HOCK LIAN SENG HOLDINGS LIMITED

ANNUAL REPORT 2022

HOCK LIAN SENG HOLDINGS LIMITED

Our business is built around
our customers, ensuring we deliver

ENGINEERING EXCELLENCE

◆

RELIABILITY

◆

COMMITMENT

to support their success.

ABOUT US

HOCK LIAN SENG HOLDINGS LIMITED

("Hock Lian Seng" or "the Group") is one of the leading civil engineering group in Singapore, with an established track record of more than 50 years.

The Group was listed on the Mainboard of Singapore Exchange Securities Trading Limited ("SGX-ST") in December 2009.

Established in 1969, Hock Lian Seng has undertaken and completed a wide range of civil engineering projects for both the public and private sectors in Singapore. We carry out civil engineering works for bridges, expressways, tunnels, Mass Rapid Transit ("MRT"), port facilities, water and sewage facilities and other infrastructure works. The Group has successfully completed Kim Chuan Depot, one of the world's largest underground depots with housing capacity for up to 77 trains, for the Circle Line in 2007.

Major customers include government and government related bodies of Singapore, such as the Land Transport Authority, Housing Development Board, Port of Singapore Authority, Public Utility Board and Civil Aviation Authority of Singapore.

The Group is also involved in property development and property investment businesses. The property development projects include industrial and residential developments such as Ark@Gambas, Ark@kb, The Skywoods and The Antares.

CONTENTS

LETTER TO SHAREHOLDERS

Dear Shareholders,

The Singapore economy posted slower growth of 3.6% in 2022 (versus 8.9% expansion in 2021), even as major global economies were grappling with recession concerns while central banks hiked interest rates to combat stubbornly high inflation. The domestic construction sector expanded by 6.7%, compared to growth of 20.5% in the previous year, mainly supported by the residential and infrastructure projects in both the public and private sectors.

The Singapore property market also experienced some moderation as statistics released by the Urban Redevelopment Authority revealed that private home prices in Singapore rose by 8.6% in 2022, slowing from the 10.6% increase in the previous year. This was mainly due to a slew of factors which dampened demand including growing macroeconomic uncertainties, additional property cooling measures and rising interest rates to tame inflation. Meanwhile, the Jurong Town Corporation market report for the fourth quarter of 2022 indicates that, notwithstanding the slight drop in occupancy rates, the price and rental of industrial space has continued to rise amid overall inflationary pressures.

FINANCIAL HIGHLIGHTS

The Group recorded revenue of S$142.7 million in the financial year ended 31 December 2022 ("**FY2022**") compared to S$168.6 million in the previous year. The lower revenue was mainly due to the completion of the Maxwell station project and substantial progress made for the development of the three-runway operations at Changi Airport in FY2021 as well as the Group being involved in the early phases of executing new projects in FY2022. Our Civil Engineering segment posted revenue of S$138.7 million in FY2022 compared to S$163.3 million in the financial year ended 31 December 2021 ("**FY2021**"). Our Property Development segment booked sales of S$3.8 million in the year under review compared to revenue of S$5.1 million in FY2021.

Gross profit decreased by S$6.6 million from S$17.0 million in the previous year to S$10.4 million in FY2022 mainly due to lower revenue and lower gross margin from the ongoing projects. Other income increased by S$1.5 million from S$10.0 million in FY2021 to S$11.5 million in the year under review because of higher rental income contributions from the unsold industrial units at Shine@TuasSouth, offset by lower government grants.

The Group recorded lower profit of S$3.1 million from our share of results of joint ventures in FY2022 compared to S$7.3 million in FY2021, mainly due to the majority of sales relating to the Mattar Road residential project being booked in the previous year and higher interest expense. Net profit decreased by S$8.6 million from S$25.0 million in the previous year to S$16.4 million in FY2022, mainly due to lower sales, gross profit and share of profit of joint venture which was partially offset by higher other income and lower administrative costs.

Revenue
S$142.7m
FY2022

Gross Profit
S$10.4m
FY2022

Cash Equivalents
S$108.8m
FY2022

As of 31 December 2022, the Group's net assets stood at S$237.2 million with cash and cash equivalents of S$108.8 million as compared to S$227.7 million and S$67.5 million respectively in the previous year.

DIVIDENDS

To appreciate our shareholders for their continuous support, the Board would like to propose a first and final cash dividend of 1.0 Singapore cent per share, subject to shareholders' approval at our upcoming Annual General Meeting ("**AGM**") scheduled on 25 April 2023.

FY2022 BUSINESS UPDATE

The Group commenced the year under review by significantly bolstering its order book with the award of two new contracts for the first phase of the Cross Island MRT Line. Notwithstanding the growing inflationary pressures, the Group continued to remain focused on executing its civil engineering projects which included the design and setting up of the sites for the Aviation Park and Serangoon North projects in 2022.

Following the commencement of operations at the Tuas Terminal mega port, the Group has benefited from the uptick in commercial activities at the Tuas South area to improve occupancy rate and substantially lease out the units at our industrial development at Shine@TuasSouth.

In addition, our joint venture residential project – *The Antares*, a 265-unit leasehold development at Mattar Road, is fully sold and has crossed a significant milestone with the attainment of its Temporary Occupation Permit (TOP) at the end of December 2022.

LETTER TO SHAREHOLDERS

BUSINESS PROSPECTS

According to the Building and Construction Authority, overall construction demand is expected to range between S$27 billion to S$32 billion in 2023. The public sector is expected to contribute about 60% of total projected demand with civil engineering construction demand anticipated to remain firm, underpinned by MRT line construction and other infrastructure works. Over the medium-term, total construction demand is expected to reach between S$25 billion to S$32 billion from 2024 to 2027. The public sector construction pipeline is expected to be supported by various major infrastructure developments such as the Cross Island MRT Line (Phases 2 and 3) and the Downtown Line Extension to Sungei Kadut.

The Group expects the tough operating environment for the construction industry to persist mainly due to rising business costs exacerbated by resource constraints. Nevertheless, we will continue to leverage on our proven track record even as we exercise financial discipline to tender competitively to secure more contracts in the public civil engineering and construction sectors to augment our order book.

The existing order book for the Civil Engineering segment stands at about S$875 million as at 31 December 2022. It mainly comprises the contracts for the design and construction of station and tunnels for Aviation Park and Serangoon North projects as well as the remaining component of the Changi Airport joint venture project. We will remain focused on building out our industry credentials through the disciplined execution of these projects with an emphasis on improving operational efficiency and productivity.

In addition, tighter financial conditions amidst the elevated interest rate environment may limit financing options and weigh on sentiment from small to medium-sized enterprises who may otherwise have considered acquiring the units at Shine@TuasSouth. Nevertheless, the Group will continue to market the sale of units at our industrial development.

The Group expects the Singapore government's latest round of property cooling measures in September 2022 to further moderate the growth of the private residential market, as evident in the decline in transaction volumes and tempered increase in prices in the fourth quarter of 2022. In the face of rising construction costs, we will continue to be vigilant on the private residential market and remain selective in bidding for any new development projects.

Furthermore, while Singapore's external demand outlook has improved slightly with the easing of pandemic restrictions in China, uncertainties in the global economy remain as ongoing geopolitical tensions, persistent inflationary pressures and rising interest rates continue to weigh on business sentiment. Against this backdrop, the Ministry of Trade and Industry has maintained Singapore's economic growth forecast at 0.5% to 2.5% in 2023. Management will continue to tender for infrastructure projects competitively and explore other business opportunities in the property development sector to strengthen the Group's track record and deliver value to our shareholders.

ACKNOWLEDGEMENT

Finally, we would like to thank our Board members for their invaluable contribution and guidance. We would also like to appreciate our management team and staff for their unrelenting commitment and hard work during the year.

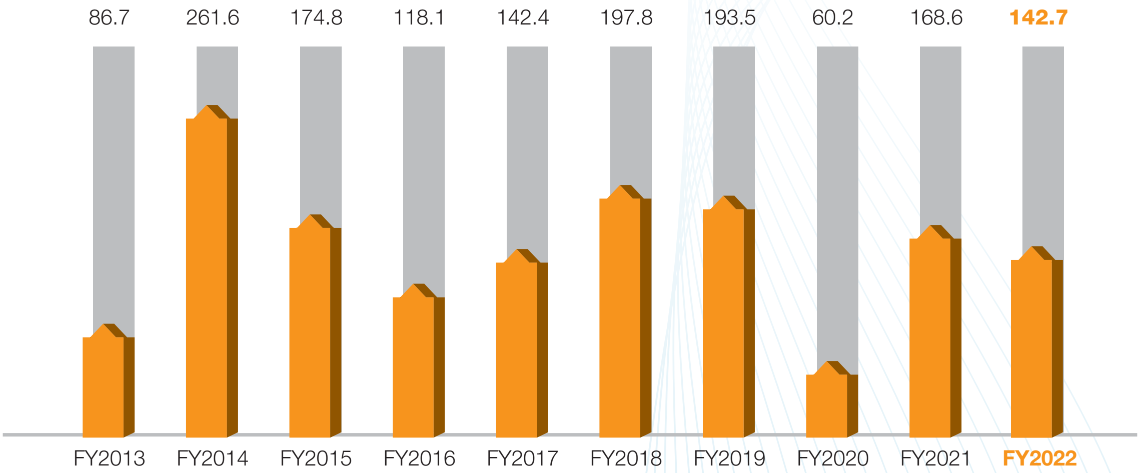
Amid the tepid business outlook and longer-term structural changes in our operating environment, we believe that maintaining a strong balance sheet and astute cash flow management will be critical to successfully navigate these challenges and enable the Group to capitalise on suitable business opportunities as they arise. The Group will continue to remain cautious and exercise prudence in our business decisions to enhance shareholder value.

