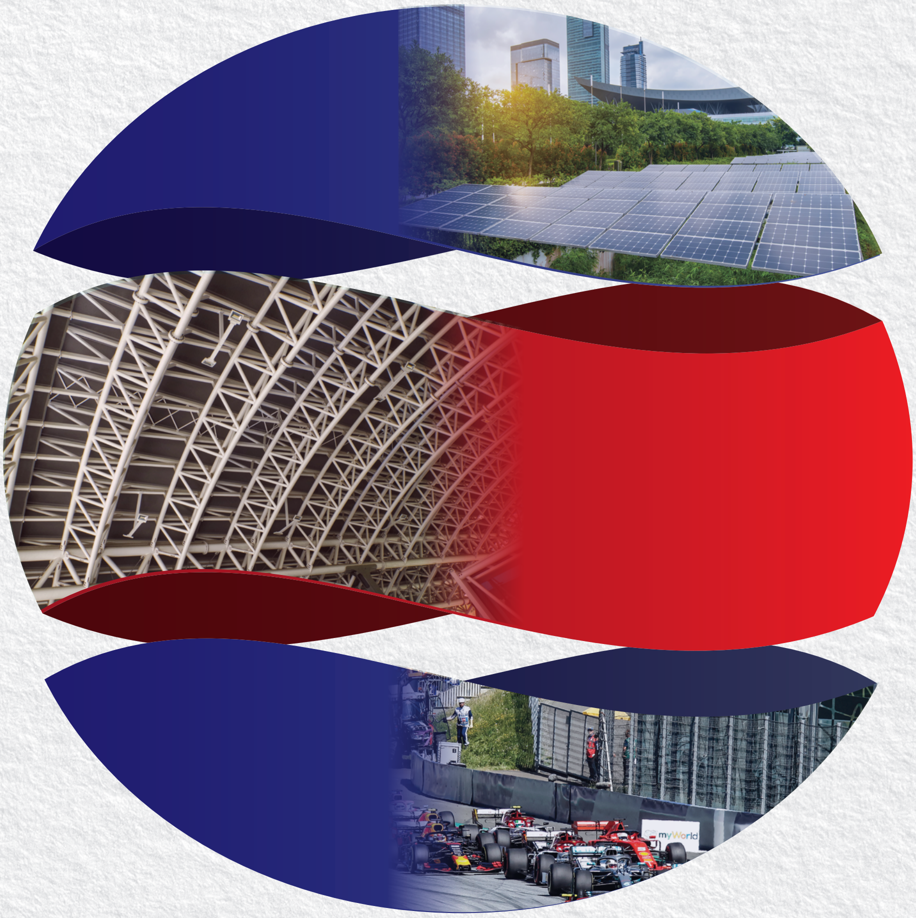
SHS HOLDINGS LTD.



SHAPE AND SHARPEN OUR CORE

ANNUAL REPORT 2019

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CORPORATE PROFILE

ABOUT SHS HOLDINGS LTD.

Established in 1971, SHS Holdings has evolved into a diversified group with three main businesses involving Engineering & Construction that comprises structural steel & facade and modular construction, Corrosion Prevention and Energy-related businesses.

We are continually strengthening our core businesses to further reinforce our platforms for growth. We are well positioned in our respective industries and are actively expanding our customer base and deepening our geographical network while enlarging our portfolio of products and services.

1 ENGINEERING & CONSTRUCTION

The Group, through its subsidiary, HETAT Holdings Pte Ltd has a strong track record in the design, engineering and construction of integrated structures created from steel, aluminium and glass materials. It is at the forefront of its field and one of a few fabricators with S1 accreditation from the Singapore Structural Steel Society. With several landmark projects under its belt, Hetat is well placed to pursue further structural projects in Singapore, Malaysia and other potential markets.

The Group also has a strong presence in modular construction, also known as Pre-fabrication, Pre-finished Volumetric Construction (PPVC) which designs and builds factory-produced, pre-engineered building units that are delivered to site and assembled as large volumetric components or as substantial elements of a building. The first two major projects under construction were completed and handed over at the end of 2019/beginning of 2020, ie, one in Karratha, Western Australia ("Velocity Motel & Bistro") and another in Christchurch, New Zealand (the ARDEN Hotel, formerly known as "Cosa Hotel").

CORPORATE PROFILE

2 SOLAR ENERGY

The Group diversified into the solar energy sector in 2016, amidst a growing global commitment to renewable energy and environmental sustainability, and the quest for clean and affordable energy-efficient solutions. Through its subsidiary, Sinenergy Holdings Pte Ltd, the Group focuses on solar energy development and EPC works. It has successfully installed various roof-top, ground-mounted photovoltaic systems of all scales for domestic and commercial customers in Singapore. It added a new line of business by going into realm of distribution of solar inverters for the region. It is also currently working on the construction of a 50MW solar power plant in Bangladesh following the signing of the Power Purchase and Implementation Agreements with the Bangladesh Power Development Board, the Government of the People's Republic of Bangladesh, and the Power Grid Company of Bangladesh Ltd.

CORPORATE **PROFILE**

4 STRATEGIC INVESTMENTS

In addition to its three core businesses, the Group constantly evaluates strategic investment opportunities that generate shareholder value. It currently has a stake in Energy Drilling Pte Ltd, a Singapore-incorporated company primarily engaged in owning and operating offshore drilling vessels and a stake in Aenergy Holdings Company Limited, an investment holding company with subsidiaries engaged in the business of developing mini-hydropower projects in Indonesia.

3 CORROSION PREVENTION

The Group is a leading provider of corrosion prevention services to the marine, oil and gas, construction and infrastructure industries. It has a special niche in specialised tank coating services and large-scale plant operations in Singapore. Its proven capability in corrosion prevention services is underscored by its status as a resident contractor for premier shipyards in Singapore.

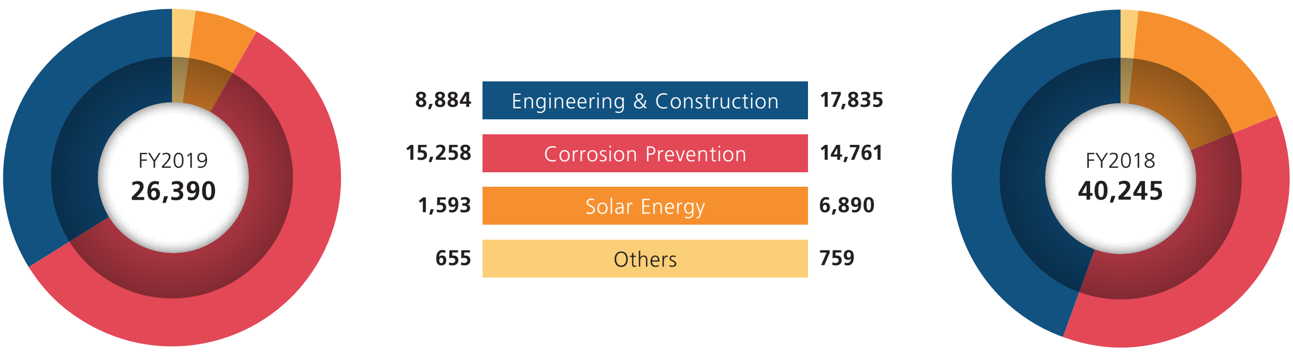
FINANCIAL HIGHLIGHTS

PROFIT & LOSS ACCOUNT (S$'000)	FY2019	FY2018
Revenue	26,390	40,245
Gross Profit	5,813	7,001
(Loss) before income tax	(25,458)	(15,004)
(Loss) after income tax		
– Continuing Operations	(6,886)	(2,777)
– Discontinued Operations	(18,505)	(12,143)
(Loss) Attributable to Equity holders		
– Continuing Operations	(6,700)	(2,782)
– Discontinued Operations	(15,784)	(8,387)
Per Share Data (Cents):		
Earnings Per Share – Basic (Continuing Operations)	(0.98)	(0.41)
Net Asset Backing	24.16	27.48
Dividends	0.30	–

STATEMENT OF FINANCIAL POSITION (S$'000)	FY2019	FY2018
Total Assets	231,495	236,377
Total Liabilities	70,659	49,783
Shareholders' Equity	165,531	188,302
Non-Controlling Interests	(4,695)	(1,708)
Total Equity	160,836	186,594

REVENUE BY BUSINESS SEGMENTS (Continuing Operations) (S$'000)	FY2019	FY2018
Corrosion Prevention	15,258	14,761
Engineering & Construction	8,884	17,835
Solar Energy	1,593	6,890
Others	655	759

REVENUE BY BUSINESS SEGMENT (S$'000)



CHAIRMAN'S **STATEMENT**

DEAR SHAREHOLDERS,

We present to you the annual report of SHS Holdings Ltd. ("**SHS**") for the year ended 31 December 2019 ("**FY2019**").

KEY EVENTS

2019 has been besieged by trade uncertainties and dampening economic growth to a certain extent.

For the Singapore economy, it struggled last year amid headwinds from the US-China trade war and a manufacturing down-cycle. For one, Singapore's GDP (gross domestic product) growth was revised down to 0.7 per cent, slower than the 3.4 per cent growth recorded in 2018.

Although in November 2019, MTI (Ministry of Trade and Industry) announced a GDP growth forecast of "0.5 to 2.5 per cent" for 2020, the forecast was premised on a modest pickup in global growth, along with a recovery in the global electronics cycle, in 2020. Since then, the outbreak of the coronavirus disease 2019 (COVID-19) has affected China, Singapore and many countries around the world. Should the COVID-19 outbreak be more widespread, severe and protracted than anticipated, there could be a sharper pullback in global consumption, as well as more prolonged disruptions to global supply chains and production. A sharper-than-expected slowdown in the Chinese economy arising from the outbreak will have a knock-on impact on regional economies, including the ASEAN economies, through lower outbound tourism and other import demand from China, as well as disruptions to supply chains. Regional economies directly affected by the COVID-19 outbreak, such as Japan, Thailand and Malaysia, may also experience a drop in domestic consumer sentiments, and hence private consumption growth.

Against this backdrop, the outlook for the Singapore economy has weakened considerably for 2020. The COVID-19 outbreak is expected to affect the Singapore economy through several channels, including the outward-oriented sectors such as manufacturing and wholesale trade and the tourism and transport sectors with falling tourist arrivals and decline in domestic consumption. Nonetheless, there are pockets of relative strength in the Singapore economy. These include the construction sector, which is projected to post steady growth given the rebound in construction demand since 2018.

The Big Picture, as shared in the last Annual Report, is our review of the business development plans of the Group businesses showed that we are laden with too many relatively gargantuan business development activities and complex projects. We initiated large-scale solar farm projects and then invested in the modular construction industry with a view to extending our regional footprints in Asia Pacific in quick succession. However, when we were presented with teething issues, they were less than satisfactorily addressed as our business development involves joint venture partners where stakeholder management does not measure up. Besides, our competencies to directly managed some of these demands were found lacking.

Thus, in the face of major impediments in the development of these new business pillars, SHS decided to move head on to tackle the challenge by regrouping and right fitting the business strategies vis-à-vis the resources and competencies of the group. As the testing journey progresses, we are rather encouraged with the intermediate positive results which sow the seeds for "Long Term Sustainable Growth".

For Solar Energy business segment, we examined our exposure to large-scale solar farms to assess whether we have the appropriate financial capacity or leverage to own and operate. To that end, we have, as announced on 26 December 2018, divested our rights to the 50MW solar power plant project in Ninh Thuan Province, Vietnam for an approximate S$0.9 million gain upon completion of the transaction. This is on track to be completed. The divestment is in line with the Group's ongoing strategic review and objective of streamlining its investment activities in its solar business. The divestment increases the overall financial capacity and flexibility of the Group for further investments in solar and other business units.

In addition, our Bangladesh 50MW solar power plant project, as per earlier announcement of 20 February 2019, which was previously plagued by delays in the timing of the construction of the Solar Power Plant as its financing that was previously anticipated has not been forthcoming (due principally to land issues which involved delayed completion of acquisition of private and government land) is on track again. We are happy to report that, after having put in numerous endeavours, we garnered via the Company's project company HDFC of the Solar Project the support of a main EPC contractor to commence work on the Solar Project. As per the 22 September 2019 announcement, it has entered into various contracts with certain contractors ("EPC Contracts") with a view to supporting the application of the further Commercial Operations Date ("COD") extension. The EPC contractors have since commenced working on the Solar Project and HDFC started negotiation with the relevant authorities. Our steadfast efforts have finally paid off. We are pleased to share that it has obtained the COD Extension, issued by the Power Department under the Ministry of Power, Energy and Minerals Resources of the Government of the People's Republic of Bangladesh on 21 January 2020, for an extension of time for achieving Commercial Operation for the construction of the Solar Power Plant by 30 June 2020.

CHAIRMAN'S STATEMENT

Notwithstanding the continued competitive environment, the low business volumes for its roof-top projects in the 2019 is expected to see some improvements in 2020. Going forward, to grow this business segment, we will focus more on engineering, procurement and commission (EPC) for solar contracts in Singapore and in ASEAN which does not requires heavy capital and financial commitments and as a regional distributor for solar inverters.

For Modular Construction business comprising the TLC Group, 2019 proved to be a trying period. We closed off current projects comprising the Paya Lebar Park Place Residences Pre-Fabricated Bathroom Units ("PBUs") in Singapore and the modular hotel projects, one in Karratha, Western Australia ("Velocity Motel & Bistro") and another in Christchurch, New Zealand. Having completed and delivered these projects, your management paused and reflected upon our past chapters to draw up the business plan for our business development for this business segment for 2020 with a view to improving the flagging performance in the last three plus years.

However, our review point towards the situation is far from satisfactory. The inability of our joint venture partner to, once again, deliver the charted results as per the business plan is becoming a real source of concern. Efforts to draw our joint venture partner towards a convergence have so far yield less than desired results as they continue to steer towards a different business direction which proved to be a drag on the SHS Group. Nevertheless, we are working towards a resolution including divestment is a possible option.

With the on-going consolidating efforts in our Solar Energy and Modular Construction businesses, the Board is determined to continue to regroup to eradicate and iron out the difficulties faced before making further capital commitments to these businesses.

For Engineering & Construction ("E&C") segment's other business pillar in structural steel and facade ("SSF") consisting of the design, engineering and construction of integrated structures created from steel, aluminium and glass materials business, other than the successfully executed 2019 Grand Prix project, there is a dearth of significant billable projects. Although the steel engineering business experienced with low business volumes for the first three quarters of 2019, we are feeling our way back into the SSF arena. We managed to secure more contracts for engineering and construction works from the last quarter of 2019. Hence, we are more optimistic with our steel engineering business in next 12 months with more order books on hand and expects to garner more successful bidding for projects against the backdrop of a projected sustained growth of the construction sector in the coming year. On the other hand, Yokomori Singapore Pte Ltd our three-party joint venture with Japan's leading precision staircase manufacturer, Yokomori Mfg. Co., Ltd, and global steel trader Marubeni-Itochu Steel Inc, to produce and sell steel staircases are bearing fruits by turning profitable in 2019.

For Corrosion Prevention ("CP") segment, higher business volumes are expected in 2020 as some confidence seen returning to the marine and offshore sector with more work orders from major shipyards. We will continue its cost rationalisation exercise and enhance productivity to maintain an appropriate and efficient cost structure while focussing on diversifying its customer base.

DIVIDENDS

The Group does not have a fixed policy governing how much to pay out to shareholders in dividends. However, as a practice, the Group usually declares annual dividend at the rate of approximately 25-40% of the net profit after tax in accordance with the consolidated financial statements. As no dividend was declared for the last financial year, a final dividend of $0.003 Singapore cent per ordinary share has been proposed for FY2019 although the Group recorded a net loss for the financial year as the Board of Directors reckon it appropriate to reward shareholders for their resolute support and there are sufficient funds for the Group's business activities. This is subject to shareholders' approval at the forthcoming Annual General Meeting.

ACKNOWLEDGEMENT

FY2019 was a year for regrouping and the coming financial year will witness our continuing efforts to shape and sharpen our core competencies and businesses in engineering, energy-related and corrosion prevention. We will continue to shed the group's non-core assets, including lands in Australia and Malaysia and other investments to augment our cash for the Group's future endeavours in a timely and beneficial manner.

On behalf of the Board, we would like to express our gratitude to our staff for their dedication and commitment towards the Group's consolidation efforts amidst the daunting operating environment. We would also like to thank our Board of Directors, customers, business associates and shareholders for their unwavering support and faith in the Group. Together with the management, we remain committed in building a stronger foundation to driving us forward and in striving towards better results in the coming year. We look forward to meeting you again at the upcoming Annual General Meeting. Have a delightful year ahead!

MR TENG CHOON KIAT
Executive Chairman

GROUP CEO'S OPERATIONS AND FINANCIAL REVIEW

DEAR SHAREHOLDERS,

For the financial year ended 31 December 2019 ("FY19"), the Group posted a net loss attributable to shareholders from continuing operations of S$6.7 million, which widened by 141%.

Taking in losses from discontinued operations of S$15.8 million, loss attributable to shareholders of the Company amounted to S$22.5 million, which was increased by 101% year-on-year.

Group revenue from continuing operations decreased by 34% to S$26.4 million as a result of fewer contracts secured from the Group's Engineering and Construction ("E&C") and Solar Energy segments, despite improvements in its Corrosion Prevention ("CP") business.

The E&C segment, which consists of the Structural Steel and Facade ("SSF") business, booked a S$2.9 million loss from a modest revenue, under-absorption of fixed overheads with lower contract volume and additional provision for doubtful debts for its Perth project.

The Group's Solar Energy business turned in a loss largely due to weak turnover as there were no significant EPC projects delivered during the year due to project delays initiated by clients. These EPC projects are expected to commence in FY2020 and contribute positively to the Group's results. The segment's foray into the distribution of solar equipment and accessories, which only started in the last quarter of FY19, will also see the recognition of orders, secured in 2019, in the current financial year.

The Corrosion Prevention ("CP") business managed to reduce its loss position to S$700,000, from S$1.8 million in the previous year, on the back of a 3% rise in revenue.

S$'000	FY19	FY18	Change
Revenue	26,390	40,245	(34%)
Net profit attributable to shareholders			
– Continuing Operations	(6,700)	(2,782)	141%
– Discontinued Operations	(15,784)	(8,387)	88%
	(22,484)	**(11,169)**	**101%**

Despite improvements in the CP businesses, the Group's gross profit declined by 17% to S$5.8 million, in tandem with the lower revenue contributed by E&C segment and EPC solar energy projects.

Other income was lower by 43% to S$2.1 million, mainly due to the absence of a one-off write back of provision, amounting to S$1.2 million, for the unmet profit warranty provided by the vendors of TLC Modular Construction business, as well as lower service income from the E&C segment and lower interest income from fixed deposits.

Total operating expenses increase by 13% to S$14.5 million from increase in operating expenses which relates to additional expected credit loss provided in this year.

Selling and distribution expenses decreased by 8% to S$350,000 in FY19 due to a reduction in business development activities despite a rise in travelling activities from the Solar segment.

A revision of key management costs while staff-related costs held steady led to a 9% dip in Administrative expenses to S$5.4 million.

Other operating expenses including net impairment losses on financial assets was increased by 33% to S$8.7 million mainly due to increase in foreign exchange losses and provision for expected credit loss in the E&C segment.

Finance costs rose to S$1.2 million, from S$0.55 million in FY18, largely due to higher bank borrowings for the re-development of the Hetat factory and office building.

The Group recorded a share of profit from associated companies of S$825,000 in FY19, instead of a share of loss of associated companies of S$197,000 in FY18, thanks to the improved results of associated company.

As a result, the Group reported a 141% increase in the net loss attributable to shareholders from continuing operations of S$6.7 million in FY19.

In the year just ended, the Group's financial position remained resilient with net assets at S$160.8 million as at 31 December 2019. This translated into a net asset per share of 24.16 Singapore cents.

As at 31 December 2019, its cash and cash equivalents stood at a healthy S$31.1 million. This is mainly due to:

- S$9.1 million used in operating activities with the cash used in operation of S$8.2 million and S$0.9 million net interest paid
- Net cash generated from investing activities amounted to S$9.5 million in FY19 mainly due to the capital expenditures

GROUP CEO'S OPERATIONS AND FINANCIAL REVIEW

for the E&C segment offset partially by collection from Heron Bay Project, EVIA Korean fund, refund from project development expenditure and proceed from disposal of motor vehicle

- Cash used in financing activities for repayment of term loan and trust receipts of S$0.9 million during the year

SEGMENTAL RESULTS
CONTINUING OPERATIONS

CORROSION PREVENTION

In FY19, revenue from CP segment improved by 3% to S$15.3 million, driven by a significant jump in orders in the last quarter for new vessel builds and MRT tracks.

Along with the rise in revenue, CP's gross profit expanded by 7% to S$4.0 million. The increase in orders helped to improve utilisation of the factory capacity and equipment, resulting in gross profit margin rising from 25.2% a year ago, to 26% in FY19.

ENGINEERING & CONSTRUCTION

The lack of significant projects, apart from the Singapore Grand Prix, from the E&C segment led to a 50% on-year contraction in revenue to S$8.9 million.

Gross profit fell by 24% to S$1.6 million, in line with the lower revenue recorded despite higher gross profit margin achieved.

SOLAR ENERGY

Revenue from the Solar Energy segment declined 77% to S$1.6 million in FY19 due to postponement in EPC projects initiated by clients to FY2020. These EPC projects, along with the new orders from its new distribution business which it secured in late FY19, are expected to contribute positively to the Group's FY20 results.

The segment posted gross profit of S$86,000, against S$0.9 million in the previous year, from sales secured from the new inverter distribution business.

OUTLOOK

ENGINEERING & CONSTRUCTION

We remain optimistic about our steel engineering business for the next 12 months as we continue the momentum of building our order books in FY2020 following the completion of our redeveloped factory. We had secured many projects towards the end of FY2019, some of them fairly significant.

Meanwhile, with regard to our modular construction business, we are working towards resolving the differences between the Company and stakeholders of TLC Group, which may include divestment as a possible option.

SOLAR ENERGY

The Solar Energy segment focuses on:

- The EPC business in Singapore
- Solar farm development in Bangladesh
- Distribution of solar equipment and accessories in Singapore, Indonesia and Indochina

S$'000	FY19	FY18	Change
Corrosion Prevention ("CP")			
– Revenue	15,258	14,761	3%
– Gross Profit	3,983	3,717	7%
Engineering & Construction ("E&C")			
– Revenue	8,884	17,835	(50%)
– Gross Profit	1,572	2,071	(24%)
Solar Energy			
– Revenue	1,593	6,890	(77%)
– Gross Profit	86	938	(91%)

GROUP CEO'S OPERATIONS AND FINANCIAL REVIEW

Barring unforeseen circumstances, we are expecting to see some improvements in the volume of our roof-top solar EPC business in the next 12 months with more orders expected from overseas.

With regard to our solar farm development project in Bangladesh, the relevant government body has agreed to extend the project completion date to 30 June 2020. We are confident that our appointed EPC contractor there is able to complete the project with the new deadline.

Our foray into the distribution of solar equipment and accessories, which began in late 2019, will see us gaining a firmer foothold in the Singapore, Indonesia and Thailand markets, as well as establishing new ground in Cambodia, Myanmar and Bangladesh.

CORROSION PREVENTION

For our CP segment, we are also expecting business volume to pick up in the next 12 months as we are receiving more work orders from major shipyards in the marine, offshore, oil & gas and construction sectors. At the same time, we will continue with our productivity enhancement exercises in a bid to maintain an appropriate and efficient cost structure while we focus on delivering value to our customers.

With the outbreak of the **COVID-19 Pandemic** since the beginning of 2020, the business landscape has been extremely volatile as governments around the world take drastic measures to deal with the global crisis. Moreover, plunging oil prices has also added to the headwinds for all economies around the world.

The Group has a business continuity and crisis management plan in place that covers not only areas of business operations, but also staff welfare. Safety is our first priority and we have implemented plans to protect our staff and customers.

I would like to take this opportunity to thank all of our management and staff, for their hard work especially as we navigate through very challenging times ahead.

Best of health to everyone in 2020!

NG HAN KOK, HENRY
Group Chief Executive Officer

BOARD OF DIRECTORS

MR TENG CHOON KIAT
EXECUTIVE CHAIRMAN

Mr Teng Choon Kiat was appointed as Non-Executive and Non-Independent Director of SHS Holdings Ltd. on 14 February 2018 and subsequently appointed Non-Executive and Non-Independent Chairman on 1 March 2018. On 25 October 2018, Mr Teng was designated as Executive Chairman and working closely with Group CEO and key management to implement policies and plans to realize the Group's vision. Mr Teng is a controlling shareholder of the Company and is the Managing Director and shareholder of the Entraco Group whose principal activities include providing both property and offshore asset management, vessel's tank cleaning, corrosion control services, structural steel fabrication, distributorship representing major OEM to marine and oil and gas companies in this region, Europe and Brazil. Mr Teng's experience and knowledge will be invaluable to the Board on the Group's business directions and existing business of the Group.

Present Directorship
SHS Holdings Ltd.

Present Principal Commitments
Entraco Group of Companies

Past Directorship held over the preceding five years
Nil

Past Principal Commitment held over the preceding five years
Nil

MR NG HAN KOK, HENRY
EXECUTIVE DIRECTOR &
GROUP CHIEF EXECUTIVE OFFICER

Mr Henry Ng was appointed as Executive Director of SHS Holdings Ltd. on 3 January 2014 and Group Chief Executive Officer on 28 February 2014. As Group Chief Executive Officer, Mr Ng is responsible for making strategic proposals to the Board and implementing the Group's strategies, policies and Board's decisions. The Group CEO assumes the executive responsibility for the day-to-day management of the Group, with the support of Executive Director and key management. He leads the development of the Group's growth strategy including identifying and assessing risks and opportunity of growth of existing business and new businesses and reviewing the performance of its existing businesses. Mr Ng is the founder and Managing Director of Hetat Holdings Pte. Ltd., the Group's structural steel & facade business. He is a veteran in the construction industry and has extensive experience of over 20 years in the related field of steel, aluminium and glass structures. He holds Bachelor of Science (Building) honours degree from University of Reading, United Kingdom.

Present Directorship
SHS Holdings Ltd.

Present Principal Commitments
SHS Holdings Ltd.

Past Directorship held over the preceding five years
Nil

Past Principal Commitment held over the preceding five years
Nil

MR LIM SIOK KWEE, THOMAS
EXECUTIVE DIRECTOR & CEO
CORROSION PREVENTION SERVICES

Mr Thomas Lim was appointed as Executive Director and CEO Corrosion Prevention Services of SHS Holdings Ltd. on 30 December 2015. He is the founder of the Company and was the Company's Executive Chairman from 29 April 2009 to 29 April 2013 and from 22 July 2013 to 27 April 2015. He has over 30 years' experience in corrosion prevention business and was the driving force in the Group's development and growth during the early years. He was also instrumental in the diversification of the Group's business into the offshore and construction sectors.

Present Directorship
SHS Holdings Ltd.

Present Principal Commitments
SHS Holdings Ltd.

Past Directorship held over the preceding five years
Nil

Past Principal Commitment held over the preceding five years
Nil

BOARD OF DIRECTORS

MR LEE GEE AIK
INDEPENDENT DIRECTOR

Mr Lee Gee Aik was appointed as an Independent Director and Chairman of the Audit Committee of SHS Holdings Ltd. on 24 July 2015. He is also a member of Remuneration Committee. On 1 March 2018, he was appointed as Lead Independent Director and recently he was appointed as member of Nominating Committee on 15 March 2019. Mr Lee has over 30 years of extensive and varied experience in accounting, tax and financial matters, having previously worked with one of the Big Four accounting firms both in its Singapore and US offices and as a regional financial controller for about 5 years in the hospitality industry. Mr Lee is a Fellow of Association of Chartered Certified Accountants (UK) and Institute of Singapore Chartered Accountants. He also obtained a Master in Business Administration from The Henley Management College, United Kingdom.

Present Directorship
SHS Holdings Ltd.
Anchun International Holdings Limited
Astaka Holdings Limited
Uni-Asia Group Limited

Present Principal Commitments
Nil

Past Directorship held over the preceding five years
OUE Lippo Healthcare Ltd
(fks International Healthcare Corporation Ltd)
LNH Limited

Past Principal Commitment held over the preceding five years
R Chan & Associates PAC

MR OH ENG BIN, KENNETH
INDEPENDENT DIRECTOR

Mr Kenneth Oh was appointed as Independent Director of SHS Holdings Ltd. on 14 January 2014. He is currently the Chairman of the Remuneration Committee and members of the Audit and Nominating Committee. Mr Oh is a senior partner in Dentons Rodyk & Davidson LLP's Corporate Practice Group, China Practice and Indonesia Practice. He has been in legal practice since 1999. Mr Oh practises mainly in the areas of corporate finance and mergers & acquisitions, with a focus on equity capital markets transactions involving IPOs and RTOs of Singapore and foreign companies, as well as secondary capital market issues including secondary listings, secondary post-listing fund raising and post-listing advisory and compliance. Mr Oh also advises on capital markets licensing and compliance, and on a wide range of general corporate advisory work for both public listed and private companies including private equity investments, joint ventures, corporate restructurings, debt restructuring and franchising. Mr Oh holds Bachelor of Law degree (Honours) from National University of Singapore and admitted to the Singapore Bar.

Present Directorship
SHS Holdings Ltd.
Sapphire Corporation Limited

Present Principal Commitments
Dentons Rodyk & Davidson LLP

Past Directorship held over the preceding five years
Nil

Past Principal Commitment held over the preceding five years
Nil

DR LEE KUO CHUEN, DAVID
INDEPENDENT DIRECTOR

Dr Lee Kuo Chuen was appointed as Independent Director of SHS Holdings Ltd. on 1 October 2013. He is currently the Chairman of the Nominating Committee and members of the Remuneration and Audit Committees. He is also an Independent Director of HLH Limited. Dr Lee has over 20 years of experience in financial modelling, portfolio allocation and alternative investments. He is currently a Professor at the Singapore University of Social Sciences. He is also a vice president of The Economic Society of Singapore. Dr Lee holds a PhD in Econometrics and Applied Economics from London School of Economics and Political Science and holds a Master of Science in Econometrics and Mathematical Economics from University of London.

Present Directorship
SHS Holdings Ltd.
HLH Group Limited

Present Principal Commitments
Nil

Past Directorship held over the preceding five years
Nil

Past Principal Commitment held over the preceding five years
Nil

GROUP MANAGEMENT AND PERSONNEL

SHS GROUP

Mr. Teng Choon Kiat
Executive Chairman

Mr. Ng Han Kok, Henry
Executive Director & Group Chief Executive Officer

Mr. Lim Siok Kwee, Thomas
Executive Director & CEO Corrosion Prevention Services

Mr. Wong Tat Yang
Group Chief Financial Officer

ENGINEERING & CONSTRUCTION

Mr. Ng Han Kok, Henry
Executive Director & Group Chief Executive Officer

Mr. Wang Feng Jung, Willie
Chief Operating Officer (Structural, Steel & Facade)

Mr. Carmelo Ramos Gacayan
Senior Technical Manager (Structural, Steel & Facade)

Mr. Cheng Chee Chai
Engineering & Production Director (Structural, Steel & Facade)

Ms. Teo Soo Fang, Tracy
Group Finance Manager

Ms. Ch'ng Sai Lian, Adeline
Human Resource Manager

Mr. Mahalingam Kalimuthu Kumar
EHS Manager

CORROSION PREVENTION

Mr. Lim Siok Kwee, Thomas
Executive Director & CEO Corrosion Prevention Services

Mr. Tan Teck Seng, Ronnie
General Manager (Trading)

Mr. Lim Peng Cheng
Production Manager (Plant Operations)

Mr. Goh Sia Teck
Commercial Manager (Site)

Ms. Teo Soo Fang, Tracy
Group Finance Manager

Ms. Ch'ng Sai Lian, Adeline
Human Resource Manager

Mr. Mahalingam Kalimuthu Kumar
EHS Manager

SOLAR ENERGY

Mr. Ng Han Kok, Henry
Executive Director & Group Chief Executive Officer

Mr. Chua Kok Keong, Joseph
Chief Executive Officer (EPC)

Ms. Teo Soo Fang, Tracy
Group Finance Manager

Ms. Kee Ai Ling, Irene
Assistant Finance Manager

Ms. Lim Sim Wah, Sharon
Assistant Procurement Manager

CORPORATE INFORMATION

BOARD OF DIRECTORS

Teng Choon Kiat
Executive Chairman

Ng Han Kok, Henry
Executive Director & Group Chief Executive Officer

Lim Siok Kwee, Thomas
Executive Director & CEO Corrosion Prevention Services

Lee Gee Aik
Lead Independent Director

Lee Kuo Chuen, David
Independent Director

Oh Eng Bin, Kenneth
Independent Director

AUDIT COMMITTEE

Lee Gee Aik
(Chairman)

Lee Kuo Chuen, David

Oh Eng Bin, Kenneth

NOMINATING COMMITTEE

Lee Kuo Chuen, David
(Chairman)

Oh Eng Bin, Kenneth

Lee Gee Aik

REMUNERATION COMMITTEE

Oh Eng Bin, Kenneth
(Chairman)

Lee Gee Aik

Lee Kuo Chuen, David

COMPANY SECRETARY

Tan Lay Hong

REGISTERED ADDRESS

19 Tuas Avenue 20
Singapore 638830
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SHARE REGISTRAR

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Singapore Land Tower
Singapore 048623
Tel: +65 6536 5355
Fax: +65 6536 1360

AUDITORS

Moore Stephens LLP

10 Anson Road #29-15
International Plaza
Singapore 079903

AUDIT PARTNER-IN-CHARGE

Ng Chiou Gee Willy

(appointed during the financial year ended 31 December 2017)

PRINCIPAL BANKERS

United Overseas Bank Limited

80 Raffles Place
UOB Plaza 1
Singapore 048624

CIMB BANK BHD
50 Raffles Place
#01-02 Singapore Land Tower
Singapore 048623

SUSTAINABILITY REPORT

SUSTAINABILITY REPORT

BOARD STATEMENT 102-14

DEAR STAKEHOLDERS,

We are pleased to present the third Sustainability Report (the "Report") of SHS Holdings Ltd. ("SHS" or the "Group") which looks at the Group's sustainability performance for the financial period 1 January 2019 to 31 December 2019. The report covers the Group's strategies, policies, practices, performance and targets in relation to economic, environmental, social and governance ("EESG") issues, drawing on the internationally recognized framework Global Reporting Initiative's ("GRI") Sustainability Reporting Standards to provide a balanced view.

Our sustainability performance is reported based on 13 indicators that have been selected based on key concerns of our business and stakeholders. These material issues are taken into account through our five sustainability strategies – Business Integrity, Environmental Sustainability, Human Capital, Health & Safety and Quality.

SUSTAINABILITY REPORT

BUSINESS INTEGRITY

Corporate governance is an important core value of the Group and we are committed to practice and maintain a high standard of transparency. We do not tolerate corruption or fraud and have established policies to address business conduct expected of all employees.

ENVIRONMENTAL SUSTAINABILITY

We recognize the need to address the impact of climate change and are committed to minimize our environmental impact from our activities. We ensure that we balance our commercial needs and minimise our environmental impact arising from the consumption of electricity utilised during the blasting and painting processes (Corrosion Prevention business segment), as well as the excavation and fabrication processes (Structural Steel & Façade under Engineering & Construction business segment).

HUMAN CAPITAL

Our employees contribute to the success of the Group.

We are committed to attract and retain talents, and we focus on the personal well-being of employees. We adopt merit-based recruitment practices and our hiring policies ensure that recruitment is based on qualifications, skills and competency of individuals.

HEALTH AND SAFETY

As there are health and safety risks involved in running our businesses, SHS is mindful of these threats and prioritises the health and safety of our employees. We place the safety of our employees as our first and foremost priority.

