SIN HENG
HEAVY MACHINERY LIMITED

新興重型機械有限公司

ANNUAL REPORT
2019

SH

CONTENTS

SIN HENG

COMPANY PROFILE

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

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

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

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

OUR BUSINESS

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

OUR DISTRIBUTORSHIPS

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

OUR PROFESSIONALISM

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

OUR OVERSEAS PRESENCE

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


KATO
KATO
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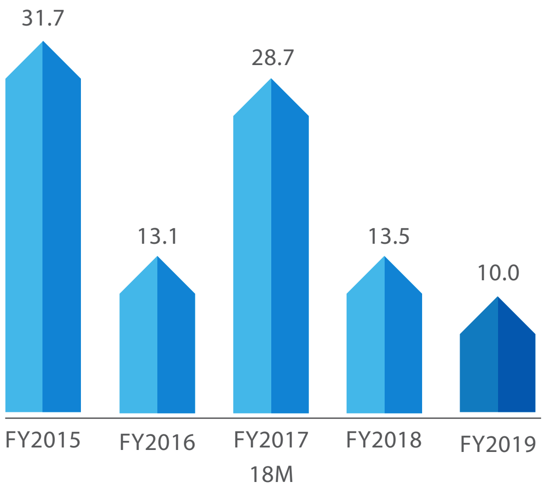
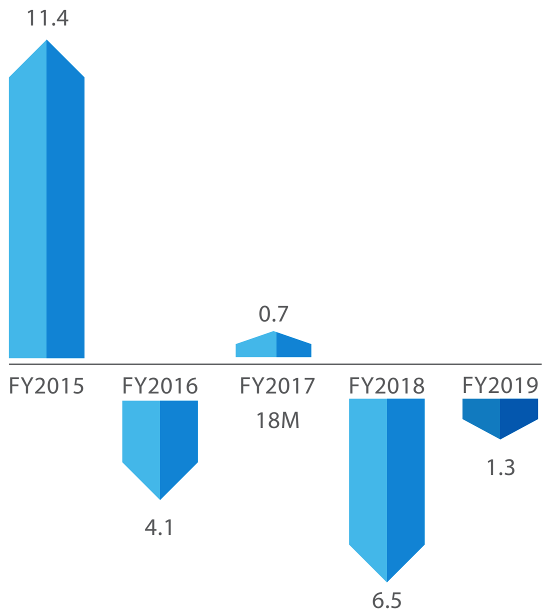
KATO

FINANCIAL HIGHLIGHTS

GROSS PROFIT
(S$Million)

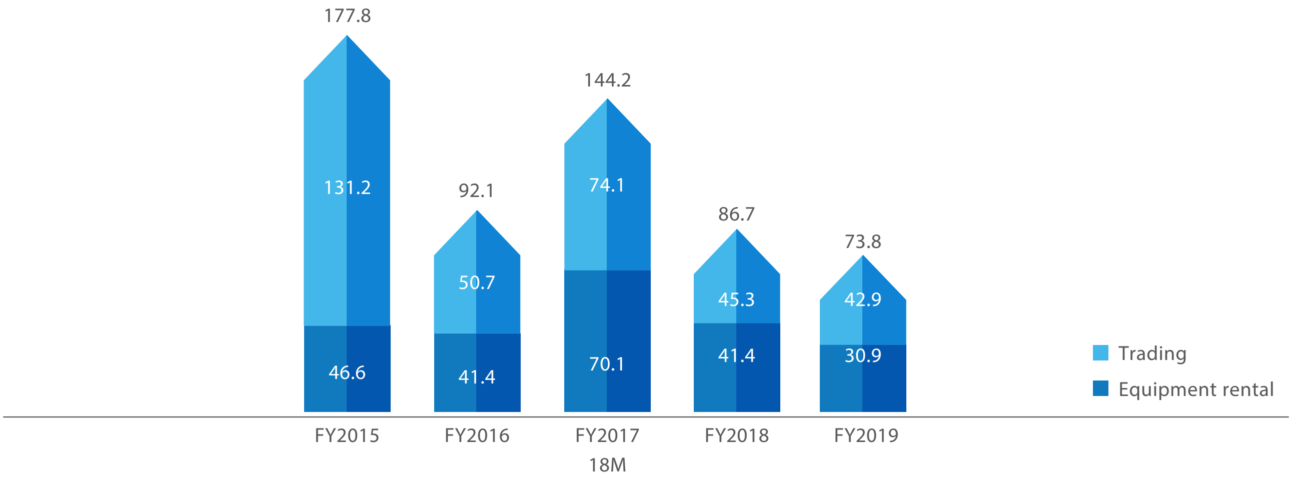


PROFIT (LOSS) ATTRIBUTABLE TO OWNERS OF THE COMPANY
(S$Million)



EQUIPMENT RENTAL FLEET	FY2015	FY2016	18M FY2017	FY2018	FY2019
Aggregate crane lifting capacity (tons)	17,327	18,782	20,634	18,369	15,294
Average crane lifting capacity (tons)	116	107	104	103	112
Cranes (units)	150	176	199	179	137
Aerial Lifts (units)	279	281	260	244	182

REVENUE
(S$Million)



OUR GLOBAL NETWORK


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

JOINT STATEMENT BY EXECUTIVE DIRECTOR & CEO

Tan Ah Lye
Executive Director & CEO

Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present Sin Heng Heavy Machinery Limited's (the "Company" and together with its subsidiaries, the "Group") annual report for the financial year ended 31 December 2019 ("FY2019").

The operating environment in FY2019 was fraught with challenges brought on by continued economic and political uncertainties and volatility in the oil markets. These continued to affect the momentum of business activities and dampened the demand for lifting equipment in the Group's key customer markets – oil and gas, marine and construction sectors. Consequently, competition in the lifting equipment industry also intensified which exerted additional pressure on equipment prices and rental rates. Amid these challenges, the Group continued to execute strategies to strengthen its financial position and rationalise its operations for long term sustainability and future growth opportunities.

Financial Performance

The Group registered revenue of S$73.8 million in FY2019, down 14.9% from FY2018 due mainly to the slower performance of its Equipment Rental business. This segment saw a 25.4% decline in revenue to S$30.9 million as a result of softer demand and lower rental rates for lifting equipment. Our Equipment Rental business was affected primarily by lower rental revenue derived from the Malaysia market in FY2019, as a slowdown in the country's economy and political uncertainty resulted in project delays and cancellations, softer demand and lower rental rates for lifting equipment. The Group also adopted a cautious stance with its credit exposure due to tighter liquidity conditions in certain customer segments in Malaysia.

We continued to align the size of our rental fleet to the slower market conditions in FY2019 by disposing lifting equipment that had lower demand from customers. This strategy has enabled the Group to improve its cash flow and pare its finance leases. With a stronger financial position, we are better placed to overcome market difficulties and renew our fleet of lifting equipment when market conditions recover.

In line with this strategy, we saw a higher revenue contribution of 58% from our Trading business even though it registered a 5.2% dip in sales to S$42.9 million in FY2019. Notwithstanding lower sales, the Trading business chalked up a higher gross profit and partially buffered the decline in gross profit from the Equipment Rental business. As a result, the Group's gross profit decreased 25.4% to S$10.0 million in FY2019.

Nonetheless, the Group managed to reduce its net loss attributable to owners of the Company to S$1.3 million in FY2019 from a loss of S$6.5 million last year. This can be credited in part to the continual efforts of our people to raise productivity and improve cost management which have yielded cost savings for the Group in FY2019.

Prospects

Looking ahead, we expect business conditions in 2020 to remain challenging. Concerns surrounding a global economic slowdown have been exacerbated by the

JOINT STATEMENT BY INDEPENDENT CHAIRMAN

Renny Yeo Ah Kiang
Independent Chairman

Covid-19 virus outbreak. In addition to the economic woes which are denting business confidence, the political uncertainties in certain markets, an increase in oil price volatility particularly the recent plunge in oil price and supply disruption issues stemming from the Covid-19 situation could also have an adverse impact on the business activities and projects in the Group's main markets. Intense competitive conditions are also expected to prevail which will continue to exert downward pressure on equipment rental rates and trading prices.

To ensure that the Group remains well-placed to weather this difficult business period, we plan to align our operations to prevailing market conditions and continue to actively lower our cost structure. To this end, the Group intends to rationalise its operations in Malaysia and Vietnam as we envisage a weaker demand outlook for lifting equipment rental in these markets. Hence, we will be looking to scale down the fleet size and manpower at our subsidiaries in Malaysia and Vietnam. The Group will instead step up its focus on the Indonesia and Singapore markets where we believe there could be firm demand for lifting equipment.

In Singapore, we have experienced relatively stable business for the rental of our lifting equipment during FY2019. We believe the ongoing construction and infrastructure projects in Singapore could continue to lend support to demand for lifting equipment. The Group also has plans to increase our market penetration and enlarge our scale of business in Indonesia to capitalise on potential opportunities there. Indeed, Indonesia was the Group's second largest market behind Singapore in FY2019.

In parallel with our business development strategies, we will continue to work on improving operational efficiency and optimising operational costs. We will also manage our working capital prudently and enforce stringent credit control measures to ensure that the Group remains in a sound financial position to ride out tough times and take advantage of market opportunities. As at 31 December 2019, the Group has net cash of S$13.5 million.

With an established track record spanning over 50 years, Sin Heng is led by a strong management team that possesses the breadth and depth of experience in the lifting equipment industry. The management, together with the support of our people, has successfully navigated the Group through many business cycles in the past decades. Thus, we firmly believe that the Group has the ability to deal with any potential business headwinds and continue to reinforce its market reputation as a reliable supplier of comprehensive heavy lifting services. We remain committed to providing our customers with the best heavy lifting services and continue to work towards our mission to provide high quality and reliable services to our customers in Asia.

Appreciation

On behalf of the Board of Directors, we would like to express our gratitude to our Shareholders, valued customers, principal banks, business partners and suppliers for their continued support of Sin Heng. We would also like to extend our deepest appreciation to our fellow Directors, management and staff for their unwavering dedication and invaluable contributions to the Group.

OPERATIONS REVIEW

Financial Performance

For the year ended 31 December 2019 ("FY2019"), the Group's revenue decreased 14.9% to S$73.8 million from S$86.7 million in FY2018. This was due mainly to lower revenue derived from the Group's Equipment Rental business.

In line with lower revenue, the Group recorded a 25.4% decline in gross profit to S$10.0 million in FY2019 from S$13.5 million in FY2018. This translated into a gross profit margin of 13.6% in FY2019 compared to 15.5% in FY2018. The softer gross profit margin in FY2019 was attributed mainly to lower utilisation of lifting equipment and pressure on rental rates amid intense competitive conditions.

Other operating income in FY2019 jumped to S$2.8 million from S$0.9 million in FY2018. This was due mainly to receipt from term life insurance claim, interest charged to a customer for late and overdue payment and net exchange gain on foreign currencies in FY2019.

Selling expenses decreased 26.4% to S$1.1 million in FY2019 from S$1.5 million in the previous year. Administrative expenses also declined by 11.9% to S$10.7 million from S$12.1 million in FY2018. These reductions in selling and administrative expenses can be attributed to the Group's cost control measures.

Other operating expenses also declined significantly by 54.4% to S$2.1 million from S$4.6 million in FY2018. This was due mainly to reductions in impairment of property, plant and equipment, allowance for doubtful debts, as well as lower write-off for property, plant and equipment in FY2019.

Finance costs in FY2019 dropped by 49.3% to S$1.0 million from S$1.9 million in FY2018 as a result of early termination of hire purchase loans related to lifting equipment that had been sold in FY2019.

As a result of the aforesaid factors, the Group narrowed its net loss attributable to owners of the Company to S$1.3 million in FY2019 from S$6.5 million in FY2018.

Segment Performance

	Equipment Rental Business		Trading Business	
	FY2019	FY2018	FY2019	FY2018
Revenue	30,891	41,428	42,899	45,250
Gross Profit	5,212	9,640	4,831	3,816

The Group's Equipment Rental business generated revenue of S$30.9 million in FY2019, down 25.4% from S$41.4 million in FY2018. This was attributed to a reduction in the number of lifting equipment rented out in FY2019 amid softer demand, as well as lower rental rates.

In view of the subdued demand in the lifting equipment rental market, the Group continued with its strategy to strengthen its financial position by disposing lifting equipment that had lower rental demand. As a result, the Group registered revenue of S$42.9 million from the Trading business in FY2019. This was 5.2% lower than S$45.2 million in FY2018 due mainly to a change in product mix in FY2019.

As a percentage of Group revenue, the Equipment Rental business accounted for 42% in FY2019 compared to 48% in FY2018. The Trading business contributed to 58% of Group revenue in FY2019 compared to 52% in FY2018.

The Equipment Rental business' gross profit declined 45.9% to S$5.2 million from S$9.6 million in FY2018 in tandem with lower sales. Gross profit margin reduced to 16.9% from 23.3% in FY2018 due to a drop in the number of lifting equipment rented out, lower utilisation and lower rental rates. However, the Trading business recorded a 26.5% increase in gross profit to S$4.8 million in FY2019 from S$3.8 million in FY2018. Correspondingly, this business segment's gross profit margin increased to 11.3% compared to 8.4% last year due to favourable product mix in FY2019.

At the end of FY2019, the Group's lifting equipment fleet comprised 319 units of cranes and aerial lifts, compared to a fleet size of 423 units at the end of FY2018.

OPERATIONS REVIEW

Financial Position

As at 31 December 2019, the Group had total assets of S$134.6 million and total liabilities of S$23.2 million. Shareholders' equity stood at S$111.5 million at the end of FY2019. The Group remained in a net cash position as at 31 December 2019.