Ong Seh Hong
Independent Non-Executive Chairman

Chua Leong Hai
Executive Director and CEO

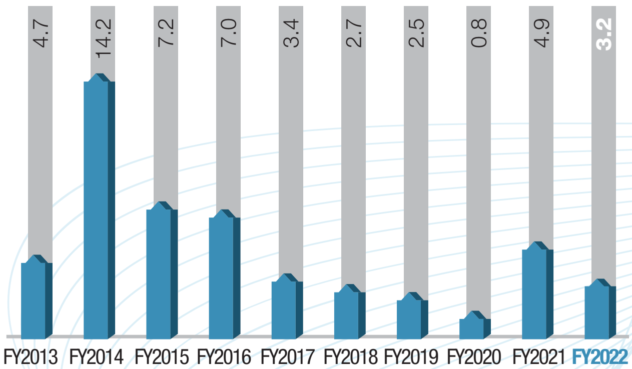
FINANCIAL **HIGHLIGHTS**

Revenue (S$ Million)

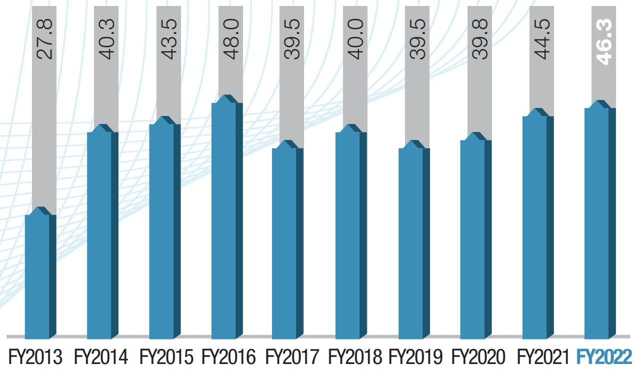


Per share data

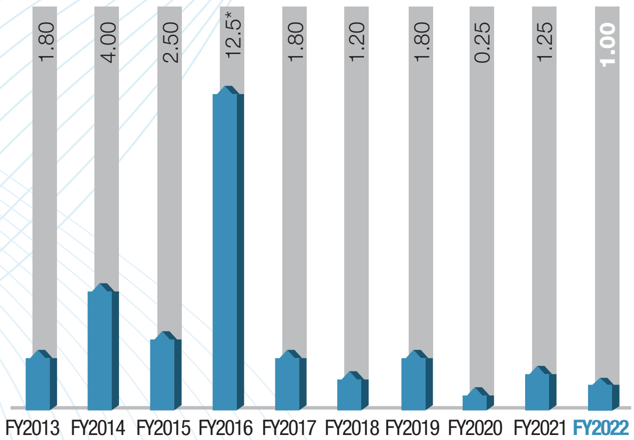
Basic earnings per share (Cents)



Net Tangible assets per share (Cents)



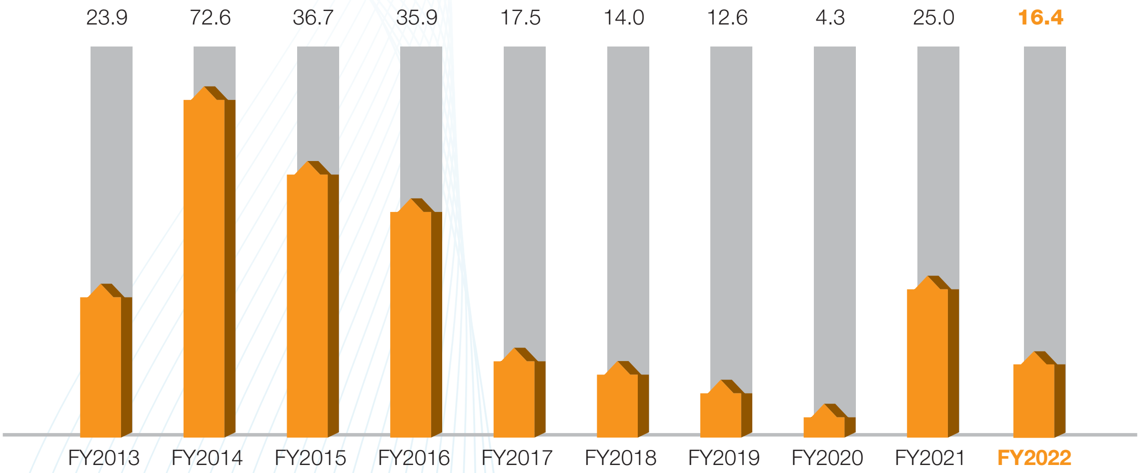
Dividend per share (Cents)



*special dividend 10 cents

FINANCIAL HIGHLIGHTS

Net profit (S$ Million)



Financial positions

$ in million	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Current Assets	344.3	354.7	292.6	305.1	272.7	258.0	235.0	211.8	251.6	253.6
Non-current Assets	33.8	44.3	48.9	64.6	63.7	84.7	89.0	80.8	91.0	91.7
Current Liabilities	198.6	192.4	104.4	110.9	123.9	140.4	115.4	87.9	113.8	106.7
Non-current Liabilities	37.6	1.2	15.5	15.5	15.1	0.1	2.9	1.0	1.1	1.5
Non-Controlling interests	–	–	–	–	–	–	–	0.1	–	-0.2
Equity Attributable to Shareholders	141.9	205.4	221.6	243.3	197.4	202.2	205.7	203.6	227.7	237.3

Cash Flow statement

$ in million	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022
Net cash generated from/ (used in) operating activities	29.0	110.7	13.6	5.6	-0.9	16.7	7.4	-17.3	6.7	51.0
Net cash used in investing activities	-12.1	-6.9	-12.3	56.3	-8.6	-41.9	-3.3	5.8	2.0	-3.4
Net cash used in/generated from financing activities	-25.7	-41.1	-9.9	-12.8	-64.2	-12.8	-20.7	-6.2	-1.2	-6.4
Net increase/(decrease) in cash and cash equivalent	-8.8	62.7	-8.6	49.1	-73.9	-38.0	-16.6	-17.7	7.5	41.2
Effect of exchange rate change on cash and cash equivalents	–	–	–	–	-0.2	0.3	-0.2	-0.2	0.3	0.1
Cash and cash equivalent at beginning of year	111.6	102.8	165.5	156.9	206.0	132.1	94.4	77.6	59.7	67.5
Cash and cash equivalent at end of year	102.8	165.5	156.9	206.0	132.1	94.4	77.6	59.7	67.5	108.8

OPERATIONS AND FINANCIAL REVIEW

FY 2022 compared with FY 2021 Performance and segmental review

Revenue

In $' million	FY 2022	%	FY 2021	%
Civil Engineering	**138.8**	**97.2**	163.5	96.9
Properties Development	**3.8**	**2.7**	5.0	3.0
Properties Investment	**0.1**	**0.1**	0.1	0.1
	142.7	**100.0**	168.6	100.0

Group revenue for the financial year ended 31 December 2022 (FY 2022) was $142.7 million, reduce by $25.9 million (-15.4%) from $168.6 million for the corresponding previous financial year (FY2021). Lower revenue was mainly due to the completion of the Maxwell station project in FY2021 and the new projects is still at design and site preparation stage, also the construction activities for Changi joint venture project has peaked in FY2021. FY2022 has recorded revenue of $3.8 million from the Properties Development segment for sales of units at Shine@TuasSouth and Ark@Gambas, $1.2 million lower than FY2021. Revenue from Properties Investment was insignificant for both FY2022 and FY2021.

Gross Profit

In $' million	FY 2022	FY 2021
Civil Engineering	**9.4**	15.7
Properties Development	**0.9**	1.2
Properties Investment	**0.1**	0.1
	10.4	17.0

Gross profit decreased by $6.6 million (-39.0%) to $10.4 million mainly due to lower revenue and lower gross margin for the on- going projects.

Other Income

Other income has increased by $1.5 million to $11.5 million, mainly due to the much higher rental income from Shine@TuasSouth offset by the lower government grant.

In $' million	FY 2022	FY 2021
Interest income from bank	**0.9**	0.1
Interest income from investment securities	**1.1**	0.9
Interest income from joint venture	**1.1**	1.4
Dividend	**0.1**	0.1
Rental		
– Development properties	**6.5**	4.4
Government grants		
– COVID related	**–**	2.3
– others	**1.2**	0.2
Other COVID related support	**–**	–
Gain on disposal of fixed assets	**0.3**	0.2
Gain on fair value changes of investment securities (FVTPL)	**–**	0.1
Gain on foreign currency exchange	**0.1**	0.3
Miscellaneous	**0.1**	0.0
	11.4	10.0

Administration cost

Lower administration cost of $0.7 million (-17.4%) for FY2022 mainly due to the lower performance bonus and tender preparation cost in FY2022.

Other operating costs

Other operating cost for FY2022 was $0.3 million higher mainly due to loss on fair value for investment securities FVTPL of $0.3 million.

Share of profits of joint venture

The Mattar Road residential joint venture project has contributed to the share of profit of $3.0 million (FY2021: 7.2 million), significantly lower than FY2021 as the sales was mostly recognised in FY2021 and higher bank interest expenses.

Profit before tax and tax expenses

Lower sales, gross profit and share of profit of joint venture, offset by higher other income and lower administration cost was the key factors for the decrease in profit before tax of $9.0 million for FY2021.

Financial position and cash flow review

Total assets of the group as at 31 December 2022 was $345.3 million, increased by $2.8 million from $342.5 million as at 31 December 2021. Mainly due to higher cash balance offset by the decrease in contract assets, trade and other receivable.

Increase in of cash and short term deposits of $41.3 million for FY2022 was mainly due to the $51.1 million cash generated from operating activities and repayment of loan of $2.7 million from joint venture, offset by the net cash outflow for the purchase and redemption of investment securities of $7.8 million and dividend payment of $6.4 million.

Decrease in trade receivables of $13.4 million end of FY2022 mainly due to a one off mobilisation advance billing to customer in December 2021. Contract assets was $24.1 million lower with higher progress payment received from customers and release of retention of a completed project. Other receivable has reduced by $2.4 million mainly due to the lower advance to subcontractors.

Total liabilities of the group as at 31 December 2022 were $108.2 million, decreased by $6.7 million from $114.9 million as at 31 December 2021, mainly due to the decrease in provisions with the utilisation of maintenance cost for completed projects.

Shareholders equity was $237.2 million, about $9.6 million higher than 31 December 2021. Mainly due to the current year net profit after tax of $16.5 million offset by the dividend payment of $6.4 million and fair value loss for investment securities recognised in comprehensive income of $0.5 million.

PROJECT **HIGHLIGHT**

Property development

The Antares is a 99-year leasehold residential project located along Mattar Road and it consists of 4 blocks with a total of 265 residential units. This project is developed by FSKH Development Pte Ltd, a 45% joint venture of Hock Lian Seng Group. The Antares was launched in September 2019 and fully sold in January 2022. Temporary Occupancy Permit for the project was obtained in December 2022.

BOARD OF DIRECTORS

ONG SEH HONG

Non-Executive Chairman, Independent Director

Date of first appointment as a director

23 September 2011

Date of last re-election as a director

22 April 2021

Length of service as Director (as at 31 December 2022)

11 years 3 months

Board committees served on

- Audit and Risk Management Committee (Member)
- Nominating Committee (Member)
- Remuneration Committee (Chairman)
- Board Safety Committee (Member)

Academic & Professional Qualifications

Bachelor of Medicine and Bachelor of Surgery (MBBS);

Master of Science in Applied Finance from the National University of Singapore;

Member of the Royal College of Psychiatrists in the United Kingdom;

A fellow of The Academy of Medicine, Singapore

Present Directorships in other listed companies (as at 31 December 2021)

Econ Healthcare (Asia) Ltd

Past Directorships in listed companies held over the preceding 3 years

– Dyna-Mac Holdings Ltd

– Zhongmin Baihui Retail Group Holdings Ltd

Background and experience

Dr Ong is currently a practising psychiatrist. Prior to this, Dr Ong was the clinical director and chief operating officer of the Ren Ci Hospital & Medicare Centre, and Ren Ci Community Hospital. He held the position of vice president (corporate services) of GIC Special Investments Private Limited, a unit of the Government of Singapore Investment Corporation. He was a Member of Parliament from 2001 to 2011.