Our operations are fully compliant with legislated workplace health and safety standards and we have a Health, Safety & Fire Environment ("HSE") Committee to oversee workplace health and safety matters.

QUALITY

Driven by our vision to strive to provide "products and services known for its quality", the Group subscribes to best practices and complies with all relevant legislations and requirements pertaining to the health and safety impacts of products and services.

Our delivered products are fully compliant with relevant standards such as the International Organisation for Standardisation ("ISO"), Swedish Standards Institute, British Standards, American Steel Structures Painting Council Standards and the American National Association Corrosion Engineers Standards.

LOOKING AHEAD

The economic, environment, social, and governance landscape is constantly evolving, and we recognise the need to adapt our operations to these changes.

We will continue to integrate sustainability into our daily operations across the Group and we appreciate having all our stakeholders on this journey together to a more sustainable future.

MR TENG CHOON KIAT
Chairman, Board of Directors

SUSTAINABILITY REPORT

ABOUT THIS REPORT

GRI GUIDELINES 102-54 102-56

This report is prepared based on the GRI Sustainability Reporting Standards 2016, in accordance with the Core option. The GRI Sustainability Reporting Standards is a global standard with a framework which aids SHS in presenting a balanced view of the Group's contributions towards sustainable development.

The GRI content index and relevant references are provided on pages 37-39 of the report. We have not sought external assurance for this reporting period.

REPORTING PERIOD 102-49 102-50 102-51 102-52

Our Sustainability Report is published on an annual basis. This is the third issue of our Sustainability Report and covers the Financial Year ("FY") 2019, for the period 1 January 2019 to 31 December 2019.

The last report was published in the FY2018 Annual Report which was released on 12 April 2019.

REPORTING SCOPE 102-48 102-45

The data, statistics and improvement targets in the report relate to the following operations:

- Corrosion Prevention (See Hup Seng CP Pte Ltd)
- Structural Steel and Facade (Hetat Holdings Pte Ltd)
- Solar Energy (Sinenergy Holdings Pte Ltd)

There are no restatements of information in this report.

FEEDBACK 102-53

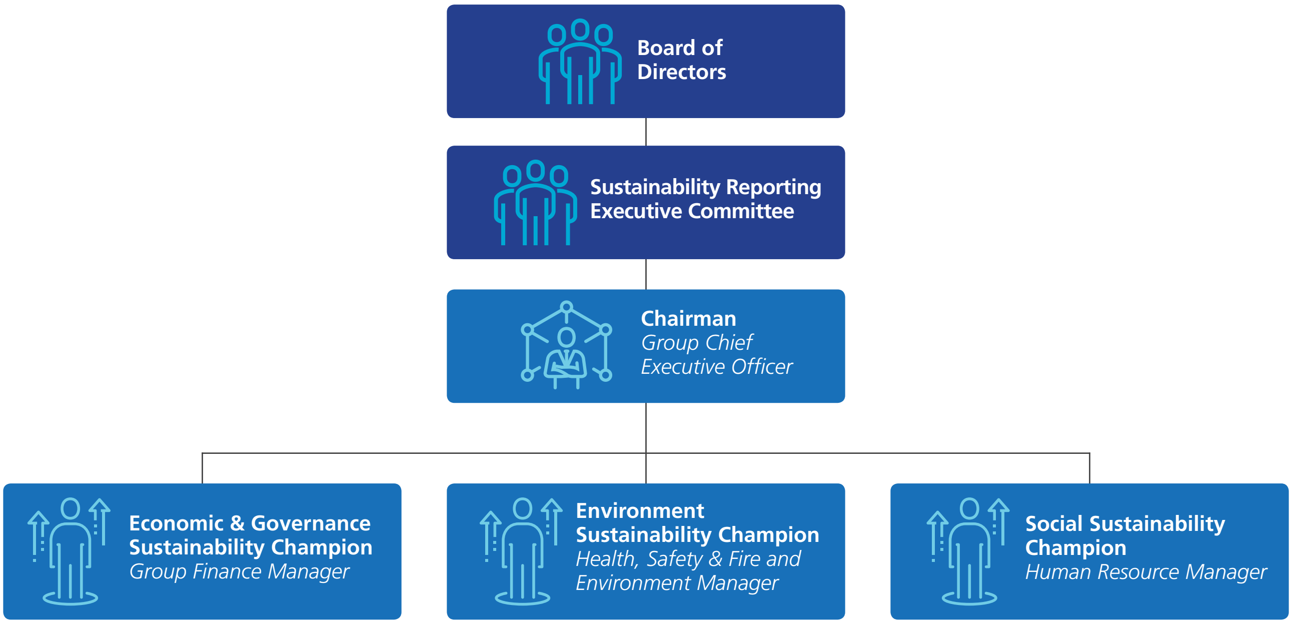
Your views and opinions are highly valued by us and we welcome any form of feedback on this report or any aspect of our sustainability performance.

Kindly provide your feedback to our Group's CFO, Mr Wong Tat Yang, at tatyang.wong@shsholdings.com.sg

SUSTAINABILITY REPORT

OUR SUSTAINABILITY REPORTING

The Group's sustainability drive is spearheaded by the Sustainability Reporting Committee which oversees the group-wide sustainability strategies and initiatives.



SUPPLY CHAIN 102-9 102-10

Corrosion Prevention

Our corrosion prevention business lengthens the lifespan of metal structures by coating the surface of metal structures with anti-corrosive materials. We procure paint, garnets, blasting hole, blasting consumables (such as masking tapes, cloth tapes, brushes and gloves) and protective equipment from local suppliers.

Solar Energy

SHS offers the engineering, procurement and construction of solar power projects, project development, energy efficient lighting systems and air conditioning and mechanical ventilation systems. Materials purchased include solar modules, solar inverters, data loggers, solar mounting system and electrical cables, with the solar inverters mainly from China while the remaining materials sourced locally.

Structural Steel and Façade

We design, engineer and construct structures of steel, aluminum and glass. Our suppliers from Singapore or China provide us with steel, aluminum, roofing material, fuel and engine oil.

SUSTAINABILITY **REPORT**

OUR APPROACH TO SUSTAINABILITY

OUR SUSTAINABILITY STRATEGY

Our five sustainability strategies – Business Integrity, Environmental Sustainability, Human Capital, Health & Safety and Quality was formalized by the Sustainability Executive Reporting Committee. SHS places sustainability at the core of our strategy and operations to create sustainable value for all our stakeholders.

STAKEHOLDER ENGAGEMENT 102-40 102-42 102-43 102-44

Collaboration with our stakeholders supports us in addressing sustainability challenges and opportunities. We engage with our stakeholders regularly and incorporate relevant and appropriate feedback into our planning and actions.

Identification of the various stakeholders is based on our respective economic, social and environmental impacts in the context of our value chain.

	STAKEHOLDERS' EXPECTATIONS/CONCERNS	ENGAGEMENT PLATFORM
Employees	• Safe and conducive workplace • Fair labour practices and compensation	• Trainings • Grievance/feedback channels • Regular reviews and appraisals • Intranet platform for policies, news and benefits
Customers	• Product quality and innovation • Product compliance to all relevant regulations • Timely follow-up on customer feedback • Ability to offer competitive and cost-efficient solutions which are safe and environmentally responsible	• Feedback channels such as email and telephone communications • Client meetings • Corporate website, email and newsletters
Suppliers	• Clear two-way communication channels • Timely feedback regarding materials/ services provided	• Inspections and quality site visits • Quotations and requests for proposal • Raw material specifications discussion meetings
Shareholders & Regulators	• Business resilience and financial performance • Business strategy and direction • Corporate governance and compliance • Transparent and timely communication of information	• Results announcements and news releases • Corporate website and email • AGM
Local Communities	• Mitigation of adverse implications of projects • Communication regarding future developmental planning relating to projects	• Environmental and social impact study

MATERIALITY REVIEW PROCESS 102-46 102-47

We applied the GRI reporting principles – stakeholder inclusiveness, the sustainability context, materiality and completeness – in defining the report content by considering the Group's activities, impact and substantive expectations and interests of our stakeholders.

In determining the material topics relevant to FY2019, SHS performed an internal strategy review which included a relook at our business strategy, business model and key stakeholders and processes to identify the Group's significant economic, environmental and social impacts.

We identified the following 13 indicators during the review conducted. The materiality assessment was subsequently endorsed by the Sustainability Executive Reporting Committee.

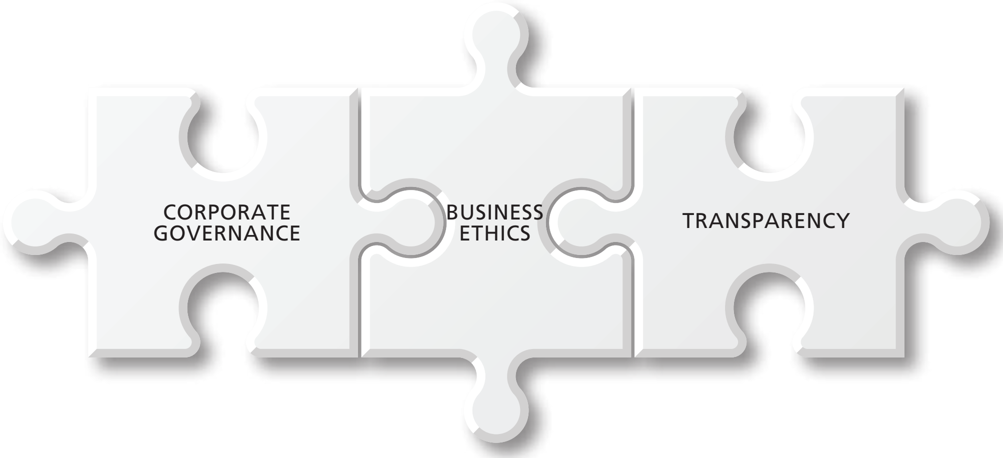
CATEGORY	CLASS	STANDARD	INDICATORS
Economic	Economic Performance	201-1	Direct economic value generated and distributed
	Anti-Corruption	205-2	Communication and Training on anti-corruption policies and procedures
		205-3	Confirmed incidents of corruption and actions taken
Environment	Energy	302-1	Energy consumption within the organization
		302-4	Reduction of energy consumption
	Effluents & Waste	306-2	Waste by type and disposal method
	Compliance	307-1	Non-compliance with environmental laws and regulations
Social	Employment	401-1	New employee hires and employee turnover
	Occupational Health & Safety	403-2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
	Non-discrimination	406-1	Incidents of discrimination and corrective actions taken
	Local Communities	413-2	Operations with significant actual and potential negative impacts on local communities
	Customer Health & Safety	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services
	Compliance	419-1	Non-compliance with laws and regulations in the social and economic area

SUSTAINABILITY REPORT

BUSINESS INTEGRITY

ANTI-CORRUPTION 205-2 205-3

SHS is committed to practice and maintain a high standard of transparency in the disclosure of material information in line with those set out in the 2018 Code of Corporate Governance (the "2018 Code").



FORM THE CORE OF OUR BUSINESS OPERATIONS

The Group's zero tolerance position towards corruption and fraud is reflected in our "Whistle Blowing Policy" and "Code of Conduct Policy".

WHISTLE BLOWING POLICY

The Group's whistle blowing policy was endorsed by the Audit Committee ("AC") on 17th January 2013 and subsequently approved by the Board of Directors.

The whistle blowing policy and reporting mechanisms are communicated to all employees on their first day of work. The policy has also been made accessible through the Group's intranet and shared folder, with the latest contact details of the AC.

Under the policy, all employees have the right to lodge a complaint with any member of the AC. Employees can raise or report genuine concerns about possible improprieties* related to financial reporting or other operational matters. The AC will then review and investigate the complaints and recommend any remedial or legal action to be taken, where necessary.

* Possible improprieties are defined as any activity, breach of business conduct and ethics or omission by an employee of the Group or any concerns regarding accounting or auditing matters, internal controls or internal accounting controls and other operational matters that are questionable or not in accordance with generally accepted accounting practices or trade.

SUSTAINABILITY REPORT

CODE OF CONDUCT POLICY

The Code of Conduct Policy establishes guidelines on how to conduct our business responsibly, with integrity and with respect. Any breaches of the Code of Conduct Policy will be ground for disciplinary action against those involved, including dismissal.

The policy provides guidance on the behaviour expected from all employees in respect of the following areas:

01 Respect for Individual

02 Conflict of Interest

03 Confidential Information

04 Integrity

05 Regulatory Compliance and Corporate Governance

06 Gifts and Entertainment

07 Company Assets

08 Financial & Operational Integrity

09 Health, Safety and Environment

If at any time, employees believe there has been or that there is likely to be a breach of the Code of Conduct, they should inform their reporting manager immediately or speak to the Executive Directors/CFO or the HR Manager where appropriate.

The Code of Conduct is reviewed annually with the soft copy being uploaded to the intranet and the hard copy being put up on Notice Board.

OUR PERFORMANCE

FY2019 TARGET	FY2019 PERFORMANCE	FY2020 TARGET
To have no confirmed incidents of corruption	There were no confirmed incidents of corruption	To have no confirmed incidents of corruption

SUSTAINABILITY REPORT

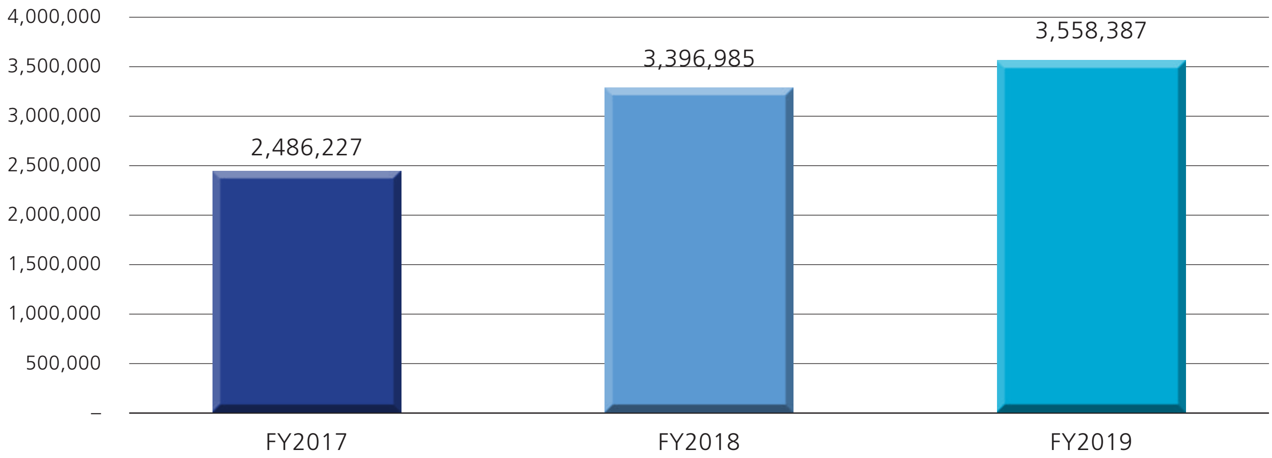
ENVIRONMENTAL SUSTAINABILITY

ENERGY CONSUMPTION 302-1

Electricity is the primary form of energy consumed for our Corrosion Prevention and Structural Steel and Facade businesses. The consumption of electricity is being tracked and monitored through monthly utilities bill.

In FY2019, SHS consumed a total of 3,558,387kWh of electricity, an increase of 161,402kWh as compared to FY2018. This increase in consumption was due to a rise in production.

ANNUAL ELECTRICITY CONSUMPTION (kWh)



REDUCTION OF ENERGY CONSUMPTION 302-4

The following initiatives are in place to manage our energy consumption:

LED Lights

Completed the replacement of all office lighting to LED lights in our headquarters building.

Solar Roof

The rooftop of the Hetat office building has been leased out to a 3rd party lessor for the installation of a solar rooftop. The solar rooftop generates an average of 57,547 kWh per month, of which 19,260 kWh is for self-consumption while the remaining is exported to the grid. This enables us to meet our energy requirements, at a lower cost per kWh as compared to the standard tariff rate.

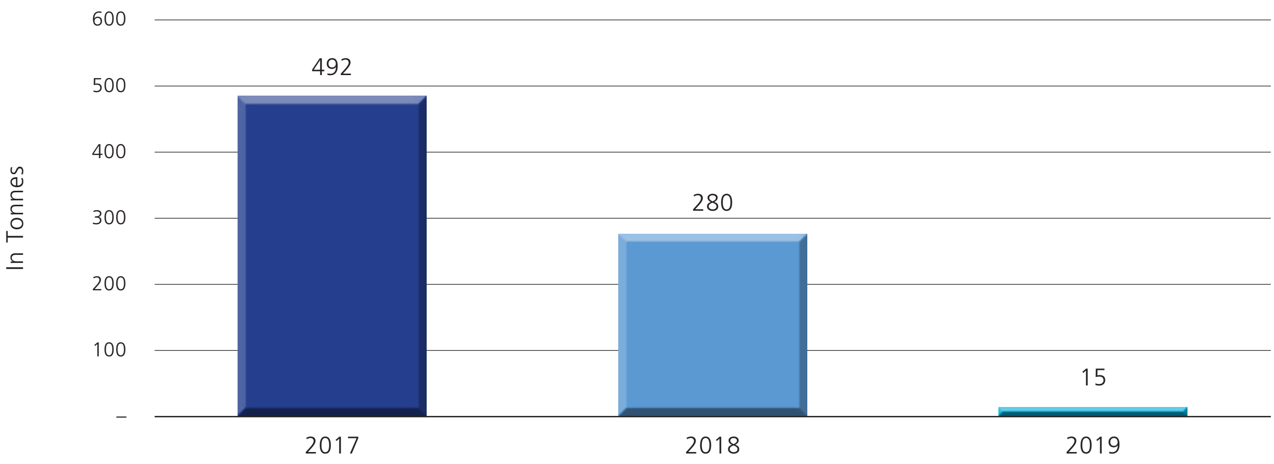
We plan to further improve our electricity-saving efforts through continuous education of employees to increase awareness of the importance of environmental sustainability.

SUSTAINABILITY REPORT

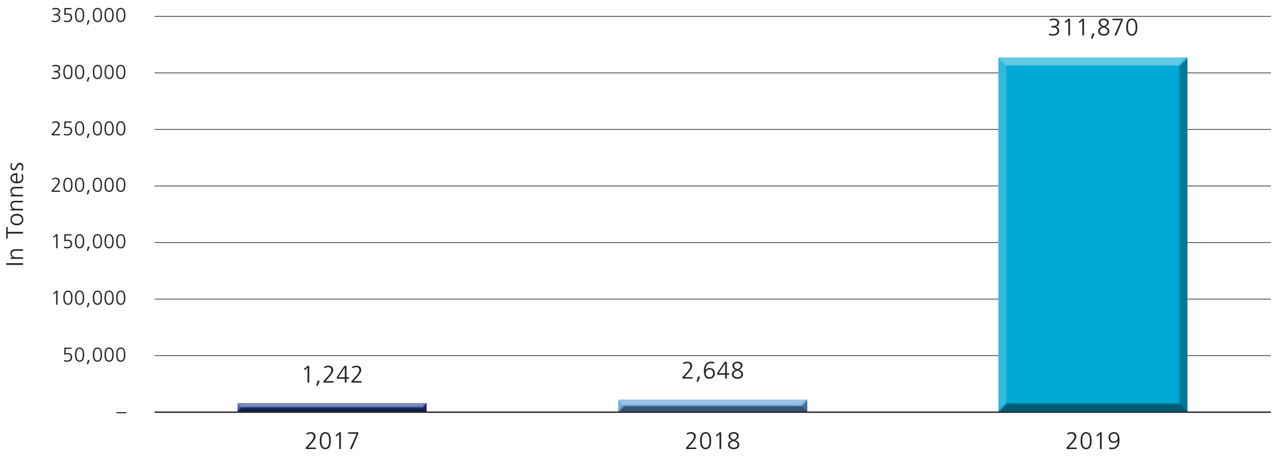
WASTE 306-2

The types of waste generated by the Group includes scrap, copper slag, steel grit and paint and office consumables. Non-hazardous wastes such as steel, aluminium and steel grit are recycled, while hazardous wastes such as copper slag and paint are incinerated. SHS only works with licensed waste collection vendors to ensure disposal of hazardous wastes are compliant with government regulations.

WASTE DISPOSED (STRUCTURAL STEEL & FAÇADE)



WASTE DISPOSED (CORROSION PREVENTION)



SUSTAINABILITY REPORT

A total of 311,885 tonnes of waste was disposed in FY2019, with the Structural Steel and Facade business and the Corrosion Prevention business producing 15 tonnes and 311,870 tonnes respectively.

For the Structural Steel and Facade business, the decrease in the volume of waste disposed by 265 tonnes was due to a decrease in site operations and production level.

For the Corrosion Prevention business, the increase in the volume of waste disposed by 309,222 tonnes was due to an increase in site operations and production levels. Additionally, as grit waste is disposed every 3 years, the volume of disposed waste includes the grit waste accumulated over the past two years.

We will be recycling some of the grits used in the blasting machine.

LOCAL COMMUNITIES 413-2

Our Solar Energy business segment is in the process of constructing a 50MW solar power plant in Bangladesh. The project requires approximately 170 acres of land to be cleared. As of December 2019, the land acquisition is considered completed at 99.73% and the project is currently going into the final stage.

As the well-being of the local community and environment is priority, we commissioned an Environmental and Social Impact Assessment ("ESIA") to predict and evaluate the impact the project could have on the physical, biological, socio-economic and cultural environment. The assessment also identifies measures that the project should take to avoid, minimize, mitigate, offset or compensate for adverse impacts. The ESIA report was issued in September 2017.

Based on the ESIA, potential environmental impacts noted are impacts on land use, loss of land, loss of cultivable land and homestead land leading to physical displacement. Nevertheless, the economic opportunities in terms of local employment were assessed as positive. The management is in the process of implementing the recommended mitigating measures to manage the negative impact of land procurement on the local communities.

COMPLIANCE 307-1

SHS is not aware of any violation of laws and regulations pertaining to the non-compliance in the environmental aspect in FY2019.

SUSTAINABILITY REPORT

FY2019 TARGET

- Maintain zero violation of legal and statutory requirements.
- Maintain zero contamination to ground & underground water or sewage system.
- Maintain zero complaints relating to noise & dust.
- To increase awareness of the 3Rs (Recycle, Reduce and Reuse) among workforce.
- To install drinking water filters. To develop a handbook regarding Environmental.

FY2019 PERFORMANCE

- Zero violation of legal and statutory requirements.
- Zero contamination to ground & underground water or sewage system.
- Zero complaints relating to noise & dust.
- Installed posters and signs at designated places to increase awareness of the 3Rs (Recycle, Reduce and Reuse) among workforce.
- Installed drinking water filters.
- In the development stages of the Environmental Awareness handbook.

FY2020 TARGET

- Maintain zero violation of legal and statutory requirements.
- Maintain zero contamination to ground & underground water or sewage system.
- Maintain zero complaints relating to noise & dust.
- To complete developing the handbook about Environmental Awareness.

SUSTAINABILITY REPORT

HUMAN CAPITAL

WORKFORCE 102-8

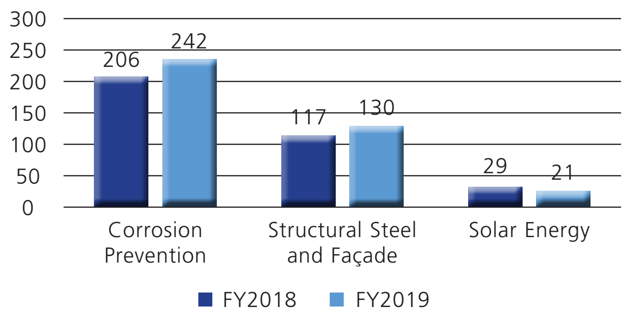
Human capital is a crucial asset that is highly valued as it plays a significant role in ensuring a high level of efficiency and achieving greater output. Our employees play a significant role in our businesses. Their knowledge, skills and dedication to the Group is key to the growth of our businesses.

We firmly believe in equal employment opportunities to all regardless of nationality, gender or age and discrimination of any kind is not tolerated. Our hiring policies ensure that recruitment is based on qualifications, skills and competency of individuals.

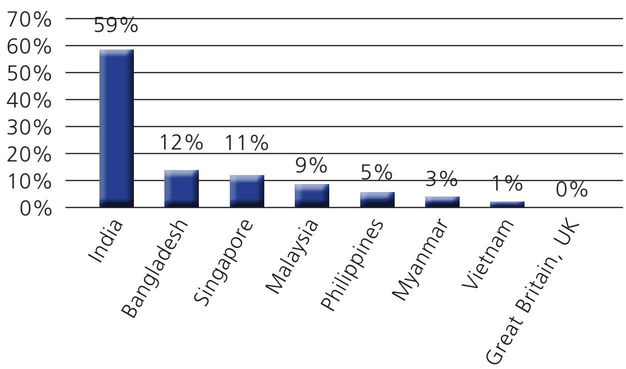
For FY2019, SHS employed a total of 393 full time employees, an increase from 352 employees in FY2018. Most of our employees are from India (59%), Bangladesh (12%) and Singapore (11%).

The breakdown of the employees in our various business units are as follows:

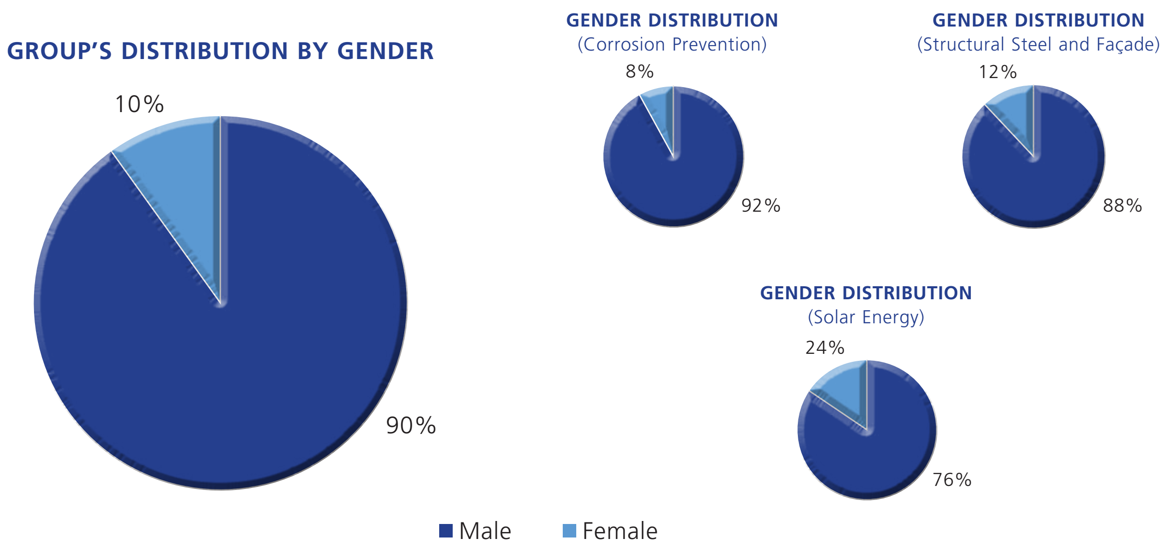
TOTAL NUMBER OF EMPLOYEES



GROUP'S DISTRIBUTION BY REGION



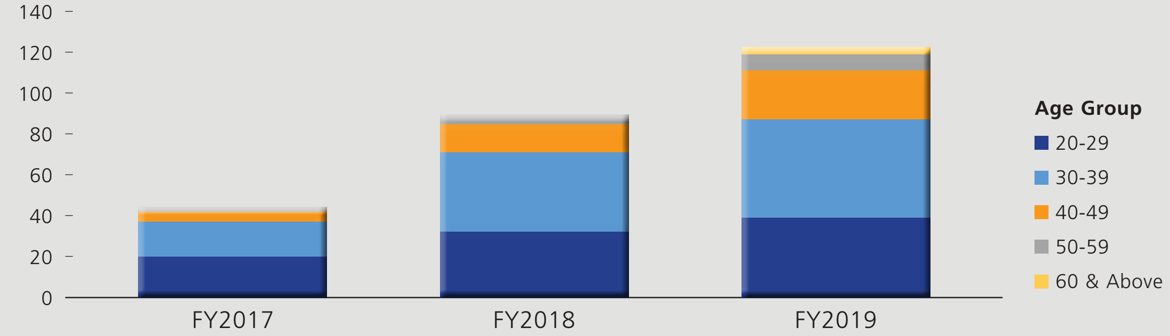
Our employee profile continues to be male dominated, a prevalent characteristic of the engineering and construction industry. There is no significant change in the gender distribution from FY2018.



SUSTAINABILITY REPORT

NEW EMPLOYEES HIRE 401-1

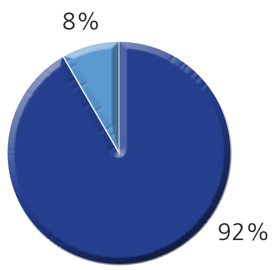
NEW HIRE BY AGE GROUP



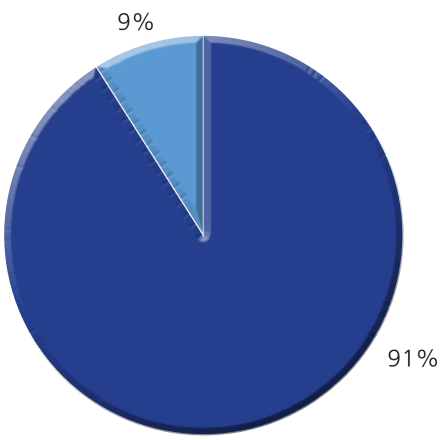
	Age Group					Total New Hires
	20 – 29	30 – 39	40 – 49	50 – 59	60 & Above	
FY2017	22	20	4	1	0	47
FY2018	32	45	16	3	0	96
FY2019	39	48	27	5	3	122

The total new hired increased by 26 employees as the Group secured more projects in FY2019.

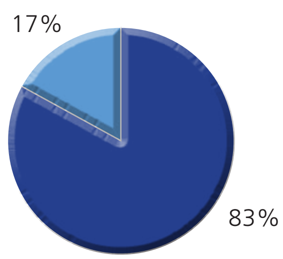
NEW HIRE BY GENDER (FY2018)



NEW HIRE BY GENDER (FY2019)

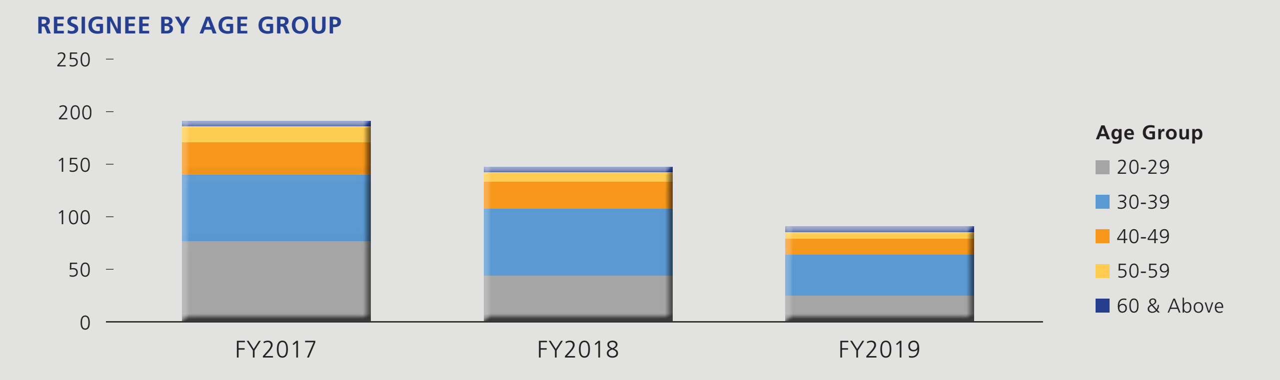


NEW HIRE BY GENDER (FY2017)



■ Male ■ Female

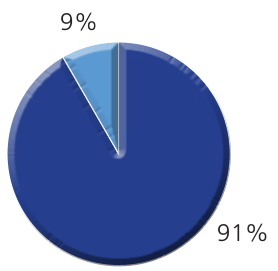
SUSTAINABILITY REPORT



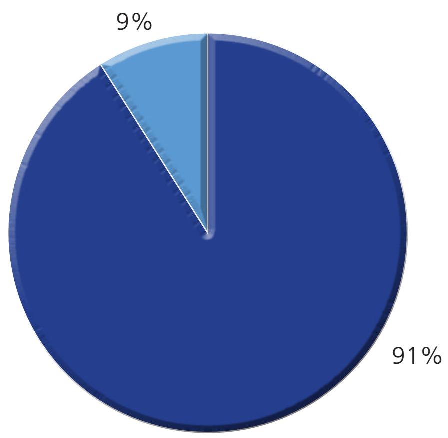
	Age Group					Total Resignee
	20 – 29	30 – 39	40 – 49	50 – 59	60 & Above	
FY2017	69	71	31	15	5	191
FY2018	44	68	25	8	3	148
FY2019	21	41	14	2	3	81

The total resignee decreased by 67 employees as the new projects secured by the Group provided employees with job stability and better prospects.

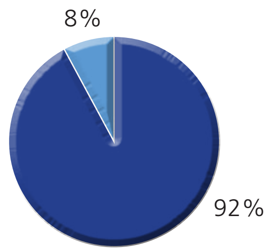
RESIGNEE BY GENDER (FY2018)



RESIGNEE BY GENDER (FY2019)



RESIGNEE BY GENDER (FY2017)



■ Male ■ Female

SUSTAINABILITY REPORT

FY2019 TARGET

- Ensure that trainings are provided to all employees.
- Ensure that the Company's rewarding culture is continuous improved.
- Improve employee retention.

FY2019 PERFORMANCE

- Staff and workers were sent to courses, such as WSQ Implement Incident Management, Fire warden training, Construction Safety Course for Project Manager, etc, to equip themselves with new skills and knowledge.
- Appreciation dinner and meal allowances are provided to our staff and workers.
- Employee turnover rate fell by 21%*, from 42% in FY2018 to 21% in FY2019.

* Resignee rate is calculated as the number of staff resigned divided total number of employees. FY2018 resignee rate is 148/352 = 42% and FY2019 resignee rate is 81/393 = 21%.

FY2020 TARGET

- To ensure that trainings are provided to all employees.
- To ensure that the Company's rewarding culture is continuous improved.
- To improve employee retention.

SUSTAINABILITY **REPORT**

NON-DISCRIMINATION 406-1

There were no reported incidences of discrimination raised by our employees in FY2019.

COMPLIANCE 419-1

SHS is not aware of any violations of laws and regulations relating to the economic and social areas in FY2019.

HEALTH & SAFETY

There are health and safety risks involved in running our businesses. SHS is mindful of these threats and prioritises the health and safety of our employees.

The Group's Health, Safety & Fire and Environment ("HSE") Committee oversees workplace health and safety matters. The committee is responsible for identifying and addressing potential operational risks, investigating accidents, as well as providing safety briefings to employees.

In addition, we ensure that our operations adhere with legislated workplace health and safety regulations and industry safety standards. Some regulations and standards that we subscribe to include, but are not limited to, the Workplace Safety and Health Act 2006 and its subsidiary legislations required by the Ministry of Manpower, the Fire Safety Act by the Singapore Civil Defence Force and its Regulations, CP79 – a code of good practice addressing the safety management system for construction worksites.

INITIATIVES

Daily Toolbox Meeting
To discuss the hazards and risks involved in the daily production activities, as well as preventive measures to be taken while performing daily operations with the supervisors.

Monthly HSE Inspections & Meetings
During the inspections, the HSE members will inspect the work premises and identify potential health and safety hazards. These identified issues will be discussed during the monthly HSE meeting.

Annual HSE Campaign
Includes refresher trainings for forklift and crane operators and HSE quiz.