Current assets as at 31 December 2019 increased by S$9.3 million to S$53.8 million due mainly to higher cash and bank balances, as well as trade and other receivables.

Non-current assets decreased by S$26.2 million to S$80.8 million as at 31 December 2019. This can be attributed mainly to a decrease in fleet size and depreciation charges as well as the impairment of property, plant and equipment, which was offset partially by the recognition of right-of-use ("ROU") assets. Following the adoption of the SFRS(I)16 Leases, the Group's operating leases are recognised on the balance sheet as ROU assets and lease liabilities. The Group recorded ROU assets of S$1.1 million as at 31 December 2019.

Current liabilities fell by S$10.1 million to S$10.0 million as at 31 December 2019 due to the repayment of finance leases, and reductions in bills payables, trade and other payables, and income tax payable. The Group also saw a reduction in its non-current liabilities by S$5.3 million to S$13.2 million as at 31 December 2019 following the repayment of finance leases. As at 31 December 2019, the Group recorded total lease liabilities of S$11.6 million.

As at 31 December 2019, the Group recorded positive working capital of S$43.8 million compared to S$24.5 million as at 31 December 2018.

SIN HENG IS AN AUTHORISED DISTRIBUTOR FOR THESE LEADING BRANDS

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KOBELCO

KATO

GROVE
by Manitowoc

BOARD OF DIRECTORS

As of 31 December 2019

MR RENNY YEO AH KIANG

Independent Chairman

Mr Renny Yeo Ah Kiang was appointed as our Independent Chairman in November 2017. Prior to November 2017, he has been our Independent Director since December 2009. He is the Chairman of the Nominating Committee and a member of the Remuneration Committee and Audit and Risk Committee. He is also an independent director of Tai Sin Electric Ltd, a company listed on the Mainboard of the Singapore Exchange. In November 2019, he was appointed as an Independent director of Zicom Holdings Pte Ltd and Zicom Group Ltd, a company listed on the Australian Security Exchange.

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

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

Mr Yeo is currently an Enterprise Singapore Board member, the Chairman of The Singapore Accreditation Council-SAC (Enterprise Singapore) and Emeritus President of Singapore Manufacturing Federation.

Mr Yeo is also a Non-Executive Director of Kinta Properties Holdings Sdn Bhd and its subsidiaries in Malaysia. He is also a Non-Executive Director of Biosanapharma BV in the Netherlands.

Mr Yeo was conferred the Public Service Star (BBM) in 2018 and Public Service Medal (PBM) in 2000 by The President of the Republic of Singapore. He was awarded the SPRING Singapore distinguished Partner Award (2011), SISIR Standards Council Distinguished Award (1994).

MR TAN AH LYE

Executive Director and Chief Executive Officer

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

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

MR TAN CHENG GUAN

Executive Director

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

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

BOARD OF DIRECTORS

As of 31 December 2019

MR TAN CHENG KWONG

Executive Director

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

MR HIDEYUKI MORITA

Executive Director

Mr Hideyuki Morita was appointed as an Executive Director of the Company in May 2018. Mr Morita is in-charge of local and international operations for Japanese customers and Myanmar operations. He had previously served as a Non-Executive Director of the Company from July 2015 to April 2018. He joined the former Tomen Corporation (which later merged with Toyota Tsusho Corporation in 2006) in 1981. He has been constantly in charge of the Construction Machinery business from the beginning of his career till today.

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

MR HIDEKI OKADA

Non-Executive Director

Mr Hideki Okada was appointed as a Non-Executive Director of the Company in May 2018. He is a member of the Audit and Risk Committee, the Remuneration Committee and the Nominating Committee. He had previously served as an Executive Director of the Company from May 2012 to April 2018. Mr Okada joined the Toyota Tsusho Group in 1997. He was in charge of the sales of construction equipment and commercial trucks under ODA Projects for Asia & Middle-East Countries which include Afghanistan, Bhutan, Indonesia, Cambodia, China, Laos, Nepal, Thailand, Vietnam and Iraq. Through his experience with Japanese trading firms, he has a strong network with many manufacturers not only in Japan but also in America and Europe. Mr. Okada graduated with a Bachelor of Arts in English from Kanda University of International Studies.

MR NAOKI ANDO

Non-Executive Director

Mr Naoki Ando was appointed as a Non-Executive Director of the Company in March 2018. He joined Toyota Tsusho Corporation in 1992 where he started his career with the Tokyo Machinery Department. He was posted to the Bangalore Liaison Office in India in 2005 before moving on to New Delhi Branch Office in 2007. In 2011 Mr Ando returned to Japan as Group Leader of Construction Machinery & Project Department. He is presently the General Manager, Construction Machinery & Project Department of Toyota Tsusho Corporation, Japan. Mr Ando graduated from Rikkyo University's Faculty of Law in 1992.

BOARD OF DIRECTORS

As of 31 December 2019

MR YEO YUN SENG, BERNARD

Independent Director

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

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

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

MR SOH SAI KIANG

Independent Director

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS:

Renny Yeo Ah Kiang
Independent Chairman

Tan Ah Lye
Executive Director & CEO

Tan Cheng Guan
Executive Director

Tan Cheng Kwong
Executive Director

Hideyuki Morita
Executive Director

Hideki Okada
Non-Executive Director

Naoki Ando
Non-Executive Director

Soh Sai Kiang
Independent Director

Yeo Yun Seng, Bernard
Independent Director

AUDIT & RISK COMMITTEE:

Yeo Yun Seng, Bernard
Chairman

Renny Yeo Ah Kiang
Hideki Okada
Soh Sai Kiang

NOMINATING COMMITTEE:

Renny Yeo Ah Kiang
Chairman

Yeo Yun Seng, Bernard
Hideki Okada
Soh Sai Kiang

REMUNERATION COMMITTEE:

Soh Sai Kiang
Chairman

Renny Yeo Ah Kiang
Yeo Yun Seng, Bernard
Hideki Okada

COMPANY SECRETARIES:

Fiona Lim Pei Pei, ACS, ACIS
Siau Kuei Lian, ACS, ACIS

REGISTERED OFFICE:

26 Gul Road
Singapore 629346

SHARE REGISTRAR AND SHARE TRANSFER OFFICE:

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

AUDITORS:

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

FINANCIAL CONTENTS

SIN HENG

CORPORATE GOVERNANCE REPORT

The Board of Directors ("**Board**") of Sin Heng Heavy Machinery Limited ("**Company**") recognises the importance of and is committed to maintaining a high standard of corporate governance. The Company is guided in its corporate governance practices by the Code of Corporate Governance 2018 (the "**Code**") so as to protect shareholders' interests and enhance long-term shareholders' value and corporate transparency. This Corporate Governance Report outlines the Group's corporate governance processes and activities during the financial year ended 31 December 2019 ("**FY2019**") with specific reference to the Code.

(A) BOARD MATTERS

Board's Conduct of its Affairs

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

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

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

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

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

The Board has adopted a set of internal controls and guidelines for the Management to operate within. These internal controls and guidelines set authorisation and approval limits for operating matters. Apart from matters that specifically require the Board's approval, such as investments, acquisitions, disposals, borrowings, issuance of shares, dividend distributions and other returns to shareholders, the Board approves operational matters where the value of a transaction exceeds these limits or when transactions fall outside the ordinary course of business. To assist in the execution of its responsibilities, the Board is supported by three committees, namely the Audit and Risk Committee ("**ARC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (collectively "**Board Committees**").

Each committee functions within clearly defined terms of reference and operating procedures. The effectiveness of each committee is also constantly reviewed by the Board.

CORPORATE GOVERNANCE REPORT

The Board will conduct regular scheduled meetings on a quarterly basis. Ad-hoc meetings can also be convened when circumstances require. If necessary, Board meetings may be conducted by way of telephone or video conferencing as permitted under Regulation 116 of the Company's Constitution where all persons participating in the meeting communicate with each other simultaneously and instantaneously.

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

The following table sets out the attendance of each Director at the Board and Board Committees meetings held during FY2019:

Name of Director	Board	ARC	NC	RC
	Number of Meetings Held: 4	Number of Meetings Held: 4	Number of Meetings Held: 1	Number of Meetings Held: 3
	Meetings Attended	Meetings Attended	Meetings Attended	Meetings Attended
Renny Yeo Ah Kiang	4	4	1	3
Tan Ah Lye	3	–	–	–
Tan Cheng Guan	3	–	–	–
Tan Cheng Kwong	4	–	–	–
Hideyuki Morita	4	–	–	–
Hideki Okada	3	3	–	2
Naoki Ando	4	–	–	–
Soh Sai Kiang	3	4	1	3
Yeo Yun Seng, Bernard	4	4	1	3
Tan Keh Yan, Peter(1)	1	1	1	2

Note:
(1) Mr Tan Keh Yan, Peter retired on 23 April 2019.

Appropriate briefing and orientation will be arranged for newly appointed Directors to familiarise them with the Group's business operations, strategic directions, Directors' duties and responsibilities and the corporate governance practices. They will also be given opportunities to visit the Group's operational facilities and meet the Management so as to gain a better understanding of the Group's business.

CORPORATE GOVERNANCE REPORT

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

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

The details of updates, seminars and training programmes attended by the Directors in FY2019 include, amongst others:–

- Updates on developments in financial reporting and governance standards, where relevant, by the external auditors of the Company.

- ACRA-SGX-SID Audit Committee Seminar.

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

Board Composition and Guidance

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

Presently, the Board comprises four (4) Executive Directors, two (2) Non-Executive Directors and three (3) Independent Directors:–

Name of Director	**Board**	**ARC**	**NC**	**RC**
Renny Yeo Ah Kiang	Independent Chairman	Member	Chairman	Member
Tan Ah Lye	Executive Director & Chief Executive Officer ("CEO")	–	–	–
Tan Cheng Guan	Executive Director	–	–	–
Tan Cheng Kwong	Executive Director	–	–	–
Hideyuki Morita	Executive Director	–	–	–
Hideki Okada	Non-Executive Director	Member	Member	Member
Naoki Ando	Non-Executive Director	–	–	–
Soh Sai Kiang	Independent Director	Member	Member	Chairman
Yeo Yun Seng, Bernard	Independent Director	Chairman	Member	Member

CORPORATE GOVERNANCE REPORT

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

The NC has reviewed the forms on confirmation of independence completed by each Independent Director and concurred with their confirmation. Save for Mr. Renny Yeo Ah Kiang and Mr. Yeo Yun Seng, Bernard, none of the Independent Directors has served on the Board beyond nine (9) years as of the date of this report from the date of his appointment.

Notwithstanding that Mr. Renny Yeo Ah Kiang and Mr. Yeo Yun Seng, Bernard have served the Board beyond nine (9) years, the NC, with the concurrence of the Board, is satisfied that both have been able to objectively guide and oversee the Management of the Group, provide the check and balance and exercise an independent business judgement to the best interests of the Group.

Mr. Renny Yeo Ah Kiang and Mr. Yeo Yun Seng, Bernard had abstained from the discussions pertaining to the review of their independence.

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

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

The Board comprises Directors who as a whole, have core competencies and diversity of experience to enable them to lead and control the Group effectively. Such competencies and experiences include industry knowledge, strategic planning, business and general management and finance.

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

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

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

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

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

The responsibilities of the Independent Chairman include:

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

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

The Board is of the view that appointment of a Lead Independent Director is not required, as the Chairman of the Board is independent.

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

CORPORATE GOVERNANCE REPORT

Board Membership

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

The NC consists of three (3) Independent Directors and a Non-Executive Director as follows, the majority of whom, including the NC Chairman, are independent:

Mr. Renny Yeo Ah Kiang (Chairman)
Mr. Yeo Yun Seng, Bernard
Mr. Soh Sai Kiang
Mr. Hideki Okada

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

(i) reviewing and making recommendations to the Board on all candidates nominated (whether by the Board, shareholders or otherwise) for appointment to the Board and on re-nomination of Directors, taking into account the composition and progressive renewal of the Board and each Director's competencies, commitment, prior contribution and performance;

(ii) making recommendations to the Board on matters relating to the review of Board succession plans for directors, the development of a process for evaluating the performance of the Board, Board Committees and Directors and reviewing of training programmes for the Board;

(iii) determining annually and as and when circumstances require whether or not a Director is independent;

(iv) deciding whether or not a Director with multiple board representations is able to and has been adequately carrying out his duties as a Director;

(v) reviewing training and professional development programs for the Board;

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

The NC had recommended to the Board that Mr. Tan Cheng Kwong, Mr. Hideki Okada and Mr. Renny Yeo Ah Kiang retiring via rotation pursuant to Regulation 89 of the Company's Constitution be nominated for re-election at the forthcoming AGM. The Board had accepted the NC's recommendations.

Mr. Hideki Okada and Mr. Renny Yeo Ah Kiang, being members of the NC who are retiring at the forthcoming AGM, abstained from voting on the resolution in respect of their own re-nomination as a Director.

Mr. Tan Cheng Kwong, Mr Hideki Okada and Mr. Renny Yeo Ah Kiang have consented for re-election at the forthcoming AGM.

Although some of the Board members have multiple board representations, the NC, after discussion with the said Directors, is satisfied that sufficient time and attention has been given by the Directors to the Group. The NC and the Board have determined that the maximum number of board representations by each Board member should not be more than five (5) listed companies. The NC will continue to review from time to time the board representations of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

There is no alternate director being appointed to the Board.

The key information regarding the Directors such as directorships or chairmanships both present and past held over the preceding five years in other listed companies and other major appointments are set out in pages 14 to 18 and 38 to 48 of the Annual Report.

