Ken | 3,683,882 ⁽³⁾ | – | 3,683,882 | 7.08 |
| Aw Soon Hwee | 3,327,746 | – | 3,327,746 | 6.39 |

Note 1: Aw Khoon Hwee and Estate of Aw Leng Hwee (deceased) are each deemed to be interested in 17,093,821 shares held by Hor Kew Holdings Pte Ltd by virtue of Section 7 of the Companies Act 1967.

Note 2: The shares are held in the name of United Overseas Bank Nominees Pte Ltd.

Note 3: 2,550,337 of these shares are held in the name of BNP Paribas Nominees Singapore Pte Ltd.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Third Annual General Meeting (“AGM”) of Hor Kew Corporation Limited (the “Company”) will be held by way of electronic means on Friday, 29 April 2022 at 9.00 a.m. to transact the following business:-

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and Audited Financial Statements for the financial year ended 31 December 2021 together with the Independent Auditor’s Report thereon. **Resolution 1**
2. To re-elect the following Directors who will retire by rotation pursuant to Article 91 of the Constitution of the Company and who, being eligible, will offer themselves for re-election:
 - (a) Mr Benjamin Aw Chi-Ken **Resolution 2**
 - (b) Mr William Chew Yew Meng **Resolution 3**

Mr William Chew Yew Meng will, upon re-election as a Director of the Company and subject to the passing of Resolution 6 and Resolution 7, continue to serve as Chairman of the Remuneration and Nominating Committees and remain as a member of the Audit Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
3. To approve the payment of Directors’ fees of S\$97,500 for the financial year ended 31 December 2021 (2020: S\$87,750). **Resolution 4**
4. To re-appoint Baker Tilly TFW LLP as Independent Auditor of the Company and to authorise the Directors to fix its remuneration. **Resolution 5**
5. To transact any other ordinary business that may be transacted at an annual general meeting.

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:-

6. That subject to and contingent upon the passing of Resolution 3 above and the passing of Resolution 7 below, the continued appointment of Mr William Chew Yew Meng as an Independent Director of the Company pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“Listing Manual”) be and is hereby approved and such approval shall continue in force until (i) the retirement or resignation of Mr William Chew Yew Meng as a Director, or (ii) the conclusion of the 3rd annual general meeting of the Company following the passing of this Resolution, whichever is the earlier. **Resolution 6**

NOTICE OF ANNUAL GENERAL MEETING

7. That subject to and contingent upon the passing of Resolutions 3 and 6 above and the passing of this Resolution 7 by shareholders excluding the Directors and the Chief Executive Officer of the Company and their respective associates, the continued appointment of Mr William Chew Yew Meng as an Independent Director of the Company pursuant to Rule 210(5)(d)(iii) of the Listing Manual be and is hereby approved and such approval shall continue in force until (i) the retirement or resignation of Mr William Chew Yew Meng as a Director, or (ii) the conclusion of the 3rd annual general meeting of the Company following the passing of this Resolution, whichever is the earlier.

Resolution 7

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

That pursuant to Section 161 of the Companies Act 1967 and the listing rules of the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), authority be and is hereby given to the Directors of the Company to:

Resolution 8

- (1) (a) allot and issue shares in the capital of the Company (“**Shares**”) whether by way of rights, bonus or otherwise; and/or
- (b) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares;

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

- (2) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force,

provided that:

- (a) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 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 (b) below), of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to existing shareholders of the Company (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 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 (b) below);

NOTICE OF ANNUAL GENERAL MEETING

- (b) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (a) above, the percentage of issued Shares (excluding treasury shares and subsidiary holdings) shall 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:
- (i) new Shares arising from the conversion or exercise of convertible securities;
 - (ii) 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 SGX-ST Listing Rule; and
 - (iii) any subsequent bonus issue, consolidation or sub-division of Shares;

Adjustments in accordance with sub-paragraph (b)(i) or sub-paragraph (b)(ii) 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;

- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and
- (d) the authority conferred by this Resolution shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.