Family relationship with existing director, executive officer or substantial shareholders of the Company or any of its principal subsidiaries

Nil

CHUA LEONG HAI

Executive Director and Chief Executive Officer

Date of first appointment as Director

20 May 2009

Date of last re-election as a director

22 April 2021

Length of service as Director (as at 31 December 2022)

13 years 7 month

Board committees served on

- Nominating Committee (Member)

Academic & Professional Qualifications

Diploma in Management Studies from National Taiwan University (Graduate Institute of Business Administration in association with The National Productivity Board Singapore)

Present Directorships in other listed companies (as at 31 December 2022)

Nil

Past Directorships in listed companies held over the preceding 3 years

Nil

Background and experience

Mr Chua is the founder of the Group and is instrumental in growing the company from a small construction outfit to one listed on Singapore's main board.

Family relationship with existing director, executive officer or substantial shareholders of the Company or any of its principal subsidiaries

Mr Chua is a controlling shareholder of the Company, with direct interest of 37.91% in the total issued shares of the Company as at 31 December 2022.

Mr Chua is the father of Ms Chua Siok Peng, an executive director of the Company.

BOARD OF DIRECTORS

HOON TAI MENG

Non-Executive Independent Director

Date of appointment as Director

1 October 2018

Date of last re-election as a director

21 April 2022

Length of service as Director (as at 31 December 2022)

4 year 3 months

Board committees served on

- Audit and Risk Management Committee (Chairman)
- Nominating Committee (Member)
- Remuneration Committee (Member)
- Board Safety Committee (Member)

Academic & Professional Qualifications

Bachelor of Commerce (Accountancy) from Nanyang University; Bachelor of Laws (Hon) from the University of London; Fellow Member of the Institute of Singapore Chartered Accountants, Fellow Member of the Chartered Institute of Management Accountants (United Kingdom), a Fellow Member of the Association of Chartered Certified Accountants (United Kingdom) and a Barrister-at-Law (Middle Temple, United Kingdom).

Present Directorships in other listed companies (as at 31 December 2022)

Spindex Industries Ltd, Federal International (2000) Ltd, Aedge Group Ltd.

Past Directorships in listed companies held over the preceding 3 years

Koufu Group Limited, Sin Ghee Huat Corporation Ltd, Pavillion Holdings Ltd

Background and experience

Mr Hoon is a Senior Consultant of RHTLaw Asia LLP. He was also formerly a partner with M/s KhattarWong from June 2007 to June 2011. Besides having around 18 years of experience in legal practice, he also has approximately 20 years of experience in financial planning and management, audit and tax functions.

Family relationship with existing director, executive officer or substantial shareholders of the Company or any of its principal subsidiaries

Nil

LIM BOK NGAM

Non-Executive Independent Director

Date of appointment as Director

4 January 2021

Date of last re-election as a director

22 April 2021

Length of service as Director (as at 31 December 2022)

2 year

Board committees served on

- Audit and Risk Management Committee (Member)
- Nominating Committee (Chairman)
- Remuneration Committee (Member)
- Board Safety Committee (Chairman)

Academic & Professional Qualifications

Bachelor of Engineering (Civil)(Hon) from University of Singapore; Master of Science (Construction Eng); Professional Engineering (Civil)

Present Directorships in other listed companies (as at 31 December 2022)

Nil

Past Directorships in listed companies held over the preceding 3 years

Nil

Background and experience

Mr Lim has extensive experience in the field of infrastructure, building and civil engineering. He started his career in the area of design and progressed to construction and project management. During his career he has worked with Brown & Root, RDC (Resources Development Corporation), PWD (Public Works Department), LTA (Land Transport Authority) and MSI International (LTA consultant arm).

He was the DCE (Deputy Chief Executive) of LTA, overseeing the implementation of MRT/road projects and smooth running of the land transport system in Singapore. Mr Lim retired in 2012.

Mr Lim is currently a board member of Transitlink Pte Ltd, adviser for DTSS2, PUB Deep Sewer Tunnel Project and Council member of the Public Transport Council.

Family relationship with existing director, executive officer or substantial shareholders of the Company or any of its principal subsidiaries

Nil

BOARD OF DIRECTORS

KEE GUAN CHUA
Executive Director

Date of first appointment as Director
26 March 2012

Date of last re-election as a director
21 April 2022

Length of service as Director (as at 31 December 2022)
10 years 9 months

Board committees served on
Nil

Academic & Professional Qualifications
Technician Diploma in Building from Singapore Polytechnic

Present Directorships in other listed companies (as at 31 December 2022)
Nil

Past Directorships in listed companies held over the preceding 3 years
Nil

Background and experience
Mr Kee is the head of the Contracts Department. He has been with our Group since 1983 and his current responsibilities include estimating project cost, project tenders, sourcing for building materials, evaluation and procurement of contracts for supply and sub-contracting works and variations.

Family relationship with existing director, executive officer or substantial shareholders of the Company or any of its principal subsidiaries
Nil

CHUA SIOK PENG
Executive Director

Date of first appointment as Director
15 December 2015

Date of last re-election as a director
23 June 2020

Length of service as Director (as at 31 December 2022)
7 years

Board committees served on
Nil

Academic & Professional Qualifications
Bachelor of Arts (Architecture) from National University of Singapore; Graduate Diploma in Architecture from The Bartlett School, University College London and Master of Business Administration from the National University of Singapore

Present Directorships in other listed companies (as at 31 December 2022)
Nil

Past Directorships in listed companies held over the preceding 3 years
Nil

Background and experience
Ms Chua is the Head of the Property Development division and also in charge of business development. She has joined the Group since 2012. Ms Chua is a UK registered professional architect with extensive work experience in both UK and Singapore.

Family relationship with existing director, executive officer or substantial shareholders of the Company or any of its principal subsidiaries
Ms Chua is a substantial shareholder of the Company, with direct interest of 5.1% in the total issued shares of the Company as at 31 December 2022.

Ms Chua is the daughter of Mr Chua Leong Hai, executive director and chief executive officer of the Company.

EXECUTIVE OFFICERS

CHUA SEY KOK

Technical Director

Chua Sey Kok joined the Group as Technical Director in July 2014. Mr Chua plays a strategic role in planning/development of the infrastructure business and provide guidance and leadership to the construction and tendering team. Mr Chua is currently the Senior Project Director for the Changi JV Project.

He has more than 35 years of experience in the civil engineering and building industry, of which, he has over 17 years of experience in managing engineering teams in large scale infrastructure projects. He had worked in Singapore, China, Indonesia and Vietnam.

He holds a bachelor degree in Civil Engineering (Honours) and Master Degree in Science (Civil Engineering from the National University of Singapore. He is also a registered professional engineer in civil engineering of the Singapore Professional Engineers Board.

GOH KOK HWA

General Manager (Project)

Goh Kok Hwa joined the Group as General Manager (Projects) in Feb 2022. He has 42 years of experience in the civil engineering ad building industry, of which, he has over 16 years of experience in managing engineering teams in large-scale infrastructure projects. He had worked in Singapore, Indonesia and Malaysia. Mr Goh provides guidance and leadership to the construction teams in view of his experience in project management and technical knowledge of large-scale infrastructure projects.

He holds a bachelor degree in Civil Engineering, Master Degree in Science (Civil Engineering) and Master Degree in Science (Project Management) from the National University of Singapore. He holds a Master Degree in Fire Safety Engineering from the University of Western Sydney. He is a registered professional engineer in civil engineering of the Singapore Professional Engineers Board and a fire safety engineer registered with the Singapore Civil Defence Force.

FONG KAM WAI

Project Director

Fong Kam Wai joined our Group since 1985. He was appointed as a Director for Hock Lian Seng Infrastructure Pte Ltd in 2012. He is responsible for the overall planning and coordination of projects, ensuring the projects are completed within the allocated budget and is in charge of schedule and quality standards.

Since joining our Group, he has been involved in many infrastructure projects such as the construction of overhead bridge crane superstructure and foundation for New Container Terminal at Pasir Panjang, construction of aircraft parking aprons, associated taxiways for the extension of Terminal 1,2,3 and 4 for Singapore Changi Airport, reclamation of sea and construction of viaduct at Marina Coastal Expressway.

He is currently the Project Director for Changi JV Projects on upgrading of Runway #2 and connecting new Taxiways for future Terminal 5. He has extensive experience in the field of engineering and construction works.

Mr Fong holds a Bachelor of Engineering from the National University of Singapore.

DANIEL TAY CHIN KWANG

Senior Project Director

Daniel Tay Chin Kwang joined our Group in May 2022 and appointed as a Director for Hock Lian Seng Infrastructure Pte Ltd in August 2022. He is currently the Senior Project Director of Serangoon North Station under Cross Island Line Phase 1. Mr Tay garnered extensive experience in building works prior to his venture in infrastructure works. He has over 30 years of experience in the construction industry. Mr Tay graduated from the National University of Singapore with a Bachelor of Engineering (Civil) and subsequently attained a Master of Science (International Construction Management) from Nanyang Technological University. He is a Senior member of the Institution of Engineers Singapore, as well as member of Geotechnical Society Of Singapore and the Tunnelling and Underground Construction Society (Singapore). Mr Tay is the member of SCAL. He is also being awarded as an Accredited Construction Professional (Tier A-Star), the highest tier, and he has been appointed as one of the Assessors for the Construction Professional Accreditation Scheme as well.

WONG SIEW MOH

Deputy Head of Projects

Dr. Wong Siew Moh joined our Group in September 2016 as Senior Technical Manager, and is involving in the Changi JV Project. He was appointed as a Director of Hock Lian Seng Infrastructure Pte Ltd in 2021. Dr Wong plays a key role in overall coordination of projects, tenders and technical reviews.

He has extensive experience in design and construction of infrastructure and building projects. He holds Doctorate Degree in Civil Engineering from Imperial College London, Master Degree in Civil Engineering from the Nanyang Technological University of Singapore and Bachelor Degree (First Class Honours) in Civil Engineering from University of Leeds, UK. He is also a registered Professional Engineer in Singapore.