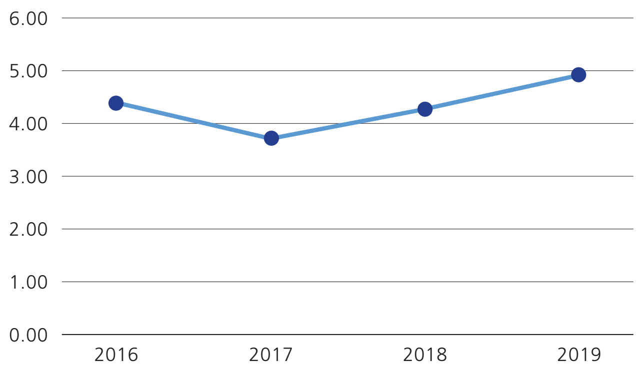
Fire Safety
Two firefighting drills and a firefighting training and fire drills have been conducted for employees.

Weekly Mass Briefings
Conducted by the HSE manager to share safe work procedures and risk assessments with employees and contractors; as well as share case studies of accidents with the entire workforce.

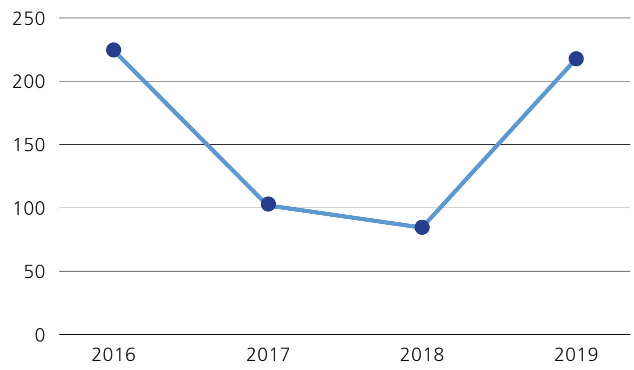
ACCIDENT FREQUENCY RATE & ACCIDENT SEVERITY RATE 403-2

The graphs below show the average Accident Frequency Rate ("AFR") and Accident Severity Rate ("ASR") from 2016 to 2019.

ACCIDENT FREQUENCY RATE



ACCIDENT SEVERITY RATE



\# AFR = *(Number of reportable accidents/Number of man-hours worked) x 1,000,000*

* ASR = *(Number of man-days lost/Number of man-hours worked) x 1,000,000*

The number of reportable accidents in FY2019 remain the same as FY2018, with AFR increasing from 4.30 in FY2018 to 4.93 in FY2019 due to a decrease in man-hours worked in FY2019.

The increase in ASR from 84.63 in FY2018 to 222 in FY2019 is attributable to an additional loss of 79 man-days in FY2019. The increase was mainly due to a hand injury sustained by an employee while performing material handling and lifting operations. The employee was granted a longer period of medical leave for his recovery.

There were no fatal incidents in the year.

We will continue to enforce adherence of safety procedures, while also working to improve workplace safety with the aim of ensuring zero accident occurrence.

SUSTAINABILITY REPORT

FY2019 TARGET

- Maintain zero fatal accidents.
- Maintain minimal reportable accidents.
- Maintain zero violation of legal and statutory requirements.
- To develop and issue the Health & Safety handbook.
- To display banners conveying health & safety best practices at various locations.

FY2019 PERFORMANCE

- Achieved zero fatal accidents.
- Achieved zero reportable accidents.
- No violation of legal and statutory requirement.
- In the developmental stages of the Health and Safety handbook.
- Displayed banners conveying health & safety best practices at various locations.

FY2020 TARGET

- To have zero fatal accidents.
- To have minimal reportable accidents.
- To have zero violation of legal and statutory requirements.

SUSTAINABILITY REPORT

COMMITMENT TO QUALITY

With a vision to strive to provide "products and services known for its quality", the Group subscribes to best practices and complies with all relevant legislations and requirements pertaining to the health and safety impacts of products and services.

We ensure that all delivered products are fully compliant with relevant standards such as the International Organisation for Standardisation ("ISO"), Swedish Standards Institute, British Standards, Singapore Building Council Authority, American Steel Structures Painting Council Standards and the American National Association Corrosion Engineers Standards.

In addition, as we work with various suppliers to support our supply chain, we have initiatives in place to ensure that the quality of our materials is maintained:

- New suppliers are screened and qualified in accordance with our purchasing policy.
- Suppliers' industry reputation, track records, pricing and relevant certifications are evaluated prior to being qualified as a supplier fit for procurement.
- Suppliers have to be qualified prior to procurement made from them.
- Annual reviews of suppliers are also conducted to evaluate the suppliers' performance to ensure continuous quality materials procured.

INITIATIVES FOR EACH BUSINESS ARM

Corrosion Prevention

Our quality approach focuses on three key areas – process, equipment, and people. To ensure our services fulfil the stringent technical requirements of our customers, we have a comprehensive quality management system that covers the entire blasting and painting process.

Quality inspections are carried out after each stage of the surface preparation process and painting process to ensure conformity to the specifications of established international industry standards such as:

- Swedish SIS 05 59 00 1967 blasting standards
- ISO 8501-1:1988
- British BS4232 standards American Steel Structures

Structural Steel and Façade

The structural steel and facade business has obtained the following accreditations and certifications:

- ISO 9001:2015.
- ISO 14001:2015.
- ISO 45001: 2018.
- Accredited Structural Steel fabricator under S1 category, the highest grading awarded by Singapore Structural Steel Society.
- bizSAFE Star level award.

Solar Energy

SHS only selects top notch, tier-1 quality components for use in solar energy projects to ensure that the solar panels manufactured are able to function for a lifespan of 25 years.

COMPLIANCE 416-2

The Group is not aware of any violations of laws and regulations to the provision, use, health and safety of our products and services in FY2019.

SUSTAINABILITY REPORT

FY2019 TARGET

- Maintain zero violation of legal and statutory requirements.
- Maintain zero customer complaints.
- Continue to enhance project management to achieve timely delivery.

FY2019 PERFORMANCE

- Achieved zero violation of legal and statutory requirements.
- Zero customer complaints.
- Project delivery for steel engineering business is on time and in schedule.

FY2020 TARGET

- To maintain zero violations of legal and statutory requirements.
- To maintain zero customer complaints.
- To continue to enhance project management to achieve timely delivery.

GRI INDEX: CORE OPTION 102-55

GRI Indicator	Disclosure	Report Sections	Page Reference
GRI 102: GENERAL			
Organisational Profile			
GRI 102-1	Name of the organisation	Reference to 2019 Annual Report	2-5, 14
GRI 102-2	Activities, brands, products, and services		
GRI 102-3	Location of headquarters		
GRI 102-4	Location of operations		
GRI 102-5	Ownership and legal form		
GRI 102-6	Markets served		
GRI 102-7	Scale of the organisation		
GRI 102-8	Information on employees and other workers	Human Capital – Workforce	28
GRI 102-9	Supply chain	About This Report – Supply Chain	19
GRI 102-10	Significant changes to the organisation and its supply chain		
GRI 102-11	Precautionary Principle or approach	SHS does not specifically utilise the precautionary approach when managing risk; however, our management approach is risk-based, and supported by our Enterprise Risk Management framework.	–
GRI 102-12	External initiatives	Not applicable	–
GRI 102-13	Membership of associations	Not applicable	–
Strategy			
GRI 102-14	Statement from senior decision-maker	Board Statement	16
Ethics and integrity			
GRI 102-16	Values, principles, standards, and norms of behavior	Reference to Corporate Governance Report	41-58
Governance			
GRI 102-18	Governance structure	Reference to Corporate Governance Report	41-58

SUSTAINABILITY REPORT

GRI Indicator	Disclosure	Report Sections	Page Reference
GRI 102: GENERAL			
Stakeholder Engagement			
GRI 102-40	List of stakeholder groups	Our Approach to Sustainability – Stakeholder Engagement	20
GRI 102-41	Collective bargaining agreements	Not applicable	–
GRI 102-42	Identifying and selecting stakeholders	Our Approach to Sustainability – Stakeholder Engagement	20
GRI 102-43	Approach to stakeholder engagement		
GRI 102-44	Key topics and concerns raised		
Reporting Practice			
GRI 102-45	Entities included in the consolidated Financial Statements	Reference to Annual Report – Notes to the Financial Statements	117-125
GRI 102-46	Defining report content and topic Boundaries	Our Approach to Sustainability – Materiality Review Process	21
GRI 102-47	List of material topics		
GRI 102-48	Restatements of information	About This Report – Reporting Scope	18
GRI 102-49	Changes in reporting	About This Report – Reporting Period	18
GRI 102-50	Reporting period		
GRI 102-51	Date of most recent report		
GRI 102-52	Reporting cycle		
GRI 102-53	Contact point for questions regarding the report	About This Report – Feedback	18
GRI 102-54	Claims of reporting in accordance with the GRI Standards	About This Report – GRI Guidelines	18
GRI 102-55	GRI content index	GRI Index	37-39
GRI 102-56	External assurance	About This Report – GRI Guidelines	18
GRI 103: MANAGEMENT APPROACH			
GRI 103-1	Explanation of the material topic and its Boundary	Please refer to the respective GRI indicators (Specific Standard Disclosures) in the GRI Content Index for more information	22-36
GRI 103-2	The management approach and its components		
GRI 103-3	Evaluation of the management approach		

GRI Indicator	Disclosure	Report Sections	Page Reference
SPECIFIC STANDARD DISCLOSURES			
Economic			
GRI 201-1	Direct economic value generated and distributed	Reference to 2019 Annual Report – Financial Highlights (Page 5)	–
GRI 205-2	Communication and training on anti-corruption policies and procedures	Business Integrity – Anti-corruption	22-23
GRI 205-3	Confirmed incidents of corruption and actions taken		
Environment			
GRI 302-1	Energy consumption within the organization	Environmental Sustainability – Energy Consumption	24
GRI 302-4	Reduction of energy consumption	Environmental Sustainability – Reduction of Energy Consumption	24
GRI 306-2	Waste by type and disposal method	Environmental Sustainability – Waste	25
GRI 307-1	Non-compliance with environmental laws and regulations	Environmental Sustainability – Compliance	26
Social			
GRI 401-1	New employee hires and employee turnover	Human Capital – New Employees Hire	29-30
GRI 403-2	Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	Health & Safety – Accident Frequency Rate and Accident Severity Rate	33
GRI 406-1	Incidents of discrimination and corrective actions taken	Human Capital – Non-Discrimination	32
GRI 413-2	Operations with significant actual and potential negative impacts on local communities	Environmental Sustainability – Local Communities	26
GRI 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Quality – Compliance	35
GRI 419-1	Non-compliance with laws and regulations in the social and economic area	Human Capital – Compliance	32

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

The Board of Directors of SHS Holdings Ltd. is committed to maintain a high standard of measures, practices and transparency in the disclosure of material information.

The report sets out the Company's corporate governance practices for the financial year ended 31 December 2019, with specific reference to the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore (the "MAS") on 6 August 2018 (the "2018 CG Code"). The Board is pleased to inform that the Company is substantially in compliance with the principles and provisions of the 2018 CG Code and reasons for any deviation are explained below.

A. BOARD MATTERS

Principle 1: Board's Conduct of Affairs

The Board's primary role is to protect and enhance long-term shareholder value. To fulfill this role, the Board is responsible for setting the Group's corporate governance practices and overall strategic direction, reviewing key management performance, review operational and financial performance of the Group to enable the Group to meet its objective and maximizing return for shareholders at an acceptable level of risk.

The Board exercises due diligence and independent judgement in dealing with the business affairs of the Group and works with the Management to make objective decisions in the interest of the Group.

Board Approval

In addition to its statutory responsibilities, matters which specifically requires the Board's approval are:

a) Corporate restructuring, mergers and acquisitions, major investments and divestments, material acquisition and disposal of assets;

b) Annual Budget and Capital Expenditure;

c) Board appointments/reappointments taking into consideration the remuneration packages of Executive Directors, Group Chief Executive Officer and Key Management Personnel;

d) Material acquisition and disposal of assets;

e) The Group's quarterly and full year financial results announcement;

f) The Company's annual report and audited financial statements;

g) Convening of shareholders' meeting;

h) Interested person transactions of material nature;

i) Adequacy of internal controls, risk management, financial reporting and compliance;

j) Assumption of corporate governance responsibilities;

k) Share issuance, dividends and any other return to shareholders; and

l) Matters involving a conflict of interests of Directors and substantial shareholders.

CORPORATE GOVERNANCE REPORT

Board and Board Committees

For more effective and efficient management, the Board has established a number of Board committees to assist in the execution of the Board's responsibilities. Those committees include the Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"). The duties, authorities and accountabilities of each committee are set out in their respective writer terms of reference. Further information on the roles and responsibilities of the AC, NC and RC are provided in the Principles throughout this Corporate Governance Report.

The Board and the various committees, as at the date of this report, comprise the following members:

Name	Board of Committee as chairman or member	Date of first appointment	Date of last re-election	Board Appointment whether executive or non-executive/ independent
Teng Choon Kiat	–	14 February 2018	27 April 2018	Executive Chairman
Ng Han Kok, Henry[1]	–	3 January 2014	29 April 2019	Executive Director
Lim Siok Kwee, Thomas	–	30 December 2015	27 April 2018	Executive Director
Lee Gee Aik[2]	Chairman of AC and member of RC and NC	24 July 2015	29 April 2019	Lead Independent Director
Lee Kuo Chuen, David	Chairman of NC and member of AC and RC	1 October 2013	27 April 2018	Independent Director
Oh Eng Bin, Kenneth	Chairman of RC and member of NC and AC	14 January 2014	27 April 2017	Independent Director

1 Mr Ng Han Kok, Henry resigned as a member of the NC on 15 March 2019.
2 Mr Lee Gee Aik was appointed as a member of NC on 15 March 2019.

The Board conducts regular scheduled meetings on a quarterly basis. Ad-hoc meetings are convened as and when warranted by matters requiring the Board's attendance. Apart from its statutory responsibilities, the Board approves the Group's business objectives, strategic plans, key initiatives, implementation plans, funding decisions, major investment and divestment decisions, appointment and remuneration of Directors, and ensure that the structure of the practices of the Board provide for sound corporate governance. In addition, the Board also reviews the Group's financial and operational matters, oversees the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance, and satisfies itself as to the adequacy of such processes.

The Constitution of the Company allows Board meetings to be conducted by way of a teleconference or by means of similar communication equipment whereby all persons participating in the meeting are able to hear each other.

CORPORATE GOVERNANCE REPORT

The number of Board and Board committee meetings held in the financial year ended 31 December 2019 and the attendance of each Director are as follows:

	Board	Audit Committee	Nominating Committee	Remuneration Committee
No. of meetings held	6	4	1	1
Directors	No. of meetings attended			
Teng Choon Kiat	6	4(3)	–	1(3)
Ng Han Kok, Henry	6	4(3)	1(1)	–
Lim Siok Kwee, Thomas	6	4(3)	–	–
Lee Kuo Chuen, David	6	4	1	1
Oh Eng Bin, Kenneth	6	4	1	1
Lee Gee Aik	6	4	–(2)	1

Note:
(1) Mr Ng Han Kok, Henry resigned as a member of the NC on 15 March 2019.
(2) Mr Lee Gee Aik was appointed as a member of NC on 15 March 2019.
(3) Attendance by invitation

Induction, Training and Development

All Directors receive appropriate training to develop their individual skills, knowledge and competence necessary to be effective in their roles. It is our policy to provide new Directors with a detailed and thorough induction to familiarize them with the business, operations and financial performance; meeting with key management personnel and an overview of their responsibility; briefed on governance practices, including board processes, policies on disclosure of interests in securities, prohibitions on dealings in the Company's securities and restrictions on disclosure of price-sensitive information. In addition, for new Directors who do not have prior experience as a director of a public listed company in Singapore, they will also attend the mandatory training courses organized by the Singapore Institute of Directors or other training institutes in areas such as accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties. Since the last Annual General Meeting ("AGM"), no new directors were appointed as at the date of this report.

The Company will issue a formal letter of appointment, which sets out the Director's duties and obligations, to each director upon appointment.

On an on-going basis, Directors were also briefed on any changes to regulations, policies and accounting standards that affect the Group or Directors' disclosure obligations during Board meetings. The Directors may also attend relevant industry conferences, seminars or any training programme in connection with their duties as Directors, at the Company's expenses.

CORPORATE GOVERNANCE REPORT

During the financial year:

(a) The external auditor, Moore Stephens LLP regularly briefed the Audit Committee on changes in accounting standards that affects the Group;

(b) The Group Chief Executive Officer ("Group CEO") and Chief Financial Officer ("CFO") regularly updates the Board on the business activities and strategies of the Group during Board meetings. Such update would also include any significant developments, issues or risks affecting the Group; and

(c) The Board was updated on the revision the changes to the Code of Corporate Governance.

Subsequent to year end, the Board was also briefed on the changes to the Quarterly Reporting Framework and Enhancements to the Continuous Disclosure.

Access to Information

Directors are updated regularly on the latest corporate governance, changes in listing rules and regulations, performance, business conditions and outlook of the Group. Directors have separate and independent access to the senior management, the Company Secretary and internal and external auditors of the Group at all times and are encouraged to speak to other employees to seek additional information if they so require. Should Directors, whether as a group of individually, need independent professional advice to fulfil their duties, such advice may be obtained from a professional firm, the cost of which will be borne by the Company.

To assist the Board in its discharge of its duties and responsibilities, all Directors are provided with complete, adequate and timely information prior to the Board meetings. The annual calendar of the Board activities is set in advance. The Board papers are dispatched to the Directors at least 3 days in advance before the Board meetings so that Directors have sufficient time to consider the background and explanatory information relating to matters to be tabled and discussed at relevant Board meetings. Management also provides the Executive Directors with monthly management accounts, and information on major development and material transaction are circulated to Directors when they arise.

The Company Secretary or her nominee attends the Board and Board Committees meetings, prepares the minutes, development of the agenda for the various meetings and assists in coordination and liaison between the Board, the Board Committees and Management. The role of the Company Secretary includes responsibility for ensuring that the Board procedures are followed and applicable rules and regulations are complied with. The Company Secretary also assists the Chairman and the Board in implementing and strengthening corporate governance practice and processes. Under the direction of the Chairman, the Company Secretary ensures good information flows within the Board and its Board Committees and between Management and Independent Directors. The appointment and removal of the Company Secretary is subject to the approval of the Board as stipulated in the Company's Constitution.

Principle 2: Board Composition and Guidance

The Board comprises six Directors of whom three are Non-Executive Independent Directors. There were no alternate Directors appointed during the year.

Independence

The Board, through the NC, assessed the independence of the Board members taking into consideration of Provision 2.1 of the 2018 CG Code and SGX-ST Listing Rule 210 (5)(d)(i) and (ii). None of the independent directors have served the Company for a period exceeding nine years.

Under Provision 2.2 of the 2018 CG Code, Independent directors are to make up a majority of the Board where the Chairman is not independent. In the case of the Company, the Independent Directors did not make up the majority of the Board. While it may be a best practice for the Board to be chaired by an independent director to ensure effective oversight of both management and the interests of the Company, there are many circumstances which merits the Board Chairman's leadership. Therefore, to demonstrate that the Board is capable of maintaining appropriate level of checks and balances, in instances where a perceived conflict may arise, such as recommendation of dividend, the Board Chairman would recuse himself given that he has an interest via his shareholdings in the Company. In addition, his Director's fee is recommended by the RC of which he is not a member and he recused himself when such fees are tabled for the Boards' approval. If there is any transaction that would involve him or his immediate family members or associated entities, he would also recuse himself and deliberation of such transaction would be led by the Lead Independent Director. Accordingly, the Independent Directors are in a stronger position to safeguard the interests of the Company, especially when there is a conflict of views and a majority vote is required to reach a decision.

Nevertheless, the Board has been actively on the search for suitable candidate to fill the role of an independent director to comply with Provision 2.2 of the 2018 CG Code and will continue to use its best endeavour to identify and appoint a suitable candidate.

All Directors are required to disclose any relationships or appointments which would impair their independence to the Board timely. The independence of each Director is reviewed annually by the NC which has determined that no individual or small group of individuals dominates the Board's decision making. The process includes the use of a declaration form on independence which each Director is required to complete and submit to the NC for review. The results of the self-assessment are then collated, communicated and reported to the Board. Among the Directors are experienced business leaders, financial and legal professionals.

Accordingly, Mr Lee Kuo Chuen, David, Mr Oh Eng Bin, Kenneth and Mr Lee Gee Aik, who were appointed to the Board in 2013, 2014 and 2015 respectively, continue to be independent.

Mr Teng Choon Kiat, a substantial shareholder of the Company and as Executive Chairman, is considered not independent. Similarly, Mr Ng Han Kok, Henry, a substantial shareholder and as Chief Executive Officer, is also considered not independent. Mr Lim Siok Kwee, Thomas is considered not independent by virtue of his executive employment with the Company.

Each member of the NC and the Board recused himself from the NC's and the Board's deliberation respectively on his own independence.

Board Diversity

The Board has put in place a Board Diversity Policy which sets out the approach to diversity of the Board. The Board Diversity Policy would be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit, in the context of the gender, age, nationalities, ethnicity, cultural background, educational background, industry and business experience, skills, independence, tenure of service and other distinguishing qualities which the Board as a whole requires to be effective. The Board will continue to review its composition periodically, taking into account the need for progressive renewal of the Board and ensure that the objectives as set out in the Board Diversity Policy are met.

The Board, taking into consideration of the views of the NC, is satisfied that the current size and composition of the Board and Board Committees meet the criteria in the Board Diversity Policy and possess the necessary competencies, expertise and knowledge to lead the Group after taking into account the scope and nature of the Company's operations, and the objectives set out in the Board Diversity Policy.

CORPORATE GOVERNANCE REPORT

Board Guidance

The Executive Directors possesses good industry knowledge while the Non-Executive Directors, who are mostly professionals and experts in their own fields, are able to contribute their valuable experiences and provide independent judgement during Board deliberations. For the financial year under review, the Non-Executive Independent Directors have constructively challenged Management's proposals and decisions and reviewed Management's performance. They have unrestricted access to Management for any information that they may require to discharge their oversight function effectively.

Meeting of Independent Directors without Management

The Independent Directors would meet without the presence of the Management or Executive Director at the Board meeting as and when circumstances warrant for such. Thereafter, the Independent Directors would feedback to the Executive Chairman and Group CEO on any concerns or feedbacks raised by them during such meeting.

Principle 3: Chairman and Chief Executive Officer

The Chairman and Group CEO are separate individuals and are not related. The respective roles of the Chairman and the Group CEO are kept separate to ensure there is an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making. During the financial year, the Board has set out in writing the division of responsibilities between the Chairman and Group CEO as well as the Lead Independent Director.

The Chairman, Mr Teng Choon Kiat plays a pivotal role in providing strong leadership and vision. Mr Teng Choon Kiat is responsible in managing the development of the Board and ensure the Board's effectiveness on all aspect of its role. In addition, he leads the Directors of the Company in carrying out their collective responsibilities of supervising the management of the business and affairs of the Company, to ensure integrity and effectiveness of the Company's governance process. Being a member of the senior management, Mr Teng Choon Kiat is updated with the Group's business and provides support to the Group CEO. Mr Teng Choon Kiat works closely with the Board to implement policies that are set by the Board to realize the Group's vision, and also promotes a culture of openness and debate at the Board. He encourages constructive relations within the Board and between the Board and Management.

The Group CEO, Mr Ng Han Kok, Henry is answerable to the Board for every aspect of the direct management and administration of the Company. Mr Ng Han Kok, Henry is responsible in making strategic proposals to the Board and implementing the Group's strategies and policies as well as the Board's decisions. Mr Ng Han Kok, Henry assumes the executive responsibility for the day-to-day management of the Group, with the support of Executive Director, Mr Lim Siok Kwee, Thomas and the senior management. He leads the development of the Group's business including identifying and managing the business risks and opportunities, and review the performance of its businesses.

Mr Lee Gee Aik is the Lead Independent Director given that the Chairman is considered not independent. The Lead Independent Director is available to shareholders where they have concerns and for which contact with the Chairman or Management are inappropriate or inadequate.

Principle 4: Board Membership

The members of the NC at the date of this report comprise the following Directors:

- Lee Kuo Chuen, David (Chairman)
- Oh Eng Bin, Kenneth
- Lee Gee Aik

The NC comprises three members, all of whom are Non-Executive Independent Directors of the Company. On 15 March 2019, the Lead Independent Director, Mr Lee Gee Aik has been appointed as a member of the NC on 15 March 2019 in place of Mr Ng Han Kok, Henry to be in line with Provision 4.2 of the 2018 CG Code.

The NC is regulated by a set of written terms of reference and has been updated to be in line with the 2018 CG Code. These include:

(a) Reviewing succession plans for Directors, in particular, the Chairman, the Group CEO and key management personnel;

(b) Evaluating the performance of the Board and its Board Committees and Individual Director and proposing objective performance criteria for Board's approval;

(c) Determining annually if a Director is independent pursuant to the provisions set forth in the 2018 CG Code and SGX-ST Listing Rules;

(d) Evaluating if a Director is able to and has been adequately carrying out his duties as a Director of the Company when the Director concerned holds multiple Board representations; and

(e) Reviews training and professional development programmes for the Board

Each member of the NC abstains from voting on any resolutions and making any recommendation and/or participating in respect of matters in which he is interested.

In accordance with Article 90 of the Company's Constitution, one-third of the Directors (other than the Managing Director) who are eligible for re-election must retire by rotation at every AGM. The retiring Director who is eligible will offer himself for re-election.

By virtue of Article 96 of the Company's Constitution, any person so appointed by the Directors to fill a casual vacancy or as an additional Director shall hold office only until the next AGM and shall then be eligible for re-election, but shall not be taken into account in determining the number of Directors who are to retire by rotation at such meeting.

The NC has recommended the nomination of Mr Teng Choon Kiat and Mr Oh Eng Bin, Kenneth under Article 90 of the Company's Constitution, for re-election at the forthcoming AGM. They had duly abstained from making recommendations on their own nominations. The Board has accepted the recommendations.

Shareholders are provided with relevant information on the candidates for re-election on pages 169 to 170 of this Annual Report.

CORPORATE GOVERNANCE REPORT

Nomination and Selection of Directors

The search and nomination process for new Directors, if any, are through contacts and recommendations. In the search, nomination and selection process for new directors, the NC identifies the key attributes that an incoming director should have, based on existing Board's requirement before making recommendation to the Board for consideration and approval. The potential candidate may be proposed by existing directors, substantial shareholder, Management or third-party referrals. The Board is to ensure that the selected candidate is aware of the expectations and the level of commitment required.

When reviewing a nomination for a proposed Board appointment, the NC will look at the following criteria:

(a) a determination of the candidate's independence;

(b) the qualifications and expertise required or expected of a new Board member taking into account the current Board size, structure, composition, diversity of skill competencies and gender, and progressive renewal of the Board;

(c) whether the candidate would be able to commit time to his appointment having regard to his other Board appointments and principal commitments; and

(d) prescribed factors under the Board Diversity Policy.

Review of Directors' Independence

The NC conducts an annual review of each director's independence and takes into consideration the relevant provisions in the 2018 CG Code and SGX-ST Listing Rules. The NC has ascertained that, save for Messrs Ng Han Kok, Henry, Teng Choon Kiat and Lim Siok Kwee, Thomas, all Directors are considered independent according to the criteria. Directors must also immediately report any changes in their external appointments which may affect their independence.

Directors' Time Commitment

The NC has guidelines addressing competing time commitments faced when Directors serve on multiple listed company boards or have other principal commitments. Each Director is required to disclose to the NC his board representation, whenever there are changes to his directorship. In this respect, the Company's current policy stipulates that if a Director is a full-time employee of another listed company or a major corporation; he should not hold more than five other directorships on unrelated listed companies and/or major corporations. For the financial year ended 31 December 2019, the NC has reviewed and is satisfied that Directors have been able to devote sufficient time and attention to the affairs of the Company to adequately discharge his duties as director of the Company.

Director's listed company board directorships and principal commitments which may be found in the "Board of Directors" section in the Annual Report.

Key Information on Directors

The profiles and key information of the Directors are set out on page 11 and 12 of this Annual Report. The Notice of AGM sets out the Directors proposed for re-election or re-appointment at the AGM.

Principle 5: Board Performance

Board Evaluation

The NC undertakes a process to assess the effective of the Board and its Board Committees. Directors are requested to complete a Board and Board Committees Evaluation Questionnaires to assess the overall effectiveness of the Board and the Board Committees. During the financial year, the NC has extracted salient recommendations from the 2018 CG Code and incorporated these recommendations into the Board and Board Committees Evaluation Questionnaires. On an annual basis, the Directors will complete a Board and Board Committees Evaluation Questionnaires of which results are then collated by the Company Secretary in the form of a collective report. The reports will be discussed during the NC meeting to assess and further enhance the effectiveness of the Board and/or the Board Committees. The evaluation for the financial year ended 31 December 2019 confirmed that the Board and its Board Committees were generally functioning effectively during the year.

Board Performance Criteria

On an annual basis, the NC assesses the performance and effectiveness of the Board as a whole as well as the contribution of each individual director. The assessment process involves evaluation against a set of objectives, quantitative and qualitative performance criteria proposed by the NC and approved by the Board.

The assessment parameters include objective performance criteria, which allow comparison with the Company's peers, attendance at meetings of the Board and Board Committees, contributions and participation at meetings, ability to make informed decisions and level of comprehension of legal, accounting and regulatory requirements affecting the Group.

Individual Director Evaluation

Individual Director self-assessment is also conducted to provide performance feedback which can help individuals to evaluate their own skills and performance as directors and motivate them to more effective contributors. The Board is cognizant that individual director evaluations are an important complement to the evaluation of a board's overall performance and the results of the Individual Director self-assessment are also compiled by the Company Secretary and discussed by the NC.

The assessment of Group CEO's performance is undertaken by the Board and the results are reviewed by the NC and Board. Feedback is also provided to the Group CEO by the NC Chairman and the NC will also report the same to the Board.

B. REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

Principle 7: Level and Mix of Remuneration

Principle 8: Disclosure on Remuneration

The members of the RC at the date of this report comprises entirely of Independent Directors:

- Oh Eng Bin, Kenneth (Chairman)
- Lee Gee Aik
- Lee Kuo Chuen, David

CORPORATE GOVERNANCE REPORT

The RC is guided by its terms of reference that was revised during the year to be in line with the 2018 CG Code and its responsibilities of the RC include:

(a) recommending to the Board the fee framework for Non-Executive Directors;

(b) recommending to the Board the framework of remuneration for Group CEO, Executive Director and key management personnel (who are not Directors);

(c) determine and setting specific remuneration packages (such as annual increments, variable bonuses, long-term incentive awards and other incentive awards or benefits in kind) for each of Group CEO, Executive Director and key management personnel in accordance with the approved remuneration framework and ensuring that an appropriate proportion of their remuneration is structured so as to link rewards to corporate and individual performance;

(d) reviewing the remuneration packages of employees who are related to any Director, substantial shareholder or the Group CEO;

(e) reviewing the Company's obligations to ensure that contracts of service of Group CEO and key management personnel contain fair and reasonable termination clauses which are not overly generous.

Remuneration of Executive Director and Top Five Key Management Personnel

The RC's recommendations are made in consultation with the Chairman (except for his own remuneration in which he would abstain) and submitted for endorsement by the entire Board. Annual reviews of the compensation of Directors are also carried out by the RC to ensure that the remuneration of Executive Directors and key management personnel are commensurate with their performance and value add to the Group, giving due regard to the financial and commercial health and business needs of the Group.

The Company adopts a remuneration policy for Executive Directors and key management personnel comprising a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the Company and individual performance. For the purpose of assessing the performance of the Executive Director and key management personnel, specific KPIs are clearly set out for each financial year and such KPIs comprise both quantitative and qualitative factors. The RC recommends for the Board's endorsement, a framework of remuneration which covers all aspects of remuneration, including but is not limited to directors' fees, salaries, allowances, bonuses, share options, and benefits-in-kind and specific remuneration packages for each director.

Having reviewed and considered variable components of Executive Directors and key management personnel which are moderate, the Company is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company.

The RC from time to time and where necessary seeks advice from external remuneration consultants in framing the remuneration policy and determining the level and mix of remuneration for Executive Directors and key management personnel. During the financial year, the RC has engaged the services of an external remuneration consultant, HR Net One, to provide advice on market practice and benchmark data on the Group CEO's compensation. The consultants who carried out the review do not have any connection with the Group or any directors which could affect their independence and objectivity.

The Executive Chairman, Mr Teng Choon Kiat and the Executive Directors, namely, Mr Lim Siok Kwee, Thomas and Mr Ng Han Kok, Henry (who is also the Group CEO), do not receive Directors' fees.

The RC has access to both internal and external expert advice on human resource matters whenever there is a need to consult. The RC from time to time reviews the reasonableness of termination clauses stated in the contracts of service of Executive Directors and key management personnel.

Non-Executive Director Remuneration

Non-Executive Directors receive directors' fees, in accordance with their contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and Board Committees. Directors' fees recommended by the Board are subject to the approval of the shareholders at the forthcoming AGM. No Director is involved in deciding his own remuneration. The RC and the Board are of the view that the remuneration of the Directors is appropriate and not excessive taking into account factors such as effort and time spent, and the increasingly onerous responsibilities of the Directors.

The remuneration of Directors and the top 5 key management personnel of the Company for the financial year ended 31 December 2019 are set out below:

Remuneration band and name	Fees	Salary	Bonus	Others[1]	Total
Directors – From S$250,000 to S$499,999					
Teng Choon Kiat	–	88%	–	12%	100%
Ng Han Kok, Henry	–	87%	–	13%	100%
Lim Siok Kwee, Thomas	–	88%	–	12%	100%
Top 5 Management Personnel – Below S$250,000					
Alistair William Raglan Sawer	–	87%	–	13%	100%
Weng Feng Jung, Willie	–	79%	–	21%	100%
Nair Vasuder Aravindakshan	–	88%	–	12%	100%
Chua Kok Keong, Joseph	–	85%	–	15%	100%
Carmelo Ramos Gacayan	–	77%	–	23%	100%
Directors – Below S$250,000					
Lee Kuo Chuen, David	100%	–	–	–	100%
Oh Eng Bin, Kenneth	100%	–	–	–	100%
Lee Gee Aik	100%	–	–	–	100%

(1) Include employer contribution to the Central Provident Fund and benefits-in-kind such as club memberships, transport allowance and use of company vehicles etc.

The Company has disclosed the remuneration of each Director and top 5 key management personnel in bands of S$250,000. The Board is of the opinion that a full disclosure of the specific remuneration is not in the best interest of the Company or its shareholders. Due to the competitive business environment and the confidential nature of remuneration matters, a full disclosure of the specific remuneration may have a negative impact on the Company in attracting and retaining talent at the Board and top management level. Non-disclosures maintain confidentiality of remuneration, prevent poaching and also prevent internal comparison and maintain morale. The Board is of the view that the current format of disclosure is sufficient indication of the remuneration packages of the Directors and top management. Other than this, the Company has complied with the rest of the disclosure requirements under Provision 8.1 of the 2018 CG Code.

CORPORATE GOVERNANCE REPORT

Remuneration paid to Non-Executive Directors comprised solely director' fees paid quarterly in arrears. These director's fees were approved by the shareholders in the AGM held on 29 April 2019.

The annual aggregate remuneration paid to Directors and top 5 key management personnel of the Company for the financial year ended 2019 is disclosed under Note 38 of the Notes to Financial Statements.

There are currently no employees whose remuneration exceed S$100,000 per year who are immediate family members of a Director.

Shareholders' approval will be sought at the forthcoming AGM for the payment of the proposed fees to Non-Executive Directors for the financial year ending 2020, quarterly in arrears.

The Company does not have any long-term incentive scheme or schemes involving the offer of shares or grant of options following the expiry of the initial share option scheme known as SHS Employees' Share Option Scheme in October 2018.