By Order of the Board

Koh Geok Hoon, Judy (Ms)
Koh Ee Koon (Ms)
Joint Company Secretaries

Singapore
14 April 2022

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes on Special Business to be transacted:

- (i) Resolutions 6 and 7 - Rule 210(5)(d)(iii) of the Listing Manual provides that the continued appointment as Independent Director, after an aggregate period of more than 9 years on the Board, must be sought and approved in separate resolutions by (a) all shareholders and (b) shareholders excluding Directors, CEO, and their associates. Mr William Chew Yew Meng had served as an Independent Director of the Company for an aggregate period of more than 9 years. Accordingly the Company is seeking the requisite approvals under Rule 210(5)(d)(iii) for his continued appointment as an Independent Director. Resolutions 6 and 7, if passed, will enable Mr William Chew Yew Meng to continue to serve as an Independent Director of the Company, until the earlier of his retirement or resignation, or the conclusion of the 3rd annual general meeting following the passing of Resolutions 6 and 7.
- (ii) Resolution 8 – This Resolution, if passed, will empower the Directors from the date of this AGM until the next annual general meeting, to allot and issue new shares and/or convertible securities in the Company up to a number not exceeding in total 50% of the issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company for the time being for such purposes as they consider would be in the interest of the Company, provided that the aggregate number of shares to be issued other than on a pro rata basis to existing shareholders pursuant to this Resolution shall not exceed 20% of the issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company for the time being, calculated as described in the Resolution.

Notes:

- 1. The AGM (the “**Meeting**”) is being convened, and will be 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. Printed copies of this Notice of AGM, the Proxy Form and Annual Report 2021, will not be sent to members. The electronic copies of the Notice of AGM, Proxy Form and the Annual Report 2021 are also made available on the SGX website at the URL <http://www.sgx.com/securities/company-announcements>.
- 2. Alternative arrangements relating to attendance at the Meeting via “live” webcast, submission of questions in advance of the Meeting, addressing of substantial and relevant questions at the Meeting and voting by appointing the Chairman of the Meeting as proxy at the Meeting, are set out in the accompanying section entitled “Additional Arrangements Announcement” of this Notice. For the avoidance of doubt, the aforesaid section is circulated together with and forms part of this Notice in respect of the Meeting.
- 3. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the Meeting in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the Meeting, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Meeting. In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstention from voting, in the proxy form, failing which the appointment will be treated as invalid.
- 4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
- 5. The instrument appointing the Chairman of the Meeting as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must:
 - (a) if sent personally or by post, be lodged at the office of the Company’s Share Registrar, In.Corp Corporate Services Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or
 - (b) if submitted by email, be received by the Company at michael_soh@horkew.com.sg.

in either case, by 9.00 a.m. on 27 April 2022 (being not less than forty-eight (48) hours before the time appointed for holding the Meeting) (or at any adjournment thereof) and in default, the instrument of proxy shall not be treated as valid.

NOTICE OF ANNUAL GENERAL MEETING

CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by 9.00 a.m. on 19 April 2022) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf by the cut-off date.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

6. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or on his/her attorney duly authorized in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer, failing which the instrument of proxy may be treated as invalid.
7. A corporation which is a member may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act 1967 of Singapore.

Personal Data Privacy:

By (a) submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Meeting and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the Meeting via “live” webcast or (c) submitting any question prior to the Meeting in accordance with this Notice, a member 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 by the Company (or its agents) of proxy forms appointing the Chairman of the Meeting as proxy for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Meeting (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” webcast to observe the proceedings of the Meeting and providing them with any technical assistance where necessary;
- (iii) addressing substantial and relevant questions from members received before the Meeting and if necessary, following up with the relevant members in relation to such questions;
- (iv) preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Meeting (including any adjournment thereof); and
- (v) 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.

Photographic, sound and/or video recordings of the Meeting may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the Meeting. Accordingly, the personal data of a member (such as his name, his presence at the Meeting and any questions he may raise or motions he may propose/second) may be recorded by the Company for such purpose.

IMPORTANT:

- The Annual General Meeting ("AGM") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangement for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. **A member will not be able to attend the AGM in person.** The Notice of AGM has been made available on the SGX website at the URL <http://www.sgx.com/securities/company-announcements>.
- Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via "live" webcast), submission of questions to the Chairman of the AGM in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying Company's announcement dated 14 April 2022 made available on the SGX website at the URL <http://www.sgx.com/securities/company-announcements>.
- A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**
- CPF/SRS investors who wish to appoint the Chairman as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their voting instructions at least seven (7) working days prior to the date of the AGM.
- By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 14 April 2022.
- Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the AGM as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.**

HOR KEW CORPORATION LIMITED

(Incorporated in the Republic of Singapore)
Company Reg. No. 199903415K

PROXY FORM
Annual General Meeting

I/We, _____ (Name) _____ (NRIC/Passport/Company Registration No.)