ONG HONG KIAT

Project Director

Ong Hong Kiat joined our Group in Apr 2008. Since joining our Group, he has been involved in the Marina Bay Station Project, Gali Batu Depot Project, Maxwell MRT Project, Ark&Gambas Building Project, Shine@Tuas South Industrial Building Project and Stabling Yard Project for Gali Batu Depot and held the position of Construction Manager, Deputy Project Manager, Project Manager and Project Director accordingly. He is responsible for the planning and execution of project ensuring that the project is completed on time and within budget. He is currently the Project Director for the Aviation Park MRT Station Project.

He has acquired extensive experience in civil engineering and building projects. He holds a bachelor degree in Civil Engineering (Honours Class 2 Upper Division) from the University of Malaya.

ANG KWEE HONG

Contract Manager

Ang Kwee Hong is our Contract Manager. She joined our Group as a quantity surveyor from 1991 to 2005 and was primarily responsible for tender works, negotiating pre-contracts and post-contracts and the administration of HLS Infrastructure. She was appointed as the Contract Manager of our Group in 2006. Ms Ang obtained a Technician Diploma in Building from the Singapore Polytechnic in 1982.

CORPORATE INFORMATION

Board of Directors

Ong Seh Hong (Chairman)
Chua Leong Hai
Chua Siok Peng
Hoon Tai Meng
Kee Guan Chua
Lim Bok Ngam

Audit and Risk Management Committee

Hoon Tai Meng (Chairman)
Lim Bok Ngam
Ong Seh Hong

Nominating Committee

Lim Bok Ngam (Chairman)
Hoon Tai Meng
Ong Seh Hong
Chua Leong Hai

Remuneration Committee

Ong Seh Hong (Chairman)
Hoon Tai Meng
Lim Bok Ngam

Board Safety Committee

Lim Bok Ngam (Chairman)
Hoon Tai Meng
Ong Seh Hong

Company Secretary

Siau Kuei Lian

Registered Office

80 Marine Parade Road
#16-08 Parkway Parade
Singapore 449269
Website: www.hlsgroup.com.sg
Email: info@hlsgroup.com.sg

Share Registrar

B.A.C.S. Private Limited
77 Robinson Road
#06-03 Robinson 77
Singapore 068896

Independent Auditor

Ernst & Young LLP
Public Accountants and Chartered Accountants

One Raffles Quay
North Tower, Level 18
Singapore 048583

(Partner-in-charge: Nelson Chen appointed since financial year ended 31 December 2018)

Principal Bankers

United Overseas Bank Limited

Oversea-Chinese Banking Corporation Limited

Malayan Banking Berhad

Hong Kong Shanghai Banking Corporation Limited

Bank of Singapore Limited

Company Registration Number

200908903E

CORPORATE GOVERNANCE **REPORT**

The Board of Directors ("**Board**") and the management ("**Management**") of Hock Lian Seng Holdings Limited (the "**Company**") and its subsidiaries (collectively referred to as the "**Group**") are committed to achieve good standard of corporate governance and business conduct in order to protect the interest of shareholders. The Board and Management are mindful of the tenets of good governance that includes accountability, transparency and sustainability. The Company believes that embracing such efforts are more likely to engender investor confidence and achieving long-term sustainable business performance.

This report sets out the Company's corporate governance practices and activities in respect of the financial year ended 31 December 2022 ("**FY2022**") in relation to each of the principles of the Singapore Code of Corporate Governance 2018 (the "**Code**") and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The Company seeks to comply with the best practices as outlined in the Code where applicable, feasible and practical to the Group any deviations from the Code are explained in this report.

Board Matters

The Board's Conduct of Affairs

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

The Board's primary role is to protect and enhance long-term shareholder value by establishing a framework of prudent and effective controls in managing risks. To fulfill this role, the Board is responsible for the overall corporate governance of the Group including setting its strategic direction, establishing goals for the Management and monitoring the achievement of these goals. As part of its responsibility in discharging its duty, the Board also performs the following roles:

(a) reviewing the performance of Management by establishing Management's goals and monitoring the achievement of those goals and ensure transparency and accountability;

(b) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;

(c) approving major funding proposals, investment and divestment proposals of the Group;

(d) establish a framework of prudent and effective controls which enable risks to be assessed and managed, including safeguarding of shareholders' interests and the Company's assets;

(e) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;

(f) setting the Company's values and standards (code of conduct and ethical standards) to uphold good corporate governance; and

(g) ensuring that obligations to shareholders and other stakeholders are understood and met in order to achieve sustainability.

All Directors discharge their duties and responsibilities objectively at all times as fiduciaries in the interest of the Company. The Board puts in place a code of conduct and ethics, set desired organisational culture and ensure proper accountability within the Group. The Board has clear policies and procedures for dealing with conflict of interest. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

CORPORATE GOVERNANCE **REPORT**

Training and Development of Directors

All Directors have many years of corporate experience and are familiar with their duties and responsibilities as Directors. Upon appointment, each Director will receive a letter of appointment explaining his duties and obligations as a member of the Board. In addition, orientation briefings are arranged for newly appointed Directors to familiarise them on the business activities of the Group and its strategic directions, as well as their duties and responsibilities as Directors.

The Directors are provided with extensive background information about the Group's history, mission, values and business operations. The Board is also kept abreast regularly on new laws, regulations and commercial developments by the Management and its appointed professionals. The Chairman will make the necessary arrangements for the briefings, informal discussions or explanations required on key aspects to gain insight for better understanding of the Group's business and operations.

In addition, the Directors of the Company are encouraged to attend appropriate or relevant courses, conferences and seminars conducted by professional organisations. The Company may fund the appropriate training and development programmes for the Directors. Changes to regulations and accounting standards are monitored closely by the Management. The Board has received updates on changes in listing rules, regulatory requirements, corporate governance guidelines and best practices on regular basis.

In line with the requirement of the Task Force on Climate-related Financial Disclosures, the Company has arranged for all the Directors to undergo a one-time training on the sustainability in 2022.

Matters Requiring Board Approval

The Board's approval is required for decisions involving areas such as strategic plans, key operational initiatives, material acquisition and disposal of assets, capital-related matters including financial re-structure, market fund-raising, share issuances, interim and final dividends and any investment or expenditures exceeding set material limit.

While matters relating in particular to the Company's objectives, strategies and policies require Board's direction and approval, the Management is responsible for the day to day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

Board Processes

To assist the Board in the discharge of its responsibilities, the Board has established four Committees namely, the Audit and Risk Management Committee ("**ARMC**"), the Remuneration Committee ("**RC**"), the Nominating Committee ("**NC**") and the Board Safety Committee ("**BSC**"). These Committees function within clearly written terms of reference and operating procedures, compositions, authorities and duties, including reporting back to the Board, which are reviewed on a regular basis.

The schedule of all Board and Board Committee meetings for a calendar year is usually given to all Directors well in advance. Besides the scheduled quarterly Board meetings, the Board meets on an ad-hoc basis as warranted by particular circumstances. Board meetings will be convened when they are deemed necessary, to review the Group's operations, conduct strategic review of the business affairs and address other specific significant matters that arise. The Company's Constitution provides for meetings of the Directors to be held by means of telephone conference or other methods of simultaneous communication be electronic or telegraphic means. The Board also approves transactions through circular resolutions which are circulated to the Board together with all relevant information to the proposed transaction.

CORPORATE GOVERNANCE **REPORT**

The agenda for meetings is prepared in consultation with the Non-Executive Chairman and the CEO. The agenda and documents are circulated in advance of the scheduled meetings. The Board and Board Committee meetings held during the financial year and the attendance of Directors at the meetings are set out as follows:

	Board	Audit and Risk Management Committee	Nominating Committee	Remuneration Committee	Board Safety Committee
Number of Meetings Held	**4**	**4**	**1**	**1**	**1**
			Attendances		
Ong Seh Hong	4	4	1	1	1
Chua Leong Hai	4	–	1	–	1
Chua Siok Peng	4	–	–	–	1
Kee Guan Chua	4	–	–	–	1
Hoon Tai Meng	4	4	1	1	1
Lim Bok Ngam	4	4	1	1	1

Directors' time commitment

Despite some of the Directors having multiple Board representations, the NC had reviewed the Directorship of the Directors and is satisfied that these Directors are able to ensure that sufficient time and attention are given to the affairs of the Company and have adequately carried out their duties as Directors of the Company after taking into consideration the number of listed company Board representations and other principal appointments of these Directors.

Currently, the NC and Board do not limit the maximum number of listed Board representations which any Director may hold as long as each of the Board members is able to commit his or her time and attention to the affairs of the Company. The NC and Board believe that each individual director is best placed to determine and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a Director of the Company, having regard to his or her other commitments.

Access to Information

The Directors are provided with Board papers and related materials, background or explanatory information in advance of each Board Meeting to enable them to be properly informed of matters to be discussed and/or approved, as well as ongoing reports relating to operational and financial performance of the Group. Directors are also informed of any significant developments or events relating to the Group. In addition, the Directors are entitled to request from Management such additional information as needed to make informed decisions. Management ensures that any additional information requested for is provided to the Directors in a timely manner.

The Company Secretary and Other Professional Advisers

Board members have separate and independent access to the Company Secretary at all times. The Company Secretary or her representatives will attend all meetings of the Board and Board Committees and assists in ensuring that relevant procedures are followed and reviewed such that the Board and Board Committees operate effectively. The decision to appoint or remove the Company Secretary is made by the Board as a whole.

Should Directors, whether as a group or individually, need independent professional advice to enable them to discharge their duties, the Company, subject to the approval of the Board, will appoint a professional advisor to render advice at the cost of the Company.

CORPORATE GOVERNANCE **REPORT**

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.

As at the date of this report, the Board currently comprises 6 Directors of whom 3 are independent Directors. The Board assesses the independence of each Director in accordance with the guidance provided in the Code. The criteria for independence are based on the definition given in Provision 2.1 of the Code. There is a fairly strong independent element on the Board, with independent Directors constituting half of the Board. The Board and the NC are satisfied that the Board has substantial independent elements to ensure that objective judgment is exercised on corporate affairs. The NC will continue to assess the Board composition from time to time and make appropriate recommendations to the Board. No individual or group of individuals dominates the Board's decision making. In addition, the roles of a Chairman and the Chief Executive Officer ("**CEO**") are assumed by different persons and the Chairman is an Independent Director.

The NC reviews annually whether a Director or potential candidate for the Board is considered an independent director having regard to the Code's definition of an "independent director" and guidance as to the relationships, the existence of which would deem a Director not to be independent (Principle 2). Under the Code, an independent director is one who is independent in conduct, character and judgment, and 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 in the best interests of the Company. Under the SGX-ST Listing Manual, a Director will not be deemed independent if he is employed by the Company or its related corporations for the current or any of the past three financial years, or if he has an immediate family member who is employed or has been employed by the Company or its related corporations for the past three financial years, and whose remuneration is determined by the Company's RC.