C. Accountability and Audit

Principle 9: Risk Management and Internal Controls

The Company has an Enterprise Risk Management Framework in place for the Group. The key risks were identified and classified under five categories, namely, Strategic Risks, Financial Risks, Operational Risks, Compliance Risks and IT Risks. Action plans were in place to mitigate these risks. The said Framework has been reviewed by the AC and approved by the Board. The AC and the Board will continually assess the adequacy and effectiveness of the risk management framework and processes.

The Board is responsible for the overall internal control framework and is fully aware of the need to put in place a system of internal controls within the Group to safeguard the interests of the shareholders and the Group's assets.

Both the Company's internal auditors, Crowe Horwath First Trust Risk Advisory Pte. Ltd., and external auditors, Moore Stephens LLP (to the extent as required by them to form an audit opinion on the statutory financial statements) have conducted an annual review of the adequacy and effectiveness of the Group's key internal controls, including financial, operational and compliance controls and risk management. Any areas of review where the existing control can be enhanced to enable the process to operate more effectively and efficiently, together with recommendation for improvement are reported to the AC. A copy of the report is also issued to the relevant department for its follow-up action. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored.

During the financial year, the Group's external and internal auditors had conducted an annual review of the adequacy and effectiveness of the Group's internal controls that address financial, operational, information technology and compliance risks. Such reviews have been reported to the AC.

In the FY2018 Annual Report, two issues have been highlighted and management has followed up on the implementation recommended by the IA and directive from the Board. Both matters have been satisfactorily resolved or implemented.

The Board has received assurance from the Group CEO and CFO that, as at 31 December 2019, the financial records have been properly maintained, and the financial statements give a true and fair view of the Group's operations and finances.

The Board has also received assurance from the Group CEO and key management personnel that the internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2019 to address the risks that the Group considers relevant and material to its operations.

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors and reviews performed by Management, as well as the assurances set out above, the Board, with the concurrence of the AC, is of the view that the Company's system of risk management and internal controls (including financial, operational, compliance and information technology controls) were adequate and effective as at 31 December 2019 to address risks which the Company considers relevant and material to its operations.

Management alone does not guarantee that business undertakings will not fail. However, by identifying and managing risks that may arise, the Group can make more informed decisions and benefit from a better balance between risk and reward. This will help protect and also create shareholders' value.

Principle 10: Audit Committee

The members of the AC at the date of this report comprises of three Independent Directors:

- Lee Gee Aik (Chairman)
- Lee Kuo Chuen, David
- Oh Eng Bin, Kenneth

The majority of the AC, including the Chairman, has accounting or related financial management expertise or experience. The Board is of the view that the members of the AC are appropriately qualified to discharge their responsibilities. None of the AC members were previous partners of directors of the Company's external auditors, Moore Stephens LLP, within the last two years or hold any financial interest in the external auditors.

The overall objective of the AC is to ensure that Management has created and maintained effective control mechanisms within the Company and that such systems are strictly adhered to by all levels of Management and employees.

The AC has the explicit authority to investigate any matter within its terms of reference. It has full access to, and the co-operation of, management and full discretion to invite any director or senior manager to attend its meetings. The AC has adequate resources to enable it to discharge its responsibilities properly.

As a sub-committee of the Board, the AC provides a channel of communication between the Board, Management, the internal and external auditors with regards to findings and recommendations arising from internal and external audits.

During the financial year, the AC met with the Group's external auditors and the internal auditors to review the audit plans and the reports of the external auditors and internal auditors. The Group's external auditors are Moore Stephens LLP and Group's internal auditors are Crowe Howarth First Trust Risk Advisory Pte Ltd. The AC has also evaluated the adequacy of the internal controls of the Company with the auditors and discussed their findings with the Management. The AC reviewed the quarterly, half year and full-year results announcements before their submission to the Board for approval.

The AC is guided by its terms of reference which sets out its responsibilities. The terms of reference are updated in 2019 to be in line with the 2018 CG Code. Specifically, the duties of the AC include:–

(a) Recommending to the Board the appointment, re-appointment or discharge of the external auditors, and approving the remuneration and terms of engagement of the external auditors and in this connection, considering the independence and objectivity of the external auditors annually; assisting the Board in discharging its statutory responsibilities on financial and accounting matters;

(b) reviewing the financial and operating results and accounting policies of the Group;

(c) reviewing the significant financial reporting issues and judgments relating to financial statements for each financial year, interim and annual results announcement of financial statements before their submission to the Board for approval and the external auditors' report on the financial statements;

CORPORATE GOVERNANCE REPORT

(d) reviews the adequacy and effectiveness of the Group's internal controls (financial, operational, compliance and information technology controls) and risk management via reviews carried out by the internal auditors;

(e) considers and reviews the assistance given by Management of the Group to the auditors;

(f) reviews the external audit plans and the review results of the external auditors' examination and evaluation of the Group's internal control system;

(g) reviews the audit plans and reports of the external auditors and considers the effectiveness of the actions taken by management on auditors' recommendations;

(h) reviews interested person transactions on quarterly basis;

(i) meets with the external and internal auditors without the presence of the Company's Management annually;

(j) reviews the internal audit plan and findings of the internal audit; and

(k) ensures that the nature and extent of non-audit services provided by external auditors would not affect their independence as external auditors of the Company.

To create an environment for open discussion on audit matters, the AC meets with the external and internal auditors without the presence of the Company's Management at least once a year.

The AC members met four times during the financial year ended 31 December 2019. The Group CEO, CFO, Company Secretary, external and internal auditors were invited to attend these meetings.

In the review of the financial statements for the financial year ended 31 December 2019, the AC has discussed with Management on the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements and considered the clarity of key disclosure in the financial statements. The AC reviewed, amongst other matters, the significant matters identified by external auditor and have been included in the Independent Auditor's Report to the Shareholders of the Company under "Key Audit Matters". Following the review, the AC satisfied that those matters have been properly addressed and recommended the Board to approve the audited financial statements of the Group for the financial year ended 31 December 2019. The Board has on 3 April 2020 approved the financial statements for the financial year ended 31 December 2019.

The Company has complied with SGX-ST Listing Rules 712 and 716 in engaging Moore Stephens LLP, as the external auditors of the Company which is registered with the Accounting and Corporate Regulatory Authority. Moore Stephens LLP are the external auditors of the Company and of its Singapore subsidiaries.

The AC has reviewed the amount of non-audit services rendered to the Group by the external auditors during the financial year. The aggregate amount and breakdown of the audit and non-audit fees paid/payable to the external auditors is found in Note 7 in the Financial Statements of this Report.

Being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, the AC has recommended their re-nomination to the Board.

The details of audit services provided by the external auditors are outlined in Note 7 to the financial statements.

Internal Audit ("IA")

The Group's IA function has been outsourced to Crowe Horwath First Trust Risk Advisory Pte Ltd. The internal auditor has unrestricted access to the AC as well as the documents, records, properties and personnel of the Company and the Group, where relevant to their work. The internal auditor reports directly to the chairman of the AC on audit matters. The AC also reviews and approves the annual internal audit plans and resources to ensure that the internal auditor has the adequately resources to perform its functions. The AC approves the hiring, removal and evaluation of the internal auditor.

The Group's IA function is independent of the external audit. The internal auditor, is a corporate member of Singapore chapter of the Institute of Internal Auditors ("IIA"), and staffed with professionals with relevant qualifications and experience. Our engagement with Crowe Horwath First Trust Risk Advisory Pte Ltd stipulates that its work shall comply with the relevant International or local Standards for the Professional Practice of Internal Auditing issued by IIA. The appointment, assessment, and compensation of the internal auditor are approved by AC.

In the third quarter of the financial year ended 31 December 2019, an annual internal audit plan is developed and agreed by the AC.

The AC reviews the internal auditor's reports and the adequacy of the IA function to ensure that IA is conducted effectively, has the appropriate standing within the Company and that the Management provides the necessary co-operation to enable the internal auditor to perform its function. The AC and the Board are satisfied that there are adequate internal controls in the Company.

Whistle-Blowing Policy

The Company has put in place a whistle-blowing framework, endorsed by the AC where employees of the Company may, in confidence, raise concerns about possible corporate improprieties on matters of financial reporting or other legal or ethical issues and to ensure that procedures are in place to address them. The details of the whistle-blowing policy and reporting mechanisms have been made available to all employees.

The Whistle Blowing Officers are appointed members of the AC. Any Whistle Blowing Officer to whom a concern has been raised, is obliged to make a report to the Board of the substance of the concern without breaching employee confidentiality. The AC is obliged to review all reports received and take or approve the appropriate actions.

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 11: Shareholder Rights and Conduct of General Meetings

Principle 12: Engagement with Shareholders

Principle 13: Engagement with Stakeholders

In line with the continuous disclosure obligations of the Company pursuant to the SGX-ST Listing Rules and the Companies Act, the Board's policy is that all shareholders should be equally informed of all major developments that impact the Group.

Any major or material developments are first disseminated via SGXNET followed by a press release, whenever necessary.

Price sensitive information is first publicly released, either before the Group meets with any group of investors or analysts or simultaneously with such meetings. Results and annual reports are announced or issued within the mandatory period. The Company does not practice selective disclosure of information.

CORPORATE GOVERNANCE REPORT

The Company's website at www.shsholdings.com.sg provides updated information to shareholders and investors on its corporate development.

General meetings have been and are still the principal forum for dialogue with shareholders. Information on general meetings is disseminated through notices in the annual report or circulars sent to all shareholders.

All shareholders receive the Annual Report and the notice of AGM. The notice of AGM is also released via SGXNet, published in local newspaper and uploaded on the corporate website. Shareholders have the opportunity to participate effectively in and to vote at all general meetings.

At general meetings, shareholders are given the opportunity to express their views and ask questions regarding the Group's business and operations or resolutions tabled at the meeting. The Company is open to meetings with investors and analysts, and in conducting such meetings, the Company is mindful of the need to ensure fair disclosure.

The Company adopt poll voting for all resolutions to be passed at general meetings. An independent scrutineer firm is present to validate the votes at each general meeting. The detail results by showing the number of votes cast for and against each resolution are also announced via SGXNET after the said meeting. The minutes of general meetings, which include substantial comments or queries raised by shareholders and answers given by the Board and Management will be prepared by the Company and are made available to shareholders on the Company's website.

The Board ensures that separate resolutions are proposed for approval on each distinct issue at general meetings. Detailed information on each item in the AGM agenda is also provided in the explanatory notes to the Notice of AGM.

Directors, including the chairpersons of the Board and the respective committees are present at the annual general meetings to answer shareholders' questions. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders.

The Company's Constitution provides that Shareholders of the Company are allowed to vote in person or by way of duly appointed proxies. The Company's Constitution also allows a shareholder to appoint not more than two proxies to attend and vote in the shareholder's place at the general meetings of shareholders. The proxy need not be a Member of the Company. Pursuant to the introduction of the multiple proxies regime under the Singapore Companies (Amendment) Act 2014, indirect investors who hold SGX shares through a nominee company or custodian bank or through a CPF agent bank may attend and vote at each general meeting of shareholders. Currently, the Company's Constitution does not allow for shareholders to vote at general meetings in absentia.

Dividend Policy

The Group does not have fixed policy governing how much to pay out to shareholders in dividends. However, as a practice, the Group usually declares annual dividend at the rate of approximately 25-40% of the net profit after tax in accordance with the consolidated financial statements. As no dividend was declared for the last financial year, a final dividend of $0.003 Singapore cent per ordinary share has been proposed for financial year ended 31 December 2019 although the Group recorded a net loss for the financial year as the Board of Directors reckon it appropriate to reward shareholders for their resolute support. In addition, there are sufficient funds for the Group's business activities notwithstanding the proposed final dividend.

CORPORATE GOVERNANCE REPORT

SECURITIES TRANSACTIONS

The Company has a clear policy on the trading of its share by directors and executives within the Group. The Company has adopted its own internal Code of Best Practices on Securities Transactions (the "Securities Transactions Code"). The Securities Transactions Code provides guidance to directors and executives of the Group with regard to dealing in the Company's shares. It emphasizes that the law on insider trading is applicable at all times, notwithstanding the window periods for dealing in the shares. The Securities Transactions Code also enables the Company to monitor such share transactions by requiring employees to report to the Company whenever they deal in the Company's shares.

The Group issues circulars to its directors, executives and employees informing them that they must not trade in the listed securities of the Company one month before the announcement of the Group's full year or two weeks before quarterly results and ending on the date of the announcement of such results. They are also encouraged not to deal in the Company's securities on short-term considerations.

Directors are required to notify the Company of any dealings in the Company's securities (during the open window period) within two (2) business days of the transactions.

The Group has complied with the Securities Transactions Code.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported on a timely manner to the AC and that the transactions are carried out on a normal commercial term and will not be prejudicial to the interests of the Company and its minority shareholders.

The interested person transactions entered into by the Group for the financial year ended 31 December 2019 are as follows:

Name of interested person	Nature of Relationship	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transaction conducted under Shareholders' Mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under Shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
Mr Teng Choon Kiat	Director and substantial shareholderof the Company	S$5,000	–
Total		S$5,000	–

There is a total of nine interested person transactions during the year ended 31 December 2019 with aggregate value of S$5,000.

The AC has reviewed and is satisfied that the transactions are conducted at arm's length and on terms that are fair and reasonable. The AC and the Board of Directors are satisfied that the terms of the above transactions are not prejudicial to the interests of the Company or its minority shareholders.

The Company did not have a shareholders' mandate pursuant to SGX-ST Listing Rule 920 during the financial year ended 31 December 2019.

MATERIAL CONTRACTS

There were no material contracts between the Company and its subsidiaries involving the interests of the Chairman, Group CEO, directors and controlling shareholders that are still subsisting at the end of the financial year or if not then subsisting, entered into since the end of previous financial year.

CORPORATE GOVERNANCE REPORT

UPDATE ON THE USE OF WARRANT PROCEEDS

As at financial year ended 31 December 2019, 85,078,034 warrants have been duly converted into shares and the net proceeds from the exercise of warrants have been fully ultilised with its stated use and the breakdown is as follows:

	S$'000
Net Proceeds- Exercise of Warrants	17,016
Less:	
Proceeds for the Group's projects in Solar and Modular Construction	(8,210)
Proceeds for use in share buyback	(1,778)
Proceeds use for Group redevelopment of factory for its structural steel business	(2,000)
Working capital including but not limited to the repayment of professional fees	(238)
Acquisition of shares in TLC Modular Construction Joint Stock Company, Vietnam	(4,790)
	–

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

The directors present their statement to the members together with the audited consolidated financial statements of SHS Holdings Ltd. (the "Company") and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2019 and the statement of financial position of the Company as at 31 December 2019.

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up 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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year then ended; and

(b) 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.

1 Directors

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

Teng Choon Kiat	*Executive Chairman*
Ng Han Kok, Henry	*Executive Director and Group Chief Executive Officer*
Lim Siok Kwee, Thomas	*Executive Director*
Lee Gee Aik	*Lead Independent Director*
Lee Kuo Chuen, David	*Independent Director*
Oh Eng Bin, Kenneth	*Independent Director*

2 Arrangements to Enable Directors to Acquire Shares or Debentures

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 corporate body.

3 Directors' Interests in Shares or Debentures

According to the register of directors' shareholdings kept by the Company under section 164 of the Singapore Companies Act, Chapter 50, the directors of the Company who held office at the end of the financial year had no interests in the shares, warrants or debentures of the Company and its related corporations except as follows:

	Holdings registered in the name of director			Holdings in which a director is deemed to have an interest		
Name of directors	**As at beginning of the year**	**As at end of the year**	**As at 21/1/2020**	**As at beginning of the year**	**As at end of the year**	**As at 21/1/2020**
The Company						
No. of ordinary shares						
Teng Choon Kiat	1,250,000	1,250,000	1,250,000	193,688,100	193,688,100	193,688,100
Ng Han Kok, Henry	–	–	–	119,446,053	120,714,653	120,714,653
Lim Siok Kwee, Thomas	–	–	–	6,020,575	6,020,575	6,020,575

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 Directors' Interests in Shares or Debentures (Continued)

There was no change in the above-mentioned directors' interests between the end of the financial year and 21 January 2020.

By virtue of Section 7 of the Act, Mr. Teng Choon Kiat is deemed to have an interest in the shares held by the Company in its subsidiaries.

Except for disclosed in this statement, no director who held office at the end of the financial year had interests in the shares, warrants or debentures of the Company and its related corporations, either at the beginning of the financial year or at the end of the financial year.

4 Share Options

Options Granted

During the financial year, there were no share options granted to subscribe for unissued shares of the Company or any corporation in the Group.

Options Exercised

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

Options Outstanding

As at the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

5 Warrants

On 18 December 2014, the Company had issued 303,641,586 warrants pursuant to a bonus issue on the basis of 1 (one) warrant for every 2 (two) existing ordinary shares held in the capital of the Company. On 19 December 2014, the warrants were listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). Each warrant entitles the warrant holder to subscribe for 1 (one) new ordinary share in the Company at the exercise price of S$0.20 per share. The warrants do not entitle the holders of the warrants, by virtue of such holdings, to any rights to participate in any share issue of any other company.

As at the end of the financial year, details of the unissued ordinary shares of the Company under warrants are as follows:

Date of issue	Warrants outstanding at 1/1/2019	Warrants exercised	Warrants expired	Warrants outstanding at 31/12/2019	Date of expiry
18/12/2014	218,582,052	(18,500)	(218,563,552)	–	Note 1

(Note 1: The date immediately preceding the 5th anniversary of the date of issue unless such date is not a market day, in which case the warrant will expire on the date prior to the closure of the Register of Members or the immediately preceding market day.)

During the financial year ended 31 December 2019, 18,500 warrants were exercised to acquire ordinary shares. The remaining 218,563,552 warrants have expired on 16 December 2019.

6 Audit Committee

The Audit Committee ("AC") comprises the following independent directors as at the date of this statement:

Lee Gee Aik (Chairman)
Lee Kuo Chuen, David
Oh Eng Bin, Kenneth

The AC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, the Code of Corporate Governance and the SGX-ST Listing Manual and assists the Board of Directors (the "Board") in the execution of its corporate governance responsibilities within its established terms of reference.

The duties of the AC, amongst other things, include:

(i) review the audit plans of the internal and external auditors of the Company, and review the internal auditors' evaluation of the adequacy of the Group's/Company's system of internal accounting controls and the assistance given by the Group's/Company's management to the external and internal auditors;

(ii) review the half yearly announcement of financial statements and annual financial statements and the auditors' report on the annual consolidated financial statements of the Company and its subsidiaries before their submission to the Board of Directors;

(iii) review the effectiveness of the Group's/Company's material internal controls, including financial, operational, compliance and information technology controls and risk management via reviews carried out by the internal auditors;

(iv) meet with the external and internal auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

(v) review 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;

(vi) review the cost effectiveness and the independence and objectivity of the external auditors;

(vii) review the nature and extent of non-audit services provided by the external auditors;

(viii) recommend to the Board of Directors the external auditors to be nominated, approve the compensation of the external auditors and review the scope and results of audit;

(ix) report actions and minutes of the AC to the Board of Directors with such recommendations as the AC considers appropriate;

(x) review interested persons transactions in accordance with the requirements of the SGX-ST Listing Manual; and

(xi) undertake such other functions and duties as may be agreed to by the AC and the Board.

The AC has undertaken a review of the nature and extent of non-audit services provided by the external auditors, and is satisfied that there were no non-audit services rendered that would affect the independence and objectivity of the external auditors.

The AC has recommended to the Board that the auditors, Moore Stephens LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

Further information regarding the AC are disclosed in the Corporate Governance Report included in the Company's Annual Report.

DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7 Independent Auditors

The auditors, Moore Stephens LLP, have expressed their willingness to accept re-appointment as auditors.

On behalf of the Board of Directors,

TENG CHOON KIAT Director	NG HAN KOK, HENRY Director

Singapore
3 April 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of SHS Holdings Ltd. (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)s) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards of 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
Revenue from construction contracts In accordance with SFRS(I) 15 *Revenue from Contracts with Customers*, the analysis of whether the construction contracts comprise one or more performance obligations, determination of whether variable considerations are allocated to one or more performance obligations, and whether the performance obligations are satisfied over time or at a point in time, are areas requiring significant judgements and estimates by the Group. One of the Group's significant revenue streams is derived from construction contracts in relation to engineering & construction services. Revenue from these construction contracts is recognised over time on a cost-to-cost method. The determination of the percentage of completion involves the use of significant management judgements and estimates to measure the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs, which in turn may have a material impact on the amount of contract work in progress, contract revenues and contract costs recognised during the financial year. Accordingly, we determined this as a key audit matter. The Group's accounting policies on the recognition of revenue from construction contracts and the critical accounting judgements and estimates thereon are disclosed in Note 3(e)(iii) and Note 4(b)(vi) to the financial statements, respectively.	**Our response** Our audit procedures included, amongst others, • obtained an understanding of the terms and conditions of significant construction contracts through discussion with management and the basis of management's identification of performance obligations to determine whether the criteria for recognising revenue over time were met; • evaluated the key controls and processes that management has in place in respect of revenue recognition and budgeting from construction contracts; • assessed the reasonableness of the total budgeted costs for individual significant projects prepared by management. Reviewed the appropriateness of inputs, amongst others, contractors or sub-contractors costs, materials, labour costs, variation works, and other construction costs used by management in their estimation of the total costs to complete and obtained supporting documentation on the major inputs; • assessed the robustness of the budgets from our understanding of the projects and comparing the budgeted profit margins to the actual profit margins achieved for completed projects during the financial year and subsequent to financial year end; • verified the costs incurred during the financial year against underlying documents, such as quotations or contracts entered into; • in relation to total contract revenue for construction contracts, we verified the total contract sum to contracts entered into with the customers and additional claims and variation orders recognised to supporting documents; • re-computed the arithmetic accuracy of the revenue, cost and profit recognised according to the percentage of completion for significant projects measured by reference to the ratio of costs incurred to-date to the estimated costs for each project; and

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Key Audit Matters (Continued)

Key Audit Matter	How our audit addressed the key audit matter
Revenue from construction contracts (Continued)	**Our response** (Continued) • reviewed the contracts for any penalty and liquidated damages clauses and discussed with management on the progress of significant projects to determine if there are any changes such as delays, penalties, overruns where it is probable that total contract costs will exceed total contract revenue and require the recognition of a loss allowance on such projects. In addition, we reviewed the adequacy of the disclosures in relation to the areas of judgements and estimation uncertainties involving recognition of revenue from construction contracts in Note 4(b)(vi) to the financial statements and the disclosures in relation to revenue from construction contracts and related contract balances in Note 5 to the financial statements. **Our findings** We found the areas of judgements and estimates applied by management in the recognition of revenue from construction contracts to be reasonable.
Impairment of goodwill As at 31 December 2019, the Group has goodwill that arose from various past acquisitions with an aggregate carrying amount of S$16.85 million. The goodwill has been allocated to the relevant cash generating unit ("CGU") under the respective operating segments as disclosed in Note 16 to the financial statements. As part of its annual impairment testing, management prepares value in use calculations ("VIU") to arrive at the recoverable amount of each CGU. These VIUs are based on cash flow forecasts of the CGUs, the preparation of which requires management to use assumptions and estimates relating to budgeted gross margin, revenue growth rate, terminal growth rate and discount rate of each CGU, which are inherently subjective. Accordingly, we determined this as a key audit matter. The Group's accounting policies on the impairment of goodwill is disclosed in Note 3(j) to the financial statement and the critical accounting judgements and estimates thereon are disclosed in Note 4(b)(iii) to the financial statements.	**Our response** Our audit procedures included, amongst others, evaluating management's assumptions applied in the cash flow forecasts taking into consideration our knowledge of the CGUs' operations, performance and industry benchmarks. We also obtained an understanding of management's planned strategies on revenue growth and cost initiatives for these CGUs. We tested the robustness of management's forecasts by comparing previous forecasts to actual results. In addition, we also validated key inputs used in the discounted cash flow forecasts, such as growth rates and discount rates, to historical data and external market data to assess the reasonableness of management's forecasts. We tested management's sensitivity analysis of the recoverable amounts of the CGUs based on reasonable changes to the key assumptions used in the cash flow forecasts. We also checked the mathematical accuracy of the underlying calculations. In addition, we reviewed the adequacy of the disclosures in relation to the impairment testing of goodwill, including management's sensitivity analysis, in Note 16 to the financial statements. **Our findings** We found the assumptions and estimates used by management in the value-in-use calculations to determine the recoverable amount of the relevant cash-generating unit to be reasonable.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

The 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 skepticism 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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SHS HOLDINGS LTD. (Incorporated in Singapore)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

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

- 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.

- 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 Mr Ng Chiou Gee Willy.

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore
3 April 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group 2019 S$'000	2018 S$'000 (Restated)
Continuing operations			
Revenue	5	**26,390**	40,245
Cost of sales and services		**(20,577)**	(33,244)
Gross profit		**5,813**	7,001
Other income		**2,117**	3,697
Selling and distribution expenses		**(350)**	(380)
Administrative expenses		**(5,443)**	(5,955)
Other operating expenses		**(5,134)**	(6,087)
Net impairment losses on financial assets		**(3,532)**	(425)
Finance costs		**(1,223)**	(553)
Share of profits/(losses) of associates, net of tax		**825**	(197)
Share of profits of joint ventures, net of tax		**–**	58
(Loss) before income tax		**(6,927)**	(2,841)
Income tax	6	**41**	64
(Loss) for the year from continuing operations	7	**(6,886)**	(2,777)
Discontinued operations			
(Loss) for the year from discontinued operations	8	**(18,505)**	(12,143)
Total (loss) for the year		**(25,391)**	(14,920)
Other comprehensive (loss)/income, net of tax:			
Items that may not be reclassified subsequently to profit or loss:			
Net loss on fair value changes of equity instruments at fair value through other comprehensive income		**(145)**	(1,145)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation		**(215)**	(529)
Other comprehensive (loss) for the year		**(360)**	(1,674)
Total comprehensive (loss) for the year		**(25,751)**	(16,594)
Total (loss) for the year attributable to:			
Equity holders of the Company		**(22,484)**	(11,169)
Non-controlling interests		**(2,907)**	(3,751)
		(25,391)	(14,920)
Total comprehensive (loss) for the year attributable to:			
Equity holders of the Company		**(22,816)**	(12,641)
Non-controlling interests		**(2,935)**	(3,953)
		(25,751)	(16,594)

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Note	Group	
		2019	2018
		S$	S$
			(Restated)
(Loss) per share from continuing and discontinued operations attributable to equity holders of the Company:			
– Basic (cents per share)	9	**(3.28)**	(1.63)
– Diluted (cents per share)	9	**(3.28)**	(1.58)
(Loss) per share from continuing operations attributable to equity holders of the Company:			
– Basic (cents per share)	9	**(0.98)**	(0.41)
– Diluted (cents per share)	9	**(0.98)**	(0.39)
(Loss) per share from discontinued operations attributable to equity holders of the Company:			
– Basic (cents per share)	9	**(2.30)**	(1.22)
– Diluted (cents per share)	9	**(2.30)**	(1.19)

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 S$'000	Group 2018 S$'000	Company 2019 S$'000	Company 2018 S$'000
ASSETS					
Non-Current Assets					
Property, plant and equipment	10	**48,373**	91,530	**74**	134
Right of use assets	11	**4,847**	–	**1,686**	–
Investment property	12	**–**	–	**12,056**	13,228
Investment in subsidiaries	13	**–**	–	**43,747**	44,747
Investment in associates	14	**1,857**	1,302	**–**	–
Other financial assets	15	**23,563**	23,840	**22,463**	22,686
Goodwill	16	**16,850**	16,850	**–**	–
Prepaid land leases	17	**–**	6,303	**–**	–
Other receivables and prepayments	22	**6,593**	7,990	**6,593**	7,990
Total Non-Current Assets		**102,083**	147,815	**86,619**	88,785
Current Assets					
Prepaid land leases	17	**–**	187	**–**	–
Inventories	18	**3,009**	7,849	**–**	–
Land held for development	19	**4,760**	5,591	**–**	–
Trade receivables	20	**10,305**	9,286	**86**	–
Contract assets	5	**7,523**	19,362	**–**	86
Other receivables and prepayments	22	**4,713**	10,098	**66**	129
Amount due from subsidiaries	21	**–**	–	**70,966**	90,121
Amount due from associates	27	**7**	–	**–**	–
Cash and bank balances	23	**31,092**	29,890	**25,120**	20,609
		61,409	82,263	**96,238**	110,945
Assets classified as held for sale	24	**68,003**	6,299	**1,000**	–
Total Current Assets		**129,412**	88,562	**97,238**	110,945
Total Assets		**231,495**	236,377	**183,857**	199,730

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Note	Group 2019 S$'000	Group 2018 S$'000	Company 2019 S$'000	Company 2018 S$'000
LIABILITIES AND EQUITY					
Current Liabilities					
Trade payables and accruals	25	**5,466**	10,893	**331**	268
Contract liabilities	5	**1,028**	5,037	**–**	–
Other payables	26	**1,517**	7,713	**176**	307
Amount due to subsidiaries	21	**–**	–	**39**	776
Amount due to associates	27	**–**	801	**–**	–
Term loans	28	**5,862**	4,878	**–**	–
Other amounts due to bankers	29	**1,775**	3,147	**–**	–
Finance leases	30	**–**	59	**–**	–
Provision for income tax		**565**	608	**–**	–
		16,213	33,136	**546**	1,351
Liabilities directly associated with assets classified as held for sale	24	**34,729**	29	**–**	–
Total Current Liabilities		**50,942**	33,165	**546**	1,351
Non-Current Liabilities					
Term loans	28	**11,751**	13,062	**–**	–
Finance leases	30	**–**	49	**–**	–
Deferred tax liabilities	32	**2,992**	3,507	**1,802**	1,802
Lease liabilities	36	**4,974**	–	**1,732**	–
Total Non-Current Liabilities		**19,717**	16,618	**3,534**	1,802
Total Liabilities		**70,659**	49,783	**4,080**	3,153
Capital, Reserves and Non-Controlling Interests					
Share capital	33	**160,640**	160,637	**160,640**	160,637
Treasury shares	34	**(5,003)**	(5,003)	**(5,003)**	(5,003)
Asset revaluation reserve	35	**7,456**	7,456	**8,582**	8,582
Foreign currency translation reserve	35	**(740)**	(553)	**–**	–
Other reserve	35	**–**	–	**3,297**	3,297
Fair value adjustment	35	**(1,290)**	(1,145)	**(1,676)**	(1,453)
Retained earnings		**4,468**	26,910	**13,937**	30,517
		165,531	188,302	**179,777**	196,577
Non-controlling interests	13	**(4,695)**	(1,708)	**–**	–
Total Equity		**160,836**	186,594	**179,777**	196,577
Total Liabilities and Equity		**231,495**	236,377	**183,857**	199,730

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to equity holders of the Company									
	Share Capital S$'000	Treasury Shares S$'000	Asset Revaluation Reserve S$'000	Foreign Currency Translation Reserve S$'000	Other Reserve S$'000	Fair value Adjustment S$'000	Retained Earnings S$'000	Total S$'000	Non-controlling Interests S$'000	Total Equity S$'000
Group										
Balance at 1 January 2019	160,637	(5,003)	7,456	(553)	–	(1,145)	26,910	188,302	(1,708)	186,594
(Loss) for the year	–	–	–	–	–	–	(22,484)	(22,484)	(2,907)	(25,391)
Other comprehensive (loss) for the year, net of tax	–	–	–	(187)	–	(145)	–	(332)	(28)	(360)
Total comprehensive (loss) for the year	–	–	–	(187)	–	(145)	(22,484)	(22,816)	(2,935)	(25,751)
Shares issued pursuant to exercise of warrants (Note 33)	3	–	–	–	–	–	–	3	–	3
Additional investment in subsidiary (Note 13)	–	–	–	–	–	–	–	–	30	30
Acquisition of non-controlling interests (Note 13)	–	–	–	–	–	–	42	42	(82)	(40)
Balance at 31 December 2019	160,640	(5,003)	7,456	(740)	–	(1,290)	4,468	165,531	(4,695)	160,836

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Attributable to equity holders of the Company									
	Share Capital S$'000	Treasury Shares S$'000	Asset Revaluation Reserve S$'000	Foreign Currency Translation Reserve S$'000	Other Reserve S$'000	Fair value Adjustment S$'000	Retained Earnings S$'000	Total S$'000	Non-controlling Interests S$'000	Total Equity S$'000
Group										
Balance at 1 January 2018	160,637	(5,003)	7,456	(226)	–	–	39,449	202,313	2,921	205,234
(Loss) for the year	–	–	–	–	–	–	(11,169)	(11,169)	(3,751)	(14,920)
Other comprehensive (loss) for the year, net of tax	–	–	–	(327)	–	(1,145)	–	(1,472)	(202)	(1,674)
Total comprehensive (loss) for the year	–	–	–	(327)	–	(1,145)	(11,169)	(12,641)	(3,953)	(16,594)
Dividends (Note 40)	–	–	–	–	–	–	(1,370)	(1,370)	–	(1,370)
Acquisition of non-controlling interests (Note 13)	–	–	–	–	–	–	–	–	(676)	(676)
Balance at 31 December 2018	160,637	(5,003)	7,456	(553)	–	(1,145)	26,910	188,302	(1,708)	186,594

The accompanying notes form an integral part of the financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	2018
	S$'000	S$'000
Cash Flows from Operating Activities		
(Loss) for the year	**(25,391)**	(14,920)
Adjustments for:		
Income tax expense recognised in profit or loss	**(41)**	(84)
Amortisation of prepaid land leases	**178**	186
Depreciation of property, plant and equipment and right of use assets	**5,095**	5,239
Bad debts written-off (trade)	**–**	7
Inventory write back	**–**	(6)
Property, plant and equipment written-off	**–**	4
Gain on disposal of property, plant and equipment	**(275)**	(192)
Contingent consideration written off	**–**	(1,193)
Share of (gain)/losses of associates, net of tax	**(825)**	197
Share of profits of joint ventures, net of tax	**–**	(58)
Gain on disposal of a joint venture	**–**	(238)
Impairment of goodwill	**–**	3,651
Impairment of inventory	**1,768**	–
Impairment of property, plant and equipment	**7,906**	–
Written down of land held for development	**–**	1,650
Allowance for impairment of trade receivables	**184**	341
Allowance for impairment of contract assets	**40**	84
Allowance for impairment of other receivables	**3,312**	–
Allowance for stock obsolescence	**19**	25
Gain on deregistration of an associate	**(150)**	–
Provision for liquidation damages	**1,231**	–
Dividend income	**(36)**	(126)
Interest expense	**1,500**	576
Interest income	**(258)**	(377)
Unrealised foreign exchange gain – net	**300**	(39)
Operating cash flows before working capital changes	**(5,443)**	(5,273)
Changes in working capital:		
Inventories	**(6,184)**	283
Land held for development	**–**	(6,691)
Deposit paid for acquisition of land held for development	**–**	(1,755)
Contract assets, receivables and prepayments	**(9,391)**	(1,192)
Contract liabilities and payables	**12,839**	(1,712)
Cash used in operations	**(8,179)**	(16,340)
Interest paid	**(1,142)**	(556)
Interest received	**258**	377
Income tax paid	**(73)**	(220)
Net cash used in operating activities	**(9,136)**	(16,739)

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	2018
	S$'000	S$'000
Cash Flows from Investing Activities		
Dividend received from other financial assets	**36**	126
Dividend received from an associate	**–**	450
Proceeds from capital reduction in other financial assets	**132**	907
Proceeds from capital reduction in associates	**270**	1,200
Payment for purchase of property, plant and equipment	**(4,156)**	(7,976)
Decrease in construction in progress – returns (Note 10 (g))	**16,586**	–
Increase in prepaid development costs	**(3,529)**	(2,432)
Proceeds from disposal of property, plant and equipment	**246**	354
Proceeds from disposal of a joint venture	**–**	2,674
Acquisition of non-controlling interests	**(40)**	–
Net cash generated from/(used in) investing activities	**9,545**	(4,697)
Cash Flows from Financing Activities		
Proceeds from exercise of warrants/issuance of shares	**3**	–
Dividends paid on ordinary shares	**–**	(1,370)
Net increase in amount due to associates	**388**	1,440
Repayment of finance leases	**(108)**	(99)
Proceeds from term loans	**1,000**	2,680
Repayment of term loans	**(1,328)**	(1,568)
Drawdown of trust receipts	**2,483**	3,130
Repayment of trust receipts	**(3,147)**	(2,927)
Payment of lease liabilities	**(718)**	–
Increase in amount due to directors of the subsidiaries	**–**	201
Capital contribution by non-controlling interest	**30**	–
Decrease/(Increase) in amount due from non-controlling interests	**151**	(463)
Increase in amount due to non-controlling interests	**2,174**	1,160
Net cash generated from financing activities	**928**	2,184
Net increase/(decrease) in cash and cash equivalents	**1,337**	(19,252)
Cash and cash equivalents at the beginning of the year	**29,890**	49,107
Effects of exchange rate changes on the balance of cash held in foreign currencies	**(135)**	35
Cash and cash equivalents at the end of the year (Note 23)	**31,092**	29,890

NOTES TO THE
FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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

1 General

SHS Holdings Ltd. (the "Company") is a public limited company incorporated and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The Company's registered address and principal place of business is at 19 Tuas Avenue 20, Singapore 638830.