Board Performance

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

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

All Directors review and evaluate the performance and assess the effectiveness of the Board and Board Committees as a whole and the results of each assessment are considered by the NC, which has the responsibility of assisting the Board in the evaluation of the Board's and Board Committees' effectiveness. Factors such as (1) the structure and size of the Board and Board Committees, (2) the manner in which the Board and Board Committees meetings are conducted, (3) the Board's and Board Committees' accountability, (4) the process to review and approve the corporate strategy and planning, (5) the Board's access to information, and (6) access to the Key Management to ensure the establishment of a risk management system and internal control are applied to evaluate the Board's, Board Committees' and each Director's performance. Each member of the NC abstains from making any recommendations and/or participating in any deliberation of the NC and from voting on any resolution in respect of the assessment of his own performance or re-nomination as a Director. The NC held one (1) meeting during FY2019.

CORPORATE GOVERNANCE REPORT

The NC assesses each Director's performance and evaluates the Board's and Board Committees' performance as a whole annually using objective and appropriate quantitative and qualitative criteria, such as those factors above, which were recommended by the NC. In reviewing the overall Board's performance, the NC also took into consideration the Board's ability to monitor Management's achievement of the strategic directions/objectives set and approved by the Board.

Assessment parameters for Directors' performance include their level of participation at Board and Board Committees meetings and the quality of their contribution to Board processes and the business strategies and performance of the Group. The NC's evaluation of the individual Directors for FY2019 was facilitated with feedback from the NC members on areas relating to the Board's competencies and effectiveness. The results of the evaluation process were used by the NC, in its consultation with the Independent Chairman to effect continuing improvements on Board processes.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC consists of three (3) Independent Directors and a Non-Executive Director as follows, the majority of whom, including the RC Chairman, are independent:

Mr. Soh Sai Kiang (Chairman)
Mr. Renny Yeo Ah Kiang
Mr. Yeo Yun Seng, Bernard
Mr. Hideki Okada

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

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

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

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

CORPORATE GOVERNANCE REPORT

No Director will be involved in determining his own remuneration.

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

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

Level and Mix of Remuneration

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

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

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

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

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

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

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

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

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

The following table shows a breakdown of the remuneration of the Executive Directors, Non-Executive Directors, Key Management Personnel, Immediate Family Member of Directors or CEO in percentage terms for FY2019:

	Salary (%)	Bonus & profit sharing (%)	Shares Awards (%)	Other Benefits (%)	Fees (%)	Total (%)
Executive Directors:						
S$500,001 to S$750,000						
Tan Cheng Guan	79	7	–	14	–	100
Tan Cheng Kwong (Cheng Qingguang)	84	7	–	9	–	100
S$250,001 to S$500,000						
Tan Ah Lye	76	7	–	7	10	100
Below S$250,000						
Hideyuki Morita	91	5	–	4	–	100
Non-Executive Directors:						
Below S$250,000						
Renny Yeo Ah Kiang	–	–	–	–	100	100
Yeo Yun Seng, Bernard	–	–	–	–	100	100
Tan Keh Yan, Peter(1)	–	–	–	–	100	100
Soh Sai Kiang	–	–	–	–	100	100
Hideki Okada	–	–	–	–	100	100
Naoki Ando	–	–	–	–	100	100
Key Management Personnel:						
S$250,001 to S$500,000						
Tan Cheng Soon, Don(2)	84	8	–	8	–	100
Lim Choon Keng	89	7	–	4	–	100
Below S$250,000						
Wee Soe Chuen, Gary	81	7	–	12	–	100
Tan Roh Tang	83	6	–	11	–	100
Tay Kok Keong(3)	71	14	–	15	–	100
Teh Zi Chiau	79	4	–	17	–	100

CORPORATE GOVERNANCE REPORT

Notes:

(1) Mr Tan Keh Yan, Peter retired on 23 April 2019.

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

(3) Mr Tay Kok Keong resigned on 31 May 2019.

Save for the above disclosure, there is no employee of our Group who is a substantial shareholder of the Company, or an immediate family member of a Director or CEO whose remuneration exceeded S$100,000 for FY2019.

The aggregate remuneration of the top five Key Management Personnel (who are not Directors or the CEO) amounted to S$1,129,000.

For FY2019, there were no termination, retirement or post-employment benefits granted to Directors and relevant Key Management Personnel other than the standard contractual notice period and termination payment in lieu of service.

Share Award Scheme

The Company has in place an employee share option scheme which allows certain of its confirmed employees, Non-Executive Directors (including Independent Directors), controlling shareholders or their associate and Executive Directors (each, "**Participant**" and collectively, "**Participants**") to participate in the Company's growth. It was introduced in order to motivate each Participant to optimise his performance standard and efficiency and to maintain a high level of contribution to the Group; to retain key employees and Directors; to instill their loyalty to, and a stronger identification by the Participants with the long-term prosperity of the Group. The SHHM Employee Share Option Scheme had expired on 20 December 2019. Our Company has not issued any options to the Participants as at 20 December 2019.

(C) ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

a. The financial records have been properly maintained and the financial statements for FY2019 give a true and fair view in all material respects, of the Group's operations and finances; and

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

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

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

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

Audit and Risk Committee

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

The ARC consists of three (3) Independent Directors and a Non-Executive Director as follows, all of whom are non-executive and the majority of whom, including the ARC Chairman, are independent:

Mr. Yeo Yun Seng, Bernard (Chairman)
Mr. Soh Sai Kiang
Mr. Renny Yeo Ah Kiang
Mr. Hideki Okada

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

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

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

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

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

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

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

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

(xii) overseeing risk management; and

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

The ARC had conducted a review of all non-audit services provided by the auditors and is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. Fees paid or payable by the Group to the external auditors (and member firms) of the Company for audit services and non-audit services for FY2019 amounted to S$149,000 and S$42,000 respectively.

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

(D) SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder rights and conduct of general meetings

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meeting, and responses from the Board and the Management. These minutes are available to Shareholders upon their request.

The Group does not have a formal dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. No dividend has been declared and recommended for FY2019 in view of the loss for the year and the Company's need for working capital.

Engagement with shareholders

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

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

- Annual Report and Circulars that are prepared and sent to all shareholders. The Board ensures that these documents include all relevant material information about the Company and the Group, and other disclosures required by the Listing Rules of the SGX-ST, Singapore Companies Act and Singapore Financial Reporting Standards (International);

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

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

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

The Company does not practice selective disclosure. Price sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. All shareholders of the Company will receive the Annual Report with an accompanying notice of AGM by post. The notice of AGM is also published in the newspaper within the mandatory period, the AGM of which is to be held within four months after the close of the financial year.

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

CORPORATE GOVERNANCE REPORT

(E) MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with stakeholders

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

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

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

The Sustainability Report FY2019 will be published to keep stakeholders informed on the Group's business and operations.

(F) DEALINGS IN COMPANY'S SECURITIES

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

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

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

(G) INTERESTED PERSON TRANSACTIONS

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

There were no IPTs with aggregate value exceeding S$100,000 between the Group and any of its interested persons (namely, Directors, Key Management Personnel or controlling shareholders of the Group or the associates of such Directors, Key Management Personnel or controlling shareholders) subsisting for FY2019.

(H) MATERIAL CONTRACTS

There is no material contract or loan entered into by the Company or any of its subsidiaries involving interests of any Director or controlling shareholder during FY2019.

CORPORATE GOVERNANCE REPORT

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

Name of Director	**Renny Yeo Ah Kiang**
Date of appointment	21 December 2009
Date of last re-election (if applicable)	26 October 2016 Due for re-election at the AGM to be held on 29 April 2020
Age	69
Country of principal residence	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has accepted and approved the NC's recommendation, who has reviewed and considered Mr. Renny Yeo's contribution and performance as the Independent Chairman of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job title	Independent Chairman
Professional qualifications	Mr. Renny Yeo holds a Higher National Diploma (HND) in Electrical & Electronic Engineering from Southampton College of Technology United Kingdom and a Master in Management from Asia Institute of Management, Philippines.
Shareholding interest in the listed issuer and its subsidiaries	The Company Nil Subsidiaries of the Group Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes

CORPORATE GOVERNANCE REPORT

Name of Director	Renny Yeo Ah Kiang
Working Experience, Occupations and Other Principal Commitments Including Directorships	Past (for the last 5 years) OEL (Holdings) Limited Masquad Lifestyles Pte Ltd Future Economy Council Manufacturing Sub Committee – Member Seavi Venture Services Pte Ltd – Venture Advisor Present Zicom Group Limited, Australia ZICOM Holdings Pte Ltd Tai Sin Electric Ltd Enterprise Singapore Biosanapharma BV, The Netherlands Nubio Invest Pte Ltd Passat Commercial Pte Ltd Hydroball Technics Holdings Pte Ltd Hydroball Technics (SEA) Pte Ltd KayLim Resources Berhad, Malaysia Bonanza Venture Holdings Sdn Bhd, Malaysia KayLim Holdings Sdn Bhd, Malaysia Kinta Properties Holdings Sdn Bhd, Malaysia Masquad Pte Ltd Other Principal Commitments Singapore Accreditation Council – Chairman Electrical & Electronic Product Standards Committee (Enterprise Singapore) – Advisor Singapore Manufacturing Federation – Emeritus President School Advisory Committee, Greenridge Secondary School – Member

CORPORATE GOVERNANCE REPORT

Name of Director	**Tan Ah Lye**
Date of appointment	31 October 2012
Date of last re-election (if applicable)	23 April 2019
Age	80
Country of principal residence	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	Not applicable. Mr. Tan is not subject to re-election.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr Tan is in-charge of the overall operations and financial performance of the Company
Job title	Executive Director and Chief Executive Officer
Professional qualifications	Nil
Shareholding interest in the listed issuer and its subsidiaries	The Company Direct Interest: 304,000 ordinary shares Deemed Interest: 32,273,200 ordinary shares Subsidiaries of the Group Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	The father of the Executive Directors, Mr Tan Cheng Guan, Mr Tan Cheng Kwong (Cheng Qingguang) and the Director of Operation, Mr Tan Cheng Soon, Don.
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Working Experience, Occupations and Other Principal Commitments Including Directorships	Past (for the last 5 years) Nil Present TAL Holdings Pte Ltd Lye Holdings Pte Ltd Tady Timber Co Pte Ltd TAL Capital Pte Ltd Utoc Engineering Pte Ltd Other Principal Commitments Nil

CORPORATE GOVERNANCE REPORT

Name of Director	**Tan Cheng Guan**
Date of appointment	1 July 1996
Date of last re-election (if applicable)	23 April 2019
Age	49
Country of principal residence	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	Not applicable, Mr Tan is not subject to re-election.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr Tan is in charge of our Group's crane trading business, as well as Malaysia and Indonesia subsidiaries.
Job title	Executive Director
Professional qualifications	Mr. Tan graduated with a Diploma in Mechanical Engineering from Singapore Polytechnic.
Shareholding interest in the listed issuer and its subsidiaries	The Company Nil Subsidiaries of the Group Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	The son of the Executive Director and CEO, Mr Tan Ah Lye, brother of the Executive Director, Mr Tan Cheng Kwong (Cheng Qingguang) and the Director of Operation, Mr Tan Cheng Soon, Don.
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Working Experience, Occupations and Other Principal Commitments Including Directorships	Past (for the last 5 years) Nil Present TAL Holdings Pte Ltd Other Principal Commitments Nil

CORPORATE GOVERNANCE REPORT

Name of Director	**Tan Cheng Kwong (Cheng Qingguang)**
Date of appointment	1 July 1996
Date of last re-election (if applicable)	27 April 2018 Due for re-election at the AGM to be held on 29 April 2020.
Age	46
Country of principal residence	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has accepted and approved the NC's recommendation, who has reviewed and considered Mr Tan's contribution and performance as the Executive Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr Tan is in charge of management and operations of Sin Heng Aerial Lifts Pte. Ltd. and Vietnam operations.
Job title	Executive Director
Professional qualifications	Nil
Shareholding interest in the listed issuer and its subsidiaries	The Company Nil Subsidiaries of the Group Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	The son of the Executive Director and CEO, Mr Tan Ah Lye, brother of the Executive Director, Mr Tan Cheng Guan and the Director of Operation, Mr Tan Cheng Soon, Don.
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Working Experience, Occupations and Other Principal Commitments Including Directorships	Past (for the last 5 years) Nil Present TAL Holdings Pte Ltd Other Principal Commitments Nil

CORPORATE GOVERNANCE REPORT

Name of Director	**Hideyuki Morita**
Date of appointment	31 July 2015
Date of last re-election (if applicable)	27 April 2018
Age	61
Country of principal residence	Japan
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	Not applicable, Mr Morita is not subject to re-election.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr. Morita is in-charge of local and international operations for Japanese customers and Myanmar operations.
Job title	Executive Director
Professional qualifications	Mr Morita graduated with a Bachelor of Arts in Economics from Keio University.
Shareholding interest in the listed issuer and its subsidiaries	The Company Nil Subsidiaries of the Group Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Working Experience, Occupations and Other Principal Commitments Including Directorships	Past (for the last 5 years) Nil Present Nil Other Principal Commitments Nil

CORPORATE GOVERNANCE REPORT

Name of Director	**Hideki Okada**
Date of appointment	25 May 2012
Date of last re-election (if applicable)	27 April 2018 Due for re-election at the AGM to be held on 29 April 2020
Age	47
Country of principal residence	Japan
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has accepted and approved the NC's recommendation, who has reviewed and considered Mr. Okada's contribution and performance as the Non-Executive Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job title	Non-Executive Director
Professional qualifications	Mr. Okada graduated with a Bachelor of Arts in English from Kanda University of International Studies.
Shareholding interest in the listed issuer and its subsidiaries	<u>The Company</u> Nil <u>Subsidiaries of the Group</u> Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Working Experience, Occupations and Other Principal Commitments Including Directorships	<u>Past (for the last 5 years)</u> Nil <u>Present</u> Nil <u>Other Principal Commitments</u> Nil