The Directors complete a declaration of independence annually which is reviewed by the NC. The NC determines annually, and as and when circumstances require, if a Director is independent. Based on the declarations of independence of the Directors, and having regard to the circumstances set forth in Provision 2.1 of the Code, Rule 210(5)(d) of the SGX-ST Listing Manual, the NC and the Board have determined that there are three Independent Directors on the Board, namely: Dr Ong Seh Hong, Mr Hoon Tai Meng and Mr Lim Bok Ngam.

Although Dr Ong Seh Hong ("**Dr Ong**") has served on the Board for more than nine years from the date of his first appointment, the NC had rigorously reviewed his past contributions to the Group and considered that he is independent in character and judgement and there was no circumstance which would likely affect or appear to affect his independent judgement. Dr Ong who has served the Board beyond 9 years had sought approval from the Shareholders in the annual general meeting of the Company held on 21 April 2022 of his continued appointment as Independent Director pursuant to Rule 210(5)(d)(iii).

Rule 210(5)(d)(iii) of the Listing Rules of SGX-ST was removed on 11 January 2023 with immediate effect. The Singapore Exchange Regulation will limit to nine years the tenure of independent director serving on the boards of listed issuers. As a transition, independent director whose tenure exceeds the nine-year limit can continue to be deemed independent until the issuer's next AGM to be held in 2024, for the financial year ending 31 December 2023.

In view of the above rule change, Dr Ong will continue to be deemed independent until the Company's next AGM to be held in 2024. This will allow the Board and the Nominating Committee a one-year time frame to search for a new replacement Independent Director.

Notwithstanding that Dr Ong has served the Board beyond nine years, the NC with the concurrence of the Board, is satisfied that Dr Ong has 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. Dr Ong had abstained from the discussions pertaining to the review of his independence, and being member of the NC has abstained from voting on any resolution in relation to his independence.

The opinion was arrived at after careful assessment by the NC and the Board and the rigorous review comprised a review of, but not limited to, the following factors: (a) the length of services of Dr Ong has not compromised the objectivity of Independent Director and his commitments and abilities to discharge his duties as Independent Director; (b) the abilities of Independent Director to continue exercising independent judgements in the best interests of the Company; (c) the abilities of Independent Director to express his objectives and independent views during Board and

Board Committee meetings; and (d) Independent Director, through his years of involvements with the Company, has gained valuable insights and understandings of the Group's business and together with his diverse experiences and expertise, have contributed and will continue to contribute effectively as Independent Director by providing impartial and autonomous views at all times. The Group would continue to build on the acquired experience and expertise by preserving continuity and stability within the Group through orderly succession.

Board Diversity

The Board has adopted a Board Diversity Policy which sets out the framework for promoting diversity on the Board of the Company in order to improve performance. This diversity includes the range of skills, business and industry experience, gender, age, ethnicity, geographic background, length of service, and other distinctive qualities of the board members. The Company recognises that an effective board requires Directors to possess not only integrity, commitment, relevant experience, qualifications and skills in carrying out their duties effectively but also include diverse background towards promoting good corporate governance.

In the process of searching for qualified persons to serve on the Board, the NC shall strive for the inclusion of diverse groups and the final decision on selection of directors will be based on merit against the objective criteria set and after giving due regard for the benefits of diversity on the Board.

The Board comprises of Directors who possess the core competencies, experience and knowledge in business, finance and management skills critical to the Group's business and that each Director brings to the Board an independent and objective perspective to enable balanced and well-considered decisions to be made. The Directors, having reviewed the composition of the Board, are satisfied that the present size and composition of the Board is effective for decision making.

The key information regarding Directors such as academic and professional qualifications, board committees served, present and past Directorships or chairmanships held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive can be found under the "Board of Directors" section of the Annual Report.

Non-Executive and Independent Directors of the Board exercise no management functions but have equal responsibility for the performance of the Group, the role of the Non-Executive and Independent Directors are particularly important in ensuring that the strategies proposed by the Management are constructively challenged, taking into account the long-term interests, not only of the shareholders, but also of employees, customers, suppliers and the communities in which the Group conducts business. The Independent Directors help to develop proposals on strategy and review the performance of Management in meeting agreed goals and objectives and monitor the reporting performance. When necessary, the Independent Non-Executive Directors will meet and discuss on the Group's affairs without the presence of the Management and feedback on issues discussed is thereafter provided to the Chairman of the Board.

To-date, none of the independent Directors of the Company has been appointed as Director of the Company's principal subsidiary, which is based in Singapore.

Chairman and Chief Executive Officer

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

There is clear separation of responsibilities between the Chairman and CEO, which ensures that there is an appropriate balance of power and authority, increased accountability and greater capacity of the Board for independent decision-making. The role of the Chairman is assumed by Dr Ong.

The Independent Non-Executive Chairman, amongst his other duties, schedules and chairs Board meetings and, with the assistance of the Company Secretary or her representatives and Executive Directors, prepares Board agenda as well as controls the quality, quantity and timely flow of information between Management to the Board, promoting effective communication with the Company's shareholders. The Chairman is also responsible for the workings of the Board and ensures the integrity and promoting the standard of corporate governance with full support of the Directors and management.

CORPORATE GOVERNANCE **REPORT**

Mr Chua Leong Hai is the CEO of the Company. He is the founder of the Group and has played an instrumental role in developing the business since its establishment. He has considerable industry experience and business network and has also provided the Group with strong leadership and vision. The CEO and Executive Directors, assisted by the functional Directors and senior management, manage and are responsible for the Group's day-to-day operations and business.

Provision 3.3 of the Code requires the Board to have a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. As the Group's Chairman is an independent director and Independent Directors make up half of the Board, as such, the Board is satisfied that there is a strong independent element to contribute to effective decision-making in the best interests of the Company. The Independent Directors are and continue to be available to shareholders as a channel of communication between shareholders and the Board and/or Management. The Board will appoint a Lead Independent Director as and when deemed appropriate.

Board Membership and Performance

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.

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.

As at the date of this report, the NC comprises the following members, the majority of whom are independent and non-executive Directors:

Mr Lim Bok Ngam	Chairman and Independent Director
Dr Ong Seh Hong	Member and Independent Director
Mr Hoon Tai Meng	Member and Independent Director
Mr Chua Leong Hai	Member and CEO

The principal functions of the NC include:

- determining the process for search, nomination, selection and appointment of new board members and being responsible for assessing nominees or candidates for appointment or election (including alternate director, if any) to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent;

- determining, on an annual basis, if a Director is independent. If the NC determines that a Director, who has one or more of the relationships mentioned under the Code is in fact independent, the Company will disclose in full, the nature of the Director's relationship and bear responsibility for explaining why he should be considered independent. The NC may at its discretion determine a Director as non-independent even if he has no business or, other relationships with the Company, its related companies or its officers;

- recommending Directors who are retiring by rotation to be put forward for re-election, having regard to the Director's contribution and performance;

- reviewing of training and professional development programmes for the Board and its Directors;

- reviewing and deciding whether or not a Director is able to and has been adequately carrying out his/her duties as a Director of the Company, particularly when he/she has multiple board representations and having regard to the competing time commitments that are faced by the Director when serving on multiple boards;

CORPORATE GOVERNANCE **REPORT**

- assessing the effectiveness of the Board as a whole, its Board committees and assessing the effective contribution and commitment of each individual Director to the effectiveness of the Board. The results of the performance evaluation will be reviewed by the Chairman and the assessment shall be carried out annually;

- deciding how the Board's performance may be evaluated and propose objective performance criteria, subject to the approval of the Board, which allow for comparison with industry peers and which address how the Board has enhanced long-term shareholders' value; and

- reviewing and approving any new employment of related persons and the proposed terms of their employment.

The NC meets at least once a year and at other times as required. The Regulation 97 of the Constitution provides that at least one-third of the Directors shall retire from office and are subject to re-election at every Annual General Meeting ("**AGM**"). All Directors are required to retire from office at least once every three years. A newly appointed Director must also subject himself or herself for retirement and re-election at the next AGM immediately following his or her appointment in accordance to the Regulation 101 of the Constitution. The shareholders approve the re-election of Board members at the AGM.

Succession Planning

The NC regards succession planning as an important part of corporate governance and has an internal process of succession planning for the Chairman, Directors, the CEO and senior Management, to ensure the progressive and orderly renewal of the Board and key executives.

Board Performance

For FY2022, the NC evaluated the Board as a whole and its Board committees as well as the individual Directors. The areas for the Board and Board committees' performance evaluation cover from Board Structure, Conduct of Meetings, Corporate Strategy and Planning and Risk Management to Internal Control. In evaluating the performance of the individual Directors, the NC considers, amongst others, the Directors' attendance, contribution and participation at the Board and Board committee meetings. No external facilitator was engaged during the reporting financial year.

Appointment and Re-nomination of Directors

When selecting new Directors, the NC takes into consideration the skills and experience required and the current composition of the Board, and strives to ensure that the Board has an appropriate balance of independent Directors as well as Directors with the right profile of expertise, skills, attributes and experience.

Currently, the Company does not have any alternate Director.

The NC has recommended to the Board that Mr Lim Bok Ngam and Ms Chua Siok Peng be nominated for re-election at the forthcoming AGM in accordance to Regulation 97 of the Constitution of the Company. In this regard, the NC having considered the directors' overall contributions and performance as well as the attendance and participation of these Directors at the Board and Board Committee meetings, has recommended to the Board for their re-elections. The retiring Directors, Mr Lim Bok Ngam and Ms Chua Siok Peng being eligible, have offered themselves for re-election at the forthcoming AGM. The Board has concurred with the NC's recommendation. The details of the Directors seeking for re-election are found on page 114 to page 115 of this Annual Report.

Each member of the NC shall abstain from voting on any resolutions and making recommendations and/or participating in any deliberations of the NC in respect of the assessment of their respective performance, independence or re-nomination as a Director.

CORPORATE GOVERNANCE **REPORT**

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.

As at the date of this report, the RC comprises the following members, all of whom are independent non-executive Directors:

Dr Ong Seh Hong	Chairman and Independent Director
Mr Hoon Tai Meng	Member and Independent Director
Mr Lim Bok Ngam	Member and Independent Director

The principal responsibilities of the RC are set out in the terms of reference and its key functions include:

- reviewing and recommending to the Board, a framework of remuneration and to determine the specific remuneration packages and terms of employment for Directors, the CEO, senior management of the Group and employees related to Directors or controlling shareholders of the Group; and

- reviewing the service contracts of the executive Directors.

The RC meets at least once a year and at other times as required. No Director is involved in deciding his or her own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

The RC's review covers all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses, share option scheme, share based incentives and awards and benefits-in-kind. The RC's recommendations are submitted for endorsement by the entire Board.