The principal activities of the Company are investment holding and those of grit blasting and painting. The principal activities of the subsidiaries are set out in Note 13.

2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s")

(a) Application of New and Revised Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2019.

Description
SFRS(I) 16 *Leases*
Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*
Amendments to SFRS(I) 1-28 *Long Term Interests in Associates and Joint Ventures*
Improvements to SFRS(I) 3 *Business Combinations*
Improvements to SFRS(I) 11 *Joint Arrangements*
Amendments to SFRS(I) 1-12 *Income Taxes*
Amendments to SFRS(I) 1-23 *Borrowing Costs*
Amendments to SFRS(I) 1-19 *Plan Amendment, Curtailment or Settlement*
SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*

Except for SFRS(I) 16 *Leases*, the adoption of the other new and revised standards above did not have any material effect on the financial performance of the Group or financial positions of the Group and the Company.

SFRS(I) 16 *Leases*

SFRS(I) 16 sets out a revised framework for the recognition, measurement, presentation and disclosure of leases, and replaces SFRS(I) 1-17 *Leases*, SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*, SFRS(I) INT 1-15 *Operating Leases – Incentives;* and *SFRS(I) INT 1-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. SFRS(I) 16 requires lessees to recognise right-of-use ("ROU") assets and lease liabilities for all leases with a term of more than 12 months, except where the underlying asset is of low value. The ROU asset is depreciated and interest expense is recognised on the lease liability. Lease incentives (e.g. rent-free period) are recognised as part of the measurement of the ROU assets and lease liabilities. ROU assets are tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets*. The accounting requirements for lessors have not been changed substantially, and continue to be based on classification as operating and finance leases. Disclosure requirements have been enhanced for both lessors and lessees.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (Continued)

(a) Application of New and Revised Standards and Interpretations (Continued)

SFRS(I) 16 *Leases* (Continued)

On 1 January 2019, the Group has applied a modified retrospective approach that does not restate comparative information, but recognises the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening retained earnings on 1 January 2019. Under the modified retrospective approach, the Group has elected to apply the following practical expedients under SFRS(I) 16:

(i) For all contracts entered into before 1 January 2019 and that were previously identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4, the Group is exempted from having to reassess whether pre-existing contracts contain a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 and SFRS(I) INT 4 will continue to be applied to leases entered or modified before 1 January 2019.

(ii) The Group has, on a lease-by-lease basis:

- applied a single discount rate to a portfolio of leases with reasonably similar characteristics;
- relied on previous assessments on whether leases are onerous as an alternative to performing an impairment review;
- excluded initial direct costs in the measurement of the right-of-use ("ROU") asset at the date of initial application; and
- used hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(iii) The Group has elected not to recognise ROU assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low-value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

Impact on lessee accounting

For leases previously classified as operating leases, the Group recognised its lease liabilities by discounting the remaining lease payments as at 1 January 2019 using the incremental borrowing rate for each individual lease or, if applicable, the incremental borrowing rate for each portfolio of leases with reasonably similar characteristics. Recognition of ROU assets and lease liabilities will be the same. Comparative information is not restated.

For leases previously classified as finance leases, the carrying amount of the leased asset and finance lease liability as at 1 January 2019 are determined as the carrying amount of the ROU assets and lease liabilities.

Impact on lessor accounting

There are no significant changes to the accounting by the Group as a lessor.

Financial impact of adoption of SFRS(I) 16

On 1 January 2019, the Group recognised right-of-use assets of approximately S$5.16 million and lease liabilities of approximately S$5.16 million. The difference impact to opening retained earnings is not material.

When measuring lease liabilities, the Group discounted lease payments using its borrowing rate at 1 January 2019. The average rate applied is 6.30%.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

2 Application of Singapore Financial Reporting Standards (International) ("SFRS(I)s") (Continued)

(a) Application of New and Revised Standards and Interpretations (Continued)

SFRS(I) 16 *Leases* (Continued)

Financial impact of adoption of SFRS(I) 16 (Continued)

The differences between the operating lease commitments disclosed applying SFRS(I) 1-17 in the Group's financial statements as at 31 December 2018 and the lease liabilities recognised in the statement of financial position as at 1 January 2019 are presented below:

	Group S$'000	Company S$'000
Operating lease commitments disclosed as at 31 December 2018	10,994	2,529
Less:		
Discounted using the incremental borrowing rate at 1 January 2019	2,831	681
Prepaid land leases payable (Note 25 (b))	2,718	–
Short-term leases	281	–
Lease liabilities recognised at 1 January 2019	5,164	1,848

(b) New and Revised Standards Issued but Not Yet Effective

At the date of authorisation of these financial statements, the Group has not adopted the following new and revised standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to SFRS(I) 3: *Definition of a Business*	1 January 2020
Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: *Definition of Material*	1 January 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7: *Interest Rate Benchmark Reform*	1 January 2020
Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

Except for the amendments to SFRS(I) 3, the directors of the Company expect that the adoption of the other new and revised standards above will have no material impact on the financial statements in the period of initial application.

Amendments to SFRS(I) 3: *Definition of a Business*

The amendments confirm that a business must include inputs and a process. The amendments also clarify that the process must be substantive, and the inputs and process must significantly contribute to creating outputs. The revised definition of a business focuses on goods and services provided to customers and other income from ordinary activities, rather than on providing dividends or other economic benefits directly to investors or lowering costs. A new optional test is available to assess whether a business has been acquired, when the value of the assets acquired is concentrated in a single asset or group of similar assets.

These amendments are applicable to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period. Early application is permitted.

The Group does not expect any significant impact arising from applying these amendments.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 Significant Accounting Policies

(a) Basis of Preparation

The consolidated financial statements of the Group and the statement of financial position of the Company have been prepared in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)"). The financial statements have been prepared on the historical cost basis, except as disclosed in the accounting policies below.

(b) Group Accounting

i. *Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. 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. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

Goodwill on acquisitions of subsidiaries and businesses, represents the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over the fair value of the investee's identifiable net assets acquired. Goodwill on acquisitions of subsidiaries is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment loss. Gains and losses on the disposal of subsidiaries, include the carrying amount of goodwill relating to the entity sold.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in profit or loss. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 Significant Accounting Policies (Continued)

(b) Group Accounting (Continued)

i. Subsidiaries (Continued)

If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group loses control of a subsidiary, it:

- derecognises the assets (including any goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- derecognises the carrying amount of any non-controlling interest (including any components of other comprehensive income attributable to them);
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained in the former subsidiary at its fair value;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate; and
- recognises any resulting difference as a gain or loss in profit or loss.

ii. *Associates and joint ventures*

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Joint ventures are entities over which the Group has joint control as a result of contractual arrangements, and rights to the net assets of the entities.

Goodwill on acquisition of associates and joint ventures represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associates and joint ventures is included in the carrying amount of the investments. Gains and losses on the disposal of associates and joint ventures include the carrying amounts of goodwill relating to the entity sold.

Investments in associates and joint ventures are accounted for using the equity method of accounting less impairment losses, if any. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 **Significant Accounting Policies** (Continued)

(b) Group Accounting (Continued)

ii. *Associates and joint ventures* (Continued)

When the Group reduces its ownership interest in an associate or a joint venture, but the Group continues to apply the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership if that gain or loss would be required to be reclassified to profit or loss on the disposal of the related assets or liabilities.

The Group's share of post-acquisition profit or loss is recognised in profit or loss, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate or a joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate or joint venture are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates or joint ventures. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates or joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(c) Investments in Subsidiaries and Associates

Investments in subsidiaries and associates are carried at cost less accumulated impairment losses in the statement of financial position of the Company.

On disposal of investments in subsidiaries and associates, the difference between net disposal proceeds and the carrying amount of the investments are recognised in the profit or loss.

(d) Non-current Assets Held for Sale and Discontinued Operations

Non-current assets or disposal groups are classified as held for sale or distribution if their carrying amount will be recovered through a sale transaction or distribution rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

When the Group is committed to a sale plan involving loss of control of a subsidiary, all of the assets and liabilities of that subsidiary are classified as held for sale when the criteria set out above are met, regardless of whether the Group will retain a non-controlling interest in its former subsidiary after the sale. Non-current assets (or disposal groups) classified as held for sale (held for distribution) are measured at the lower of the assets' previous carrying amount and fair value less cost to sell (fair value less costs to distribute).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 Significant Accounting Policies (Continued)

(d) Non-current Assets Held for Sale and Discontinued Operations (Continued)

The assets are not depreciated or amortised while they are classified as held for sale. In addition, equity accounting of associates and joint ventures ceases once classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale and;

- represents a separate major line of business or geographical area of operations; or
- is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations; or
- is a subsidiary acquired exclusively with a view to resale.

When a component of an entity qualifies as a discontinued operation, the comparative statement of comprehensive income is retrospectively restated to segregate the results of all operations that have been discontinued by the end of the latest reporting period.

(e) Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

i. *Sale of goods (including blasting equipment goods, modular goods and solar power equipment goods)*

Revenue on the sale of goods is recognised when control of the goods has transferred, being when the goods are delivered to the customer. Revenue is not recognised to the extent there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

ii. *Services rendered – grit blasting and painting and solar power installation*

The Group provide the services of grit blasting and painting and solar power installation. Revenue may be recognised at a point in time or over time following the timing of satisfaction of the performance obligation. If a performance obligation is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that performance obligation.

3 Significant Accounting Policies (Continued)

(e) Revenue Recognition (Continued)

iii. *Construction*

The Group provide engineering & construction/modular construction services and generates revenue under construction contracts with customers. Such contracts are entered into before construction begins. Revenue is recognised when control over the construction contract has been transferred to the customer, either over time or at a point in time, depending on the contractual terms.

For engineering & construction contracts whereby the Group is contractually restricted from redirecting to another customer and has an enforceable right to payment for performance completed to date, revenue is recognised over time on a cost–to–cost method, i.e. based on the proportion of contract costs incurred for work performed to date relative to the estimated total contract costs. The Group considers that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations.

For development of real estate contracts whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the construction has been completed or substantially completed and the real estate is delivered to the customer and the customer has accepted it in accordance with the terms of the contracts.

For construction contracts in progress, the Group becomes entitled to invoice customers based on achieving a series of performance-related milestones. When a particular milestone is reached the customer is sent a relevant statement of work and an invoice for the related milestone payment. A contract asset is recognised for the Group's right to consideration for the work performed under the contract but not billed to the customer. Conversely, a contract liability is recognised when the Group received advance consideration from customer or progress billings issued in excess of the Group's rights to consideration under the contract. Contract assets are transferred to trade receivables when the rights to the consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs the work under the contract.

(f) Property, Plant and Equipment

Leasehold properties are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

Revaluations are performed with sufficient regularity such that the carrying amounts do not differ materially from those that would be determined using fair values at the end of the reporting period.

Leasehold properties are revalued at regular intervals by the directors and whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

Increases in carrying amounts arising from revaluation, including currency translation differences, are recognised in other comprehensive income, unless they offset previous decreases in the carrying amounts of the same asset, in which case, they are recognised in profit or loss. Decreases in carrying amounts that offset previous increases of the same asset are recognised in other comprehensive income. All other decreases in carrying amounts are recognised in profit or loss.

All items of property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 Significant Accounting Policies (Continued)

(f) Property, Plant and Equipment (Continued)

Subsequent expenditure related to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance expenses are recognised in profit or loss when incurred.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is recognised so as to write off the depreciable amounts of the assets over their estimated useful lives, using the straight-line method:

Leasehold buildings	–	over the land lease term
Renovation/leasehold improvements	–	5 – 10 years
Furniture and fittings	–	5 – 10 years
Machinery and yard equipment	–	5 – 10 years
Motor vehicles	–	5 – 10 years
Office and computer equipment	–	2 – 10 years

Properties in the course of construction are carried at cost less any recognised impairment losses. Cost includes, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant leases.

The carrying amounts of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The effect of any revision are recognised in profit or loss when the changes arise.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising from disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly. No transfer is made from the revaluation reserve to retained earnings except when the asset is derecognised.

(g) Investment Properties

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amount over the estimated useful life of 13.33 years. The residual value, useful life and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The effect of any revision are recognised in profit or loss when the changes arise.

3 Significant Accounting Policies (Continued)

(g) Investment Properties (Continued)

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. All other costs of maintenance, repairs and minor improvements are recognised in profit or loss when incurred.

Investment properties are derecognised when either they have been disposed of or when the asset is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property, calculated as the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use.

When the use of a property changes from owner-occupied to investment property, the property is remeasured to fair value and reclassified accordingly. Any gain arising on remeasurement is recognised in profit or loss to the extent that it reverses a previous impairment loss on the specific property, with any remaining gain recognised in other comprehensive income and presented in the revaluation reserve in equity. Any loss is recognised immediately in profit or loss. When the property is sold, the related amount in the revaluation reserve is transferred to retained earnings.

(h) Prepaid Land Leases

Prepaid land leases, which represent land use rights, is stated at cost less accumulated amortisation and accumulated impairment losses. The prepaid land leases are amortised on a straight-line method over the term of the land lease of 29 to 38 years. The amortisation period and method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The effect of any revision are recognised in profit or loss when the changes arise.

(i) Land Held for Development

Development properties are held as inventories and are measured at the lower of cost and net realisable value. Net realisable value of development properties is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of development properties recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

(j) Goodwill

Goodwill is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated, from the acquisition date, to each of the Group's cash generating units (CGU) or groups of CGU, that are expected to benefit from synergies arising from the business combination.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 Significant Accounting Policies (Continued)

(j) Goodwill (Continued)

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost of disposal and value in use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in profit or loss and is not reversed in a subsequent period.

Where goodwill forms part of a cash generating unit and part of the operation within that cash generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation.

(k) Other Intangible Assets

Intangible assets acquired separately are measured initially at cost or acquired in a business combination are identified and recognised separately from goodwill at their fair value at the acquisition date. Intangible assets are subsequently stated at cost less accumulated amortisation and accumulated impairment losses.

The carrying amounts of intangible assets are reviewed for impairment when events or changes in circumstances indicate that the carrying amount may not be recoverable.

The useful life and amortisation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis. The effect of any revision are recognised in profit or loss when the changes arise.

Intangible assets are derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The gain or loss arising on the disposal or retirement of an asset is determined as the difference between the sales proceeds and the carrying amount of the asset and is included in profit or loss in the period in which the asset is derecognised.

The Group's finite intangible assets comprise:

i. *Capitalised developments*

Capitalised developments are amortised on a straight-line method over its estimated useful life of 10 years.

ii. *Customer contractual backlog*

Customer contractual backlog are amortised on a straight-line method over its estimated useful life of 2 years.

3 Significant Accounting Policies (Continued)

(l) Impairment of Non-financial Assets Excluding Goodwill

Non-financial assets (including finite intangible assets) other than goodwill are tested for impairment whenever there is any indication that these assets may be impaired.

At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any), on an individual asset.

Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash generating units, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be identified.

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

If the recoverable amount of an asset (or cash generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash generating unit) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount where the revaluation was previously taken to other comprehensive income. In this case, such impairment loss of revalued asset is treated as a revaluation decrease.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or 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 (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 **Significant Accounting Policies** (Continued)

(m) Financial Assets

Classification

i. *Debt instruments*

Financial assets that are debt instruments comprise mainly of cash and cash equivalents, trade and other receivables, and investments in debt securities. The Group classifies these assets into categories based on the Group's business model for managing them and their contractual cash flow characteristics.

- Financial Assets measured at Amortised Cost (AC) comprise of assets that are held within a business model whose objective is to hold those assets for collection of contractual cash flows, and those contractual cash flows represent solely payments of principal and interest.
- Financial Assets measured at Fair Value through Other Comprehensive Income (FVOCI) comprise of assets that are held within a business model whose objective is achieved by both collecting contractual cash flows and selling those assets, and those contractual cash flows represent solely payments of principal and interest.
- Financial Assets measured at Fair Value through Profit and Loss (FVPL) comprise of assets that do not qualify for AC and FVOCI. Assets that would otherwise qualify for AC or FVOCI may also be designated as FVPL upon initial recognition, if such designation eliminates or significantly reduces a measurement or recognition inconsistency that arises from measuring assets and liabilities on an inconsistent basis.

ii. *Equity instruments*

Financial assets that are equity instruments comprise mainly of investments in equity securities. The Group classifies these assets as FVPL, except for those that the Group has designated as FVOCI. The FVOCI designation is irrevocable, and is not permitted for held-for-trading financial assets and financial assets that represent contingent consideration in a business combination.

A financial asset is held for trading if:

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

Initial measurement

Trade receivables that do not contain a significant financing component are initially recognised at their transaction price. Other financial assets are initially recognised at fair value, plus, for financial assets that are not at FVPL, transaction costs that are directly attributable to their acquisition.

Transaction costs of financial assets at FVPL are expensed in profit and loss.

3 Significant Accounting Policies (Continued)

(m) Financial Assets (Continued)

Subsequent measurement

i. Debt instruments

AC

These assets are subsequently measured at amortised cost using the effective interest method unless they are part of a designated hedging relationship. Impairment losses and reversals, interest income, and foreign exchange gains and losses (except where designated as a hedging instrument) on such assets are recognised in profit and loss. Interest income is based on the effective interest method which allocates interest income over the life of the financial asset based on an effective interest rate that discounts estimated future cash receipts to its gross carrying amount. Financial assets measured at amortised cost are presented as "trade or other receivables", "contract assets", "amounts due from subsidiaries or associates" and "cash and bank balances" on the statement of financial position.

FVOCI

These assets are subsequently measured at fair value. Impairment losses and reversals, interest income based on the effective interest method, and foreign exchange gains and losses (except where designated as a hedging instrument) on such assets are recognised in profit and loss. Any remaining fair value movements are recorded in OCI. Financial assets measured at fair value is presented as "other financial assets" on the statement of financial position.

FVPL

These assets are subsequently measured at fair value. All fair value movements are recorded in profit and loss.

ii. Equity instruments

Subsequent to initial recognition, all equity investments are measured at fair value. Changes in the fair value of FVPL equity investments are recognised in profit and loss, while changes in the fair value of FVOCI equity investments are recognised in other comprehensive income. All dividend income is recognised in profit and loss, except for dividends from FVOCI equity investments that clearly represent a recovery of the cost of investment.

Impairment

At each reporting date, the Group assesses expected credit losses (ECL) on the following financial instruments:

- Financial assets that are debt instruments measured at AC and FVOCI;
- Contract assets; and
- Financial guarantee contracts.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 Significant Accounting Policies (Continued)

(m) Financial Assets (Continued)

Impairment (Continued)

ECL is a probability-weighted estimate of credit losses. Credit losses are measured at the present value of all shortfalls between the cash flows due to the Group in accordance with contractual terms, and the cash flows that the Group actually expects to receive. ECL is discounted at the effective interest rate of the financial asset. The Group records allowances on financial assets based on either the:

- 12-month ECL – representing the ECL that results from default events that are possible within the 12 months after the reporting date (or the expected life of the instrument if shorter); or
- Lifetime ECL – representing the ECL that results from all possible default events over the expected life of the contract.

Simplified approach - Trade receivables and contract assets

For all trade receivables and contract assets, the Group adopts a simplified approach whereby an allowance for lifetime ECL is assessed upon initial recognition. The Group estimates lifetime ECL using a provision matrix based on historical credit loss experience, adjusted for various factors including debtor-specific factors, forward-looking information such as industry and economic forecasts, and others as appropriate.

General approach – All other financial instruments on which ECL assessment is required

For all other financial instruments on which ECL is assessed, an allowance for 12-month ECL is recorded upon initial recognition. The allowance is increased to lifetime ECL if the credit risk at each reporting date has increased significantly as compared to the credit risk at initial recognition. In assessing whether the credit risk of a financial instrument has increased significantly since initial recognition, the Group considers all reasonable and supportable information that is relevant and available without undue cost or effort including both historical credit experience and forward-looking information.

The Group regards the following as events of default:

- Events that make it unlikely for the borrower to repay in full unless the Group undertakes actions to recover the asset (e.g. by exercising rights over collaterals or other credit enhancements); or
- The financial instrument has become more than 1 year and 9 months past due.

Credit-impaired financial instruments

At each reporting date, the Group assesses whether a financial instrument on which ECL assessment is required has become credit-impaired. This is the case when one or more events have occurred that are considered to be detrimental to the estimated future cash flows of the instrument. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the borrower;
- a breach of contract such as a default or past due event (e.g. being more than 90 days past due);
- other lenders granting concessions (such as loan restructurings) to the borrower due to economic or contractual reasons, that would not have been considered in the absence of the borrower's financial difficulty;
- increasing likelihood that the borrower will enter bankruptcy or other financial re-organisation; and
- the disappearance of an active market for the borrower's securities due to financial difficulties.

3 Significant Accounting Policies (Continued)

(m) Financial Assets (Continued)

Impairment (Continued)

Credit-impaired financial instruments (Continued)

For credit-impaired financial assets, interest income is determined by applying the effective interest rate to the net carrying amount of the financial asset (after deduction of the ECL allowance).

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, such as when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit and loss.

Recognition and derecognition

Financial assets are recognised when, and only when the Group becomes a party to its contractual provisions. All regular way purchases and sales of financial assets are recognised on trade-date, which is the date on which the Group commits to purchase or sell the asset.

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

On derecognition of a financial asset that is a debt instrument, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit and loss. In addition, for a financial asset that is a debt instrument at FVOCI, the cumulative gain or loss previously accumulated in the fair value adjustment reserve is reclassified to profit and loss.

On derecognition of an equity investment at FVPL, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit and loss. For equity investments at FVOCI, this difference is instead recognised directly in equity as part of retained earnings. Cumulative gains and losses previously accumulated in equity are also transferred directly to retained earnings upon derecognition of FVOCI equity investments.

(n) Financial Liabilities

i. *Financial liabilities*

The Group recognises financial liabilities on its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instruments.

Financial liabilities are recognised initially at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial liability. All financial liabilities are subsequently measured at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 **Significant Accounting Policies** (Continued)

(n) **Financial Liabilities** (Continued)

i. *Financial liabilities* (Continued)

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the reporting period. An entity shall recognise a financial liability on its statement of financial position when, and only when, the entity becomes a party to the contractual provisions of the instrument.

ii. *Derecognition of financial liabilities*

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

(o) **Offsetting Financial Assets and Financial Liabilities**

Financial assets and financial liabilities are offset and the net amount is presented in the combined statement of financial position, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

(p) **Provisions**

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

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

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

(q) **Financial Guarantees**

i. *Financial guarantees in the separate financial statements*

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. Financial guarantees are measured initially at their fair values and, if not designated as at FVPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with expected credit loss model under SFRS(I) 9.

3 **Significant Accounting Policies** (Continued)

(q) **Financial Guarantees** (Continued)

i. *Financial guarantees in the separate financial statements (Continued)*

- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

ECLs are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover. Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as 'loans and borrowings'.

Intra-group transactions with regards to the financial guarantees are eliminated on consolidation.

Financial guarantees are contracts that require the issuer to reimburse the holder for a loss it incurs because a specified debtor fails to make principal or interest payments when due in accordance with the terms of the debtor's borrowings.

Financial guarantees are measured initially at their fair values and, if not designated as "fair value through profit and loss", are subsequently measured at the higher of:

a. the amount of the obligation under the contract, as determined in accordance with SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets*; and

b. the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies set out above.

Financial guarantees are initially recognised at their fair values plus transaction costs in the issuer's statement of financial position. Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the bank for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the bank in the Company's statement of financial position. Intra-group transactions with regards to the financial guarantees are eliminated on consolidation.

(r) **Inventories**

Inventories are stated at the lower of cost or net realisable value. Cost is determined on a weighted average basis. The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads but excludes borrowing costs. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Allowance is made for obsolete, slow moving and defective inventories.

(s) **Cash and Cash Equivalents**

Cash and cash equivalents comprise cash on hand, bank balances and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. These also include bank overdrafts that form an integral part of the Group's cash management. For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 Significant Accounting Policies (Continued)

(t) Share Capital and Treasury Shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

When an entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as component within the equity attributable to the Company's equity holders, until they are cancelled, sold or re-issued.

When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company.

When treasury shares are subsequently sold or re-issued, the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or re-issue, net of any directly attributable incremental transaction costs and related income tax, is recognised in capital reserve.

(u) Dividends to Company's Shareholders

Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which the dividends are approved for payment by the shareholders.

(v) Government Grants

Grants from the government are recognised at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

(w) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowings of funds.

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

(x) Leases – accounting policies applicable from 1 January 2019

i. When the Group is a lessee

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

3 **Significant Accounting Policies** (Continued)

(x) Leases – accounting policies applicable from 1 January 2019 (Continued)

i. When the Group is a lessee (Continued)

The Group recognises right-of-use assets and lease liabilities at the date which the underlying assets become available for use. Right-of-use assets are measured at cost, which comprises the initial measurement of lease liabilities adjusted for any lease payments made at or before the commencement dates, plus any initial direct costs incurred and an estimate of restoration costs, less any lease incentives received. Any initial direct costs that would not have been incurred if the lease had not been obtained are added to the carrying amount of the right-of-use assets.

Right-of-use assets are subsequently depreciated using the straight-line method from the commencement dates to the earlier of the end of the useful lives of the right-of-use assets or the end of the lease terms. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use assets are periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the corresponding lease liabilities. The Group presents its right-of-use assets (except for those which meets the definition of an investment property) in "Right of use assets" and lease liabilities in "Lease liabilities" in the statement of financial position. Right-of-use assets which meet the definition of an investment property are presented within "Investment properties" and accounted for in accordance with Note 3(g).

The initial measurement of lease liabilities is measured at the present value of the lease payments discounted using the implicit rate in the lease, if the rate can be readily determined. If that rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments (including in-substance fixed payments), less any lease incentives receivables;
- Variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- Amounts expected to be payable under residual value guarantees;
- The exercise price of a purchase option if is reasonably certain to exercise the option; and
- Payment of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

For contracts that contain both lease and non-lease components, the Group allocates the consideration to each lease component on the basis of the relative stand-alone price of the lease and non-lease components. The Group has elected not to separate lease and non-lease components for property leases; instead, these are accounted for as one single lease component.

Lease liabilities are measured at amortised cost, and are remeasured when:

- There is a change in future lease payments arising from changes in an index or rate;
- There is a change in the Group's assessment of whether it will exercise lease extension and termination options;
- There is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee; or
- There is a modification to the lease term.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 **Significant Accounting Policies** (Continued)

(x) **Leases – accounting policies applicable from 1 January 2019** (Continued)

i. *When the Group is a lessee (Continued)*

When lease liabilities are remeasured, corresponding adjustments are made against the right-of-use assets. If the carrying amounts of the right-of-use assets have been reduced to zero, the adjustments are recorded in profit or loss. The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have lease terms of 12 months or less, as well as leases of low value assets, except in the case of sub-lease arrangements. Lease payments relating to these leases are expensed to profit or loss on a straight-line basis over the lease term.

Variable lease payments that are based on an index or a rate are included in the measurement of the corresponding right-of-use assets and lease liabilities. Other variable lease payments are recognised in profit or loss when incurred.

ii. *When the Group is a lessor*

Each lease in which the Group acts as a lessor is classified as either an operating or a finance lease at lease inception. Leases that transfer substantially all of the risks and rewards incidental to ownership of the underlying assets are classified as finance leases. Other leases are classified as operating leases.

Lessor-finance leases

Leases where the Group has transferred substantially all risks and rewards incidental to ownership of the leased assets to the lessees, are classified as finance leases. The leased assets are derecognised and the present value of the lease receivables (net of initial direct costs for negotiating and arranging the lease) are recognised on the statements of financial position and included in "trade and other receivables". The difference between the gross receivables and the present value of the lease receivable is recognised as unearned finance income. Each lease payment received is applied against the gross investment in the finance lease receivable to reduce both the principal and the unearned finance income. The finance income is recognised in profit or loss on a basis that reflects a constant periodic rate of return on the net investment in the finance lease receivable. Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to finance lease receivables and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Lessor – operating leases

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income. Contingent rents are recognised as income in profit or loss when earned.

3 Significant Accounting Policies (Continued)

(y) Leases – accounting policies applicable prior to 1 January 2019

i. Finance lease (when the Group is a lessee)

Leases where the Group assumes substantially the risks and rewards incidental to ownership of the leased assets are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statement of financial position as property, plant and equipment and borrowings respectively, at the inception of the leases at the lower of the fair values of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on the basis that reflects a constant periodic rate of interest on the finance lease liability.

ii. Operating lease (when the Group is a lessor)

Leases of investment properties where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Leasing income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Contingent rents are recognised as income in profit or loss when earned.

iii. Operating lease (when the Group is a lessee)

Leases where substantially all risks and rewards incidental to ownership are retained by the lessor are classified as operating leases.

Payments made under operating leases (when the Group is a lessee) are recognised in profit or loss on a straight-line basis over the period of the lease. Contingent rents are recognised as an expense in profit or loss when incurred.

(z) Employee Benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

i. Defined contribution plan

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

ii. Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. A provision for the estimated liability for annual leave is recognised for services rendered by employees up to the reporting date.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 Significant Accounting Policies (Continued)

(z) Employee Benefits (Continued)

iii. Share-based compensation

The Group has in place the SHS Employee Share Option Scheme for granting share options to confirmed group employees, including Directors.

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the share options are granted. At each statement of financial position date, the Group revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates in profit or loss and a corresponding adjustment to share option reserve.

The cost of equity-settled transactions is recognised, together with a corresponding increase in the share option reserve, over the period in which the performance and/or service conditions are fulfilled, ending on the date which the relevant employees become fully entitled to the award ("the vesting period"). The cumulative expense recognised for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The profit or loss charge or credit for a period represents the movement in cumulative expense recognised as at the beginning and end of that period.

When the options are exercised, the proceeds received net of any directly attributable transaction costs and the related balance previously recognised in the share option reserve are credited to share capital account when new ordinary shares are issued, or to the treasury shares account when treasury shares are re-issued to the employees.

(aa) Income Tax

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

i. Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the profit or loss because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

ii. Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

Such deferred tax assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

3 Significant Accounting Policies (Continued)

(aa) Income Tax (Continued)

ii. Deferred tax (Continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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

The Group recognises a previously unrecognised deferred tax asset to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using fair value model, the carrying amounts of such properties are presumed to be recovered entirely through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model whose objective is to consume substantially all of the economic benefit embodied in the investment property over time, rather than through sale.

iii. Current and deferred tax for the year

Current and deferred tax are recognised as income or an expense in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where the current and deferred tax arises from the initial accounting for a business combination, the tax effect is taken into account in the accounting for the business combination.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 **Significant Accounting Policies** (Continued)

(bb) Foreign Currencies

i. Functional and presentation currency

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates (its functional currency).

For the purpose of the consolidated financial statements, the results and financial position of each entity in the Group are expressed in Singapore Dollar ("S$"), which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

All values are rounded to the nearest thousand (S$'000) except when otherwise indicated.

ii. Transactions and balances

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions.

At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss, unless they arise from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations.

Those currency translation differences are recognised in the translation reserve in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

iii. Translation of Group entities' financial statements

The results and financial position of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing exchange rates at the reporting date;
- 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 transactions dates, in which the case income and expenses are translated using the exchange rates at the dates of the transactions); and
- all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve.

3 Significant Accounting Policies (Continued)

(bb) Foreign Currencies (Continued)

iii. Translation of Group entities' financial statements (Continued)

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement or an associate that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In addition, in relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

Goodwill and fair value adjustments to identifiable assets acquired and liabilities assumed through acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the rate of exchange prevailing at the end of each reporting period. Exchange differences arising are recognised in other comprehensive income.

(cc) Segment Reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the management whose members are responsible for allocating resources and assessing performance of the operating segments.

(dd) Related Parties

A related party is defined as follows:

A related party is a person or entity that is related to the entity that is preparing its financial statements (referred to as the "reporting entity").

a. A person or a close member of that person's family is related to a reporting entity if that person:

   i. has control or joint control over the reporting entity;

   ii. has significant influence over the reporting entity; or

   iii. is a member of the key management personnel of the reporting entity or of a parent of the reporting entity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

3 Significant Accounting Policies (Continued)

(dd) Related Parties (Continued)

b. An entity is related to the Company and to a reporting entity if any of the following conditions applies:

i. the entity and the reporting entity are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

ii. one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

iii. both entities are joint ventures of the same third party;

iv. one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

v. the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity. If the reporting entity is itself such a plan, the sponsoring employers are also related to the reporting entity;

vi. the entity is controlled or jointly controlled by a person identified in (a);

vii. a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or

viii. the entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

The preparation of financial statements and the application of the Group's accounting policies, which are set out in Note 3 above, 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 each reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Uncertainty about these estimates and assumptions could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

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.

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(a) Critical Judgements in applying Accounting Policies

Management is of the opinion that there are no significant judgements made in applying accounting estimates and policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(b) Key Sources of Estimation Uncertainty

i. Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated useful lives as disclosed in Note 3(f). These estimates are dependent on variables such as usage levels and technological developments and will be reassessed at the end of the reporting period. The carrying amount of the Group's property, plant and equipment is disclosed in Note 10.

A 10% difference on the depreciation on property, plant and equipment from management's estimates would result in an approximately 1.64% (2018: 3.5%) variance to the Group's results for the financial year.

ii. Impairment of property, plant and equipment

Property, plant and equipment are reviewed for impairment whenever there is any indication that the assets may be impaired. If any such indication exists, an impairment assessment will be performed accordingly. The recoverable amount of the assets is assessed as the higher of fair value less cost to sell and value in use.

Management has concluded that there was no impairment in respect of the property, plant and equipment as at 31 December 2019. The carrying amount of the Group's property, plant and equipment is disclosed in Note 10.

iii. Impairment of goodwill

Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. The recoverable amount of the cash generating unit (CGU) to which goodwill has been allocated is based on value in use (VIU) calculation. VIU is based on discounted cash flow forecasts, the preparation of which requires management to use assumptions and estimates relating to budgeted revenue growth rate and discount rate of each CGU. Changes to the assumptions and estimates used may result in changes in the carrying amount of the goodwill.