CORPORATE GOVERNANCE REPORT

Name of Director	**Naoki Ando**
Date of appointment	30 March 2018
Date of last re-election (if applicable)	27 April 2018
Age	50
Country of principal residence	Japan
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	Not applicable, Mr Ando is not subject to re-election.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job title	Non-Executive Director
Professional qualifications	Mr. Ando graduated with a Bachelor of Art in Law from Rikkyo University.
Shareholding interest in the listed issuer and its subsidiaries	The Company Nil Subsidiaries of the Group Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Working Experience, Occupations and Other Principal Commitments Including Directorships	Past (for the last 5 years) Nil Present Nil Other Principal Commitments Nil

CORPORATE GOVERNANCE REPORT

Name of Director	**Soh Sai Kiang**
Date of appointment	1 August 2012
Date of last re-election (if applicable)	23 April 2019
Age	51
Country of principal residence	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	Not applicable, Mr. Soh is not subject to re-election.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job title	Independent Director
Professional qualifications	Mr Soh graduated with a Bachelor of Arts (Merit) degree in Economics and Political Science from the National University of Singapore.
Shareholding interest in the listed issuer and its subsidiaries	The Company Nil Subsidiaries of the Group Nil
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes

CORPORATE GOVERNANCE REPORT

Name of Director	Soh Sai Kiang
Working Experience, Occupations and Other Principal Commitments Including Directorships	Past (for the last 5 years) Artivision Technologies Ltd Present Republic Healthcare Ltd Asidokona Mining Resources Pte Ltd BPTS Capital Pte Ltd OBOR Infrastructure Pte Ltd SRIH Mining Resources Pte Ltd SRIH Singapore Pte Ltd Alexander Resources Pte Ltd Algotech Holdings Ltd Blackgold Natural Resources Limited Other Principal Commitments Nil

Name of Director	Yeo Yun Seng, Bernard
Date of appointment	21 December 2009
Date of last re-election (if applicable)	27 April 2018
Age	69
Country of principal residence	Singapore
The Board's comments on this re-election (including rationale, selection criteria, and the search and nomination process)	Not applicable, Mr Bernard Yeo is not subject to re-election.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive
Job title	Independent Director
Professional qualifications	Fellow of Certified Chartered Accountants (FCCA) and Singapore Human Resources Institute (FSHRI).
Shareholding interest in the listed issuer and its subsidiaries	The Company Nil Subsidiaries of the Group Nil

CORPORATE GOVERNANCE REPORT

Name of Director	**Yeo Yun Seng, Bernard**
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None
Conflict of interest (including any competing business)	None
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes
Working Experience, Occupations and Other Principal Commitments Including Directorships	<u>Past (for the last 5 years)</u> UE E & C Ltd MFS Technology Ltd <u>Present</u> RH Petrogas Limited SHRI Corporation Pte Ltd SHRI Academy Pte Ltd <u>Other Principal Commitments</u> Nil

All the Directors subject to re-election had responded negative to items (a) to (k) listed in Appendix 7.4.1 (Announcement of Appointment) of the Listing Manual of SGX-ST.

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2019.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 59 to 132 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 December 2019 and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Renny Yeo Ah Kiang
Tan Ah Lye
Tan Cheng Guan
Tan Cheng Kwong
Hideki Okada
Yeo Yun Seng, Bernard
Soh Sai Kiang
Hideyuki Morita
Naoki Ando

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

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

DIRECTORS' STATEMENT

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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

By virtue of Section 7 of the Companies Act, Mr Tan Ah Lye is deemed to have an interest in the Company and all the related corporations of the Company as at 31 December 2019.

The directors' interests in the shares and options of the Company at 21 January 2020 were the same at 31 December 2019.

4 SHARE OPTIONS

(a) Options to take up unissued shares

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

(b) Options exercised

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

(c) Unissued shares under option

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

The Company has adopted the SHHM Employee Share Option Scheme (the "ESOS") which was approved by shareholders at an Extraordinary General Meeting held on 21 December 2009. The duration of the plan is a maximum period of 10 years commencing on the date of adoption, and had expired on 21 December 2019.

The ESOS is administered by the Remuneration Committee whose members are:

Soh Sai Kiang (Chairman)
Renny Yeo Ah Kiang
Yeo Yun Seng, Bernard
Hideki Okada

DIRECTORS' STATEMENT

5 AUDIT AND RISK COMMITTEE

The Audit and Risk Committee of the Company, consisting of all non-executive directors, is chaired by Mr Yeo Yun Seng, Bernard, an independent director, and includes Mr Hideki Okada, a non-executive director, Mr Soh Sai Kiang, an independent director and Mr Renny Yeo Ah Kiang, an independent director. The Audit and Risk Committee has met four times since the last Annual General Meeting ("AGM") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

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

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

(c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

(d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

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

(f) the re-appointment of the external auditors of the Group.

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

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

DIRECTORS' STATEMENT

6 AUDITORS

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

ON BEHALF OF THE DIRECTORS

Tan Ah Lye

Hideyuki Morita

31 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sin Heng Heavy Machinery Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 132.

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

Basis for Opinion

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

Key Audit Matters

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

Key Audit Matters (Continued)

Key Audit Matters	Our audit performed and responses thereon
Cranes and aerial lifts classified as inventories or property, plant and equipment *(Refer to Notes 11 and 12 to the financial statements)* The Group classifies cranes and aerial lifts purchased for sale to customers as inventories. When such machinery are purchased for leasing to customers, they are classified as property, plant and equipment. As at 31 December 2019, the cranes and aerial lifts classified as inventories and property, plant and equipment of the Group amounted to $3,938,000 and $69,582,000 respectively. Management judgement regarding future market and economic conditions is involved in determining the net realisable value of inventories and the recoverable amount of the property, plant and equipment as part of the annual impairment assessment. The accounting policies for inventories and property, plant and equipment are disclosed in Note 2 to the financial statements and the carrying amounts for inventories and property, plant and equipment of the Group are disclosed in Notes 11 and 12 to the financial statements respectively.	Our audit procedures focused on evaluating and challenging the key assumptions used by management in their assessment of the net realisable value of inventories and the recoverable amount of the cranes and aerial lifts classified as property, plant and equipment. Cranes and aerial lifts classified as inventories We enquired and evaluated management's assessment of the inventories' net realisable value. This includes making enquiries with management to understand their plans for future sales and examining the aging of the inventories. We have also selected significant and/or old inventory items and compared the cost of the inventories against sales during the financial year and sales subsequent to year end. Cranes and aerial lifts classified as property, plant and equipment We obtained management's value-in-use calculations and engaged our internal valuation specialist for review of key assumptions and estimates such as utilisation rates and discount rate. We obtained and examined the utilisation reports for assets with low utilisation rates and idle machinery. We reviewed rental reports for rental subsequent to the financial year end to assess management's judgement in determining the recoverable amount of these assets. For machinery not leased subsequent to the financial year end, we enquired and evaluated management's plans for these assets. We considered the adequacy of the disclosures of inventories and property, plant and equipment contained in Notes 11 and 12 to the financial statements respectively.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

Key Audit Matters (Continued)

Key Audit Matters	Our audit performed and responses thereon
Recoverability of trade receivables *(Refer to Note 8 to the financial statements)* As at 31 December 2019, the trade receivables of the Group amounted to $23,067,000. Management judgement is required in assessing the ultimate realisation of the receivables, including the assessment of expected credit losses under SFRS(I) 9 *Financial Instruments*, current creditworthiness and the past collection history of each customer. The accounting policy for valuation of trade receivables is disclosed in Note 2 to the financial statements and the carrying amount of trade receivables is disclosed in Note 8 to the financial statements.	We obtained an understanding of the Group's processes and controls relating to the monitoring of trade receivables and considered the aging of the debts to identify collection risks. We performed audit procedures, amongst others, on a sample basis, reviewing customers' payment history and obtaining evidence of receipts from the customers subsequent to the financial year end. We also performed analysis of aging of trade receivables and challenged management's assessment of material overdue trade receivables, considering the specific customers' profile and risks when no impairment allowance was made. In addition, we reviewed and assessed the reasonableness of the Group's historical loss rates and estimates of expected future loss rates, management's assessment of forward looking macro-economic factors and the eventual expected credit losses in accordance with SFRS(I) 9 *Financial Instruments.* We considered the adequacy of the related disclosures and classifications contained in Note 8 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

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

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

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

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

(a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SIN HENG HEAVY MACHINERY LIMITED

Report on Other Legal and Regulatory Requirements

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

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

Deloitte & Touche LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2020

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

		Group		Company	
	Note	2019	2018	2019	2018
		$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents	7	**25,078**	21,171	**10,308**	5,522
Trade receivables	8	**23,067**	17,930	**28,407**	25,296
Other receivables and prepayments	9	**1,709**	1,129	**5,389**	6,739
Lease receivables	13	**–**	–	**82**	–
Bills receivables	9	**–**	434	**–**	147
Derivative financial instruments	10	**–**	61	**–**	61
Inventories	11	**3,938**	3,761	**1,094**	3,331
Total current assets		**53,792**	44,486	**45,280**	41,096
Non-current assets					
Property, plant and equipment	12	**79,140**	106,571	**33,958**	37,601
Right-of-use assets	13	**1,135**	–	**628**	–
Lease receivables	13	**–**	–	**432**	–
Investment in subsidiaries	14	**–**	–	**29,385**	29,385
Financial assets at fair value through profit or loss	15	**553**	412	**553**	412
Other assets	16	**10**	10	**10**	10
Total non-current assets		**80,838**	106,993	**64,966**	67,408
Total assets		**134,630**	151,479	**110,246**	108,504

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
LIABILITIES AND EQUITY					
Current liabilities					
Bills payable	17	**–**	5,272	**–**	5,272
Derivative financial instruments	10	**40**	–	**40**	–
Current portion of bank loans	18	**–**	833	**–**	833
Trade payables	19	**1,318**	1,501	**3,086**	815
Other payables	20	**2,878**	3,628	**9,280**	2,607
Lease liabilities	21	**4,870**	–	**3,018**	–
Finance leases	22	**–**	7,142	**–**	4,469
Income tax payable		**866**	1,647	**–**	–
Total current liabilities		**9,972**	20,023	**15,424**	13,996
Non-current liabilities					
Bank loans	18	**–**	–	**–**	–
Lease liabilities	21	**6,717**	–	**3,349**	–
Finance leases	22	**–**	11,524	**–**	4,103
Deferred tax liabilities	23	**6,486**	7,010	**3,209**	2,723
Total non-current liabilities		**13,203**	18,534	**6,558**	6,826
Capital and reserves					
Share capital	24	**41,846**	41,846	**41,846**	41,846
Retained earnings		**75,542**	76,821	**46,773**	46,191
Treasury shares	25	**(355)**	(355)	**(355)**	(355)
Translation reserves		**(4,655)**	(4,467)	**–**	–
Capital reserve		**(923)**	(923)	**–**	–
Total equity attributable to owners of the Company		**111,455**	112,922	**88,264**	87,682
Non-controlling interest		**–**	–	**–**	–
Total equity		**111,455**	112,922	**88,264**	87,682
Total liabilities and equity		**134,630**	151,479	**110,246**	108,504

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2019

	Note	Group 2019 $'000	Group 2018 $'000
Revenue	26	**73,790**	86,678
Cost of sales		**(63,747)**	(73,222)
Gross profit		**10,043**	13,456
Other operating income	27	**2,806**	919
Selling expenses		**(1,107)**	(1,505)
Administrative expenses		**(10,657)**	(12,103)
Other operating expenses	28	**(2,119)**	(4,646)
Finance costs	29	**(985)**	(1,944)
Loss before income tax		**(2,019)**	(5,823)
Income tax benefit (expense)	30	**740**	(373)
Loss for the year	31	**(1,279)**	(6,196)
Loss attributable to:			
Owners of the Company		**(1,279)**	(6,482)
Non-controlling interest		**–**	286
		(1,279)	(6,196)
Loss per share (cents):			
Basic	32	**(1.12)**	(5.68)
Diluted	32	**(1.12)**	(5.68)
Loss for the year	31	**(1,279)**	(6,196)
Other comprehensive (loss) income:			
Items that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		**(188)**	50
Total comprehensive loss for the year		**(1,467)**	(6,146)
Total comprehensive loss attributable to:			
Owners of the Company		**(1,467)**	(6,479)
Non-controlling interest		**–**	333
		(1,467)	(6,146)

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2019

	Share capital $'000	Treasury shares $'000	Translation reserves $'000	Capital reserve $'000	Retained earnings $'000	Attributable to equity holders of the Company $'000	Non-controlling interest $'000	Total $'000
Group								
Balance at 1 January 2018	41,846	(355)	(4,517)	(711)	83,303	119,566	2,004	121,570
Total comprehensive (loss) income for the Year:								
(Loss) Profit for the year	–	–	–	–	(6,482)	(6,482)	286	(6,196)
Other comprehensive income for the year	–	–	3	–	–	3	47	50
Total	–	–	3	–	(6,482)	(6,479)	333	(6,146)
Transactions with owners, recognised directly in equity:								
Effect of acquiring non-controlling interest in subsidiary without a change of control	–	–	47	(212)	–	(165)	(2,337)	(2,502)
Total	–	–	47	(212)	–	(165)	(2,337)	(2,502)
Balance at 31 December 2018	41,846	(355)	(4,467)	(923)	76,821	112,922	–	112,922
Total comprehensive loss for the year:								
Loss for the year	**–**	**–**	**–**	**–**	**(1,279)**	**(1,279)**	**–**	**(1,279)**
Other comprehensive loss for the year	**–**	**–**	**(188)**	**–**	**–**	**(188)**	**–**	**(188)**
Total	**–**	**–**	**(188)**	**–**	**(1,279)**	**(1,467)**	**–**	**(1,467)**
Balance at 31 December 2019	**41,846**	**(355)**	**(4,655)**	**(923)**	**75,542**	**111,455**	**–**	**111,455**