The RC members are knowledgeable in the field of executive compensation and also have access to expert advice from external consultants, where necessary. No external expert advice was engaged by the Company in FY2022.

In setting out the remuneration packages, the RC would take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages should take into account the Company's relative performance and the performance of the individual Directors and key management personnel.

The Directors' fees to be paid for any one (1) year are submitted for shareholders' approval at the AGM.

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 avoids 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 and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

The objective of the Group's remuneration policy is to ensure that the level and structure of the remuneration are aligned with the long-term interests and risk policies of the Company, and that the remuneration is able to attract, retain and motivate the Board to provide good stewardship for the Company and Senior Management to successfully manage the Company and the Group as a whole.

Non-Executive Directors are paid a fixed fee, taking into account the effort, time spent and responsibilities of each Non-Executive Director. The fees of Non-Executive Directors are subject to shareholders' approval at the AGM. Non-Executive Directors should not be over-compensated to the extent that their independence may be compromised and no Director is involved in deciding his or her own remuneration.

The Executive Directors do not receive Directors' fees. The remuneration packages of the Executive Directors and the key management personnel are governed by their respective service agreements and comprise primarily a basic salary component and a variable component which is the bonuses and other benefits. Having reviewed and considered the variable components of remuneration of the Executive Directors and key management personnel, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions in the terms of employment to reclaim incentive components of their remuneration in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group.

Disclosure of Remuneration

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

Remuneration paid or accrued to directors for the financial year ended 31 December 2022

Directors of Company	Fixed component[1]	Variable component[2]	Directors' Fees	Total Compensation
	%	%	%	%
$750,000 to $1,000,000				
Chua Leong Hai	55	45	–	100
$250,000 to $500,000				
Chua Siok Peng	82	18	–	100
Below $250,000				
Hoon Tai Meng	–	–	100	100
Kee Guan Chua	88	12	–	100
Lim Bok Ngam	–	–	100	100
Ong Seh Hong	–	–	100	100

Notes:
1. Fixed component refers to base salary earned, allowances, benefits in kind and employer CPF.
2. Variable component refers to variable bonus, performance bonus and employer CPF.

CORPORATE GOVERNANCE **REPORT**

In view of the confidentiality of remuneration matters, the Board believes that it is in the best interests of the Company and the Group not to disclose the exact remuneration of the Directors in the annual report and the disclosure based on the above remuneration bands is appropriate.

The RC has reviewed and approved the remuneration packages of the Executive Directors and key management personnel, having regard to their contributions as well as the financial performance and commercial needs of the Group and has ensured that the Executive Directors and key management personnel are adequate but not excessively remunerated. The RC will consider and deliberate on the performance conditions to which Executive Director's and key management personnel's entitlement to short term and long-term incentive schemes are subject and make the necessary disclosures, if any.

Remuneration paid or accrued to the top five key executives (who are not Directors nor the CEO) for FY2022 is as follows:

Remuneration of the Key Management Personnel

Key Executives of Company	**Fixed component**[1]	**Variable component**[2]	**Total Compensation**
	%	**%**	**%**
$250,000 to $500,000			
First Executive	90	10	100
Second Executive	90	10	100
Below $250,000			
Third Executive	86	14	100
Fourth Executive	86	14	100
Fifth Executive	85	15	100

Notes:
1. Fixed component refers to base salary earned, allowances, benefits in kind and employer CPF
2. Variable component refers to variable bonus, performance shares and employer CPF

Due to the highly competitive industry conditions coupled with the confidentiality and sensitivity of remuneration matters, the names of these key management personnel are not disclosed.

The aggregate of the total remuneration paid to the above key management personnel for FY2022 was S$1,387,000.

Save as disclosed above, no employee of the Group, whose remuneration exceeded S$100,000 during FY2022, was a substantial shareholder, or an immediate family member of a Director or the CEO or a substantial shareholder of the Company.

For FY2022, there were no termination, retirement and post-employment benefits granted to Directors, the CEO and the top key management personnel (who are not Directors or the CEO).

CORPORATE GOVERNANCE **REPORT**

Employee Share Option Scheme and Performance Share Plan

The Group Employee Share Option Scheme and Performance Share Plan has expired on 30 November 2019. The RC will review and recommend any new scheme if it deems necessary.

Accountability and Audit

Risk Management and Internal Controls

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

The Board has overall responsibility for the governance of the Group's risk management and internal controls. The Board and Management of the Company are fully committed to maintaining sound risk management and internal control systems to safeguard shareholders' interests and the Group's assets. The Board determines the Company's levels of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of the risk management and internal control systems. The ARMC monitors and assists the Board in determining the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation. Please refer to "Risk Management" and "Internal Controls" sections for more details.

For FY2022, the Board has received assurances from Mr Chua Leong Hai (Executive Director and CEO) and Ms Chong Lee Yin (Chief Financial Officer) that:

(a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

In addition, the CEO and the key management personnel have also given assurance to the Board that:

(b) the Group's risk management and internal control systems are adequate and effective in addressing the financial, operational, compliance and information technology risks.

Audit Committee

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

As at the date of this report, the ARMC comprise the following members, all of whom are independent non-executive Directors:

Mr Hoon Tai Meng	Chairman and Independent Director
Dr Ong Seh Hong	Member and Independent Director
Mr Lim Bok Ngam	Member and Independent Director

The Board has reviewed and is satisfied that the members of the ARMC are appropriately qualified and have relevant accounting and related financial management expertise or experience. None of the members of the ARMC is a former partner of the Group's external auditors, Ernst & Young LLP, and none of the members of the ARMC has any financial interest in the Group' external auditors, Ernst & Young LLP.

CORPORATE GOVERNANCE **REPORT**

The functions of the ARMC include the following:

- review with the external auditors the audit plan, audit report, management letter and the Management's corresponding response;

- review with independent internal auditors the internal audit plan and their evaluation of the adequacy of the internal controls of the Company;

- review the internal controls (including financial controls, operational and compliance controls and risk management policies and systems established by the Management) and procedures and ensure co-ordination between the external auditors and the Management, reviewing the assistance given by the Management to the auditors, and discuss problems and concerns, if any, arising from the audits, and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);

- consider and recommend the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors, review the independence and objectivity of the external auditors annually;

- review transactions falling within the scope of Chapter 9 and Chapter 10 of the SGX-ST (if any);

- review arrangements by which the employees may, in confidence, raise concerns about possible improprieties in matters of financial reporting and to ensure that arrangement are in place for the independent investigations of such matter and for appropriate follow-up;

- commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Company's operating results and/or financial position; and

- determine the company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems.

Financial Performance and Reporting

The Management will provide the members of the Board with management reports regularly. Such reports will keep the Board updated as well as enable the members to have a balanced and objective assessment of the Group's performance, position and prospects. The Management will also assist the Board to provide the Shareholders with a balanced and understandable assessment of the Group's performance, financial position and prospects via the issuance of the Company's annual reports and half and full year announcements of its financial results and disclosure of other relevant information of the Group.

All the Directors and executive officers of the Company have signed the undertaking letters pursuant to the Rule 720(1) of the Listing Manual of SGX-ST.

The Board is updated with significant events that have occurred or material to the Group during the year. The Management provides the Board with financial updates on the performance and position of the Group to keep Board members informed and updated on a monthly basis in order that it may effectively discharge their duties.

Risk Management

The Management regularly reviews its Group's business and operational activities and to identify areas of significant business risk as well as take appropriate measures to manage and mitigate these risks.

CORPORATE GOVERNANCE **REPORT**

The ARMC reviews and guides Management in the formulation of risk policies and processes to identify, evaluate and manage significant risks. The Management reports to the ARMC on control policies and procedures and highlights all significant matters to the ARMC on regular basis. Risks arising from the Group's financial operations are separately disclosed in the audited financial statements of this Annual Report.

The Board Safety Committee ("BSC") was established in 2012 to oversee and monitor the establishment and maintenance of the safety practices and policies of the Group.

The BSC comprises the following members, all of whom are independent non-executive Directors:

Mr Lim Bok Ngam	Chairman and Independent Director
Dr Ong Seh Hong	Member and Independent Director
Mr Hoon Tai Meng	Member and Independent Director

The BSC is supported by the Management and safety officer of the Group. BSC reviews the safety reports and ensure adequate budget is allocated for safety training.

Internal Controls

The Board acknowledges that it is responsible for the overall internal control framework, but recognizes that no cost-effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The ARMC is responsible for ensuring that a review of the adequacy of the Company's internal financial controls, operational and compliance controls, as well as risk management policies and systems established by the Management is conducted at least annually.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by the Management, ARMC and the Board, the Board with the concurrence of the ARMC is of the opinion that the systems of the internal controls is adequate and effective in addressing the financial, operational, compliance risks, information technology controls and risk management system for FY2022.

Annually, the ARMC meets with the external auditors, and with the internal auditors, without the presence of the Company's Management. ARMC members keep abreast of changes to accounting standards and important accounting issues with continuing education. In addition, the external auditors update the ARMC on the changes to accounting standards and issues which have a direct impact on financial statements to the Company.

External audit

The ARMC has conducted an assessment of the external auditors, and recommends its appointment, re-appointment and removal to the Board. The assessment is based on factors such as the performance and quality of its audit, the cost effectiveness and the independence and objectivity of the external auditors. The Board confirmed that in appointing the auditing firms for the Company, subsidiaries and significant associated companies, the Group has complied with Rules 712 and 715 of the Listing Manual issued by SGX-ST in relation to its auditors.

The ARMC has undertaken a review of all non-audit services provided by the external auditors during the financial year, and in the ARMC's opinion, the provision of these services does not impair the independence of the external auditors. The ARMC had recommended to the Board the re-appointment of Messrs Ernst & Young LLP as the external auditors of the Company at the forthcoming AGM.

The fees payable to auditors is separately disclosed in the audited financial statements in this Annual Report.

CORPORATE GOVERNANCE **REPORT**

The ARMC discussed the key audit matters for FY2022 with Management and the external auditor. The ARMC concurs with the basis and conclusions included in the auditor's report with respect to key audit matters. For more information on the key audit matters, please refer to pages 35 to 37 of this Annual Report.

Internal audit

The Board recognises the importance of maintaining an internal audit function to provide an independent assurance over the soundness of the system of internal controls within the Group to safeguard shareholders' investments and the Company's assets. The ARMC has the responsibility to review the adequacy of the internal audit function annually, review the internal audit program and ensure co-ordination between internal auditors, external auditors and Management, and ensure that the internal auditors meet or exceeds the standards set by nationally or internationally recognized professional bodies. The ARMC also reviews and approves the hiring, removal and evaluates its outsourced internal auditors.

The Group has outsourced its internal audit function to RSM Risk Advisory Pte. Ltd. The Internal Auditor has adopted the Standards for Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The Internal Auditors primarily reported to the ARMC Chairman.