The carrying amount of the goodwill and details on the impairment testing of goodwill, including management's sensitivity analysis, are disclosed in Note 16.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty (Continued)

(b) Key Sources of Estimation Uncertainty (Continued)

iv. Allowance for expected credit loss of trade receivables and contract assets

The Group uses a provision matrix to calculate allowance for expected credit loss (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. The provision matrix is initially based on the Group's historical observed default rates in the recent past 2 years. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 42(a)(ii). The carrying amount of the Group's trade receivables and contract assets is disclosed in Note 20 and Note 5, respectively.

v. Impairment of investment in subsidiaries and associates

Investment in subsidiaries and associates are reviewed for impairment whenever there is any indication that the investments may be impaired. If any such indication exists, an impairment assessment will be performed accordingly. The recoverable amount of the investments is assessed is the higher of fair value less cost to sell and value in use.

The carrying amounts of the investment in subsidiaries and associates as at 31 December 2019 and its related allowances for impairment losses are disclosed in Notes 13 and 14, respectively.

vi. Revenue from construction contracts

The Group has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the construction contract to the customers, as it reflects the Group's development efforts incurred to date relative to the total inputs expected to be incurred for the construction contract. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the construction contract. Significant management judgements are required to estimate the total budgeted contract costs. In making these estimations, management relies on past experience and technical expertise, including the historical trends of the amounts incurred in the development of similar construction contract, analysed by different construction contracts types and geographical areas.

During the financial year, the Group's construction revenue from engineering & construction services were subject to the estimation of progress towards completion using the input method. A 5% difference in the estimated total contract cost of on-going contracts from management's estimation would result in an approximately 11.1% (2018: 4.5%) variance to the Group's revenue and profit/(loss) before tax for engineering & construction services recognised for the financial year.

5 Revenue from Contracts with Customers

(a) Disaggregation of Revenue from Contracts with Customers

The Group's revenue is disaggregated by principal geographical areas, major product and service lines and timing of revenue recognition.

	Group	
	2019	2018
	S$'000	S$'000
		(Restated)
Principal geographical market		
Singapore		
– Sale of blasting equipment goods	**2,391**	1,727
– Sale of solar power equipment goods	**199**	405
– Engineering & construction services	**8,884**	17,835
– Solar power installation service	**1,109**	6,448
– Services rendered – grit blasting and painting	**11,174**	10,602
– Storage and leasing income	**655**	759
	24,412	37,776
Rest of South East Asia[a]		
– Sale of blasting equipment goods	**1,642**	2,318
– Sale of solar power equipment goods	**285**	34
	1,927	2,352
People's Republic of China		
– Sale of blasting equipment goods	**–**	5
– Sale of solar power equipment goods	**–**	3
	–	8
Others[b]		
– Sale of blasting equipment goods	**51**	109
	51	109
Total	**26,390**	40,245

(a) Rest of South East Asia includes Malaysia and Vietnam.
(b) Others include New Zealand, Australia and Bangladesh.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

5 **Revenue from Contracts with Customers** (Continued)

(a) **Disaggregation of Revenue from Contracts with Customers** (Continued)

	Group	
	2019	2018
	S$'000	S$'000
		(Restated)
Major product or service lines and time of revenue recognition		
At a point in time		
– Sale of blasting equipment goods	**4,084**	4,159
– Sale of solar power equipment goods	**484**	442
	4,568	4,601
Over time		
– Engineering & construction services	**8,884**	17,835
– Solar power installation service	**1,109**	6,448
– Services rendered – grit blasting and painting	**11,174**	10,602
– Storage and leasing income	**655**	759
	21,822	35,644
Total	**26,390**	40,245

(b) **Contract Balances**

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Contract assets				
Construction work in progress – modular (i)	**–**	10,183	**–**	–
Contracts work in progress (ii)	**1,122**	521	**–**	–
Amount due from customers (iii)	**6,401**	8,658	**–**	86
	7,523	19,362	**–**	86
Contract liabilities				
Amount due to customers	**1,028**	5,037	**–**	–

i. The construction work in progress – modular has been reclassified to assets classified as held for sale as at 31 December 2019.

ii. Contracts work in progress relates to engineering & construction contract costs recognised that relate to future activity and have not been used in contract performance at the reporting date.

iii. Amount due from customers represents the Group's rights to consideration for engineering & construction work completed but not billed at the reporting date. The contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when invoices are billed to the customer.

5 Revenue from Contracts with Customers (Continued)

(b) Contract Balances (Continued)

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

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Contract assets				
Contract assets reclassified to trade receivables	**(6,469)**	(8,887)	**86**	–
Additional work completed but not billed	**7,647**	12,730	**–**	7
Impairment loss on contract assets	**(124)**	(84)	**–**	(2)
Contract liabilities				
Increase due to cash received, excluding amounts recognised as revenue during the year	**5,987**	4,025	**–**	–

Management estimates the loss allowance on contract assets at an amount equal to lifetime ECL, taking into account the historical default experience and the future prospects of the construction industry. None of the contract assets at the end of the reporting period is past due. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the impairment loss on contract assets.

The Group's and the Company's credit risk exposure in relation to contract assets are set out in the provision matrix as presented below. The Group's/Company's loss allowance is based on past due as the Group's/Company's historical credit loss experience does not show significantly different loss patterns for different customer segments.

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Expected credit loss rate	**1.62%**	0.43%	**0%**	2.27%
Contract assets – gross carrying amount (not past due)	**7,647**	19,446	**–**	88
Loss allowance – lifetime ECL	**(124)**	(84)	**–**	(2)
Net carrying amount	**7,523**	19,362	**–**	86

The movements in lifetime ECL that have been recognised for the Group's/Company's contract assets in accordance with the simplified approach is as follows:

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
At 1 January	**84**	–	**2**	–
Net increase/(decrease) in loss allowance arising from new amounts recognised in current year, net of those derecognised upon billing	**40**	84	**(2)**	2
At 31 December	**124**	84	**–**	2

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6 Income Tax

	Group	
	2019	2018
	S$'000	S$'000
		(Restated)
Income tax		
– Current year	**45**	47
– Overprovision in prior years	**(15)**	(30)
	30	17
Deferred tax		
– Current year	**(71)**	(74)
– Overprovision in prior years	**–**	(7)
	(71)	(81)
	(41)	(64)

The corporate income tax applicable to the Company and other Singapore incorporated entities of the Group is 17% (2018: 17%). The entities of the Group in Vietnam are subject to a corporate income tax rate of 20% (2018: 20%). The remaining entities of the Group operating in other jurisdictions are considered not material.

The income tax on the (loss) before income tax varies from the amount of income tax determined by applying the Singapore statutory income tax rate of 17% (2018: 17%) due to the following:

	Group	
	2019	2018
	S$'000	S$'000
		(Restated)
(Loss) before income tax	**(6,927)**	(2,841)
Tax at statutory tax rate	**(1,178)**	(483)
Non-deductible expenses	**523**	489
Non-taxable items	**(162)**	(360)
Effect of different tax rates of subsidiaries operating in other jurisdictions	**(31)**	(259)
Share of losses of associates and joint ventures, net of tax	**140**	24
Tax allowances and incentives	**(3)**	(23)
Singapore statutory tax exemption	**(16)**	(10)
Corporate income tax rebate	**(1)**	(3)
Deferred tax assets not recognised*	**702**	598
Overprovision of current income tax in prior years	**(15)**	(30)
Overprovision of deferred tax in prior years	**–**	(7)
	(41)	(64)

* Deferred tax assets not recognised mainly relates to unutilised tax losses and capital allowances carried forward as disclosed in Note 32.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7 (Loss) for the Year from Continuing Operations

	Group	
	2019	2018
	S$'000	S$'000
		(Restated)
Except as disclosed elsewhere in the notes to the financial statements, (loss) before income tax is arrived at after crediting/(charging) the following:		
Included in cost of sales		
Cost of inventories sold	**(7,527)**	(12,829)
Sub-contract fees	**(669)**	(5,319)
Expenses relating to short-term leases	**(586)**	–
Rental expense – operating leases	**–**	(185)
Depreciation of property, plant and equipment	**(3,119)**	(3,247)
Staff costs		
– Salaries and wages	**(4,754)**	(4,421)
– Defined contribution plans	**(58)**	(586)
– Foreign workers levy	**(1,154)**	(1,216)
	(5,966)	(6,223)
Included in other income		
Interest income	**258**	376
Government grants	**–**	283
Dividend income from other financial assets	**36**	126
Gain on disposal of property, plant and equipment	**275**	132
Scrap sales and service income	**408**	384
Rental income – operating leases	**668**	668
Net gain on associate struck off	**150**	–
Gain on disposal of joint venture	**–**	238
Reversal of contingent consideration	**–**	1,193
Included in administrative expenses		
Directors' fees	**(236)**	(275)
Directors' remuneration		
– Salaries and bonus	**(1,029)**	(1,192)
– Defined contribution plans	**(37)**	(38)
	(1,066)	(1,230)
Staff costs		
– Salaries and bonus	**(3,069)**	(3,287)
– Defined contribution plans	**(331)**	(310)
– Staff welfare	**(121)**	(120)
	(3,521)	(3,717)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

7 (Loss) for the Year from Continuing Operations (Continued)

	Group 2019 S$'000	Group 2018 S$'000 (Restated)
Except as disclosed elsewhere in the notes to the financial statements, (loss) before income tax is arrived at after crediting/(charging) the following: (Continued)		
Included in other operating expenses		
Audit fees paid/payable to:		
– Auditors of the Company	**(244)**	(260)
– Auditors of the subsidiaries	**–**	(5)
Non-audit fees paid/payable to:		
– Auditors of the Company	**(12)**	–
Allowance for inventory obsolescence	**(20)**	(25)
Inventory written back	**–**	6
Property, plant and equipment written off	**–**	(4)
Depreciation of property, plant and equipment	**(1,093)**	(1,692)
Amortisation of right of use assets	**(331)**	–
Land held for development written down	**–**	(1,650)
Professional fees	**(712)**	(754)
Bad debts written off (trade)	**–**	(7)
Expenses relating to short-term leases	**(106)**	(347)
Foreign exchange gain/(loss) – net	**364**	250
Included in net impairment losses on financial assets		
Allowance for impairment of contract assets	**(40)**	(84)
Allowance for impairment of trade receivables	**(180)**	(341)
Allowance for impairment of other receivables	**(3,312)**	–
	(3,532)	(425)
Included in finance costs		
Finance leases	**(11)**	(9)
Term loans	**(861)**	(473)
Trust receipts	**(33)**	(71)
Lease liabilities	**(315)**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

8 Discontinued Operations

i. Solar Energy Development Business

On 26 December 2018, the Group had entered into a Sale & Purchase Agreement ("SPA") for the sale of the solar power plant project in Vietnam to a third party for a total consideration of US$5.5 million (approximately S$7.6 million). At the date of these financial statements, the disposal has not been completed.

In addition, as at 31 December 2019, the Board of Directors of the Company is also exploring all options, including to diversify the Group's solar power plant project in Bangladesh. The Group is currently in discussion with a potential buyer for the solar project in Bangladesh and envisage to complete the diversification by 31 December 2020, if all limiting factors are satisfactory addressed.

ii. Modular Construction Business

As at 31 December 2019, the Board of Directors of the Company is exploring all options, including to diversify certain of the Group's entities which are involved in modular construction businesses namely in Vietnam, Australia and New Zealand. The Group is currently in discussion with a potential buyer for these entities and envisage to complete the diversification by 31 December 2020, if all limiting factors are satisfactory addressed.

As the solar energy development business and modular construction business represent a separate major line of business or geographical area of operations of the Group (collectively, the "Discontinued Operations"), the assets and liabilities related to the Discontinued Operations have been reclassified to assets classified as held for sale and liabilities directly associated with assets classified as held for sale, respectively, on the consolidated statement of financial position of the Group as disclosed in Note 24.

The combined results of the Discontinued Operations included in the consolidated statement of comprehensive income for the financial year ended 31 December 2019 are set out below. The comparative consolidated statement of comprehensive income for the financial year ended 31 December 2018 has been re-presented to include the Discontinued Operations in the said reporting period.

	Group	
	2019	2018
	S$'000	S$'000
		(Restated)
Discontinued Operations		
Revenue	**7,290**	6,361
Cost of sales	**(7,393)**	(9,535)
Gross loss	**(103)**	(3,174)
Other income	**77**	140
Expenses	**(18,505)**	(9,129)
Loss before income tax	**(18,531)**	(12,163)
Income tax	**26**	20
Loss for the year from discontinued operations	**(18,505)**	(12,143)
Attributable to:		
Equity holders of the Company	**(15,784)**	(8,387)
Non-controlling interest	**(2,721)**	(3,756)
	(18,505)	(12,143)
Cash Flows from Discontinued Operations		
Cash flow generated from operating activities	**22,119**	127
Cash flow used in investing activities	**(34,519)**	(28,572)
Cash flow generated from financing activities	**16,235**	27,655
Net cash inflow/(outflow) from discontinued operations	**3,835**	(790)

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9 (Loss) Per Share, Basic and Diluted

Basic (loss) per share is calculated by dividing the net (loss) attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year. The (loss) and weighted number of ordinary shares used in the calculation of basic (loss) per share are as follows:

	Group	
	2019	2018
	S$'000	S$'000
		(Restated)
(Loss) for the year attributable to equity holders of the Company	**(22,484)**	(11,169)
(Loss) used in the calculation of basic (loss) per share	**(22,484)**	(11,169)
(Loss)/Profit for the year from discontinued operation used in the calculation of basic earnings per share from discontinued operation	**(15,784)**	(8,387)
(Loss) used in the calculation of basic (loss) per share from continuing operations	**(6,700)**	(2,782)

For the purpose of calculating diluted (loss) per share, (loss) attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of dilutive potential ordinary shares that could have been issued upon the exercise of all dilutive warrants. The average market value of the Company's shares for the purposes of calculating the dilutive effect of warrants was based on quoted market prices for the period during which the warrants were outstanding.

The (loss) used in the calculation of diluted (loss) per share are as follows:

	Group	
	2019	2018
	S$'000	S$'000
		(Restated)
(Loss) used in the calculation of diluted (loss) per share	**(22,484)**	(11,169)
(Loss)/Profit for the year from discontinued operation used in the calculation of diluted earnings per share from discontinued operation	**(15,784)**	(8,387)
(Loss) used in the calculation of diluted (loss) per share from continuing operations	**(6,700)**	(2,782)

The weighted average number of ordinary shares for the purpose of diluted (loss) per share reconciles to the weighted average number of ordinary shares used in the calculation of basic (loss) per share as follows:

	Group	
	2019	2018
Weighted average number of ordinary shares used in the calculation of basic (loss) per share	**685,129,100**	685,129,812
Effects of dilutive potential ordinary shares:		
Warrants	**–***	21,318,702
	685,129,100	706,448,514

* The warrants have expired on 16 December 2019.

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10 Property, Plant and Equipment

	Land & leasehold buildings S$'000	Renovation/ leasehold improvements S$'000	Machinery & yard Equipment S$'000	Motor vehicles S$'000	Office, computer equipment furniture & fittings S$'000	Construction in progress S$'000	Total S$'000
Group							
2019							
Cost or Valuation							
At 1 January	79,490	899	18,018	2,674	3,633	20,340	125,054
Additions	57	15	228	225	186	3,445	4,156
Disposals/Written off	–	–	(933)	(768)	(21)	–	(1,722)
Returns (g)	–	–	–	–	–	(16,586)	(16,586)
Reclassification	15	–	–	–	–	(15)	–
Reclassified to asset classified as held for sale (Note 24)	(15,990)	(186)	(2,355)	(447)	(693)	(7,145)	(26,816)
Currency alignment	(353)	(2)	(26)	(6)	(9)	(39)	(435)
At 31 December	63,219	726	14,932	1,678	3,096	–	83,651
Cost	4,592	726	14,932	1,678	3,096	–	25,024
Valuation	58,627	–	–	–	–	–	58,627
Total	63,219	726	14,932	1,678	3,096	–	83,651
Accumulated depreciation							
At 1 January	15,884	689	12,230	1,804	2,917	–	33,524
Depreciation charge	2,850	63	1,620	329	253	–	5,115
Disposals/Written off	–	–	(283)	(624)	(21)	–	(928)
Reclassified to asset classified as held for sale (Note 24)	(403)	(82)	(1,287)	(263)	(378)	–	(2,413)
Currency alignment	(3)	(1)	(9)	(2)	(5)	–	(20)
At 31 December	18,328	669	12,271	1,244	2,766	–	35,278
Net book value							
At 31 December 2019	44,891	57	2,661	434	330	–	48,373
2018							
Cost or Valuation							
At 1 January	77,422	859	20,197	2,688	3,545	600	105,311
Additions	2,994	39	850	93	194	3,806	7,976
Disposals/Written off	–	–	(3,035)	(109)	(107)	–	(3,251)
Reclassification	646	–	–	–	–	(646)	–
Reclassified from prepaid development costs (Note 22)	–	–	–	–	–	16,541	16,541
Reclassified to asset classified as held for sale (Note 24)	(1,000)	–	–	–	–	–	(1,000)
Currency alignment	(572)	1	6	2	1	39	(523)
At 31 December	79,490	899	18,018	2,674	3,633	20,340	125,054
Cost	17,258	899	18,018	2,674	3,633	20,340	62,822
Valuation	62,232	–	–	–	–	–	62,232
Total	79,490	899	18,018	2,674	3,633	20,340	125,054
Accumulated depreciation							
At 1 January	13,053	630	12,227	1,502	2,491	–	29,903
Depreciation charge	2,830	59	1,837	402	466	–	5,594
Disposals/Written off	–	–	(1,837)	(101)	(40)	–	(1,978)
Currency alignment	1	–	3	1	–	–	5
At 31 December	15,884	689	12,230	1,804	2,917	–	33,524
Net book value							
At 31 December 2018	63,606	210	5,788	870	716	20,340	91,530

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10 Property, Plant and Equipment (Continued)

	Leasehold buildings S$'000	Renovation/ leasehold improvements S$'000	Furniture & fittings S$'000	Motor vehicles S$'000	Office & computer equipment S$'000	Total S$'000
Company						
2019						
Cost or Valuation						
At 1 January and 31 December	–	404	1,021	356	487	2,268
Accumulated depreciation						
At 1 January	–	367	1,019	269	479	2,134
Depreciation charge	–	22	–	35	3	60
At 31 December	–	389	1,019	304	482	2,194
Net book value						
At 31 December 2019	–	15	2	52	5	74
2018						
Cost or Valuation						
At 1 January	–	404	1,024	356	487	2,271
Disposals/Written off	–	–	(3)	–	–	(3)
At 31 December	–	404	1,021	356	487	2,268
Accumulated depreciation						
At 1 January	–	341	1,022	233	476	2,072
Depreciation charge	–	26	–	36	3	65
Disposals/Written off	–	–	(3)	–	–	(3)
At 31 December	–	367	1,019	269	479	2,134
Net book value						
At 31 December 2018	–	37	2	87	8	134

(a) Details of the leasehold buildings of the Group are as follows:

Property Address	Description	Tenure
81 Tuas South Street 5, Singapore 637651[(1)]	Single storey detached factory with ancillary 2-storey warehouse, and a 3-storey annexe office block	30 years leasehold from 1999 with an option to renew for an additional 1 year
19 Tuas Avenue 20, Singapore 638830	Single-storey factory block with mezzanine office and a 3-storey ancillary office block	20 years leasehold from 2015
Ward 10, Vung Tau City, Ba Ria-Vung Tau Province, Vietnam[(2)]	A single-storey detached factory building with side/rear extension	42 years leasehold from 2004

(1) The leasehold building of the Company located at 81 Tuas South Street 5 is leased to certain subsidiaries of the Group to earn leasing revenue. Accordingly, the leasehold building is classified as an investment property in the statement of financial position of the Company as disclosed in Note 12.

(2) The Group's leasehold building in Vietnam has been reclassified to assets classified as held for sale as at 31 December 2019.

10 Property, Plant and Equipment (Continued)

(b) Leasehold buildings carried at revaluation amount

Management had not performed a revaluation of the Group's leasehold buildings as in their opinion the carrying amounts did not differ materially from that which would be determined using the fair value at the end of the reporting period.

The Group's leasehold building at 81 Tuas South Street 5 was last professionally valued by an independent valuer based on open market value in 2017.

Had the leasehold buildings stated at valuation been included in the financial statements at cost less accumulated depreciation and accumulated impairment losses, the net book value at the reporting date would have been as follows:

	Group		**Company**	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Leasehold buildings	**28,996**	33,491	**–**	–

(c) Freehold land

Included in land and leasehold buildings of the Group are freehold land, which are located in Malaysia and Bangladesh, with carrying amounts of S$4,639,000 (2018: S$4,651,000) and S$11,980,000 (2018: S$12,220,000), respectively, as at 31 December 2019. The freehold land in Bangladesh has been reclassified to assets classified as held for sale as at 31 December 2019.

(d) As at 31 December 2019, land and leasehold buildings of the Group and the Company with carrying amounts of S$44,891,000 (2018: S$50,999,000) and Nil (2018: Nil), respectively, are mortgaged to secure the credit facilities of the Group (Note 28).

(e) Net book value of motor vehicles of the Group acquired under finance leases amounted to Nil (2018: S$210,000) as at 31 December 2019.

(f) Depreciation charge for the current financial year is recognised in the consolidated financial statements of the Group as follows:

	Group	
	2019	2018
	S$'000	S$'000
		(Restated)
Continuing operations	**4,212**	4,939
Contract assets – continuing operations	**18**	355
Discontinued operations	**368**	300
Contract assets – assets held for sale	**517**	–
	5,115	5,594

(g) The returns amounting to approximately S$16.6 million in cash was received by the Group for returning the solar panels, which were purchased during the previous financial year, to the supplier consequent to the appointment of an EPC contractor who will undertake the supply of solar panels for the solar power plant project in Bangladesh. There is no material loss arising from the said returns.

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11 Right of Use Assets

Leasehold buildings	Group 2019 S$'000	Company 2019 S$'000
Cost		
At 1 January 2019	–	–
Effect of adopting SFRS(I) 16 (Note 2(a))	5,164	1,848
Adjusted at 1 January	5,164	1,848
Additions	697	–
Reclassified to asset classified as held for sale	(673)	–
Currency alignment	(8)	–
At 31 December 2019	5,180	1,848
Accumulated Amortisation		
At 1 January 2019	–	–
Amortisation expense	515	162
Reclassified to asset classified as held for sale	(181)	–
Currency alignment	(1)	–
At 31 December 2019	333	162
Net book value		
At 31 December 2019	4,847	1,686

12 Investment Property

	Company	
	2019 S$'000	2018 S$'000
Cost		
At 1 January and 31 December	14,400	14,400
Accumulated depreciation		
At 1 January	1,172	–
Depreciation charge	1,172	1,172
At 31 December	2,344	1,172
Net book value		
At 31 December	12,056	13,228

The fair value of the investment property disclosed below was measured under Level 3 of the Fair Value Hierarchy:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
2019				
Investment property	–	–	16,200	16,200
2018				
Investment property	–	–	15,000	15,000

The fair value of the investment property is based on management's judgement on the comparable market transactions that consider sales of similar properties that have been transacted in the open market.

Leasing income recognised for the financial year ended 31 December 2019 amounted to S$1,218,000 (2018: S$1,218,000). Direct operating expenses arising from the investment property that generated the leasing income during the financial year were considered not material.

As at 31 December 2019 and 2018, the investment property of the Company is mortgaged to secure the credit facilities of the Group (Note 28).

13 Investment in Subsidiaries

	Company 2019 S$'000	2018 S$'000
Unquoted equity shares, at cost		
Eastern Tankstore (S) Pte. Ltd.	**4,080**	4,080
Hetat Holdings Pte. Ltd.	**45,300**	45,300
See Hup Seng CP Pte. Ltd.	**8,047**	8,047
Sinenergy Holdings Pte. Ltd.	**	1,000
SHS Trading Pte. Ltd.	–*	–*
SHS Capital Pte. Ltd.	–*	–*
	57,427	58,427
Less: Allowance for impairment loss		
At 1 January	**(13,680)**	(4,080)
Allowance for impairment loss for the year	**–**	(9,600)
At 31 December	**(13,680)**	(13,680)
	43,747	44,747

* Amount is less than S$1,000.
** The investment has been reclassified to assets classified as held for sale as at 31 December 2019.

Details of the subsidiaries of the Group are as follows:

	Name of Company (Country of incorporation and place of business)	Principal activities	Effective equity interest held by the Group 2019 %	2018 %
	Held by the Company:			
*	Hetat Holdings Pte. Ltd. Singapore	Investment holding	**100**	100
*	See Hup Seng CP Pte. Ltd. Singapore	Provision of corrosion prevention services	**100**	100
*	SHS Capital Pte. Ltd. Singapore	Investment holding	**100**	100
*	Eastern Tankstore (S) Pte. Ltd. Singapore	Warehousing and storage handling services	**51**	51
***	SHS Trading Pte. Ltd.[1] Singapore	Dormant	**–**	100
*	Sinenergy Holdings Pte. Ltd.[3] Singapore	Investment holding	**100**	100

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13 Investment in Subsidiaries (Continued)

Details of the subsidiaries of the Group are as follows: (Continued)

	Name of Company (Country of incorporation and place of business)	Principal activities	Effective equity interest held by the Group 2019 %	2018 %
	Held by subsidiary companies:			
	See Hup Seng CP Pte. Ltd.			
*	SHS Special Coating Pte Ltd Singapore	Grit blasting and painting	**100**	100
*	SHS System Pte Ltd Singapore	Tank coating, grit blasting and painting	**100**	100
*	SHS Offshore Pte Ltd(1) Singapore	Grit blasting and painting	**–**	100
*	Gardella Singapore Coating Pte Ltd Singapore	Dormant	**100**	100
*	Lesoon Equipment Pte. Ltd.(2) Singapore	Trading and manufacturing of blasting and painting equipment	**96.4**	94.5
*	Speedo Corrosion Control Pte Ltd Singapore	Tank coating, grit blasting and painting	**100**	100
	Lesoon Equipment Pte. Ltd.			
**	Speedlock Equipment Sdn. Bhd. Malaysia	Trading and manufacturing of blasting and painting equipment	**96.4**	94.5
	Gardella Singapore Coating Pte Ltd			
**	Gardella Coating Philippines, Inc. Philippines	Dormant	**99.9**	99.9
	Hetat Holdings Pte. Ltd.			
*	Hetat Pte. Ltd. Singapore	Engineering and project management for steel, glass and aluminum contracts	**100**	100
*	Hetat Construction Pte. Ltd. Singapore	General contractors (building construction including major upgrading works)	**100**	100

13 Investment in Subsidiaries (Continued)

Details of the subsidiaries of the Group are as follows: (Continued)

	Name of Company (Country of incorporation and place of business)	Principal activities	Effective equity interest held by the Group 2019 %	2018 %
	Held by subsidiary companies: (Continued)			
	Hetat Holdings Pte. Ltd. (Continued)			
**	Xiang Tong (Shanghai) International Trading Co., Ltd The People's Republic of China	Import and export of construction materials	**100**	100
*	TLC Modular Pte. Ltd.[3] Singapore	Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts	**60**	60
**	TLC Modular Sdn. Bhd. Malaysia	Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts	**60**	60
**	TLC Modular Construction Joint Stock Company[3] Vietnam	Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts	**60**	60
	TLC Modular Pte. Ltd.			
**	TLC Modular Manufacturing (Vietnam) Co., Ltd.[3] Vietnam	Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts	**60**	60
**	TLC Modular & Construction (NZ) Pty Limited[3] New Zealand	Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts	**60**	60
	Hetat Pte. Ltd.			
**	Hetat Engineering & Construction Sdn. Bhd. Malaysia	Engineering and project management for steel, glass and aluminium contracts	**100**	100

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13 Investment in Subsidiaries (Continued)

Details of the subsidiaries of the Group are as follows: (Continued)

	Name of Company (Country of incorporation and place of business)	Principal activities	Effective equity interest held by the Group 2019 %	2018 %
	Held by subsidiary companies: (Continued)			
	Sinenergy Holdings Pte. Ltd.			
*	Sinenergy Pte. Ltd. Singapore	Engineering and project management for electrical works	**85**	85
*	Sinenergy Engineering Pte. Ltd.[(1)] Singapore	Air-conditioning and mechanical ventilation	**–**	60
**	HDFC SinPower Ltd.[(3)] Bangladesh	Built, develop, install, setup, and operate Power Plants in Bangladesh	**75**	75
*	Hua Sheng Energy Pte. Ltd. Singapore	Trading of electrical and wiring accessories	**100**	100
**	Sinenergy TL Energy Joint Stock Company Vietnam	Develop and install solar power projects	**65**	65
**	Sinenergy Ninh Thuan Power[(3)] LLC Vietnam	Securing power purchase agreement to sell solar power	**100**	100
*	Solar NT Holdings Pte Ltd[(3)] Singapore	Investment holdings	**100**	100
	SHS Capital Pte. Ltd.			
***	SHS Ferny Pty Ltd	Investment holdings	**100**	100

* Audited by Moore Stephens LLP, Singapore.
** Audited by member firms of Moore Global Network Limited.
*** Exempted from audit under the laws of the country of incorporation. Reviewed by Moore Stephens LLP, Singapore for group consolidation purposes.
(1) Liquidation/Strike off during the financial year.
(2) Step acquisition during the financial year.
(3) Entities related to discontinued operations.

Impairment of subsidiaries

For the current financial year, management concluded that there was no additional allowance for impairment loss in respect of the Company's investment in subsidiaries.

For the previous financial year, the Group had recognised an additional allowance for impairment loss of S$9,600,000 for the cost of investment in Hetat Holdings Pte. Ltd. as the recoverable amount of the allocated group of cash generating units, to which the investment relates to, was assessed to be lower than its carrying amount.

13 Investment in Subsidiaries (Continued)

Additional investment in a subsidiary

In July 2019, the Group increased its equivalent share of capital investment in its 85% owned subsidiary, Sinenergy Pte. Ltd., by subscribing to an additional 170,000 ordinary shares for a total consideration of S$170,000 fully paid in cash. The Group's effective equity interest remains at 85% of the enlarged paid-up share capital.

Step acquisition of a subsidiary

In December 2019, the Group acquired an additional 1.9% equity interest in Lesoon Equipment Pte. Ltd. from its non-controlling interests for a total cash consideration of approximately S$40,000. The effect of the change in the Group's effective equity interest in Lesoon Equipment Pte. Ltd. from 94.5% to 96.4% on the equity attributable to equity holders of the Company is summarised below.

	Group 2019 S$'000
Consideration paid for acquisition of non-controlling interests	**40**
Decrease in equity attributable to non-controlling interests	**(82)**
Increase in equity attributable to equity holders of the Company	**(42)**

During the previous financial year, the Company through its wholly owned subsidiary, Sinenergy Holdings Pte. Ltd., entered into a Sale & Purchase Agreement with Ditrolic (S) Pte Ltd, a non-controlling interest, to acquire an additional 10% in HDFC SinPower Ltd. ("HDFC") for a total consideration US$2.30 million (approximately S$3.039 million). The consideration was settled via the set-off against the amount due from non-controlling interest (Note 22).

The effect of the change in the Group's effective equity interest in HDFC SinPower Ltd on the equity attributable to equity holders of the Company is as follows:

	Group 2018 S$'000
Consideration paid for acquisition of non-controlling interests	3,039
Decrease in amount due to non-controlling interests	(2,363)
Decrease in equity attributable to non-controlling interests	(676)
Increase in equity attributable to equity holders of the Company	–

Liquidation/Strike off of subsidiaries

During the current financial year, a wholly owned subsidiary of the Group, SHS Offshore Pte. Ltd., has been liquidated. There was no material gain or loss recognised in the profit or loss of the Group.

During the current financial year, a wholly owned subsidiary of the Group, SHS Trading Pte. Ltd., has been voluntarily struck off. There was no material gain or loss recognised in the profit or loss of the Group.

During the current financial year, a 60% owned subsidiary of the Group, Sinenergy Engineering Pte. Ltd., has been voluntarily struck off. There was no material gain or loss recognised in the profit or loss of the Group.

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13 Investment in Subsidiaries (Continued)

Non-controlling interests

The Group has the following subsidiaries that have material non-controlling interests:

Name of subsidiary (Place of incorporation and principal place of business)	Proportion of ownership interests and voting rights held by non-controlling interests		Loss allocated to non-controlling interests		Accumulated non-controlling interests	
	2019	2018	**2019 S$'000**	2018 S$'000	**2019 S$'000**	2018 S$'000
HDFC SinPower Ltd. Bangladesh	**25%**	25%	**(43)**	(26)	**1,433**	1,527
TLC Modular Construction Joint Stock Company Vietnam	**40%**	40%	**(1,035)**	(2,452)	**(2,987)**	(1,971)
TLC Modular & Construction (NZ) Pty Limited New Zealand	**40%**	40%	**(579)**	(729)	**(1,334)**	(750)
TLC Modular Pte. Ltd. Singapore	**40%**	40%	**(524)**	(393)	**(1,190)**	(666)
Individually immaterial subsidiaries with non-controlling interests					**(617)**	152
					(4,695)	(1,708)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interest is set out below. The summarised financial information below represents amounts before intragroup eliminations.