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2019

	Share capital $'000	Treasury shares $'000	Retained earnings $'000	Total $'000
Company				
Balance at 1 January 2018	41,846	(355)	49,609	91,100
Loss for the year, representing total comprehensive loss for the year	–	–	(3,418)	(3,418)
Total	–	–	(3,418)	(3,418)
Balance at 31 December 2018	41,846	(355)	46,191	87,682
Profit for the year, representing total comprehensive income for the year	**–**	**–**	**582**	**582**
Total	**–**	**–**	**582**	**582**
Balance at 31 December 2019	**41,846**	**(355)**	**46,773**	**88,264**

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Group	
	2019	**2018**
	$'000	**$'000**
Operating activities		
Loss before income tax	**(2,019)**	(5,823)
Adjustments for:		
Unrealised fair value loss (gain) from derivative financial instruments	**101**	(174)
Depreciation of property, plant and equipment	**10,662**	13,125
Impairment of property, plant and equipment	**514**	1,820
Depreciation of right-of-use assets	**261**	–
Provision for inventory obsolescence	**–**	78
Write-back of allowance for doubtful debts	**(261)**	(27)
Impairment loss on financial assets	**1,313**	1,729
Interest expense	**985**	1,944
Interest income	**(711)**	(255)
Net unrealised foreign exchange adjustment	**2**	104
Bad debts written off	**65**	78
Inventory written off	**–**	370
Gain on disposal of property, plant and equipment	**(75)**	(47)
Property, plant and equipment written off	**37**	341
Loss on disposal of financial assets designated as at FVTPL	**–**	32
Fair value (gain) loss arising on financial assets designated as at FVTPL	**(141)**	188
Operating cash flows before movements in working capital	**10,733**	13,483
Trade receivables	**(6,267)**	4,742
Bills receivables	**434**	(434)
Other receivables and prepaid expenses	**(585)**	1,654
Inventories	**17,061**	14,743
Trade payables	**(140)**	(976)
Other payables	**(1,037)**	(1,641)
Cash generated from operations	**20,199**	31,571
Income tax paid	**(548)**	(1,033)
Net cash from operating activities	**19,651**	30,538
Investing activities		
Proceeds from disposal of financial assets designated as at FVTPL	**–**	11
Interest received	**711**	255
Purchase of property, plant and equipment (Note A)	**(2,160)**	(4,106)
Proceeds from disposal of property, plant and equipment	**1,234**	135
Net cash used in investing activities	**(215)**	(3,705)

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2019

	Group	
	2019	**2018**
	$'000	**$'000**
Financing activities		
Bills payable	**(5,272)**	(3,639)
Interest paid	**(985)**	(1,944)
Repayment of lease liabilities	**(9,640)**	–
Repayment of obligations under finance leases	**–**	(17,598)
Repayment of bank loans	**(4,933)**	(9,667)
Proceeds from lease liabilities	**1,193**	–
Proceeds from bank loans	**4,100**	–
Net cash used in financing activities	**(15,537)**	(32,848)
Net increase (decrease) in cash and cash equivalents	**3,899**	(6,015)
Cash and cash equivalents at beginning of year	**21,171**	27,349
Effect of exchange rate changes on the cash and cash equivalents held in foreign currencies	**8**	(163)
Cash and cash equivalents at end of year (Note 7)	**25,078**	21,171

Note A

During the financial year ended 31 December 2019 the Group acquired property, plant and equipment (including inventory that were purchased and transferred to property, plant and equipment in the current year) with an aggregate cost of $2,160,000 (2018: $4,106,000) for which $1,193,000 (2018 : $Nil) were acquired with corresponding lease liabilities (Note 21).

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

1 GENERAL

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

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

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended 31 December 2019 were authorised for issue by the Board of Directors on 31 March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

ADOPTION OF NEW AND REVISED STANDARDS – On 1 January 2019, the Company has adopted all the new and revised FRSs that are relevant to its operations and effective from that date. The adoption of these new/revised FRSs does not result in changes to the Company's accounting policies and has no significant effect on the amounts reported for the current or prior years except as disclosed below.

SFRS(I) 16 *Leases*

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to the lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, with exemption for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's consolidated financial statements is described below.

The date of initial application of SFRS(I) 16 for the Group is 1 January 2019.

The Group has applied SFRS(I) 16 using the cumulative catch-up approach which:

- requires the Group to recognise the cumulative effect of initially applying SFRS(I) 16 as an adjustment to the opening balance of retained earnings at the date of initial application if applicable; and

- does not permit restatement of comparatives, which continue to be presented under SFRS(I) 1-17 and SFRS(I) INT 4.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is or contains 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 those leases entered or changed before 1 January 2019.

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in SFRS(I) 1-17 and SFRS(I) INT 4.

The Group applies the definition of a lease and related guidance set out in SFRS(I) 16 to all lease contracts entered into or modified on or after 1 January 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in SFRS(I) 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Impact on lessee accounting

Former operating leases

SFRS(I) 16 changes how the Group accounts for leases previously classified as operating leases under SFRS(I) 1-17, which were off-balance-sheet.

Applying SFRS(I) 16, for all leases, the Group:

(a) Recognises right-of-use assets and lease liabilities in the statements of financial position, initially measured at the present value of future lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with SFRS(I) 16:C8(b)(ii), except for the right-of-use asset for property leases which were measured on a retrospective basis as if the Standard had been applied since the commencement date;

(b) Recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

(c) Separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (eg. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

Under SFRS(I) 16, right-of-use assets are tested for impairment in accordance with SFRS 1-36 *Impairment of Assets*. This replaces the previous requirement to recognise a provision for onerous lease contracts.

For short-term leases (lease term of 12 months or less) and lease of low-value assets (such as personal computers and office furniture), the Group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within other operating expenses in the consolidated statement of profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying SFRS(I) 1-17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.

- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Impact on lessee accounting (Continued)

- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.

- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Former finance leases

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the leased assets and obligations under finance leases measured applying SFRS(I) 1-17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying SFRS(I) 16 from 1 January 2019.

(c) Impact on lessor accounting

SFRS(I) 16 does not change substantially how a lessor accounts for leases. Under SFRS(I) 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, SFRS(I) 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

(d) Financial impact of initial application of SFRS(I) 16

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on 1 January 2019 is 3%.

The following table shows the operating lease commitments disclosed applying SFRS(I) 1-17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	2019 **$'000**
Operating lease commitments at 31 December 2018	**1,809**
Less: Effect of discounting the above amounts	**(413)**
Lease liabilities recognised at 1 January 2019	**1,396**

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group has assessed that there is no significant tax impact arising from the application of SFRS(I) 16.

Right-of-use assets were measured at the amount equal to the lease liability.

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Changes in the Group's ownership interests in existing subsidiaries

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

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

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

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

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

- Deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 *Income Taxes* and SFRS(I) 1-19 *Employee Benefits* respectively;

- Liabilities or equity instruments related to share-based payment transactions of the acquiree or the replacement of an acquiree's share-based payment awards transactions of the acquirer in accordance with SFRS(I) 2 *Share-based Payment* at the acquisition date; and

- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets

All financial assets are recognised and de-recognised on a trade date basis where the purchase or sale of financial assets is under a contract whose terms require delivery of assets within the time frame established by the market concerned.

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

Classification of financial assets

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

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

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

- the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if certain criteria are met; and

- the Group may irrevocably designate a debt investment that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Amortised cost and effective interest method

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

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

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

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

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

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

Financial assets at FVTPL

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

- Investments in equity instruments are classified as at FVTPL, unless the Group designates an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial assets at FVTPL (Continued)

- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL. In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases. The Group has not designated any debt instruments as at FVTPL.

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

Foreign exchange gains and losses

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

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

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

Impairment of financial assets

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of financial assets (Continued)

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

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

Significant increase in credit risk

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Significant increase in credit risk (Continued)

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

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

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

Definition of default

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

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

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

Credit-impaired financial assets

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

- significant financial difficulty of the issuer or the borrower;

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Credit-impaired financial assets (Continued)

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

Write-off policy

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

Measurement and recognition of expected credit losses

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement and recognition of expected credit losses (Continued)

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

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

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

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

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

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

Derecognition of financial assets

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

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

Financial liabilities

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

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

Financial liabilities at FVTPL

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

A financial liability is classified as held for trading if:

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities at FVTPL (Continued)

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

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the group is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire combined contract to be designated as at FVTPL.

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

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

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

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

Financial liabilities subsequently measured at amortised cost

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Financial liabilities subsequently measured at amortised cost (Continued)

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

Foreign exchange gains and losses

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

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

Derecognition of financial liabilities

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

Derivative financial instruments

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

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

Leases (Before 1 January 2019)

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group as lessor

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

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

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

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

Leases (From 1 January 2019)

The Group as lessor

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Group as lessee

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

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

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

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

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

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

- The lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

- The lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or

- A lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

Sale of cranes and aerial lifts

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

Rental of cranes and aerial lifts

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Servicing of cranes and aerial lifts

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

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

Interest income

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

Dividend income

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

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

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

Deferred tax liabilities are recognised for taxable temporary differences arising on investment in subsidiaries and associate, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of each reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

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

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

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

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

NOTES TO FINANCIAL STATEMENTS

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3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimations and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(a) Critical judgements in applying the entity's accounting policies

Management is of the opinion that there are no critical judgements involved that have a significant effect on the amounts recognised in the financial statements, except for those involving estimation uncertainties as disclosed below.

(b) Key sources of estimation uncertainty

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

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

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

Allowance for inventories

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

Allowance for trade receivables

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

NOTES TO FINANCIAL STATEMENTS

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

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

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Financial assets				
Financial assets at amortised cost	**48,552**	39,721	**43,881**	37,494
Lease receivables	**–**	–	**514**	–
Financial assets mandatorily measured at FVTPL	**553**	412	**553**	412
Derivative instruments not designated in hedge accounting relationships	**–**	61	**–**	61
	49,105	40,194	**44,948**	37,967
Financial liabilities				
Financial liabilities at amortised cost	**4,196**	29,900	**12,366**	18,099
Lease liabilities	**11,587**	–	**6,367**	–
Derivative instruments not designated in hedge accounting relationships	**40**	–	**40**	–
	15,823	29,900	**18,773**	18,099

(b) Financial risk management policies and objectives

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

(i) Credit risk management

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

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

(i) Credit risk management (Continued)

The Group has no significant concentration of credit risk with exposure spread over a large number of counterparties and customers.

As at 31 December 2019, the Group's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group arises from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position.

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

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

(i) Credit risk management (Continued)

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

Group	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
2019						
Trade receivables	8	**(*)**	**Lifetime ECL (simplified approach)**	**25,135**	**(2,068)**	**23,067**
Deposits	9	**Performing**	**12-month ECL**	**70**	**–**	**70**
Sundry debtors	9	**Performing**	**12-month ECL**	**337**	**–**	**337**
					(2,068)	

Group	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
2018						
Trade receivables	8	(*)	Lifetime ECL (simplified approach)	19,702	(1,772)	17,930
Deposits	9	Performing	12-month ECL	82	–	82
Sundry debtors	9	Performing	12-month ECL	104	–	104
Bills receivables	9	Performing	12-month ECL	434	–	434
					(1,772)	

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

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

(i) Credit risk management (Continued)

Company	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
2019						
Trade receivables	8	**(*)**	**Lifetime ECL (simplified approach)**	**28,891**	**(484)**	**28,407**
Deposits	9	**Performing**	**12-month ECL**	**40**	**–**	**40**
Sundry debtors	9	**Performing**	**12-month ECL**	**43**	**–**	**43**
Advances to subsidiaries	9	**Performing**	**12-month ECL**	**5,083**	**–**	**5,083**
					(484)	

Company	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
2018						
Trade receivables	8	(*)	Lifetime ECL (simplified approach)	26,051	(755)	25,296
Deposits	9	Performing	12-month ECL	50	–	50
Sundry debtors	9	Performing	12-month ECL	40	–	40
Advances to subsidiaries	9	Performing	12-month ECL	6,439	–	6,439
Bills receivables	9	Performing	12-month ECL	147	–	147
					(755)	

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

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

(ii) Interest rate risk management

The Group's and Company's exposure to changes in interest rates relates primarily to interest-bearing finance leases, lease liabilities, bills payable and bank loans as disclosed in Notes 22, 21,17 and 18 for which interest rates are subject to fluctuation.

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

Interest rate sensitivity

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

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the Group's loss for the year ended 31 December 2019 would increase/decrease by $Nil (2018: profit increase/decrease by $53,000). This is mainly attributable to the Group's exposure to interest rates on its variable rate borrowings.

(iii) Foreign currency risk management

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

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

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

(iii) Foreign currency risk management (Continued)

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

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2019	2018	2019	2018	2019	2018	2019	2018
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Japanese yen	**24**	15	**175**	4,363	**24**	15	**175**	4,363
Malaysian ringgit	**8**	174	**–**	–	**8**	174	**–**	–
Singapore dollar	**5**	53	**–**	–	**–**	–	**–**	–
United States dollar	**897**	2,055	**97**	52	**20**	–	**–**	–
Euro dollar	**–**	–	**–**	1,147	**–**	–	**–**	1,147

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

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

(iii) Foreign currency risk management (Continued)

Foreign currency sensitivity

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

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, loss for the year (2018: loss for the year) will decrease (increase) (2018: decrease (increase)) by:

	Group		**Company**	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Impact arising from				
Japanese yen	**15**	435	**15**	435
Malaysian ringgit	*****	(17)	*****	(17)
Singapore dollar	*****	(5)	**–**	–
United States dollar	**(80)**	(200)	**(2)**	–
Euro dollar	**–**	115	**–**	115

* Denotes amount less than $1,000.