The Internal Auditor plans its audit schedules in consultation with the Management and its plans are submitted to the ARMC for approval. The ARMC reviews and approves the internal audit plans and resources annually. Based on their review, the ARMC believes that the Internal Auditor is independent and has the appropriate standing to perform its functions effectively. Based on the information provided to the ARMC, nothing has come to the ARMC's attention to cause the ARMC to believe that the internal control system is inadequate.

Whistle-Blowing policy

The Group has designated and implemented a whistle-blowing policy. The Whistle-Blowing Policy provides an independent feedback channel through which matters of concern about possible improprieties in matters of financial reporting, suspected fraud and corruption or other matters may be raised by employees and any other persons in confidence and in good faith, without fear of reprisal. Whistle-Blowers may report any matters of concern by mail, email, or calls, details of which are provided in the Whistle-Blowing Policy, which is available on the Company's website. The identity of the whistleblower is kept confidential. For employees, the Whistle-Blowing Policy provides assurance that employees will be treated fairly, and protected from reprisals or victimisation for whistle-blowing in good faith. The improprieties that are reportable under the Whistle-Blowing Policy include: (a) financial or professional misconduct; (b) improper conduct, dishonest, fraudulent or unethical behaviour; (c) any irregularity or non-compliance with laws/regulations or the Manager's policies and procedures, and/or internal controls; (d) violence at the workplace, or any conduct that may threaten health and safety; (e) corruption or bribery; (f) conflicts of interest; and (g) any other improprieties or matters that may adversely affect shareholders' interests in, and assets of, the Company as well as the Company's reputation. The Whistle-Blowing Policy is disseminated to all staff annually. All whistle-blowing complaints are safely raised and are independently investigated and if appropriate, an independent investigation committee will be constituted. Following the investigations, appropriate action will be taken. The outcome of each investigation and any action taken is reported to the ARMC. The ARMC reviews and ensures that independent investigations and any appropriate follow-up actions are carried out.

There were no reported incident pertaining to whistle-blowing during FY2022 and until the date of this Annual Report.

Codes of Conduct and Practices

The Company's Code of conduct and practices covering principles and desired behaviours that support the commitment to honest and ethical business conduct are posted on the Company's intranet website.

CORPORATE GOVERNANCE **REPORT**

Shareholder Rights and Engagement

Shareholder Rights and Conduct of General Meetings/Engagement with Stakeholders

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.**

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.**

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.**

Shareholders and Communication

The Company treats all shareholders fairly and equitably in order to enable them to exercise theirs' rights and have the opportunity to communicate their views on matters affecting the Company.

The Company recognises the need to communicate with shareholders on all material matters affecting the Group and does not practice selective disclosure. The Company's investor relationship policy is to ensure fair, transparent and ethical business dealings with all stakeholders. Financial results and other material information are communicated to shareholders on equal and timely basis through SGXNET.

The Company also communicates through its corporate website at http://www.hlsgroup.com.sg which provides shareholders with corporate announcements, press releases, annual reports and profile of the Group.

General Meetings

The Company encourages Shareholders' participation at the Company's annual general meetings ("**AGM**"). The annual general meeting is the principal forum for dialogue with Shareholders. In view of the COVID-19 pandemic and the unprecedented situation, the annual general meetings for FY2019, FY2020 and FY2021 were held by electronic means. The Company's forthcoming annual general meeting for FY2022 will similarly be held through electronic means in accordance with provisions under the COVID-19 (Temporary Measures) legislation. The Company's annual report for the FY2022, Notice of AGM and proxy form are not printed for mailing. They are instead uploaded on SGXNET at the URL https://www.sgx.com/securities/company-announcements and are also available on the Company's website at the URL http://www.hlsgroup.com.sg/.

The Company has made alternative arrangements for live webcast (accessible via mobile devices and computers) and audio feed of the AGM, and the submission of shareholders' questions and proxy form either via email or by regular mail in advance of the AGM. Clear and specific information on how shareholders should pre-register for authentication, submit their questions and proxy form for voting, as well as the deadlines for doing so are provided in the announcement of AGM. The announcement of AGM to shareholders also provides information on procedures to facilitate voting and submission of questions by shareholders through intermediaries, SRS and CPF accounts.

CORPORATE GOVERNANCE **REPORT**

To facilitate high levels of shareholders' engagement, real-time electronic communication and real-time electronic voting will be conducted during the AGM for shareholders and proxy(ies) attending the AGM via electronic means. The Company will provide answers to shareholders' questions within reasonable timelines. Please refer to the announcement of the AGM of the Company, which may be accessed at the Company's website at https://www.hlsgroup.com.sg/ or at the SGX website at https://www.sgx.com/securities/company-announcements for more information.

Separate Resolutions at AGM

The Company ensures that sufficient explanations of all resolutions are included in the notice of general meeting. Separate resolutions on each distinct issue are tabled at general meeting. "Bundling" of resolutions are kept to a minimum and executed only where the resolutions are interdependent as to form one significant proposal and only where there are reasons and material implications involved.

The detailed results showing the number of votes cast for and against each resolution and the respective percentages will be announced via SGXNET after the conclusion of the general meetings.

Attendees at AGM

All the Directors attend all general meetings of the Company and the external auditors will also be present in addressing queries raised by shareholders relating to the conduct of the audit and the preparation and the content of the auditors' report. All the Directors and external auditors were present at AGM held in 2022.

Absentia Voting at AGM

As authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, facsimile or email.

Minutes of AGM

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 Management. The minutes of AGM will be published within one month after the AGM on SGXNET and the Company's website.

Dividend Policy

The Company is committed to enhancing value for its shareholders and strives to achieve an efficient capital structure that balances the returns to shareholders with the Company's capital needs for investment and growth.

The dividend that the Board may recommend in respect of each financial year is subject to various factors such as the level of available cash, financial performance and projected capital expenditures and investment plans. Over the past five years, annual dividends paid out by the Group (excluding special dividends) was about 30% of the Group's total net profit after tax.

CORPORATE GOVERNANCE **REPORT**

Stakeholder Engagement

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

The Company maintains a current corporate website, www.hlsgroup.com.sg, to communicate and engage with stakeholders.

It is the practice for Executive and Independent Directors to attend the AGMs with shareholders. The Board encourages dialogue with shareholders, understand their views and addresses any concern. Under the provisions of the COVID-19 (Temporary Measures) legislation, there will be no physical meeting for the FY2022 AGM. Information on how the Company engages with shareholders during the AGM is provided in the preceding section "Shareholder Rights and Conduct of General Meetings".

The sustainability report sets out the Group's strategy and key areas of focus in managing stakeholder relationships.

Dealings in Securities

The Company has adopted an internal code on dealings in securities to govern dealings in its shares by the Directors and the employees of the Group. This internal code is made in compliance with Rule 1207(19) of the Listing Manual of the SGX-ST relating to dealings in securities and has been disseminated to the Directors and the employees of the Group informing them of the implications on insider trading.

The internal code prohibits the dealing in securities of the Company by Directors and employees while in possession of price-sensitive information, and during the period commencing one month in the case of the announcements of the half and full year financial results and ending on the date of the announcements. Directors are required to report securities dealings to the Company and the necessary announcements are made as required. In addition, Directors and employees are reminded to observe insider trading rules at all times and not to deal with the Company's securities on short-term considerations.

Material Contracts

Except as disclosed in the financial statements, there was no material contracts entered into by the Company or its subsidiary companies, involving the interests of any Director or controlling shareholder subsisting at the end of the FY2022.

Interested Person Transactions

The Company has established procedures to ensure that transactions with interested persons are properly reviewed and approved and are conducted at arm's length basis.

The Company will seek a general mandate from its shareholders, if necessary for those recurrent transactions of revenue or trading nature or those necessary for its day-to-day operations.

CORPORATE GOVERNANCE **REPORT**

The aggregate value of the interested person transactions entered into during FY2022 is as follows:

Name of Interested Person	**Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)**	**Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)**
Lian Seng Investment Pte Ltd	**$'000**	**$'000**
Office lease expenses received/ receivable from the Group	108	Nil

The Company does not have a general shareholders' mandate for interested person transactions pursuant to Rule 920 of the SGX-ST Listing Manual.

Sustainability Report

The Sustainability report for FY2022 of the Company will be released via SGXNET, copy available on the Company's website at www.hlsgroup.com.sg.

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Hock Lian Seng Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheets and statement of changes in equity of the Company for the financial year ended 31 December 2022.

1. Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheets and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

Chua Leong Hai @ Chua Leang Hai
Kee Guan Chua
Ong Seh Hong
Chua Siok Peng
Hoon Tai Meng
Lim Bok Ngam

3. Arrangements to enable directors to acquire shares and debentures

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

DIRECTORS' **STATEMENT**

4. Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act 1967, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**
Hock Lian Seng Holdings Limited		
Ordinary shares		
Chua Leong Hai @ Chua Leang Hai	194,116,547	194,116,547
Chua Siok Peng	26,119,265	26,119,265
Kee Guan Chua	555,000	555,000

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2023.

By virtue of Section 7 of the Singapore Companies Act 1967, Chua Leong Hai @ Chua Leang Hai is deemed to have interests in the shares held by the Company in its subsidiaries.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning, or at the end of the financial year.

5. Share options

No share options have been granted by the Company since its incorporation.

DIRECTORS' STATEMENT

6. Audit and Risk Management Committee

As at the date of this statement, the Audit and Risk Management Committee ("ARMC") comprises the following three Independent Directors:

Hoon Tai Meng (Chairman)
Ong Seh Hong
Lim Bok Ngam

The ARMC performed its functions in accordance with section 201B (5) of the Singapore Companies Act 1967, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditors' evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group's and the Company's management to the external and internal auditors;

- Reviewed the quarterly and annual financial statements and the independent auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;

- Reviewed the effectiveness of the Group's and the Company's material internal controls, including financial, operational, compliance, information technology controls and risk management systems via reviews carried out by the internal auditor;

- Met with the external auditor, other committees and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the ARMC;

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

- Reviewed the cost effectiveness, independence and objectivity of the external auditor;

- Reviewed the nature and extent of non-audit services provided by the external auditor;

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;

- Reported actions and minutes of the ARMC to the board of directors with such recommendations as the ARMC considered appropriate; and

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's ("SGX-ST's") Listing Manual.

The ARMC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The ARMC has also conducted a review of interested person transactions.

The ARMC convened four meetings during the year. The ARMC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the ARMC are disclosed in the Report on Corporate Governance.