of _____ (Address)

being a member/members of Hor Kew Corporation Limited (the "Company"), hereby appoint the Chairman of the Annual General Meeting ("AGM") as my/our proxy to attend, speak and to vote for me/us on my/our behalf at the AGM to be convened and held by electronic means on Friday, 29 April 2022 at 9.00 a.m. (Singapore time) and at any adjournment thereof. I/We direct the Chairman of the AGM to vote for or against or abstain from voting the Resolutions to be tabled at the AGM as indicated hereunder:

| No. | Resolutions Relating To: | For* | Against* | Abstain* |
|--------------------------|---|------|----------|----------|
| Ordinary Business | | | | |
| 1 | Directors' Statement and Audited Financial Statements for the year ended 31 December 2021 | | | |
| 2 | Re-election of Mr Benjamin Aw Chi-Ken as a Director of the Company | | | |
| 3 | Re-election of Mr William Chew Yew Meng as a Director of the Company | | | |
| 4 | Approval of Directors' Fees for the year ended 31 December 2021 | | | |
| 5 | Re-appointment of Baker Tilly TFW LLP as Independent Auditor of the Company | | | |
| Special Business | | | | |
| 6 | Approval of continued appointment of Mr William Chew Yew Meng as an Independent Director by shareholders | | | |
| 7 | Approval of continued appointment of Mr William Chew Yew Meng as an Independent Director by shareholders (excluding Directors, Chief Executive Officer, and their associates) | | | |
| 8 | Authority to Directors to issue shares and/or convertible securities | | | |

- * Voting on all the Resolutions proposed at the AGM will be conducted by poll. If you wish the Chairman of the AGM, as your proxy, to cast all your votes For or Against or Abstain from voting on a resolution, please indicate your votes "For" or "Against" or "Abstain" the relevant Resolution with a 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 the Chairman of the AGM not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll. **In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.**

Dated this _____ day of _____ 2022

| Total number of shares in: | No. of Shares |
|----------------------------|---------------|
| a) Depository Register | |
| b) Register of Members | |

Signature of Individual Shareholder and Common Seal of Corporate Shareholder



Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register, you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, 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 number of shares separately. If no number is inserted, this proxy form shall be deemed to relate to all the shares held by you.
2. **A member will not be able to attend the AGM in person. A member (whether individual or corporate and including a Relevant Intermediary) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.**

Where a member (whether individual or corporate and including a Relevant Intermediary) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstention from voting, in respect of a resolution in the proxy form, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

Shareholders who hold their shares through relevant intermediaries (including CPFIS Members and/or SRS Investors) and who wish to exercise their votes by appointing the Chairman of the AGM as proxy should approach their respective relevant intermediaries (including their respective CPF Agent Bank and/or SRS Operators) to submit their voting instructions at least seven (7) working days prior to the date of the AGM (i.e. by 9.00 a.m. on 19 April 2022).

“**Relevant Intermediary**” has the meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore.

3. The Chairman of the AGM, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the AGM as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarially certified copy thereof, must:
 - (a) if sent personally or by post, be lodged at the office of the Company's Share Registrar, In.Corp Corporate Services Pte. Ltd. at 30 Cecil Street, #19-08 Prudential Tower, Singapore 049712; or

fold along this line (1)

Please
affix
postage
stamp

The Share Registrar for
Hor Kew Corporation Limited
In.Corp Corporate Services Pte. Ltd.
30 Cecil Street #19-08
Prudential Tower
Singapore 049712

fold along this line (2)

(b) if submitted by email, be received by the Company at michael_soh@horkew.com.sg.

in either case, by 9.00 a.m. on 27 April 2022 (being not less than forty-eight (48) hours before the time appointed for holding the AGM) (or at any adjournment thereof) and in default the instrument of proxy shall not be treated as valid.

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

5. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or his/her attorney duly authorized in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorized in writing or by an authorized officer of the corporation, failing which the instrument of proxy may be treated as invalid.
6. The Company shall be entitled to reject this instrument appointing the Chairman of the AGM as proxy 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 on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By attending the AGM and/or any adjournment thereof or submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 14 April 2022.

Hor Kew Corporation Limited

Company Reg No.: 199903415K

66 Kallang Pudding Road #07-01

Hor Kew Business Centre

Singapore 349324

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