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, loss for the year (2018: loss for the year) will (decrease) increase (2018: (decrease) increase) by the same amounts.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

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

(iv) Liquidity risk management

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

Liquidity and interest risk analyses

Non-derivative financial liabilities

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

	Weighted average effective interest rate %	Repayable on demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Group						
2019						
Non-interest bearing	**–**	**4,236**	**–**	**–**	**–**	**4,236**
Lease liabilities (fixed rate)	**3.00-5.33**	**5,382**	**6,752**	**167**	**(714)**	**11,587**
		9,618	**6,752**	**167**	**(714)**	**15,823**
2018						
Non-interest bearing	–	5,129	–	–	–	5,129
Finance leases (fixed rate)	4.52	7,959	12,400	–	(1,693)	18,666
Fixed interest rate instrument	2.73	836	–	–	(3)	833
Variable interest rate instruments	2.43	5,444	–	–	(172)	5,272
		19,368	12,400	–	(1,868)	29,900

NOTES TO FINANCIAL STATEMENTS

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

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

(iv) Liquidity risk management (Continued)

Liquidity and interest risk analyses (Continued)

Non-derivative financial liabilities (Continued)

	Weighted average effective interest rate %	Repayable on demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Company						
2019						
Non-interest bearing	**–**	**12,406**	**–**	**–**	**–**	**12,406**
Lease liabilities (fixed rate)	**3.00-3.16**	**3,266**	**3,443**	**167**	**(509)**	**6,367**
		15,672	**3,443**	**167**	**(509)**	**18,773**
2018						
Non-interest bearing	–	3,422	–	–	–	3,422
Finance leases (fixed rate)	2.13	4,790	4,422	–	(640)	8,572
Fixed interest rate instrument	2.73	836	–	–	(3)	833
Variable interest rate instruments	2.43	5,444	–	–	(172)	5,272
		14,492	4,422	–	(815)	18,099

Non-derivative financial assets

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

Derivative financial instruments

The Group and Company's derivative financial instruments comprise foreign exchange forward contracts amounting to $40,000 liability (2018 : $61,000 asset) with contracted cash flows all due within one year (2018 : due within one year) (Note 10).

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

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

(v) Fair value of financial assets and financial liabilities

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

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

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

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

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

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

	Fair value hierarchy as at 31 December 2018			
	Total	**Level 1**	**Level 2**	**Level 3**
	$'000	**$'000**	**$'000**	**$'000**
Group and Company				
Financial assets				
Financial assets at fair value through profit or loss (Note 15)	412	412	–	–
Derivative financial instruments (Note 10)	61	–	61	–
Total	473	412	61	–

(c) Capital management policies and objectives

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

The capital structure of the Group consisted of debts (which include e.g. bills payable, bank loans, lease liabilities and finance leases as disclosed in Notes 17, 18, 21 and 22 respectively) and equity attributable to equity holders of the Company, comprising issued share capital, retained earnings and reserves.

As a part of the review of capital structure, management considers the cost of capital and the risks associated with each source of financing. The management of capital structure includes making decisions relating to payment of dividends and the redemption of existing loans. The Group's overall strategy remains unchanged from 2018.

5 RELATED COMPANY TRANSACTIONS

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

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

6 OTHER RELATED PARTY TRANSACTIONS

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

Compensation of directors and key management personnel

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

	Group	
	2019	**2018**
	$'000	**$'000**
Short-term benefits	**2,951**	3,308
Post-employment benefits	**110**	125
	3,061	3,433

The remuneration of directors and key management is determined by the remuneration committee having regard the performance of individuals and market trends.

7 CASH AND CASH EQUIVALENTS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cash at bank	**13,386**	11,029	**10,304**	5,517
Cash on hand	**160**	206	**4**	5
Fixed deposits	**11,532**	9,936	**–**	–
	25,078	21,171	**10,308**	5,522

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

As at 31 December 2019, fixed deposits bore average interest at 3.35% (2018: 2.26% per annum) and for a tenure of 1 year (2018: 1 year). The fixed deposits can be readily converted into cash with minimal charges and is subject to an insignificant risk of changes in value.

NOTES TO FINANCIAL STATEMENTS

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8 TRADE RECEIVABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Outside parties	**25,135**	19,702	**16,508**	9,966
Subsidiaries (Note 14)	**–**	–	**12,383**	16,085
	25,135	19,702	**28,891**	26,051
Less: Loss allowances	**(2,068)**	(1,772)	**(484)**	(755)
	23,067	17,930	**28,407**	25,296

The credit period ranges from 30 to 180 days (2018 : 30 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition. No interest is charged on the outstanding trade receivables. The Group assesses the potential customer's credit quality and determines credit limits to be allowed before accepting any new customer. Credit limits granted to customers are reviewed regularly.

Analysis of trade receivables

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

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

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

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8 TRADE RECEIVABLES (CONTINUED)

Analysis of trade receivables (Continued)

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

	Group Trade receivables – days past due				
2019	**Not past due**	**< 3 months**	**> 3 months and < 12 months**	**> 12 months**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Estimated total gross carrying amount at default	**12,401**	**5,949**	**4,898**	**1,887**	**25,135**
Lifetime ECL	**(87)**	**(125)**	**(105)**	**(1,751)**	**(2,068)**
					23,067

	Group Trade receivables – days past due				
2018	**Not past due**	**< 3 months**	**> 3 months and < 12 months**	**> 12 months**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
Estimated total gross carrying amount at default	7,360	7,347	3,319	1,676	19,702
Lifetime ECL	(44)	(19)	(186)	(1,523)	(1,772)
					17,930

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8 TRADE RECEIVABLES (CONTINUED)

Analysis of trade receivables (Continued)

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

2018	Company Trade receivables – days past due Not past due $'000	< 3 months $'000	> 3 months and < 12 months $'000	> 12 months $'000	Total $'000
Estimated total gross carrying amount at default	3,943	4,148	2,456	15,504	26,051
Lifetime ECL	(45)	(19)	(89)	(602)	(755)
					25,296

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

	Lifetime ECL – credit-impaired 2019 $'000	2018 $'000
At beginning of the year	**1,772**	73
Change in loss allowance due to new trade receivables originated, net of those derecognised due to settlement (Note 31)	**1,313**	1,729
Bad debts recovered/provision written back	**(261)**	–
Trade receivables written off	**(751)**	–
Foreign exchange gains or losses	**(5)**	(30)
At the end of the year	**2,068**	1,772

During the year, trade receivables amounting to $65,000 (2018: $78,000) were written off as bad debts.

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9 OTHER RECEIVABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Subsidiaries (Note 14)	**–**	–	**5,083**	6,439
Deposits	**70**	82	**40**	50
Prepayments	**1,302**	943	**223**	210
Sundry debtors	**337**	104	**43**	40
	1,709	1,129	**5,389**	6,739
Bills receivables	**–**	434	**–**	147
	1,709	1,563	**5,389**	6,886

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

Analysis of other receivables

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

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

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

10 DERIVATIVE FINANCIAL INSTRUMENTS

	Group & Company		Group & Company	
	2019		2018	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	$'000	**$'000**	**$'000**	**$'000**
Foreign currency forward contracts	**–**	**40**	61	–

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10 DERIVATIVE FINANCIAL INSTRUMENTS (CONTINUED)

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

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	'000	**'000**	**'000**	**'000**
Sell SGD	**4,454**	6,994	**4,454**	6,994
Buy JPY	**355,000**	349,730	**355,000**	349,730
Buy EUR	**–**	1,732	**–**	1,732

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

The changes in fair value of the forward foreign exchange contract loss amounting to $101,000 (2018: foreign exchange contract gain of $174,000) have been taken up in profit or loss.

11 INVENTORIES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Cranes and aerial lifts	**3,938**	3,761	**1,094**	3,331

Movement in the allowance for inventory obsolescence:

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Balance at beginning of the year	**78**	–	**–**	–
Increase in allowance recognised in profit or loss (Note 31)	**–**	78	**–**	–
Balance at end of the year	**78**	78	**–**	–

The cost of inventories recognised as an expense includes $Nil (2018: $370,000) in respect of write-off of inventory.

12 PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Leasehold Land $'000	Workshop building $'000	Cranes $'000	Aerial lifts $'000	Motor vehicles $'000	Plant and equipment $'000	Total $'000
Group								
Cost:								
At 1 January 2018	3,070	506	6,128	151,834	14,831	5,012	4,242	185,623
Additions	–	–	546	1,706	71	265	294	2,882
Transfer from inventories	–	–	–	2,566	812	–	–	3,378
Transfer to inventories	–	–	–	(19,117)	(2,335)	–	–	(21,452)
Disposals	–	–	–	–	(116)	(456)	(41)	(613)
Written off	–	–	–	(445)	–	–	–	(445)
Exchange differences	(2)	–	(9)	(986)	(41)	(60)	(53)	(1,151)
At 31 December 2018	3,068	506	6,665	135,558	13,222	4,761	4,442	168,222
Additions	–	–	91	–	–	416	193	700
Transfer from inventories	–	–	–	3,770	1,458	–	–	5,228
Transfer to inventories	–	–	–	(28,848)	(5,042)	–	–	(33,890)
Disposals	–	–	–	(909)	(46)	(897)	(506)	(2,358)
Written off	–	–	–	–	–	(258)	(213)	(471)
Exchange differences	(12)	–	(9)	13	2	8	13	15
At 31 December 2019	**3,056**	**506**	**6,747**	**109,584**	**9,594**	**4,030**	**3,929**	**137,446**

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12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold land $'000	Leasehold Land $'000	Workshop building $'000	Cranes $'000	Aerial lifts $'000	Motor vehicles $'000	Plant and equipment $'000	Total $'000
Group								
Accumulated depreciation:								
At 1 January 2018	–	14	2,812	39,320	5,094	2,962	2,216	52,418
Depreciation for the year	–	14	199	10,380	1,408	703	421	13,125
Transfer to inventories	–	–	–	(3,854)	(932)	–	–	(4,786)
Disposals	–	–	–	–	(91)	(399)	(35)	(525)
Written off	–	–	–	(104)	–	–	–	(104)
Exchange differences	–	–	(1)	(215)	(14)	(18)	(49)	(297)
At 31 December 2018	–	28	3,010	45,527	5,465	3,248	2,553	59,831
Depreciation for the year	–	14	199	8,453	1,042	608	346	10,662
Transfer to inventories	–	–	–	(10,648)	(2,108)	–	–	(12,756)
Disposals	–	–	–	(300)	(24)	(733)	(142)	(1,199)
Written off	–	–	–	–	–	(224)	(210)	(434)
Exchange differences	–	–	–	(12)	–	–	13	1
At 31 December 2019	**–**	**42**	**3,209**	**43,020**	**4,375**	**2,899**	**2,560**	**56,105**
Impairment:								
Impairment loss recognised in the year ended 31 December 2019	–	–	–	2,059	142	–	–	2,201
Balance at 31 December 2019	**–**	**–**	**–**	**2,059**	**142**	**–**	**–**	**2,201**
Carrying amount:								
At 31 December 2019	**3,056**	**464**	**3,538**	**64,505**	**5,077**	**1,131**	**1,369**	**79,140**
At 31 December 2018	3,068	478	3,655	87,883	7,349	2,380	1,758	106,571

NOTES TO FINANCIAL STATEMENTS

31 December 2019

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Workshop building $'000	Cranes $'000	Motor vehicles $'000	Plant and equipment $'000	Total $'000
Company					
Cost:					
At 1 January 2018	3,951	60,459	2,576	2,479	69,465
Additions	–	–	156	25	181
Transfer from inventories	–	1,367	–	–	1,367
Transfer to inventories	–	(1,641)	–	–	(1,641)
Disposal	–	–	(208)	(41)	(249)
Written off	–	(445)	–	–	(445)
At 31 December 2018	3,951	59,740	2,524	2,463	68,678
Additions	–	–	352	116	468
Transfer from inventories	–	3,770	–	–	3,770
Transfer to inventories	–	(6,871)	–	–	(6,871)
Disposal	–	–	(281)	(506)	(787)
Written off	–	–	(258)	(213)	(471)
At 31 December 2019	**3,951**	**56,639**	**2,337**	**1,860**	**64,787**
Accumulated depreciation:					
At 1 January 2018	2,766	21,198	1,778	1,362	27,104
Depreciation for the year	159	3,957	366	195	4,677
Transfer to inventories	–	(676)	–	–	(676)
Disposal	–	–	(196)	(35)	(231)
Written off	–	(104)	–	–	(104)
At 31 December 2018	2,925	24,375	1,948	1,522	30,770
Depreciation for the year	158	3,823	325	162	4,468
Transfer to inventories	–	(3,779)	–	–	(3,779)
Disposal	–	–	(230)	(142)	(372)
Written off	–	–	(224)	(210)	(434)
At 31 December 2019	**3,083**	**24,419**	**1,819**	**1,332**	**30,653**
Impairment:					
Impairment loss recognised in the year ended 31 December 2019 and balance at 31 December 2019	**–**	**176**	**–**	**–**	**176**
Carrying amount:					
At 31 December 2019	**868**	**32,044**	**518**	**528**	**33,958**
At 31 December 2018	1,026	35,058	576	941	37,601

NOTES TO FINANCIAL STATEMENTS

31 December 2019

12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

During the year, the Group carried out a review of the recoverable amount of its cranes and aerial lifts, having regard to the future market and economic conditions. These assets are used in the Group's rental segment. The review led to the recognition of an impairment loss of $514,000 (2018 : $1,820,000) that has been recognised in profit or loss (Note 31), and included in the Other operating expenses line item in the consolidated statement of profit or loss and other comprehensive income. During the year, there was also a reversal of impairment loss previously recognised amounting to $133,000 due to subsequent sales of cranes and aerial lifts. The Group determined the recoverable amounts of these assets based on value in use calculations which require the use of key estimates such as utilisation rates and discount rates. The discount rates used in measuring value in use ranges within 6% to 9% per annum (2018 : 9% per annum).