	2019 S$'000	2018 S$'000
HDFC SinPower Ltd.		
Current assets	**2,001**	1,822
Non-current assets	**16,497**	14,233
Current liabilities	**(12,679)**	(9,948)
Non-current liabilities	**–**	–
Equity attributable to equity holders of the Company	**4,386**	4,580
Non-controlling interests	**1,433**	1,527
Revenue	**–**	–
Cost of sales and expenses	**(170)**	(86)
(Loss) for the year	**(170)**	(86)
(Loss) attributable to owners of the Company	**(127)**	(60)
(Loss) attributable to the non-controlling interests	**(43)**	(26)
(Loss) for the year	**(170)**	(86)
Total comprehensive (loss) attributable to equity holders of the Company	**(127)**	(60)
Total comprehensive (loss) attributable to the non-controlling interests	**(43)**	(26)
Total comprehensive (loss) for the year	**(170)**	(86)
Net cash flows generated from/(used in) operating activities	**69**	(44)
Net cash flows used in investing activities	**(3,244)**	(2,682)
Net cash flows generated from financing activities	**2,559**	2,186
Net cash outflow	**(616)**	(540)
Dividends paid to non-controlling interests	**–**	–

13 Investment in Subsidiaries (Continued)

Non-controlling interests (Continued)

	2019 S$'000	2018 S$'000
TLC Modular Construction Joint Stock Company		
Current assets	**11,677**	6,608
Non-current assets	**5,941**	6,074
Current liabilities	**(24,155)**	(17,143)
Non-current liabilities	**(932)**	(468)
Equity attributable to owners of the Company	**(4,482)**	(2,958)
Non-controlling interests	**(2,987)**	(1,971)
Revenue	**7,235**	8,519
Cost of sales and expenses	**(9,822)**	(14,649)
(Loss) for the year	**(2,587)**	(6,130)
(Loss) attributable to equity holders of the Company	**(1,552)**	(3,678)
(Loss) attributable to the non-controlling interests	**(1,035)**	(2,452)
(Loss) for the year	**(2,587)**	(6,130)
Total comprehensive (loss) attributable to equity holders of the Company	**(1,552)**	(3,678)
Total comprehensive (loss) attributable to the non-controlling interests	**(1,035)**	(2,452)
Total comprehensive (loss) for the year	**(2,587)**	(6,130)
Net cash flows used in operating activities	**(1,727)**	(325)
Net cash flows used in investing activities	**(183)**	(101)
Net cash flows generated from financing activities	**1,765**	555
Net cash (outflow)/inflow	**(145)**	129
Dividends paid to non-controlling interests	**–**	–

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13 Investment in Subsidiaries (Continued)

Non-controlling interests (Continued)

	2019 S$'000	2018 S$'000
TLC Modular & Construction (NZ) Pty Limited		
Current assets	**14,337**	7,176
Non-current assets	**77**	38
Current liabilities	**(17,749)**	(9,098)
Non-current liabilities	**–**	–
Equity attributable to owners of the Company	**(2,001)**	(1,134)
Non-controlling interests	**(1,334)**	(750)
Revenue	**908**	47
Cost of sales and expenses	**(2,355)**	(1,870)
(Loss) for the year	**(1,447)**	(1,823)
(Loss) attributable to equity holders of the Company	**(868)**	(1,094)
(Loss) attributable to the non-controlling interests	**(579)**	(729)
(Loss) for the year	**(1,447)**	(1,823)
Total comprehensive (loss) attributable to equity holders of the Company	**(868)**	(1,094)
Total comprehensive (loss) attributable to the non-controlling interests	**(579)**	(729)
Total comprehensive (loss) for the year	**(1,447)**	(1,823)
Net cash flows used in operating activities	**(2,765)**	(1,528)
Net cash flows used in investing activities	**(61)**	(1,902)
Net cash flows generated from financing activities	**2,779**	3,499
Net cash (outflow)/inflow	**(47)**	69
Dividends paid to non-controlling interests	**–**	–

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

13 Investment in Subsidiaries (Continued)

Non-controlling interests (Continued)

	2019 S$'000	2018 S$'000
TLC Modular Pte. Ltd.		
Current assets	**25,414**	23,003
Non-current assets	**3,140**	3,165
Current liabilities	**(33,416)**	(27,833)
Equity attributable to owners of the Company	**(3,672)**	(999)
Non-controlling interests	**(1,190)**	(666)
Revenue	**169**	5,555
Cost of sales and expenses	**(1,481)**	(6,538)
(Loss) for the year	**(1,312)**	(983)
(Loss) attributable to equity holders of the Company	**(788)**	(590)
(Loss) attributable to the non-controlling interests	**(524)**	(393)
(Loss) for the year	**(1,312)**	(983)
Total comprehensive (loss) attributable to equity holders of the Company	**(788)**	(590)
Total comprehensive (loss) attributable to the non-controlling interests	**(524)**	(393)
Total comprehensive (loss) for the year	**(1,312)**	(983)
Net cash flows generated from operating activities	**6,238**	3,169
Net cash flows used in investing activities	**(12,454)**	(9,003)
Net cash flows generated from financing activities	**5,926**	6,161
Net cash (outflow)/inflow	**(290)**	327
Dividends paid to non-controlling interests	**–**	–

14 Investment in Associates

	Group		**Company**	
	2019 S$'000	2018 S$'000	**2019 S$'000**	2018 S$'000
Unquoted equity shares, at cost				
At 1 January	**2,259**	10,463	**849**	7,853
Reclassified to other financial assets – Aenergy	**–**	(7,004)	**–**	(7,004)
Capital reduction	**(270)**	(1,200)	**–**	–
At 31 December	**1,989**	2,259	**849**	849
Less: Allowance for impairment loss	**–**	–	**(849)**	(849)
Dividend received	**–**	(450)	**–**	–
Share of net post acquisition reserves	**(132)**	(1,330)	**–**	–
Reclassified to other financial assets – Aenergy	**–**	823	**–**	–
At 31 December	**1,857**	1,302	**–**	–

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14 Investment in Associates (Continued)

Details of the Group's associates are as follows:

	Name of Company (Country of incorporation and place of business)	Principal activities	Cost 2019 S$'000	Cost 2018 S$'000	Effective equity interest held by the Group 2019 %	Effective equity interest held by the Group 2018 %
	Held by the Company:					
*	Guangzhou City South Special Coating Company Limited The People's Republic of China	Grit blasting, tank cleaning and painting	**849**	849	**47**	47
	Held by Hetat Holdings Pte. Ltd.					
***	Yokomori Singapore Pte. Ltd. Singapore	Manufacturing of steel structural component	**1,110**	1,110	**30**	30
	Held by SHS Capital Pte. Ltd.					
**	Serangoon EC Pte. Ltd.(1) Singapore	Real estate development	**30**	300	**30**	30
			1,989	2,259		

* Audited by Moore Stephens LLP, Singapore for consolidation purposes.
** Audited by Philip Liew & Co.
*** Audited by NACN International PAC.
(1) A proportional capital reduction by the associate during the financial year.

Strike off of associate

During the financial year, an associate of the Group, Guangzhou City South Special Coating Company Limited, has applied to be struck off and a gain of S$150,000 was recognised in the profit or loss of the Group. The formalities for the strike off process was completed subsequent to the financial year end.

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with SFRS(I) adjusted by the Group for equity accounting purposes.

	2019 S$'000	2018 S$'000
Serangoon EC Pte. Ltd.		
Current assets	**772**	2,063
Non-current assets	**–**	–
Current liabilities	**(289)**	(631)
Non-current liabilities	**–**	–
Revenue	**–**	–
Profit for the year	**46**	618
Total comprehensive income for the year	**46**	618
Dividends received from the associate	**–**	450

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14 Investment in Associates (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Serangoon EC Pte. Ltd. recognised in the consolidated financial statements:

	2019 **S$'000**	2018 S$'000
Net assets of the associate	**483**	1,432
Proportion of the Group's ownership in Serangoon EC Pte. Ltd.	**30%**	30%
Carrying amount of the Group's interest in Serangoon EC Pte. Ltd.	**145**	429

	2019 **S$'000**	2018 S$'000
Yokomori Singapore Pte. Ltd.		
Current assets	**4,602**	3,354
Non-current assets	**2,351**	1,551
Current liabilities	**(1,247)**	(1,996)
Non-current liabilities	**–**	–
Revenue	**8,208**	665
Profit/(Loss) for the year	**2,796**	(668)
Total comprehensive income/(loss) for the year	**2,796**	(668)
Dividends received from the associate	**–**	–

Reconciliation of the above summarised financial information to the carrying amount of the interest in Yokomori Singapore Pte. Ltd. recognised in the consolidated financial statements:

	2019 **S$'000**	2018 S$'000
Net assets of the associate	**5,706**	2,909
Proportion of the Group's ownership in Yokomori Singapore Pte. Ltd.	**30%**	30%
Carrying amount of the Group's interest in Yokomori Singapore Pte. Ltd.	**1,712**	873

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15 Other Financial Assets

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Equity investments measured at fair value through other comprehensive income				
– Unquoted equity shares	**23,563**	23,840	**22,463**	22,686

As per the Group's investment policy, these investments in equity instruments are not held for trading. Instead, they are held mainly for long-term strategic purposes. Accordingly, these investments are designated at FVOCI as management believes that recognising short-term fluctuations in these investments' FVPL would not be consistent with the Group's strategy of holding these investments for long-term purposes.

Information of the fair value measurement is disclosed in Note 43.

16 Goodwill

	Group	
	2019	2018
	S$'000	S$'000
At 1 January	**16,850**	20,501
Impairment loss recognised for the year	**–**	(3,651)
At 31 December	**16,850**	16,850

Impairment testing for goodwill

For the purpose of impairment testing, goodwill has been allocated to the respective cash generating unit (CGU) under the relevant operating segments as follows:

	Group	
	2019	2018
	S$'000	S$'000
Corrosion Prevention		
– Speedo Corrosion Control Pte Ltd ("Speedo")	**1,008**	1,008
Engineering & Construction		
– Hetat Holdings Pte. Ltd. ("Hetat")	**15,842**	15,842
	16,850	16,850

16 Goodwill (Continued)

Impairment testing for goodwill (Continued)

The recoverable amounts of the CGU have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The discount rate applied to the cash flow projections, budgeted gross margins, forecasted growth rates and the terminal growth rates used to extrapolate cash flow projections beyond the five-year period are discussed below.

(a) Speedo CGU

i. Revenue growth and margins are projected based on contracts secured with customers along with likely contract renewals and forecasted demand with reference to past revenues earned and adjusted for forward-looking economic condition.

ii. Inflation rate of 2% has been used to project overheads and other general expenses.

iii. Terminal growth rate of Nil has been used for terminal value.

iv. Discount rate of 11.22% which represents the current market assessment of the risks specific to the CGU.

Sensitivity analysis

The impairment test has determined that the estimated recoverable amount of Speedo CGU exceeded its carrying amount by approximately 32%. The following table shows the percentage by which these two key assumptions would need to change individually for the estimated recoverable amount to be approximately equal to the carrying amount:

	Change required for recoverable amount to equal the carrying amount	
	2019	2018
Revenue growth	**(5%)**	(5%)
Discount rate	**3.5%**	4%

(b) Hetat CGU

i. Revenue growth and margins are projected based on contracts secured with customers along with likely contract renewals and forecasted demand with reference to past revenues earned and adjusted for forward-looking economic condition.

ii. Inflation rate of 2% has been used to project overhead and other general expenses.

iii. Terminal growth rate of Nil has been used for terminal value.

iv. Discount rate of 11.42% which represents the current market assessment of the risks specific to CGU.

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16 Goodwill (Continued)

Impairment testing for goodwill (Continued)

b) Hetat CGU (Continued)

Sensitivity analysis

The impairment test has determined that the estimated recoverable amount of Hetat CGU exceeded its carrying amount by approximately 4.2%. The following table shows the percentage by which these two key assumptions would need to change individually for the estimated recoverable amount to be approximately equal to the carrying amount:

	Change required for recoverable amount to equal the carrying amount	
	2019	2018
Revenue growth	**(1.1%)**	(1.8%)
Discount rate	**0.45%**	0.50%

Impairment loss for the year

As at 31 December 2019, management concluded that there is no impairment loss in respect of the goodwill.

As at 31 December 2018, the Group had recognised an impairment loss on the entire amount of goodwill allocated to TLC Modular Construction Joint Stock Company ("TLC") CGU of S$3,651,000 as the recoverable amount of the CGU was determined based on the value in use calculation to be lower than its carrying amount. The impairment was consequent of not achieving the underlying profit assumption under the business plan which supported the investment, given the challenging environment for its modular construction services resulting in delays in the completion of projects on hand.

17 Prepaid Land Leases

	Group	
	2019 S$'000	2018 S$'000
Cost		
At 1 January	**6,711**	6,693
Reclassified to assets classified as held for sale	**(6,630)**	–
Currency alignment	**(81)**	18
At 31 December	**–**	6,711
Accumulated amortisation		
At 1 January	**221**	34
Amortisation expense	**178**	186
Reclassified to assets classified as held for sale	**(396)**	–
Currency alignment	**(3)**	1
At 31 December	**–**	221
Net book value		
At 31 December	**–**	6,490
Presented as:		
Non-Current	**–**	6,303
Current	**–**	187
	–	6,490

17 Prepaid Land Leases (Continued)

Prepaid land leases, which represent land use rights, relates to 2 parcels of state-owned land located in Vietnam, where the manufacturing facilities of TLC Modular Construction Joint Stock Company and TLC Modular Manufacturing (Vietnam) Co., Ltd reside. These prepaid land leases have been reclassified to assets classified as held for sale as at 31 December 2019.

Details of the Group's prepaid land leases are as follows:

Land address	**Land area (sqm)**	**Tenure**
Prepaid land leases		
Ward 10, Vung Tau City, Ba Ria-Vung Tau Province, Vietnam	15,939	29.9 years
Phu My II Industrial Zone, Tan Thanh District, Vietnam	69,993	37.5 years

18 Inventories

	Group		**Company**	
	2019 S$'000	2018 S$'000	**2019 S$'000**	2018 S$'000
Raw materials, at cost	**–**	1,984	**–**	–
Finished goods, at cost or net realisable value	**3,009**	2,281	**–**	–
Work in progress, at cost	**–**	3,390	**–**	–
Supplies and spare parts, at cost	**–**	194	**–**	–
	3,009	7,849	**–**	–

Allowance for stock obsolescence amounting to S$19,500 (2018: S$25,000) was recognised in continuing operation of the Group for the current financial year. Previous written-down inventories amounted to Nil (2018: S$6,000) have been reversed as the inventories were sold above their carrying amounts during the current financial year.

19 Land Held for Development

	Group	
	2019 S$'000	2018 S$'000
Land, at net realisable value	**4,760**	4,760
Land, at cost	**831**	831
Reclassified to assets classified as held for sale	**(831)**	–
	4,760	5,591

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19 Land Held for Development (Continued)

The details of the Group's land held for development are as follows:

Land address	Land area (sqm)	Tenure
180, 182 and 184 Ferny Avenue, Surfers Paradise, Australia	1,055	Freehold
Lots 27 & 28, Walter Merton Road, Hobsonville Point, New Zealand*	450	Freehold

* The Group's land held for development in New Zealand has been reclassified to assets classified as held for sale as at 31 December 2019.

As at 31 December 2019, management is of the opinion that the carrying amount of the land approximates its net realisable value.

As at 31 December 2018, the net realisable value of the land in Australia was assessed to be lower than its cost. The net realisable value was assessed based on directors' valuation which relied on market evidence of most recent transactions for land prices in the same vicinity. Accordingly, management had exercised their judgement to write down the land in Australia to its net realisable value of S$4,760,000 at the reporting date. The fair value of the land held for development was measured under Level 3 of the Fair Value Hierarchy (as defined in Note 43).

20 Trade Receivables

	Group		Company	
	2019 S$'000	2018 S$'000	**2019 S$'000**	2018 S$'000
Trade receivables				
– third parties	**13,576**	11,739	**86**	418
– retention sums on construction contracts	**1,977**	2,945	**–**	–
	15,553	14,684	**86**	418
Less: Loss allowance	**(5,248)**	(5,398)	**–**	(418)
	10,305	9,286	**86**	–

The credit period for trade receivables ranges from 30 to 90 days (2018: 30 to 90 days). No interest is charged on the outstanding balances of trade receivables.

Loss allowance for trade receivables has always been measured at an amount equal to lifetime expected credit losses (ECL) as disclosed in the accounting policy Note 3(m). The Group has recognised a loss allowance of 100% against all trade receivables over 1 year and 9 months past due (credit-impaired) because historical experience has indicated that these receivables are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting period. None of the trade receivables that have been written off is subject to enforcement activities.

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20 Trade Receivables (Continued)

The Group's/Company's credit risk exposure in relation to trade receivables from contracts with customers are set out in the provision matrix as presented below. The Group's/Company's loss allowance is based on past due as the Group's/Company's historical credit loss experience does not show significantly different loss patterns for different customer segments.

		Trade receivables past due (days)				
2019	**Current S$'000**	**1 to 90 days S$'000**	**91 to 270 days S$'000**	**271 days to 1 year & 9 months S$'000**	**Over 1 year & 9 months S$'000**	**Total S$'000**
Group						
Expected credit loss rate	**0.72%**	**2.57%**	**6.00%**	**13.97%**	**100.00%**	
Trade receivables – gross carrying amount at default	**5,088**	**1,200**	**2,470**	**2,049**	**4,746**	**15,553**
Loss allowance – lifetime ECL	**(37)**	**(31)**	**(148)**	**(286)**	**(4,746)**	**(5,248)**
						10,305
Company						
Expected credit loss rate	**0%**	**0%**	**0%**	**0%**	**100.00%**	
Trade receivables – gross carrying amount at default	**–**	**–**	**86**	**–**	**–**	**86**
Loss allowance – lifetime ECL	**–**	**–**	**–**	**–**	**–**	**–**
						86
2018						
Group						
Expected credit loss rate	0.97%	4.57%	12.04%	12.09%	100.00%	
Trade receivables – gross carrying amount at default	5,605	2,655	775	590	5,059	14,684
Loss allowance – lifetime ECL	(54)	(121)	(93)	(71)	(5,059)	(5,398)
						9,286
Company						
Expected credit loss rate	1.79%	3.70%	7.69%	72.34%	100.00%	
Trade receivables – gross carrying amount at default	–	–	–	–	418	418
Loss allowance – lifetime ECL	–	–	–	–	(418)	(418)
						–

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

20 Trade Receivables (Continued)

The movements in expected credit loss of trade receivables during the financial year are as follows:

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
At 1 January	**5,398**	5,057	**418**	330
Written off	**(330)**	–	**(327)**	–
Reversal of impairment loss	**–**	–	**(91)**	–
Impairment loss recognised in profit or loss during the year	**180**	341	**–**	88
As 31 December	**5,248**	5,398	**–**	418

21 Amounts Due from/(to) Subsidiaries

	Company	
	2019	2018
	S$'000	S$'000
Amounts due from subsidiaries		
– non-trade	**95,022**	98,892
Less: Allowance for impairment loss	**(24,056)**	(8,771)
Current amounts due from subsidiaries	**70,966**	90,121
Amounts due (to) subsidiaries		
– trade	**(39)**	(42)
– non-trade	**–**	(734)
Current amounts due (to) subsidiaries	**(39)**	(776)

The non-trade balances due from/(to) subsidiaries are unsecured and repayable on demand and in cash. The credit period for trade payables ranges from 30 to 90 days (2018: 30 to 90 days). These outstanding trade and non-trade balances are interest-free except for certain amounts due from subsidiaries totalling S$6.9 million (2018: S$6.7 million), which incurs interest of 2% (2018: 2%) per annum.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

21 Amounts Due from/(to) Subsidiaries (Continued)

The Group regularly purchases materials and pays expenses on behalf of related companies within the Group. The Group have an inter-company balances arrangement to settle the net amount due to or from each other on a quarterly term basis. The following inter-company balances are subject to offsetting arrangements:

	Gross carrying amounts (net impairment) S$'000	**Gross amounts offset in the statement of financial position S$'000**	**Net amounts in the statement of financial position S$'000**
Company			
2019			
Amounts due from subsidiaries			
– non-trade	**70,992**	**(26)**	**70,966**
Amounts due to subsidiaries			
– trade	**(64)**	**25**	**(39)**
– non-trade	**(1)**	**1**	**–**
	(65)	**26**	**(39)**
2018			
Amounts due from subsidiaries			
– non-trade	90,808	(687)	90,121
Amounts due to subsidiaries			
– trade	(713)	671	(42)
– non-trade	(750)	16	(734)
	(1,463)	687	(776)

22 Other Receivables and Prepayments

	Group		**Company**	
	2019 S$'000	2018 S$'000	**2019 S$'000**	2018 S$'000
Other receivables:				
– Interest receivable	**18**	49	**18**	49
– Sundry debtors	**228**	528	**–**	–
– Equity loan (a)	**1,993**	2,015	**–**	–
– Loans to an investee company (b)	**7,912**	7,990	**7,912**	7,990
– Amount due from non-controlling interests (c)	**2,840**	2,799	**–**	–
– Deposits for acquisition of land	**–**	1,755	**–**	–
– Deposits (others)	**124**	859	**3**	3
	13,115	15,995	**7,933**	8,042
Less: Allowance for impairment loss	**(3,312)**	–	**(1,319)**	–
	9,803	15,995	**6,614**	8,042
Advances to sub-contractors	**1,047**	233	**–**	–
Advances to staffs	**68**	50	**–**	–
Prepayments	**253**	317	**45**	77
VAT/GST recoverable	**135**	1,493	**–**	–
	11,306	18,088	**6,659**	8,119
Presented as:				
Non-Current	**6,593**	7,990	**6,593**	7,990
Current	**4,713**	10,098	**66**	129
	11,306	18,088	**6,659**	8,119

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22 Other Receivables and Prepayments (Continued)

For the purpose of impairment assessment for other receivables, the loss allowance is measured at an amount equal to 12-month ECL which reflects the low credit risk of the exposures. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

(a) The equity loan amount of AUD2.09 million (equivalent to S$1.993 million) (2018: equivalent to S$2.020 million) relates to the Group's advance for future equity participation and share issue in a company (the "investee company"), incorporated in Australia, involved in a development property project in Australia. As at 31 December 2019, the Group has recognised an impairment loss on the entire amount of S$1.99 million as the investee company has been put into receivership in Australia during the financial year.

(b) The loans were previously extended by the Company to an investee company, incorporated in Singapore, for the investee company's investment in certain unlisted equity securities in Singapore with no fixed terms of repayment. At the current reporting date, the loans are not expected to be repaid within the next twelve months. The loans are non-trade in nature, unsecured and interest-free. As at 31 December 2019, the Group has recognised an allowance for expected credit loss of S$1.319 million (2018: Not material) based on management's assessment on the financial standing of the investee company.

(c) The amounts due from non-controlling interests are non-trade in nature, unsecured, interest-free and repayable on demand except for an amount of S$2.330 million (2018: S$67,000) which is secured by a personal guarantee and repayable in full by 30 June 2020. This amount relates to the non-controlling interests' share of shareholder loans, invested on behalf by the Group, to the relevant investee company.

The movements in expected credit loss for other receivables during the financial year are as follows:

	Group	
	2019	2018
	S$'000	S$'000
At 1 January	**–**	–
Impairment loss recognised in profit or loss during the year	**3,312**	–
At 31 December	**3,312**	–

	Company	
	2019	2018
	S$'000	S$'000
At 1 January	**–**	–
Impairment loss recognised in profit or loss during the year	**1,319**	–
At 31 December	**1,319**	–

23 Cash and Bank Balances

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Cash at bank and on hand	**12,800**	9,860	**6,828**	579
Short-term bank deposits	**18,292**	20,030	**18,292**	20,030
Cash and cash equivalents per consolidated statement of cash flows	**31,092**	29,890	**25,120**	20,609

Short-term bank deposits of the Company bear an average effective interest rates of 1.65% to 2.16% (2018: 0.95% to 1.55%) per annum and have a tenure of approximately 30 to 92 days (2018: 49 to 53 days).

24 Asset Classified as Held for Sale

As disclosed in Note 8, the Group is diversifying certain of its businesses that represent a separate major line of business or geographical area of operations of the Group (collectively, the "Discontinued Operations") and envisage to complete the diversification by 31 December 2020. Accordingly, the assets and liabilities related to the Discontinued Operations have been reclassified to assets classified as held for sale and liabilities directly associated with assets classified as held for sale, respectively, on the consolidated statement of financial position of the Group.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. Accordingly, management expects that the fair value less costs to sell of the Discontinued Operations will be higher than the aggregate carrying amount of the related assets and liabilities other than the modular construction business which the Group has estimated to recognise impairment losses of approximately S$9,674,000, the allocation of which is disclosed in the table below.

The combined major classes of assets and liabilities of the Discontinued Operations at the end of the reporting period are as follows:

	Group	
	2019	2018*
	S$'000	S$'000
Assets classified as held for sale		
Property, plant and equipment(1)	**16,497**	1,000
Prepaid development costs related to solar projects	**9,707**	5,265
Prepaid land leases	**6,234**	–
Right of use assets	**492**	–
Land held for development	**831**	–
Inventories(2)	**7,462**	–
Trade receivables	**4,938**	–
Contract assets	**14,157**	–
Other receivables and prepayments	**6,657**	–
Cash and bank balances	**1,028**	34
	68,003	6,299
Liabilities directly associated with assets classified as held for sale		
Trade payables and accruals	**2,794**	29
Contract liabilities	**9,906**	–
Other payables	**19,144**	–
Provision of liquidated damages	**1,231**	–
Other amounts due to bankers	**721**	–
Deferred tax liabilities	**437**	–
Lease liabilities	**496**	–
	34,729	29

(1) Net of impairment loss of S$7,906,000.

(2) Net of impairment loss of S$1,768,000.

* Relates to solar power plant project in Vietnam as the disposal was entered into 2018 as disclosed in Note 8.

	Company	
	2019	2018
	S$'000	S$'000
Assets classified as held for sale		
Investment in subsidiaries		
– Sinenergy Holdings Pte. Ltd.	**1,000**	–
	1,000	–

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25 Trade Payables and Accruals

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Trade payables (a)	**3,438**	4,079	**60**	54
Accrued operating expenses	**1,555**	3,623	**271**	214
Prepaid land leases payable (b)	**–**	2,718	**–**	–
	4,993	10,420	**331**	268
Provision for cost of demolition (c)	**473**	473	**–**	–
	5,466	10,893	**331**	268

(a) The credit period for trade payables ranges from 30 to 90 days (2018: 30 to 90 days). No interest is charged on the outstanding balances of trade payables.

(b) The Group has an obligation to settle the prepaid land leases due in relation to those lands disclosed in Note 17. The amount has been fully paid by the Group during the current financial year.

(c) The land lease in relation to the leasehold building of the Group located at 1 Penjuru Lane has expired during the previous financial year and a provision has been included for the estimated cost for demolition of the property upon the call back of the land by the relevant land authorities. At the date of these financial statements, the land authorities has yet to call back the land.

26 Other Payables

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Other payables:				
– Rental deposits from customers	**–**	76	**–**	–
– Retention sums payable	**504**	1,017	**–**	–
– Amount due to non-controlling interests (a)	**–**	5,276	**–**	–
– Amount due to a director of the subsidiaries (b)	**–**	201	**–**	–
– Sundry payables	**720**	830	**50**	237
	1,224	7,400	**50**	237
Foreign workers' tax withheld	**74**	80	**73**	75
VAT/GST payable	**219**	233	**53**	(5)
	1,517	7,713	**176**	307

(a) Shareholder loans from non-controlling interests to the respective investee company was unsecured, interest-free and repayable on demand and in cash.

(b) Amount due to a director of the subsidiaries was non-trade in nature, unsecured, interest-free and repayable on demand and in cash.

27 Amount Due from/(to) Associates

The amounts due from/(to) associates were non-trade in nature, unsecured, interest-free and repayable on demand and in cash.

28 Term Loans

	Group	
	2019	2018
	S$'000	S$'000
Current:		
Term loan I	**1,150**	1,150
Term loan II	**4,513**	3,503
Term loan III	**199**	225
	5,862	4,878
Non-Current:		
Term loan I	**8,339**	9,488
Term loan III	**3,412**	3,574
	11,751	13,062

Term loan I with a principal amount of S$11,500,000 is repayable over 59 fixed monthly principal installments and a final fixed monthly principal installment amounting S$5.85 million (2018: S$5.85 million), commencing in April 2018. The term loan was used to finance the building construction of the Group. The loan bears interest of 2.89% to 6.25% (2018: 2.82% to 2.89%) per annum.

Term loan II with a principal amount of S$4,500,000 is repayable in full on the maturity of the drawn down period, which is within the next twelve months after the reporting period. The loan bears interest ranging from 3.28% to 3.39% (2018: 3.19% to 3.21%) per annum. The term loan was for working capital purposes.

Term loan III with a principal amount of S$3,998,625 is repayable over 41 fixed monthly principal installments and a final fixed monthly principal installment amounting S$412,000 (2018: S$412,000), commencing in December 2017. The loan bears interest of 3.16% to 4.03% (2018: 2.86% to 3.00%) per annum. The term loan was used to finance the purchase of the freehold land in Malaysia by a subsidiary of the Group (Note 10(d)).

The credit facilities (including trust receipts (Note 29)) of the Group are secured by the following:

- First legal mortgage over 81 Tuas South Street 5, Singapore 637651;
- First legal mortgage over 19 Tuas Avenue 20, Singapore 638830;
- First legal mortgage over industrial land together with a factory building to be erected held under title GM2485, Lot 1979, Mukim Jeram Batu, Daerah Pontian, Johor, Malaysia;
- First legal mortgage over industrial land together with a factory building to be erected held under title Ward 10, Vung Tau City, Ba Ria-Vung Tau Province, Vietnam;
- Corporate guarantee from the Company for a total of S$63.55 million (2018: S$63.55 million); and
- First deed of debenture duly executed, incorporating a fixed and floating charge over the present and future undertaking, assets, revenues and rights of a subsidiary of the Group.

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29 Other Amounts Due to Bankers

	Group	
	2019	2018
	S$'000	S$'000
Current:		
Trust receipts [secured – see Note 28]	**1,775**	3,147

The trust receipts incur interest rates of 2.95% to 3.29% (2018: 1.50% to 3.35%) per annum.

30 Finance Leases

The Group had acquired certain plant and equipment under finance leasing facilities. The interest rates implicit in the leases of 4.3% (2018: 4.3%) per annum. Future minimum lease payments under the finance lease arrangements together with the present value of the net minimum lease payments were as follows:

	Minimum payments 2019 S$'000	**Present value of payments 2019 S$'000**	**Minimum payments 2018 S$'000**	**Present value of payments 2018 S$'000**
Group				
Within one year	–	–	65	59
After one year but not more than five years	–	–	55	49
Total minimum lease payments	–	–	120	108
Amount representing finance charges	–	–	(12)	–
Present value of minimum lease payments	–	–	108	108

All assets acquired under finance leases were secured by the net book value of relevant assets acquired under the finance leases as disclosed in Note 10, including a personal guarantee by a director of the Company. During the current financial year, the Group has fully repaid the finance leases.

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31 Changes in Liabilities Arising from Financing Activities

The table below details the reconciliation of movements of the Group's liabilities to cash flows arising from financing activities.

		Cash Flow		Non-Cash Flow	
	1 January S$'000	Proceeds S$'000	Repayments S$'000	Other changes* S$'000	31 December S$'000
Group					
2019					
Term loan I	**10,638**	**–**	**(1,150)**	**1**	**9,489**
Term loan II	**3,503**	**1,000**	**–**	**10**	**4,513**
Term loan III	**3,799**	**–**	**(178)**	**(10)**	**3,611**
Amount due to associates	**801**	**388**	**–**	**(1,196)**	**(7)**
Amount due to director of the subsidiaries	**201**	**–**	**–**	**(201)**	**–**
Amount due from non-controlling interests	**(2,799)**	**151**	**–**	**(192)**	**(2,840)**
Amount due to non-controlling interests	**5,276**	**2,174**	**–**	**(7,450)**	**–**
Other amounts due to bankers	**3,147**	**2,483**	**(3,147)**	**(708)**	**1,775**
Lease liabilities	**5,164**	**–**	**(718)**	**528**	**4,974**
Finance leases	**108**	**–**	**(108)**	**–**	**–**
	29,838	**6,196**	**(5,301)**	**(9,218)**	**21,515**
2018					
Term loan I	8,822	2,680	(870)	6	10,638
Term loan II	4,006	–	(500)	(3)	3,503
Term loan III	3,998	–	(198)	(1)	3,799
Amount due to associates	1,029	1,443	(3)	(1,668)	801
Amount due to director of the subsidiaries	–	201	–	–	201
Amount due from non-controlling interests	(5,054)	–	(463)	2,718	(2,799)
Amount due to non-controlling interests	6,121	1,160	–	(2,005)	5,276
Other amounts due to bankers	2,927	3,130	(2,927)	17	3,147
Finance leases	207	–	(99)	–	108
	22,056	8,614	(5,060)	(936)	24,674

* Other changes include interest accrued, currency alignment, expenses paid on behalf, service income and reclassification to assets and liabilities held for sale.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

32 Deferred Tax Liabilities

	Fair value adjustment S$'000	Temporary difference on property, plant and equipment S$'000	Total S$'000
Group			
2019			
At 1 January	**3,485**	**22**	**3,507**
Credited to profit or loss	**(71)**	**–**	**(71)**
Reclassified to liabilities held for sale	**(437)**	**–**	**(437)**
Currency alignment	**(7)**	**–**	**(7)**
At 31 December	**2,970**	**22**	**2,992**
2018			
At 1 January	3,576	22	3,598
Credited to profit or loss	(101)	–	(101)
Currency alignment	10	–	10
At 31 December	3,485	22	3,507
Company			
2019			
Balance at 1 January and 31 December	**1,780**	**22**	**1,802**
2018			
Balance at 1 January and 31 December	1,780	22	1,802

Deferred tax liabilities relate to temporary differences arising from the excess of net book value over tax written down value of property, plant and equipment and revaluation to fair value of leasehold buildings.

Unrecognised tax losses and capital allowances

Deferred tax assets are recognised for unutilised tax losses and capital allowances carried forward to the extent that the realisation of the related tax benefits through future taxable profit is probable. As at 31 December 2019, the Group has unutilised tax losses of approximately S$13,930,000 (2018: S$7,372,000) and capital allowances of S$271,000 (2018: S$271,000) which can be carried forward and used to offset against future taxable income of those entities in the Group in which the losses and capital allowances arose, subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which they operate. The unutilised tax losses have no expiry date.

The deferred tax assets arising from these unutilised tax losses and capital allowances of approximately S$1,876,000 (2018: S$1,299,000) have not been recognised in accordance with the Group's accounting policy as disclosed in Note 3(aa).

33 Share Capital

	Group and Company	
	2019	2018
	S$'000	S$'000
Issued and fully paid, with no par value:		
Balance at 1 January		
710,620,712 (2018: 710,620,712) ordinary shares	**160,637**	160,637
Issuance of shares during the year		
18,500 (2018: Nil) ordinary shares	**3**	–
Balance at 31 December		
710,638,212 (2018: 710,620,712) ordinary shares	**160,640**	160,637

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, except for treasury shares, at general meetings of the Company and rank equally with regards to the Company's residual assets.

On 18 December 2014, the Company had issued 303,641,586 warrants pursuant to a bonus issue on the basis of one warrant for every two existing ordinary shares held in the capital of the Company. Each warrant entitles the warrant holder to subscribe for one new ordinary share in the Company at the exercise price of S$0.20 per share. During the current financial year, 18,500 (2018: Nil) ordinary shares were issued as a result of the exercise of 18,500 (2018: Nil) warrants. The remaining warrants have expired on 16 December 2019.

Share issuance-related costs which are not material have been recognised as an expense in the profit or loss of the Group.

34 Treasury Shares

	Group and Company	
	2019	2018
	S$'000	S$'000
Balance at 1 January and 31 December		
25,490,900 (2018: 25,490,900) treasury shares	**(5,003)**	(5,003)

35 Reserves

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
Asset revaluation reserve (a)	**7,456**	7,456	**8,582**	8,582
Foreign currency translation reserve (b)	**(740)**	(553)	**–**	–
Other reserve (c)	**–**	–	**3,297**	3,297
Fair value adjustment (d)	**(1,290)**	(1,145)	**(1,676)**	(1,453)
	5,426	5,758	**10,203**	10,426

Movements of the Group's reserves are set out in the consolidated statement of changes in equity.

(a) The asset revaluation reserve represents the revaluation surplus in respect of leasehold buildings of the Group and the Company as disclosed in Note 10.

	Group		Company	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
At 1 January and 31 December	7,456	7,456	8,582	8,582

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35 Reserves (Continued)

(b) The foreign currency translation reserve represents the accumulated exchange differences arising from the translation of the results and the net assets of the Group's foreign operations from their functional currencies to the Group's presentation currency.

The movements in foreign currency translation reserve shown in the Group's consolidated statement of changes in equity are as follows:

	Group	
	2019	**2018**
	S$'000	**S$'000**
At 1 January	**553**	226
Exchange differences on translation	**187**	327
At 31 December	**740**	553

(c) The other reserve of the Company arose from an internal restructuring of certain group entities transferred from the Company to be held by a wholly owned subsidiary of the Company in 2015. The amount represents the difference between the carrying amount of the net assets of the transferred group of entities and the consideration transferred.

(d) The fair value adjustment represents cumulative gains and losses arising on the revaluation of equity investments at FVOCI that have been recognised in other comprehensive income.

The movements in fair value adjustments shown in the Group's consolidated statement of changes in equity are as follows:

	Group	
	2019	2018
	S$'000	S$'000
At 1 January	**(1,145)**	–
Net loss arising on revaluation of FVOCI	**(145)**	(1,145)
At 31 December	**(1,290)**	(1,145)

36 Lease Liabilities

	Group		Company	
	2019	**2018**	**2019**	**2018**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Lease Liabilities				
– Leasehold buildings	**4,974**	–	**1,732**	–

<u>Nature of the Group's leasing activities</u>

The Group as Lessee

The Group has entered into leases of buildings in respect of its offices. The Group is prohibited from selling, pledging or sub-leasing the underlying assets, and is required to maintain the assets in good condition.

36 Lease Liabilities (Continued)

Nature of the Group's leasing activities (Continued)

The Group as Lessee (Continued)

(i) Carrying amount of right of use assets

	31 December 2019 S$'000	1 January 2019 S$'000
Leasehold buildings	**4,847**	5,164

There were additions to right of use assets during the financial year amounting to S$697,000.

(ii) Amounts recognised in profit or loss

	2019 S$'000
Amortisation charged for the year:	
– Leasehold buildings	**515**
Interest on lease liabilities	**334**
Expenses relating to short-term leases	**692**

(iii) Other disclosures

	2019 S$'000
Total cash outflow for leases	**718**

The Group as Lessor

The Group/Company leases portion of its leasehold buildings under non-cancellable operating lease agreements. These leases are negotiated for terms ranging from 1 to 15 years. The terms of the leases also require the tenants to pay a security deposit.

The future minimum lease receivable under non-cancellable operating leases contracted for at the reporting date are as follows:

	Group S$'000	Company S$'000
2019 – Operating leases under SFRS(I) 16		
Less than one year	**975**	**1,218**
One to two years	**581**	**1,218**
Two to three years	**–**	**1,218**
Three to four years	**–**	**1,218**
Four to five year	**–**	**1,218**
More than five years	**–**	**6,445**
	1,556	**12,535**
2018 – Operating leases under SFRS(I) 1-17		
Not later than one year	950	1,218
Later than one year but not later than five years	1,279	4,872
More than five years	–	7,663
	2,229	13,753

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37 Commitments

(a) Capital commitments

(i) The Group and the Company has uncalled capital commitments amounting to S$2.0 million (2018: S$2.0 million) in relation to the uncalled capital of certain equity investments (classified under other financial assets) and of a former associate at the reporting date.

(ii) The Group has capital commitments in relation to the solar projects in Bangladesh and Vietnam. The outstanding capital commitments at the reporting date is as follows:

	Group	
	2019	2018
	S$'000	S$'000
Contracted	**85,993**	31,659
Not contracted	**9,998**	34,687
	95,991	66,346

(b) Other commitments

(i) The Company has given an undertaking to continue to provide financial support to certain subsidiaries for the next twelve months from the date of authorisation of the subsidiaries' financial statements.

(ii) In the previous financial year, the Group through its wholly owned subsidiary, TLC Modular and Construction (NZ) Pty Ltd, entered into a contract for acquisition of land located at New Zealand for a purchase consideration of NZD9,593,000 (equivalent to S$8,785,000). A deposit of NZD1,919,000 (equivalent to S$1,755,000) had been paid.

(c) Corporate guarantees

The corporate guarantees executed by the Company to certain entities of the Group for the credit facilities granted as set out in Note 28 have not been recorded at fair value, as in the view of the management, the difference in the interest rates, by comparing the actual rates charged by the banks with these corporate guarantees made available, with the estimated rates that the banks would have charged had those corporate guarantees not been available, is not material.

The corporate guarantees are subject to the impairment assessment. The Company has assessed that its subsidiaries have a strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

(d) Bank guarantees

	Group	
	2019	2018
	S$'000	S$'000
Unsecured bank guarantees provided by the subsidiaries for/to:		
Suppliers of subsidiaries	**1,335**	1,347
Customers of subsidiaries	**–**	199
	1,335	1,546

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

37 Commitments (Continued)

(e) Operating leases – As a lessee

The Group and the Company leases its lands, offices and dormitories under non-cancellable operating lease agreements. There are no restrictions placed upon the Group and the Company by entering into these leases and the leases have varying terms, escalation clauses and renewal rights.

The future aggregate minimum lease payable under non-cancellable operating leases contracted for as at the statement of financial position date but not recognised as liabilities in the financial statements, were as follows:

	Group	**Company**
	2018	2018
	S$'000	S$'000
Not later than one year	875	230
Later than one year but not later than five years	2,297	920
More than five years	7,822	1,379
	10,994	2,529

38 Related Party Transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into transactions with related parties during the financial year, on terms agreed between the parties, as shown below.

		Group	
		2019	2018
		S$'000	S$'000
a)	Key management personnel compensation The remuneration of executive directors and key management is as follows:		
	Salaries and other short-term employee benefits	**1,961**	2,332
	Defined contribution plans	**80**	80
		2,041	2,412
	Directors' fees to non-executive directors	**229**	282
		2,270	2,694
	Comprised amounts paid/payable to:		
	Directors of the Company	**1,291**	1,652
	Key management personnel	**979**	1,042
		2,270	2,694
b)	Professional fees paid to a firm in which a director is a partner of the firm	**556**	148
c)	Sales to a related party	**5**	–
d)	Service income received from an associate company	**323**	254
e)	Manpower supply to an associate company	**70**	151
f)	Sales of property, plant and equipment to an associate company	**813**	1,107

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

39 Directors' Remuneration Bands

	Group	
	2019	2018
Number of Directors in remuneration bands of:		
S$500,000 to S$749,999	**–**	1
S$250,000 to S$499,999	**3**	2
Below S$250,000	**3**	4
	6	7

40 Dividends

	Group and Company	
	2019	2018
	S$'000	S$'000
Declared and paid:		
Final dividend of 0.20 cents per ordinary share, tax-exempt one-tier, paid in respect of the financial year ended 31 December 2017	**–**	1,370

The Board of Directors of the Company recommends the payment of a tax-exempt (one-tier) final dividend of Singapore 0.003 cents per share in respect of the financial year ended 31 December 2019 to be approved by the shareholders of the Company at the forthcoming Annual General Meeting. These financial statements do not reflect this dividend payable, which will be accounted for in shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2020, subject to the shareholders' approval at the Company's forthcoming Annual General Meeting.

No dividends had been declared and paid in respect of the financial year ended 31 December 2018.

Tax consequences of proposed dividends

The above-mentioned proposed dividends to the shareholders by the Company have no income tax consequences (2018: Nil).

41 Segment Information

Segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance of the Group. The Group's reportable operating segments are as follows:

- Corrosion prevention
- Solar energy
- Engineering & construction
- Others

The corrosion prevention segment provides coating services to marine, oil and gas, construction and infrastructure industries.

The solar energy segment specialises in solar energy development and engineering and project management for electrical works.

The engineering & construction segment is in the business of designing, engineering and construction of steel, aluminium and glass structures, and the design, construction and manufacturing services in modular construction projects.

Others segment consists of property development business, warehousing, storage handling services, corporate head office and strategic investments.

Discontinued Operations

As disclosed in Note 8, the Group is diversifying certain of its businesses that represent a separate major line of business or geographical area of operations of the Group (collectively, the "Discontinued Operations"). Accordingly, segment information related to the Discontinued Operations have been presented separately and the comparative information has been restated.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

41 Segment Information (Continued)

(a) Segment Revenues and Results

The following is an analysis of the Group's revenue and results from continuing operations and discontinued operations by reportable operating segments:

Continuing operations

	Corrosion prevention		Solar energy		Engineering & construction		Others		Total	
	2019 S$'000	2018 S$'000	**2019 S$'000**	2018 S$'000 (Restated)	**2019 S$'000**	2018 S$'000 (Restated)	**2019 S$'000**	2018 S$'000	**2019 S$'000**	2018 S$'000
Segment revenue	**15,258**	14,761	**1,593**	6,890	**8,884**	17,835	**655**	759	**26,390**	40,245
Segment results	**917**	945	**(324)**	578	**(360)**	426	**(124)**	(189)	**109**	1,760
Impairment of other receivables	**–**	–	**–**	–	**(1,993)**	–	**(1,319)**	–	**(3,312)**	–
Impairment of land held for development	**–**	–	**–**	–	**–**	(1,650)	**–**	–	**–**	(1,650)
Finance costs	**(114)**	–	**–**	–	**(1,109)**	(553)	**–**	–	**(1,223)**	(553)
Share of profit/(losses) of associates, net of tax									**825**	(197)
Share of profits of joint ventures, net of tax									**–**	58
Central administration costs and directors' remuneration									**(5,443)**	(5,956)
Other income									**2,117**	3,697
(Loss) before income tax									**(6,927)**	(2,841)

41 Segment Information (Continued)

(a) Segment Revenues and Results (Continued)

Discontinued operations

	Solar energy development business		**Modular construction business**		**Others**		**Total**	
	2019 S$'000	2018 S$'000	**2019 S$'000**	2018 S$'000	**2019 S$'000**	2018 S$'000	**2019 S$'000**	2018 S$'000
Segment revenue	**–**	–	**7,290**	6,361	**–**	–	**7,290**	6,361
Segment results	**(854)**	(97)	**(3,169)**	(5,430)	**–**	101	**(4,023)**	(5,426)
Impairment of goodwill	**–**	–	**–**	(3,651)	**–**	–	**–**	(3,651)
Provision of liquidated damages	**(1,231)**	–	**–**	–	**–**	–	**(1,231)**	–
Impairment of inventory	**–**	–	**(1,768)**	–	**–**	–	**(1,768)**	–
Impairment of property, plant & equipment	**–**	–	**(7,906)**	–	**–**	–	**(7,906)**	–
Finance costs	**–**	–	**(278)**	(23)	**–**	–	**(278)**	(23)
Central administration costs and directors' remuneration							**(3,402)**	(3,203)
Other income							**77**	140
(Loss) before income tax							**(18,531)**	(12,163)

Modular construction business and solar energy development business are part of the engineering & construction segment and solar energy segment respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

41 Segment Information (Continued)

(a) Segment Revenues and Results (Continued)

Revenue reported above represents revenue generated from external customers. Inter-segment sales for the current financial year was S$3,308,000 (2018: S$3,109,000). The accounting policies of the reportable segments are the same as the Group's accounting policies set out in Note 3. Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of central administration costs and directors' remuneration, share of (losses)/profits of associates or joint ventures and other income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(b) Segment Assets and Liabilities

	Group	
	2019	2018
	S$'000	S$'000
Segment assets		
Corrosion prevention	**31,453**	29,620
Solar energy	**4,500**	39,180
Engineering & construction	**71,549**	107,964
Others	**55,990**	53,314
Total segment assets	**163,492**	230,078
Assets classified as held for sale		
Modular construction business	**36,293**	–
Solar energy development business	**31,710**	6,299
Consolidated assets	**231,495**	236,377
Segment liabilities		
Corrosion prevention	**5,450**	3,213
Solar energy	**908**	5,317
Engineering & construction	**25,439**	36,535
Others	**576**	574
Total segment liabilities	**32,373**	45,639
Liabilities relating to classified as held for sale		
Modular construction business	**24,240**	–
Solar energy development business	**10,489**	29
Unallocated liabilities		
– Provision for income tax	**565**	608
– Deferred tax liabilities	**2,992**	3,507
	3,557	4,115
Consolidated liabilities	**70,659**	49,783

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

41 **Segment Information** (Continued)

(c) Other Segment Information

	Group			
	Depreciation and amortisation		**Additions to non-current assets**[c]	
	2019 S$'000	2018 S$'000	**2019 S$'000**	2018 S$'000
Corrosion prevention	**2,073**	1,954	268	126
Solar energy	**29**	98	18	4,337
Engineering & construction	**2,441**	3,373	208	3,513
Others	**–**	–	–	–
Assets classified as held for sale				
– Modular construction business	**718**	–	1,813	–
– Solar energy development business	**12**	–	2,546	–
	5,273	5,425	4,853	7,976

In addition to depreciation and amortisation and additions to non-current assets reported above, impairment of goodwill of S$Nil (2018: S$3,651,000) was recognised in profit or loss of the Group and is attributable to the "Engineering & construction" segment.

(d) Geographical Information

The Group's continuing operations is primarily carried out in Singapore. The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical locations are detailed below.

	Group's revenue from external customers		**Group's non-current assets**[c]	
	2019 S$'000	2018 S$'000	**2019 S$'000**	2018 S$'000
Singapore	**24,412**	37,776	**73,559**	74,318
Rest of South East Asia[a]	**1,927**	2,352	**4,956**	18,800
People's Republic of China	**–**	8	**5**	1
Others[b]	**51**	109	**–**	30,856
	26,390	40,245	**78,520**	123,975

(a) Rest of South East Asia includes Malaysia, Vietnam, Thailand and Indonesia

(b) Others include New Zealand, Australia and Bangladesh

(c) Non-current assets exclude other financial assets

(e) Information about Major Customers

There was no single individual customer, which contributed significantly to the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

42 Financial Instruments

The main risks arising from the Group's financial instruments are interest rate risk, credit risk, liquidity risk and foreign currency risk. The Board of Directors of the Company reviews and agrees policies for managing each of these risks and they are summarised below.

(a) Financial Risk Management Objectives and Policies

(i) *Interest rate risk*

The Group and Company obtain credit facilities from banks and financial institutions. The Group's and Company's policy is to obtain the most favourable interest rates available. Surplus funds are placed with reputable banks.

The table below set out the Group's exposure to interest rate risk. Included in the table are the assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

	Fixed Rates		Variable Rates		Non-interest bearing	Total
	Less than 1 year S$'000	1 to 5 years S$'000	Less than 1 year S$'000	1 to 5 years S$'000	S$'000	S$'000
Group						
2019						
Financial assets						
Cash and bank balances	18,292	–	–	–	12,800	31,092
Trade receivables	–	–	–	–	10,305	10,305
Contract assets	–	–	–	–	7,523	7,523
Other receivables*	–	–	–	–	9,803	9,803
Total financial assets	18,292	–	–	–	40,431	58,723
Financial liabilities						
Trade payables and accruals*	–	–	–	–	4,993	4,993
Other payables*	–	–	–	–	1,224	1,224
Term loans	–	–	5,862	11,751	–	17,613
Lease liabilities	–	4,974	–	–	–	4,974
Other amounts due to bankers	–	–	1,775	–	–	1,775
Total financial liabilities	–	4,974	7,637	11,751	6,217	30,579

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

42 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(i) *Interest rate risk* (Continued)

	Fixed Rates		**Variable Rates**		**Non-interest bearing**	**Total**
	Less than 1 year S$'000	**1 to 5 years S$'000**	**Less than 1 year S$'000**	**1 to 5 years S$'000**	**S$'000**	**S$'000**
Group						
2018						
Financial assets						
Cash and bank balances	20,030	–	–	–	9,860	29,890
Trade receivables	–	–	–	–	9,286	9,286
Contract assets	–	–	–	–	19,362	19,362
Other receivables*	–	–	–	–	15,995	15,995
Total financial assets	20,030	–	–	–	54,503	74,533
Financial liabilities						
Trade payables and accruals*	–	–	–	–	10,420	10,420
Other payables*	–	–	–	–	7,400	7,400
Term loans	–	–	4,878	13,062	–	17,940
Other amounts due to bankers	–	–	3,147	–	–	3,147
Finance leases	59	49	–	–	–	108
Amount due to associates	–	–	–	–	801	801
Total financial liabilities	59	49	8,025	13,062	18,621	39,816

* Financial assets exclude advances to sub-contractors and staffs, prepayments, prepaid development costs, and VAT/GST recoverable and financial liabilities exclude provision for cost of demolition, foreign workers' tax withheld and VAT/GST payable.

A 100 basis point increase/decrease in the underlying borrowings at variable interest rates at the reporting date would increase/decrease loss before tax by the following amounts:

	Group	
	2019 S$'000	2018 S$'000
Loss before tax	**194**	211

This analysis assumes that all other variables including tax remain constant.

The Company does not have any significant interest-bearing borrowings or interest-earning assets that may expose the Company to interest rate risk on variable interest rates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

42 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(ii) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group's exposure to credit risk arises primarily from trade and other receivables, loan receivables, amount due from subsidiaries, associates and joint ventures, and cash and bank balances. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Group has adopted a policy of only dealing with creditworthy counterparties. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally do not require a collateral.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when internal and/or external information indicates that the financial asset is unlikely to be received, which could include default of contractual payments due for more than one year and nine months or there is significant difficulty of the counterparty.

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. The Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements arises from the carrying amount of the respective recognised financial assets as presented on the consolidated statement of financial position. In addition, the Group is exposed to credit risk in relation to financial guarantees given to banks provided by the Group. The Group's maximum exposure to credit risk in the event that the counterparties fail to perform their obligations at the reporting date are as follows:

	Group	
	2019	2018
	S$'000	S$'000
Total facilities	**63,544**	63,544
Total outstanding	**20,531**	20,531

42 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(ii) Credit risk (Continued)

The credit risk for financial assets (excluding cash and bank balances) based on information provided by key management is as follows:

	Group		**Company**	
	2019	2018	**2019**	2018
	S$'000	S$'000	**S$'000**	S$'000
By geographical areas				
Singapore	**26,590**	28,427	**77,666**	98,249
Vietnam	**–**	820	**–**	–
People's Republic of China	**14**	6	**–**	–
Rest of South East Asia	**957**	449	**–**	–
Others	**77**	14,941	**–**	–
	27,638	44,643	**77,666**	98,249

The Group does not hold any collateral or other credit enhancements to cover its credit risk associated with its financial assets.

Trade receivables and contract assets

As disclosed in Note 3(m)(ii), the Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets. In measuring the expected credit losses, trade receivables and contract assets are grouped based on their shared credit risk characteristics and numbers of days past due. The contract assets have substantially the same risk characteristics as the trade receivables from the same type of customers. Therefore, the Group has concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Further details on the loss allowance of the Group's and the Company's credit risk exposure in relation to contract assets and trade receivables are disclosed in Notes 5 and 20, respectively.

Cash and bank balances

The cash and bank balances are entered into with bank and financial institution counterparties, which are rated AAA to B, based on rating agency ratings.

Impairment on cash and bank balances has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the counterparties. The Group uses a similar approach for assessment of ECLs for cash and bank balances to those used for debt investments. The amount of the allowance on cash and bank balances was immaterial.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

42 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(ii) *Credit risk* (Continued)

Credit risk grading guideline

The Group's management has established the Group's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk grading which are used to report the Group's credit risk exposure to key management personnel for credit risk management purposes are as follows:

Internal rating grades	Definition	Basis of recognition of expected credit loss (ECL)
i. Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
ii. Under-performing	There has been a significant increase in credit risk since initial recognition.	Lifetime ECL (not credit-impaired)
iii. Non-performing	There is evidence indicating that the asset is credit-impaired.	Lifetime ECL (credit impaired)
iv. Write-off	There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty.	Asset is written off

Credit risk exposure and significant credit risk premium

The credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows:

Group	Internal credit rating	ECL	Gross carrying amount S$'000	Loss allowance S$'000	Net carrying amount S$'000
31 December 2019					
Trade receivables	**Note 1**	**Lifetime ECL (simplified)**	**15,553**	**(5,248)**	**10,305**
Contract assets	**Note 1**	**Lifetime ECL (simplified)**	**7,563**	**(40)**	**7,523**
Other receivables	**Under-performing**	**Lifetime ECL (not credit-impaired)**	**7,912**	**(1,319)**	**6,593**
Other receivables	**Non-performing**	**Lifetime ECL (credit impaired)**	**1,993**	**(1,993)**	**–**
Other receivables	**Performing**	**12-month ECL**	**3,210**	**–**	**3,210**
31 December 2018					
Trade receivables	Note 1	Lifetime ECL (simplified)	14,684	(5,398)	9,286
Contract assets	Note 1	Lifetime ECL (simplified)	19,446	(84)	19,362
Other receivables	Performing	12-month ECL	15,995	–	15,995

Note 1 – The Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The details of the loss allowance for these financial assets are disclosed in Notes 5 and 20.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

42 **Financial Instruments** (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(ii) *Credit risk* (Continued)

Credit risk exposure and significant credit risk premium (Continued)

The credit quality of the Company's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows:

Company	**Internal credit rating**	**ECL**	**Gross carrying amount S$'000**	**Loss allowance S$'000**	**Net carrying amount S$'000**
31 December 2019					
Trade receivables	**Note 1**	**Lifetime ECL (simplified)**	**86**	**–**	**86**
Other receivables	**Under-performing**	**Lifetime ECL (not credit-impaired)**	**7,912**	**(1,319)**	**6,593**
Other receivables	**Performing**	**12-month ECL**	**21**	**–**	**21**
Amount due from subsidiaries	**Performing**	**12-month ECL**	**16,598**	**–**	**16,598**
Amount due from subsidiaries	**Non-performing**	**Lifetime ECL (credit impaired)**	**78,424**	**(24,056)**	**54,368**
31 December 2018					
Trade receivables	Note 1	Lifetime ECL (simplified)	418	(418)	–
Contract assets	Note 1	Lifetime ECL (simplified)	88	(2)	86
Other receivables	Performing	12-month ECL	8,042	–	8,042
Amount due from subsidiaries	Performing	12-month ECL	90,115	–	90,115
Amount due from subsidiaries	Non-performing	Lifetime ECL (credit impaired)	8,777	(8,771)	6

Note 1 – The Company has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The details of the loss allowance for these financial assets are disclosed in Notes 5 and 20.

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements under SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations in the near future and hence, does not expect significant credit losses arising from these guarantees.

(iii) *Liquidity risk*

In the management of its liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The Group also obtains credit facilities from banks and financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

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42 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(iii) *Liquidity risk* (Continued)

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flow.

	Carrying amount S$'000	Less than 1 year S$'000	Between 1 and 2 years S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000	Total S$'000
Group						
2019						
Financial liabilities						
Trade and other payables*	**6,217**	**6,217**	**–**	**–**	**–**	**6,217**
Term loans	**17,613**	**6,559**	**6,618**	**6,132**	**–**	**19,309**
Other amounts due to bankers	**1,775**	**1,775**	**–**	**–**	**–**	**1,775**
Lease liabilities	**4,974**	**225**	**239**	**497**	**4,013**	**4,974**
	30,579	**14,776**	**6,857**	**6,629**	**4,013**	**32,275**
2018						
Financial liabilities						
Trade and other payables*	17,820	17,820	–	–	–	17,820
Term loans	17,940	5,276	6,559	7,424	–	19,259
Other amounts due to bankers	3,147	3,147	–	–	–	3,147
Finance leases	108	65	55	–	–	120
Amount due to associates	801	801	–	–	–	801
	39,816	27,109	6,614	7,424	–	41,147
Company						
2019						
Financial liabilities						
Trade and other payables*	**381**	**381**	**–**	**–**	**–**	**381**
Amount due to subsidiaries	**39**	**39**	**–**	**–**	**–**	**39**
Lease liabilities	**1,732**	**123**	**131**	**288**	**1,190**	**1,732**
	2,152	**543**	**131**	**288**	**1,190**	**2,152**
2018						
Financial liabilities						
Trade and other payables*	505	505	–	–	–	505
Amount due to subsidiaries	776	776	–	–	–	776
	1,281	1,281	–	–	–	1,281

* Financial liabilities exclude provision for cost of demolition, foreign workers' tax withheld and VAT/GST payable.

42 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(iii) Liquidity risk (Continued)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantees are allocated to the earliest period in which the guarantee could be called.

	Carrying amount S$'000	Less than 1 year S$'000	Between 1 and 2 years S$'000	Between 2 and 5 years S$'000	Over 5 years S$'000	Total S$'000
Company						
2019						
Financial guarantees	**–**	**63,544**	**–**	**–**	**–**	**63,544**
2018						
Financial guarantees	–	63,544	–	–	–	63,544

(iv) Foreign currency risk

The Group has transactional currency exposure arising from sales or purchases that are denominated in foreign currencies; consequently exposures to exchange rate fluctuation arise. The foreign currencies which these transactions are denominated are mainly US Dollars ("USD").

At present, the Group does not have any formal policy for hedging against currency risk. The Group ensures that the net exposure is kept to an acceptable level by buying and selling foreign currencies at spot rates, where necessary, to address short term imbalances.

In relation to its overseas investments in foreign subsidiaries whose net assets are exposed to currency translation risks and which are held for long term investment purposes, the differences arising from such translation are recorded under other comprehensive income and foreign currency translation reserve. These translation differences are reviewed and monitored on a regular basis.

The Group's currency exposure based on the information provided to key management is as follows:

	USD S$'000	RMB S$'000	MYR S$'000	BHT S$'000	Others S$'000
Group					
2019					
Financial assets					
Cash and bank balances	**12,272**	**17**	**705**	**–**	**4**
Trade and other receivables*	**2,378**	**14**	**252**	**–**	**585**
	14,650	**31**	**957**	**–**	**589**
Financial liabilities					
Trade payables and accruals	**416**	**6**	**108**	**–**	**141**
Other payables*	**–**	**–**	**–**	**–**	**1**
	416	**6**	**108**	**–**	**142**
Net financial assets	**14,234**	**25**	**849**	**–**	**447**
Less: Net financial assets denominated in the respective entity's functional currency	**–**	**(25)**	**(849)**	**–**	**(414)**
Currency exposure	**14,234**	**–**	**–**	**–**	**33**

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

42 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(iv) Foreign currency risk (Continued)

	USD S$'000	**RMB S$'000**	**MYR S$'000**	**BHT S$'000**	**Others S$'000**
Group					
2018					
Financial assets					
Cash and bank balances	1,356	87	714	86	331
Contract assets	–	–	–	–	10,183
Trade and other receivables*	10,430	6	315	673	4,650
	11,786	93	1,029	759	15,164
Financial liabilities					
Trade payables and accruals	26	(97)	69	3	3,275
Other payables*	4,452	–	2	6	282
	4,478	(97)	71	9	3,557
Net financial assets	7,308	190	958	750	11,607
Less: Net financial assets denominated in the respective entity's functional currency	–	(190)	(958)	(750)	(12,095)
Currency exposure	7,308	–	–	–	(488)

* Financial assets exclude advances to sub-contractors and staffs, prepayments, prepaid development costs, and VAT/GST recoverable and financial liabilities exclude provision for cost of demolition, foreign workers' tax withheld and VAT/GST payable.

* All other from financial assets and financial liabilities are denominated in Singapore dollar.

Sensitivity analysis

If the S$ strengthens by 5% against the USD and assuming that all other variables including tax remain constant, loss before tax of the Group will decrease by:

	Group	
	2019 S$'000	2018 S$'000
Loss before tax	**712**	365

If the S$ weakens by 5% against the USD, there would be a comparable impact on the loss after tax of the Group.

42 Financial Instruments (Continued)

(a) Financial Risk Management Objectives and Policies (Continued)

(v) Capital risk (Continued)

The Group's objectives when managing capital are: (a) to safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders, and (b) to provide an adequate return to shareholders by pricing products and services to commensurate with the level of risk.

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares, increase debt borrowings or sell assets to reduce debt. The Group's overall strategy remains unchanged from 2017.

The Group is not subject to any significant externally imposed capital requirements.

The Group monitors capital on the basis of the net debt-to-equity ratio. This ratio is calculated as net debt divided by equity. Net debt is calculated as total debt (excluding provision for income tax and deferred tax liabilities) less cash and bank balances. Equity comprises all components of equity (i.e. share capital and reserves).

	Group	
	2019	2018
	S$'000	S$'000
Debt	**67,102**	45,668
Cash and bank balances	**(31,092)**	(29,890)
Net debt	**36,010**	15,778
Total equity	**160,836**	186,594
Net debt-to-equity	**0.22**	0.08

43 Fair Value

The carrying amounts of the Group's and Company's current financial assets and current financial liabilities approximate their fair values due to their short-term maturity.

The carrying amounts of the Group's long-term term loans and finance leases approximate their carrying amounts based on a discounted cash flow analysis at market incremental lending rates for similar types of lending or leasing arrangements at the end of the reporting period, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

43 Fair Value (Continued)

(a) Fair Value Hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

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

Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Financial Assets Measured at Fair Value

The following table presents the assets measured at fair value at the reporting date:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Group				
2019				
Leasehold buildings (Note 10)	**–**	**–**	**46,348**	**46,348**
Other financial assets (Note 15)	**–**	**–**	**23,563**	**23,563**
2018				
Leasehold buildings (Note 10)	–	–	46,348	46,348
Other financial assets (Note 15)	–	–	23,840	23,840
Company				
2019				
Other financial assets (Note 15)	**–**	**–**	**22,463**	**22,463**
2018				
Other financial assets (Note 15)	–	–	22,686	22,686

Level 3 fair value measurements

Other financial assets	Fair value at 31 December 2019 (S$'000)	Valuation technique	Unobservable input	Relationship of unobservable input to fair value
Equity investment	23,563	Directors' valuation	Adjusted net asset value	The lower the net asset value, the lower the valuation

43 Fair Value (Continued)

(b) Financial Assets Measured at Fair Value (Continued)

If the above unobservable input to the directors' valuation was 5% higher/lower while all the other variables were held constant, the fair value of the above other financial assets would increase/decrease by S$1,178,000.

Except as disclosed above, there are no other valuation of financial assets under Level 3 fair value measurements for the financial years ended 31 December 2019 and 2018.

Reconciliation of Level 3 fair value measurements

Movements in the financial assets during the financial year are as follows:

	Group	**Company**
	Financial assets at FVOCI	
	S$'000	**S$'000**
2019		
At 1 January	**23,840**	**22,686**
Capital reduction	**(132)**	**–**
Total (losses) in other comprehensive income recognised in fair value adjustment	**(145)**	**(223)**
At 31 December	**23,563**	**22,463**
2018		
At 1 January	19,711	17,135
Capital reduction	(907)	–
Total (losses) in other comprehensive income recognised in fair value adjustment	(1,145)	(1,453)
Reclassified from investment in associate	6,181	7,004
At 31 December	23,840	22,686

Valuation policies and procedures

The Group has an established control framework with respect to the measurement of fair values. This framework includes a finance team that reports directly to the Chief Financial Officer, and has overall responsibility for all significant fair value measurements, including Level 3 fair values. The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used as a reference to measure fair value, then the finance team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy the resulting fair value estimate should be classified.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, the Group will engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 *Fair Value Measurement* guidance to perform the valuation. For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed by the finance team along with the appropriateness and reliability of the inputs.

Significant valuation issues are reported to the Audit Committee.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

44 Contingent Liabilities

During the current financial year, a third party company commenced an action claim against the Group in respect of alleged damages to its vehicles from the spraying works that were conducted from the Group's premises. The estimated claim amounted to approximately S$332,000. Management has taken advice from the Group's legal counsel and the Group will in any event vigorously contest the third party company's claim. At the reporting date, it is not practicable to know the outcome and a trial date has not been set. Accordingly, no provision for any liability has been recognised in respect of the third party company's claim in these financial statements as at 31 December 2019.

45 Authorisation of Financial Statements for Issue

The financial statements for the financial year ended 31 December 2019 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 3 April 2020.

STATISTICS OF SHAREHOLDINGS

AS AT 27 MARCH 2020
[RULE 1207 (9)]

Number of Issued Shares (excluding Treasury Shares)	:	685,098,312
Number/Percentage of Treasury Shares against total number of Issued Shares (excluding Treasury Shares)	:	25,540,900 (3.73%)
Class of Shares	:	Ordinary Shares
Voting Rights	:	1 vote per share

As at 27 March 2020, the Company did not hold any subsidiary holdings.

DISTRIBUTION OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	389	15.35	4,328	0.00
100 – 1,000	136	5.37	92,051	0.01
1,001 – 10,000	690	27.23	5,072,879	0.74
10,001 – 1,000,000	1,285	50.71	98,392,082	14.36
1,000,001 AND ABOVE	34	1.34	581,536,972	84.89
TOTAL	**2,534**	**100.00**	**685,098,312**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	190,618,213	27.82
2	RHB SECURITIES SINGAPORE PTE. LTD.	70,368,227	10.27
3	CITIBANK NOMINEES SINGAPORE PTE LTD	56,652,075	8.27
4	OCBC SECURITIES PRIVATE LIMITED	48,416,100	7.07
5	PHILLIP SECURITIES PTE LTD	46,761,844	6.83
6	SBS NOMINEES PRIVATE LIMITED	38,042,526	5.55
7	MAYBANK KIM ENG SECURITIES PTE. LTD.	17,961,141	2.62
8	STONE ROBERT ALEXANDER	17,552,300	2.56
9	ONG ENG LOKE	11,740,000	1.71
10	HSBC (SINGAPORE) NOMINEES PTE LTD	11,320,000	1.65
11	KHOO THOMAS CLIVE	10,100,000	1.47
12	DBS NOMINEES (PRIVATE) LIMITED	9,448,120	1.38
13	ELIZABETH OOI HEAN GIN	8,700,000	1.27
14	VICTOR ENTERPRISES PTE LTD	4,893,000	0.71
15	ENTRACO VENTURE CORPORATION PTE LTD	3,970,500	0.58
16	KHOO SIN HOCK VICTOR	3,727,700	0.54
17	TANG SEE CHANG @ TAN SAY CHAN OR TANG MING TECK ALEX	3,200,000	0.47
18	SIAH SIEW GEOK	2,943,600	0.43
19	UOB KAY HIAN PRIVATE LIMITED	2,411,000	0.35
20	TENG AH LAN	2,282,000	0.33
	TOTAL	**561,108,346**	**81.88**

STATISTICS OF SHAREHOLDINGS

AS AT 27 MARCH 2020
[RULE 1207 (9)]

SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders as at 27 March 2020)

	Direct Interest	%	Deemed Interest	%
Teng Choon Kiat	1,250,000	0.18	193,688,100(1)	28.27
Ng Han Kok	–	–	120,714,653(2)	17.62
Stone Robert Alexander	17,552,300	2.56	26,537,700(3)	3.87

Notes:

(1) Teng Choon Kiat is deemed to be interested in (i) 3,970,500 shares held by a corporation wholly owned by him; and (ii) 189,717,600 shares registered under CIMB Securities (Singapore) Pte Ltd.

(2) Ng Han Kok is deemed to be interested in (i) 250,000 shares held by his spouse; (ii) 43,067,700 shares registered under Phillip Securities Pte Ltd; (iii) 38,042,526 shares registered under SBS Nominees Pte Ltd; (iv) 36,259,527 shares registered under RHB Securities Pte Ltd; and (v) 3,094,900 shares registered under Maybank Kim Eng Securities Pte Ltd.

(3) Held through OCBC Securities Private Limited.

Note: The above percentage is calculated based on the Company's number of issued shares (excluding 25,540,900 treasury shares) of 685,098,312.

PERCENTAGE OF SHAREHOLDINGS IN HANDS OF THE PUBLIC

Approximately 41.8% of the Company's shares (excluding treasury shares) are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING FOR RE-ELECTION

Additional Information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Directors seeking for re-election

The following additional information on Messrs Oh Eng Bin, Kenneth and Teng Choon Kiat, all of whom are seeking re-election as Directors at this Annual General Meeting, is to be read in conjunction with their respective biographies on pages 11 to 12.

	Oh Eng Bin, Kenneth	**Teng Choon Kiat**
Date of Appointment	14 January 2014	14 February 2018
Date of last re-appointment (if applicable)	27 April 2017	27 April 2018
Age	46	54
Country of principal residence	Singapore	Singapore
The Board's comments on this re-appointment	Mr Oh Eng Bin, Kenneth brings with him more than 20 years of experience in legal sector. The Board has considered the NC's recommendation and assessment of Mr Oh Eng Bin, Kenneth's qualification and vast experience in the legal sector and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.	Mr Teng Choon Kiat continues to possess the requisite experience and qualification to continue in office as Executive Chairman.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Yes, provides leadership and support to the Company and manage the development of the Board
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director/Chairman on Remuneration Committee/ Member of Audit Committee and Nominating Committee	Executive Chairman
Professional qualifications	Please refer to the Directors' respective biographies on pages 11 to 12.	
Working experience and occupation(s) during the past 10 years	Please refer to the Directors' respective biographies on pages 11 to 12.	
Shareholding interest in the listed issuer and its subsidiaries	Nil	Mr Teng Choon Kiat holds 1,250,000 ordinary shares in SHS Holdings Ltd. under his own name and is deemed to be interested in (i) 3,970,500 ordinary shares held by a corporation wholly owned by him; and (ii) 189,717,600 ordinary shares held by CIMB Securities (Singapore) Pte Ltd.

ADDITIONAL INFORMATION FOR DIRECTORS SEEKING FOR RE-ELECTION

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	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7 under Rule 720(1) has been submitted to the listed issuer – Yes/No	Yes	Yes
Other Principal Commitments* Including Directorships	Please refer to the Directors' respective biographies on pages 11 to 12.	
Responses to questions (a) to (k) under Appendix 7.4.1 of the SGX Listing Manual	Negative confirmation for both Mr Oh Eng Bin, Kenneth and Mr Teng Choon Kiat	

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