The carrying amounts of right-of-use assets classified within property, plant and equipment with corresponding lease liabilities (Note 21) are as follows:

	Group		Company	
	Cranes	Motor vehicle	Cranes	Motor vehicle
	$'000	$'000	$'000	$'000
At 1 January 2019	35,607	29	20,475	–
Transfer to property, plant and equipments, upon settlement of lease liabilities	(12,368)	(15)	(7,326)	–
Additions	1,437	–	1,437	–
At 31 December 2019	24,676	14	14,586	–

The Group made upfront payment(s) in full to secure the right-of-use of certain leasehold land. This leasehold land, with net book value amounting to $464,000 (1 January 2019: $478,000) is presented within property, plant and equipment.

Details of the freehold land, leasehold land and building held by the Group as at 31 December 2019 are as follows:

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

NOTES TO FINANCIAL STATEMENTS

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13 RIGHT-OF-USE ASSETS

The Group leases leasehold building and dormitory units. The average lease term is 5 years (2018 :8 years).

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

Right-of-use assets

	JTC Building $'000	Dormitory $'000	Total $'000
The Group			
Cost:			
At 1 January 2019 and 31 December 2019	**1,238**	**158**	**1,396**
Accumulated depreciation:			
At 1 January 2019	**–**	**–**	**–**
Depreciation	**181**	**80**	**261**
At 31 December 2019	**181**	**80**	**261**
Carrying amount:			
At 31 December 2019	**1,057**	**78**	**1,135**
The Company			
Cost:			
At 1 January 2019 and 31 December 2019	642	158	800
Accumulated depreciation:			
At 1 January 2019	–	–	–
Depreciation	92	80	172
At 31 December 2019	92	80	172
Carrying amount:			
At 31 December 2019	550	78	628

In addition, the Group made upfront payment(s) in full to secure the right-of-use of certain leasehold land. This leasehold land, with net book value amounting to $464,000 (1 January 2019 : $478,000) is presented within property, plant and equipment (Note 12).

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

As at 31 December 2019, the Company has current and non-current lease receivables amounting to $82,000 (2018: $Nil) and $432,000 (2018: $Nil) from its subsidiary arising from the subleasing of office premises within the JTC Building.

NOTES TO FINANCIAL STATEMENTS

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14 INVESTMENT IN SUBSIDIARIES

	Company	
	2019	**2018**
	$'000	**$'000**
Unquoted equity shares – at cost	**6,643**	6,643
Loan to subsidiaries	**22,742**	22,742
	29,385	29,385

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

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

Name of subsidiary	Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held		Principal activity
		2019	**2018**	
		%	**%**	
Held by the Company				
Sin Heng Aerial Lifts Pte Ltd[1]	Singapore	**100**	100	Rental and trading of aerial lifts.
SH Heavy Machinery Sdn Bhd[2, 7]	Malaysia	**100**	100	Rental and trading of cranes.
Sin Heng Vina Co. Ltd[3]	Vietnam	**100**	100	Rental and trading of cranes.
SH Equipment Pte Ltd[4]	Singapore	**100**	100	Trading of equipment.
PT SH Machinery Indonesia[5]	Indonesia	**100**	100	Dormant.
SH Equipment Holdings Sdn Bhd[5]	Malaysia	**100**	100	Investment Holding.
SH Equipment (HK) Limited[5]	Hong Kong	**100**	100	Rental and trading of cranes.
Held by subsidiaries				
SH Equipment (Myanmar) Company Limited[5]	Myanmar	**100**	100	Rental of equipment.
Bestari Industrial Holdings Sdn.Bhd ("Bestari")[5, 6]	Malaysia	**100**	100	Dormant.

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

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

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

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14 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

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

(6) In 2018, SH Heavy Machinery Sdn Bhd has increased its shareholdings in Bestari by acquiring the remaining 58% equity interest of Bestari. The value of the said acquisition was $17. Subsequent to the acquisition, the Group's shareholdings in Bestari has increased from 42% in 2017 to 100% in 2018. The effect of changes in ownership interests in Bestari is recognised in a separate component in equity under the header of capital reserve.

(7) In 2018, the Company further increased its shareholdings in Sin Heng Heavy Machinery Sdn Bhd by acquiring the remaining 15% equity interest of Sin Heng Heavy Machinery Sdn Bhd. The value of the consideration of the said acquisition was $2,443,047. Subsequent to the acquisition, the Group's shareholdings in Sin Heng Heavy Machinery Sdn Bhd has increased from 85% in 2017 to 100% in 2018. The effect of changes in ownership interests in Sin Heng Heavy Machinery Sdn Bhd is recognised in a separate component in equity under the header of capital reserve.

15 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group and Company	
	2019	**2018**
	$'000	**$'000**
Quoted equity shares, at fair value	**553**	412

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

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

16 OTHER ASSETS

	Group and Company	
	2019	**2018**
	$'000	**$'000**
Golf club memberships	**69**	69
Allowance for impairment	**(59)**	(59)
Golf club memberships, at fair value	**10**	10

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17 BILLS PAYABLE

In 2019, bills payables were fully repaid.

In 2018, bills payable were unsecured, repayable between 7 to 31 days and with interest rates ranging from 2.35% to 2.5% per annum.

18 BANK LOANS

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Bank loan – unsecured	**–**	833	**–**	833
Less: Amount due for settlement within 12 months (shown under current liabilities)	**–**	(833)	**–**	(833)
Amount due for settlement after 12 months	**–**	–	**–**	–

In 2019, bank loans were fully repaid.

In 2018, the fair value of the bank loans approximate their carrying amounts at the end of the reporting period as their interest rates approximate current market interest rates on or near the end of the reporting period. The effective interest rate for the bank loans was 2.73% per annum in 2018.

19 TRADE PAYABLES

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Outside parties	**1,318**	1,501	**958**	815
Subsidiary	**–**	–	**2,128**	–
	1,318	1,501	**3,086**	815

The average credit period on purchases of goods is 30 to 90 days (2018: 30 to 90 days). No interest is charged on the outstanding balance.

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20 OTHER PAYABLES

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Outside parties	**143**	162	**–**	–
Subsidiary (Note 14)	**–**	–	**7,064**	–
Accrued expenses	**2,370**	2,609	**1,860**	1,866
Deposits received	**365**	857	**356**	741
	2,878	3,628	**9,280**	2,607

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

21 LEASE LIABILITIES

The Group as lessee

Disclosure required by SFRS(I) 16

	Group	Company
	2019	2019
	$'000	$'000
Maturity analysis:		
Within one year	**5,382**	**3,266**
In the second to fifth year inclusive	**6,752**	**3,443**
After five years	**167**	**167**
	12,301	**6,876**
Less: Unearned interest	**(714)**	**(509)**
	11,587	**6,367**
Analysed as:		
Current	**4,870**	**3,018**
Non-current	**6,717**	**3,349**
	11,587	**6,367**

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

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22 FINANCE LEASES

Disclosure required by SFRS(I) 1-17

	Minimum lease payments 2018 $'000	Present value of minimum lease payments minimum lease payments 2018 $'000
Group		
Amounts payable under finance leases:		
Within one year	7,959	7,142
In the second to fifth years inclusive	12,400	11,524
	20,359	18,666
Less: Future finance charges	(1,693)	
Present value of lease obligations	18,666	
Less: Amounts due for settlement within 12 months (shown under current liabilities)		(7,142)
Amount due for settlement after 12 months		11,524

	Minimum lease payments 2018 $'000	Present value of minimum lease payments 2018 $'000
Company		
Amounts payable under finance leases:		
Within one year	4,790	4,469
In the second to fifth years inclusive	4,422	4,103
	9,212	8,572
Less: Future finance charges	(640)	
Present value of lease obligations	8,572	
Less: Amounts due for settlement within 12 months (shown under current liabilities)		(4,469)
Amount due for settlement after 12 months		4,103

It is the Group's policy to lease certain of its plant and equipment under finance leases. The average lease term is 5 years. For the year ended 31 December 2018, the average effective borrowing rate was 4.5% per annum. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

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

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22 FINANCE LEASES (CONTINUED)

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

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

Reconciliation of liabilities arising from financing activities

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

					Non-cash changes			
	31 December 2018 $'000	Initial adoption of SFRS (I) 16 $'000	1 January 2019 $'000	Financing cash flow[i] $'000	Acquisition $'000	New lease liabilities $'000	Foreign exchange movement $'000	31 December 2019 $'000
Bills payable (Note 17)	5,272	–	**5,272**	(5,272)	–	–	–	**–**
Bank loans (Note 18)	833	–	**833**	(4,933)	4,100	–	–	**–**
Finance leases (Note 22)	18,666	(18,666)	**–**	–	–	–	–	**–**
Lease liabilities (Note 21)	–	20,062	**20,062**	(9,640)	–	1,193	(28)	**11,587**
	24,771	1,396	**26,167**	(19,845)	4,100	1,193	(28)	**11,587**

			Non-cash changes		
	1 January 2018 $'000	Financing cash flow[i] $'000	Acquisition $'000	Foreign exchange movement $'000	31 December 2018 $'000
Bills payable (Note 17)	8,911	(3,639)	–	–	5,272
Bank loans (Note 18)	10,500	(9,667)	–	–	833
Finance leases (Note 22)	36,113	(17,598)	–	151	18,666
	55,524	(30,904)	–	151	24,771

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

23 DEFERRED TAX LIABILITIES

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

	Accelerated tax depreciation	
	Group	**Company**
	$'000	**$'000**
Balance at 1 January 2018	9,050	3,250
Credit to profit or loss (Note 30)	(2,058)	(527)
Exchange differences	18	–
Balance at 31 December 2018	**7,010**	**2,723**
(Credit) charge to profit or loss (Note 30)	**(508)**	**486**
Exchange differences	**(16)**	**–**
Balance at 31 December 2019	**6,486**	**3,209**

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax liabilities	**6,486**	7,987	**3,209**	3,250
Deferred tax assets	**–**	(977)	**–**	(527)
	6,486	7,010	**3,209**	2,723

24 SHARE CAPITAL

	Group and Company			
	2019	**2018**	**2019**	**2018**
	'000	**'000**	**$'000**	**$'000**
	Number of ordinary shares			
Issued and paid-up:				
At beginning and end of the year	**114,889**	114,889	**41,846**	41,846

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

25 TREASURY SHARES

	Group and Company			
	2019	**2018**	**2019**	**2018**
	'000	**'000**	**$'000**	**$'000**
	Number of ordinary shares			
At beginning and end of the year	**876**	876	**355**	355

26 REVENUE

	Group	
	2019	**2018**
	$'000	**$'000**
Trading of cranes and aerial lifts recognised at a point in time	**42,900**	45,250
Rental of cranes and aerial lifts recognised over time	**28,242**	36,881
Servicing of cranes and aerial lifts recognised over time	**2,648**	4,547
	73,790	86,678

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

27 OTHER OPERATING INCOME

	Group	
	2019	**2018**
	$'000	**$'000**
Rental of office and warehouse space	**67**	57
Insurance claim received	**1,009**	13
Gain on disposal of property, plant and equipment	**75**	47
Interest income	**711**	255
Bad debts written back	**261**	27
Fair value gain arising on financial assets designated as at FVTPL	**141**	–
Foreign exchange gain	**468**	–
Others	**74**	520
	2,806	919

NOTES TO FINANCIAL STATEMENTS

31 December 2019

28 OTHER OPERATING EXPENSES

	Group	
	2019	**2018**
	$'000	**$'000**
Impairment of property, plant and equipment	**514**	1,820
Impairment loss on financial assets, subject to ECL	**1,313**	1,729
Property, plant and equipment written off	**37**	341
Bad debts written off	**65**	78
Fair value loss arising on financial assets designated as at FVTPL	**–**	188
Foreign exchange losses	**–**	262
Loss on disposal of financial assets designated as at FVTPL	**–**	32
Others	**190**	196
	2,119	4,646

29 FINANCE COSTS

	Group	
	2019	**2018**
	$'000	**$'000**
Interest expenses on:		
– Bills payable	**105**	173
– Bank loans	**48**	205
– Finance leases	**–**	1,566
– Lease liabilities	**832**	–
	985	1,944

30 INCOME TAX (BENEFIT) EXPENSE

	Group	
	2019	**2018**
	$'000	**$'000**
Current tax:		
– Current year	**133**	2,109
– (Over) under provision in prior years	**(365)**	322
Deferred tax:		
– Current year	**(102)**	(1,647)
– Over provision in prior years	**(406)**	(411)
	(740)	373

Domestic income tax is calculated at 17% (2018: 17%) of the estimated assessable income for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

30 INCOME TAX (BENEFIT) EXPENSE (CONTINUED)

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

	Group	
	2019	**2018**
	$'000	**$'000**
Loss before income tax	**(2,019)**	(5,823)
Income tax benefit at the income tax rate of 17% (2018: 17%)	**(343)**	(990)
Tax effect of expenses not deductible for tax purpose, net	**643**	1,337
Effect of different tax rates of overseas subsidiaries	**(244)**	35
Effect of tax incentive	**–**	(10)
Effect of unused tax losses not recognised as deferred tax assets	**–**	124
(Over) under provision of current tax in prior years	**(365)**	322
Over provision of deferred tax in prior years	**(406)**	(411)
Singapore statutory stepped income exemption	**(26)**	(26)
Others	**1**	(8)
Total income tax (benefit) expense	**(740)**	373

Subject to the agreement of the tax authority, at the end of the reporting period, the Group has unutilised tax loss of $947,000 (2018: $947,000) available for offset against future profits. No deferred tax asset has been recognised due to the unpredictability of future profit streams.

31 LOSS FOR THE YEAR

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

	Group	
	2019	**2018**
	$'000	**$'000**
Cost of defined contribution plans included in employee benefits expense	**1,250**	1,436
Directors' remuneration	**1,863**	2,319
Employee benefits expense (including directors' remuneration)	**16,077**	19,046
Net foreign exchange (gain) loss	**(468)**	262
Loss (gain) on changes in fair value of derivatives financial instruments	**101**	(174)
Impairment of property, plant and equipment	**514**	1,820
Provision for inventory obsolescence	**–**	78
Impairment loss on financial assets	**1,313**	1,729
Bad debts written off	**65**	78
Inventory written off	**–**	370
Property, plant and equipment written off	**37**	341
Loss on disposal of financial assets designated as at FVTPL	**–**	32
Fair value (gain) loss arising on financial assets designated as at FVTPL	**(141)**	188
Cost of inventories recognised as expense	**37,456**	40,680
Audit fees:		
– paid to auditors of the Company	**110**	110
– paid to other auditors	**39**	60
Non-audit fees:		
– paid to auditors of the Company	**52**	52

NOTES TO FINANCIAL STATEMENTS

31 December 2019

31 LOSS FOR THE YEAR (CONTINUED)

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

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

32 LOSS PER SHARE

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

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

	2019 $'000	2018 $'000
Loss for the year attributable to owners of the Company ($'000)	**(1,279)**	(6,482)
Weighted average number of fully paid ordinary shares in issue ('000)	**114,013**	114,013
Basic and diluted loss per share (cents)		
Loss for the year attributable to	**(1.12)**	(5.68)

33 DIVIDENDS

No dividend has been declared and recommended for the year ended 31 December 2019 and 2018.

34 SEGMENT INFORMATION

Goods and Services from which reportable segments derive their revenue

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

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

34 SEGMENT INFORMATION (CONTINUED)

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

The Group's reportable operating segments are as follows:

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

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

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

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

	Equipment rental $'000	Trading $'000	Total $'000
2019			
Revenue			
Segment revenue	**30,891**	**42,899**	**73,790**
Results			
Segment results	**5,212**	**4,831**	**10,043**
Selling expenses	**(464)**	**(643)**	**(1,107)**
Other operating income			**2,806**
Administrative expenses			**(10,657)**
Other operating expenses			**(2,119)**
Finance costs	**(828)**	**(157)**	**(985)**
Loss before tax			**(2,019)**
Income tax expense			**740**
Loss for the year			**(1,279)**

NOTES TO FINANCIAL STATEMENTS

31 December 2019

34 SEGMENT INFORMATION (CONTINUED)

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

	Equipment rental $'000	Trading $'000	Total $'000
Other information			
Capital expenditure	**1,478**	**682**	**2,160**
Depreciation expense	**10,314**	**609**	**10,923**
Gain on disposal of property, plant and equipment	**(75)**	**–**	**(75)**
Property, plant and equipment written off	**37**	**–**	**37**
Impairment of property, plant and equipment	**514**	**–**	**514**
Inventory written off	**–**	**–**	**–**
Provision for inventory obsolescence	**–**	**–**	**–**
Bad debts written off	**65**	**–**	**65**
Impairment loss on financial assets, subject to ECL	**1,313**	**–**	**1,313**

	Equipment rental $'000	Trading $'000	Total $'000
2018			
Revenue			
Segment revenue	41,428	45,250	86,678
Results			
Segment results	9,640	3,816	13,456
Selling expenses	(719)	(786)	(1,505)
Other operating income			919
Administrative expenses			(12,103)
Other operating expenses			(4,646)
Finance costs	(1,670)	(274)	(1,944)
Loss before tax			(5,823)
Income tax expense			(373)
Loss for the year			(6,196)
Other information			
Capital expenditure	2,665	1,441	4,106
Depreciation expense	12,581	544	13,125
Gain on disposal of property, plant and equipment	(47)	–	(47)
Property, plant and equipment written off	341	–	341
Impairment of property, plant and equipment	1,820	–	1,820
Inventory written off	–	370	370
Provision for inventory obsolescence	–	78	78
Bad debts written off	78	–	78
Impairment loss on financial assets, subject to ECL	1,729	–	1,729

Revenue reported above represents revenue generated from external customers.

NOTES TO FINANCIAL STATEMENTS

31 December 2019

34 SEGMENT INFORMATION (CONTINUED)

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

	Equipment rental $'000	Trading $'000	Total $'000
2019			
Assets and liabilities			
Segment assets	**91,641**	**6,132**	**97,773**
Unallocated corporate assets			**36,857**
Total assets			**134,630**
Segment liabilities	**12,330**	**940**	**13,270**
Unallocated corporate liabilities			**9,905**
Total liabilities			**23,175**
2018			
Assets and liabilities			
Segment assets	107,987	10,012	117,999
Unallocated corporate assets			33,480
Total assets			151,479
Segment liabilities	19,972	6,323	26,295
Unallocated corporate liabilities			12,262
Total liabilities			38,557

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

34 SEGMENT INFORMATION (CONTINUED)

Geographical segment information

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

	Singapore $'000	Indonesia $'000	Myanmar $'000	Malaysia $'000	Vietnam $'000	Brunei $'000	Thailand $'000	Others $'000	Total $'000
2019									
Revenue from external customers	**27,408**	**26,076**	**1,712**	**12,256**	**1,876**	**367**	**52**	**4,043**	**73,790**
2018									
Revenue from external customers	36,697	11,851	3,363	25,073	1,734	1,240	3,957	2,763	86,678

NOTES TO FINANCIAL STATEMENTS

31 December 2019

34 SEGMENT INFORMATION (CONTINUED)

Geographical segment information (Continued)

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

Non-current assets

Property, plant and equipment	2019 $'000	2018 $'000
Singapore	**38,565**	44,478
Malaysia	**28,332**	43,687
Myanmar	**7,463**	8,944
Vietnam	**4,761**	9,436
Indonesia	**19**	26
	79,140	106,571

Major customer information

For FY2019, revenue from one customer amounted to more than 10% of the Group's revenue (FY2018: Nil).

35 CAPITAL COMMITMENTS

	Group 2019 $'000	Group 2018 $'000
Capital expenditure in respect of acquisition of property, plant and equipment contracted but not provided for in the financial statements	**5,320**	7,798

36 OPERATING LEASE ARRANGEMENTS

The Group as lessee

Disclosure required by SFRS(I) 16

As at 31 December 2019, the Group is committed to $40,000 for leases exempted under SFRS(I) 16.

Disclosure required by SFRS(I) 17

	2018 $'000
Minimum lease payments under operating leases recognised as an expense in the year	579

NOTES TO FINANCIAL STATEMENTS

31 December 2019

36 OPERATING LEASE ARRANGEMENTS (CONTINUED)

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

	2018 $'000
Within one year	450
In the second to fifth years inclusive	980
After five years	379
	1,809

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

	2019 $'000	2018 $'000
Rental income	**67**	57

The Group as lessor

Disclosure required by SFRS(I) 16

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

	The Group 2019 $'000	The Company 2019 $'000
Maturity analysis of operating lease payments:		
Within one year	**67**	–
In the second to fifth year inclusive	**52**	–
Total	**119**	–

NOTES TO FINANCIAL STATEMENTS

31 December 2019

36 OPERATING LEASE ARRANGEMENTS (CONTINUED)

The Group as lessor (Continued)

Disclosure required by SFRS(I) 1-17

For the year ended 31 December 2018, the Group rented out part of their office spaces to its subsidiary. The properties were managed and maintained by the Group.

As at 31 December 2018, the Group and the Company contracted with tenants for the following future minimum lease payments:

	The Group 2018 $'000	The Company 2018 $'000
Within one year	57	–
In the second to fifth year inclusive	120	–
Total	177	–

37 STANDARDS ISSUED BUT NOT EFFECTIVE

At the date of authorisation of these financial statements, the following SFRS(I)s pronouncements were issued but not effective and are expected to have an impact to the Group and the Company in the periods of their initial adoption.

Effective for annual periods beginning or after 1 January 2020

- Amendments to SFRS(I) 1-1 Presentation of Financial Statements and SFRS(I) 1-8 Accounting Policies, *Changes in Accounting Estimates and Errors: Definition of Material*

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

- Amendments to References to the Conceptual Framework in SFRS(I) *Standards*

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

NOTES TO FINANCIAL STATEMENTS

31 December 2019

38 SUBSEQUENT EVENTS

(a) On 30 March 2020, the Company's substantial shareholder, Toyota Tsusho Corporation ("TTC"), has entered into a Sales & Purchase Agreement (the "SPA") with United Hope Pte Ltd, a Singapore incorporated company which is wholly owned by Mr. Teo Yi-Dar (the "Purchaser") to sell 30,950,000 shares held by TTC in the Company representing approximately 27.1% of the total issued and paid-up share capital of the Company at the price of S$0.4038 per share, for a total consideration of S$12,497,610 to be satisfied in cash (the "Proposed Sale"). Pursuant to the SPA, the completion of the Proposed Sale is subject to the fulfilment of certain conditions and is expected to take place on or before 30 May 2020. On the basis that the Proposed Sale is completed, TTC will cease being a substantial shareholder of the Company and the Purchaser will become a substantial shareholder of the Company.

(b) The outbreak of COVID-19 in early 2020 has caused disruptions to many industries globally. Despite the challenges, governments and international organisations have implemented a series of measures to contain the pandemic. Management considers the outbreak to be a non-adjusting event for the financial year ended 31 December 2019. At the date of this report, management expects its existing core business to be impacted by COVID-19. The Group will closely monitor the development of the pandemic and assess its impact on its operations continuously. Notwithstanding this, management has assessed that the Group is still able to maintain sufficient liquidity to enable the Group to continue as a going concern for at least the next 12 months from the end of the reporting period.

STATISTICS OF SHAREHOLDINGS

AS AT 24 MARCH 2020

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

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	100	6.89	843	0.00
100 – 1,000	144	9.92	82,446	0.07
1,001 – 10,000	733	50.52	3,539,224	3.10
10,001 – 1,000,000	464	31.98	29,887,852	26.22
1,000,001 AND ABOVE	10	0.69	80,502,635	70.61
TOTAL	**1,451**	**100.00**	**114,013,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

NO.	NAME	NO. OF SHARES	%
1	TAL HOLDINGS PTE LTD	32,273,200	28.31
2	DAIWA CAPITAL MARKETS SINGAPORE LIMITED	30,950,000	27.15
3	DB NOMINEES (SINGAPORE) PTE LTD	4,987,800	4.37
4	DBS NOMINEES PRIVATE LIMITED	3,433,896	3.01
5	PHILLIP SECURITIES PTE LTD	2,143,278	1.88
6	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	1,940,600	1.70
7	SHRINIWAS RAI	1,325,960	1.16
8	LIM GUAN CHONG	1,252,061	1.10
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,125,340	0.99
10	OCBC SECURITIES PRIVATE LIMITED	1,070,500	0.94
11	YEO SENG CHONG	1,000,000	0.88
12	TAN SU LAN @ TAN SOO LUNG	938,860	0.82
13	GOH GUAN SIONG (WU YUANXIANG)	865,100	0.76
14	SIM KIM TENG ANNIE	687,800	0.60
15	HONG LEONG FINANCE NOMINEES PTE LTD	680,000	0.60
16	SIM SZE MAY	680,000	0.60
17	CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD.	650,614	0.57
18	LOOI BOCK HEAY	500,000	0.44
19	YUUKI IKEDA	462,820	0.41
20	LIM SIU HORNG	425,000	0.37
	TOTAL	**87,392,829**	**76.66**

STATISTICS OF SHAREHOLDINGS

AS AT 24 MARCH 2020

SUBSTANTIAL SHAREHOLDERS AS AT 24 MARCH 2020

(As recorded in the Register of Substantial Shareholders)

		Direct Interest		Deemed Interests	
No.	**Name**	**No. of shares held**	**%**	**No. of shares held**	**%**
1.	TAL Holdings Pte Ltd	32,273,200	28.31	–	–
2.	Tan Ah Lye	304,000	0.27	32,273,200[(1)]	28.31
3.	Toyota Tsusho Corporation	30,950,000	27.15	–	–
4.	Toyota Motor Corporation	–	–	30,950,000[(2)]	27.15
5.	Yeo Seng Chong	1,000,000	0.88	4,987,800[(3)]	4.37

Notes:

(1) Mr. Tan Ah Lye owns more than 20% of the issued and paid up shares in the capital of TAL Holdings Pte Ltd ("**TALH**"). For the purpose of Section 7 of the Companies Act, Chapter 50 ("**Companies Act**"), Mr. Tan Ah Lye is deemed to be interested in the shares held by TALH.

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

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

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on Shareholders' Information as at 24 March 2020, approximately 39.03% of the issued ordinary shares of the Company are held by the public and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited is complied with.

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