DIRECTORS' **STATEMENT**

7. Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Chua Leong Hai @ Chua Leang Hai
Director

Kee Guan Chua
Director

Singapore
31 March 2023

INDEPENDENT **AUDITOR'S REPORT**

For the financial year ended 31 December 2022

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Hock Lian Seng Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2022, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and 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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition from civil engineering construction projects

The Group recognised revenue for civil engineering construction projects over time by reference to the stage of completion of the contract activity at the end of each reporting period. The stage of completion is measured by reference to the proportion of contract cost incurred to date to the estimated total contract costs ("input method"). The accounting for such civil engineering construction projects is complex due to high level of estimation uncertainty in determining the costs to complete. This uncertainty is due to the nature of the operations, which may be impacted by the technical complexity of projects and the precision of cost estimation as at balance sheet date. In addition, the current volatility in market and economics condition heightened the level of estimation uncertainty and subjectivity in determining the cost to complete and contract variation. The uncertainty and subjectivity could result in estimation variances which will affect the determination of revenue, and hence may have a significant impact on the results of the Group.

INDEPENDENT **AUDITOR'S REPORT**

For the financial year ended 31 December 2022

Key Audit Matters (cont'd)

Revenue recognition from civil engineering construction projects (cont'd)

Accordingly, revenue recognition from civil engineering construction projects is identified as a key audit matter.

As part of our audit among other procedures, we:

- Reviewed terms and conditions of contracts with customers and suppliers, the contractual sums and checked project revenues and costs incurred against underlying supporting documents.
- Perused customers and subcontractor correspondences and discussed the progress of the projects with project managers for indications of any potential disputes, variation order claims, known technical issues or significant events that could impact the estimated costs or revenue.
- Analysed changes in estimates of costs from prior periods and assessed the consistency of these changes with progress of the projects during the year.
- Examined approved project cost budgets and reviewed management's estimates for total contract costs and forecasted cost to complete, considering the historical accuracy of such estimates and adjustments required arising from the volatility in market and economics condition.
- Reviewed the projects' completion percentages in light of costs incurred.
- Assessed the adequacy of the Group's disclosures made in Note 4 to the financial statements.

Provision for maintenance and warranties for civil engineering construction projects

The Group assessed the provision for maintenance and warranties for civil engineering construction projects based on the estimated rectification costs to be incurred for the projects during the defect liability and warranty periods. The costs are estimated based on historical claim experiences and takes into consideration factors specific to each project such as the duration of the warranty period, extent of the affected areas to be repaired, and expected costs to be incurred. Given its magnitude and the significant judgement and estimate involved in management's assessment, the provision for maintenance and warranties is identified as a key audit matter in our audit.

During our audit, among other procedures, we:

- Assessed the reasonableness of the provision for maintenance and warranties by comparing with the average historical claim rates of the respective projects, where available, or of other similar projects, and discussing the basis of the provisions with the project teams in respect of anticipated rectification works.
- Tested the key estimates against contracts with subcontractors and suppliers' invoices, as well as materials and labour costs estimates prepared by the project teams and recomputed management's calculation of the provision for warranty costs.
- Tested management's provision computation against the contract's terms and conditions on a sample basis, perused customers and subcontractor correspondences, reviewed Board's minutes, project budget and files for significant contracts entered into during the year.
- Assessed the adequacy of the Group's disclosures relating to provision for maintenance and warranties which is included in Note 24 to the financial statements.

INDEPENDENT **AUDITOR'S REPORT**

For the financial year ended 31 December 2022

Key Audit Matters (cont'd)

Carrying value of development properties

As at 31 December 2022, the Group's completed development properties held-for-sale amounted to S$91,709,000 which represented 27% of the Group's total assets at that date. These properties are stated at the lower of cost and net realisable value ("NRV"). The determination of the NRV of these properties requires estimations, including expected future selling prices and costs necessary to complete the sale of these properties, and is assessed by management with reference to the independent valuations carried out by the external property valuers or based on latest sale transactions. The assessment is based on the relevant market conditions prevailing at the reporting date, which may be subject to significant changes after the reporting period. Accordingly, we have identified this to be a key audit matter.

As part of our audit, we:

- Reviewed management's impairment assessment and/or the external valuation reports from the external professional valuers for remaining unsold units of development properties.
- Evaluated the objectivity, competence and capabilities of the external professional valuers.
- Held discussions with the external professional valuers to understand the valuation methodologies, key assumptions used in the valuation and their scope of work in response to the heightened level of estimation uncertainty.
- Involved our internal real estate valuation specialists in assessing the appropriateness of the valuation methodologies by considering the valuation methodologies adopted for similar property types and assessing the reasonableness of the key assumptions used by management and the external professional valuers such as market price per square feet by referencing to recent actual financial performance of the properties, recent transacted prices of comparable properties and industry data.
- Considered the adequacy of the Group's disclosures relating to development properties which is included in Note 16 to the financial statements.

Other Information

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

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

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

INDEPENDENT **AUDITOR'S REPORT**

For the financial year ended 31 December 2022

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

INDEPENDENT **AUDITOR'S REPORT**

For the financial year ended 31 December 2022

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

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

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

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

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Nelson Chen.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

31 March 2023

CONSOLIDATED **INCOME STATEMENT**

For the financial year ended 31 December 2022

	Note	Group 2022 S$'000	Group 2021 S$'000
Revenue	4	**142,707**	168,615
Cost of sales		**(132,308)**	(151,566)
Gross profit		**10,399**	17,049
Other income	5	**11,450**	9,998
Distribution and selling costs		**(83)**	(72)
Administrative costs		**(3,496)**	(4,232)
Other operating costs		**(1,881)**	(1,544)
Share of results of joint ventures		**3,077**	7,285
Profit before taxation	6	**19,466**	28,484
Income tax expense	7	**(3,070)**	(3,513)
Profit for the year		**16,396**	24,971
Profit attributable to:			
Equity holders of the Company		**16,506**	25,127
Non-controlling interests		**(110)**	(156)
Earnings per share (cents)			
Basic	8	**3.2**	4.9
Diluted	8	**3.2**	4.9

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the financial year ended 31 December 2022

	Group	
	2022	**2021**
	S$'000	**S$'000**
Profit for the year	**16,396**	24,971
Other comprehensive income:		
Items that will not be reclassified to profit or loss		
(Loss)/gain on fair value changes of financial assets at fair value through other comprehensive income	**(498)**	224
Other comprehensive income for the year, net of tax	**(498)**	224
Total comprehensive income for the year	**15,898**	25,195
Total comprehensive income attributable to:		
Equity holders of the Company	**16,008**	25,351
Non-controlling interests	**(110)**	(156)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE **SHEETS**

As at 31 December 2022

	Note	Group 2022 S$'000	Group 2021 S$'000	Company 2022 S$'000	Company 2021 S$'000
Non-current assets					
Property, plant and equipment	9	**20,139**	22,735	**–**	–
Investment properties	10	**3,000**	2,900	**–**	–
Investment in joint venture	11	**52,065**	50,624	**–**	–
Investments in subsidiaries	13	**–**	–	**37,814**	37,814
Investment securities	14	**13,140**	10,385	**–**	–
Deferred tax assets	15	**3,427**	4,313	**–**	–
		91,771	90,957	**37,814**	37,814
Current assets					
Contract assets	4	**17,491**	41,574	**–**	–
Development properties	16	**91,709**	95,158	**–**	–
Trade receivables	17	**16,255**	29,711	**–**	–
Other receivables	18	**3,765**	5,882	**74,751**	70,695
Amount due from joint venture partners	19	**684**	591	**–**	–
Prepayments and deposits	20	**2,900**	2,192	**–**	–
Investment securities	14	**11,924**	8,984	**–**	–
Cash and short-term deposits	21	**108,839**	67,464	**556**	2,083
		253,567	251,556	**75,307**	72,778
Current liabilities					
Trade and other payables	22	**61,892**	61,090	**339**	386
Contract liabilities	4	**21,187**	16,000	**–**	–
Advance received from customer	23	**–**	3,754	**–**	–
Provisions	24	**21,390**	28,116	**–**	–
Provision for taxation		**2,216**	4,811	**16**	15
		106,685	113,771	**355**	401
Net current assets		**146,882**	137,785	**74,952**	72,377
Non-current liabilities					
Deferred income	25	**116**	144	**–**	–
Other payables	22	**1,387**	945	**–**	–
		1,503	1,089	**–**	–
Net assets		**237,150**	227,653	**112,766**	110,191
Equity attributable to owners of the Company					
Share capital	26	**59,954**	59,954	**59,954**	59,954
Capital reserve	27	**1,000**	1,000	**–**	–
Fair value adjustment reserve	28	**(157)**	341	**–**	–
Accumulated profits		**192,752**	182,647	**52,812**	50,237
Merger deficit	29	**(16,239)**	(16,239)	**–**	–
Equity attributable to equity holders of the parent		**237,310**	227,703	**112,766**	110,191
Non-controlling interest		**(160)**	(50)	**–**	–
Total equity		**237,150**	227,653	**112,766**	110,191

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2022

2022 Group	Attributable to owners of the Company							
	Share capital (Note 26) S$'000	Capital reserve (Note 27) S$'000	Fair value adjustment reserve (Note 28) S$'000	Accumulated profits S$'000	Merger deficit (Note 29) S$'000	Total reserves S$'000	Non-controlling interest S$'000	Total equity S$'000
At 1 January 2022	59,954	1,000	341	182,647	(16,239)	167,749	(50)	227,653
Profit for the year	–	–	–	16,506	–	16,506	(110)	16,396
Other comprehensive income								
Loss on fair value changes of financial assets at fair value through other comprehensive income	–	–	(498)	–	–	(498)	–	(498)
Total other comprehensive income	–	–	(498)	–	–	(498)	–	(498)
Total comprehensive income for the year	–	–	(498)	16,506	–	16,008	(110)	15,898
Contributions and distributions to owners								
Dividends on ordinary shares (Note 31)	–	–	–	(6,401)	–	(6,401)	–	(6,401)
Total transactions with owners in their capacity as owners	–	–	–	(6,401)	–	(6,401)	–	(6,401)
At 31 December 2022	59,954	1,000	(157)	192,752	(16,239)	177,356	(160)	237,150

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2022

2021 Group	Share capital (Note 26) S$'000	Capital reserve (Note 27) S$'000	Fair value adjustment reserve (Note 28) S$'000	Accumulated profits S$'000	Merger deficit (Note 29) S$'000	Total reserves S$'000	Non-controlling interest S$'000	Total equity S$'000
		Attributable to owners of the Company						
At 1 January 2021	59,954	1,000	127	158,790	(16,239)	143,678	106	203,738
Profit for the year	–	–	–	25,127	–	25,127	(156)	24,971
Other comprehensive income								
Gain on fair value changes of financial assets at fair value through other comprehensive income	–	–	224	–	–	224	–	224
Total other comprehensive income	–	–	224	–	–	224	–	224
Total comprehensive income for the year	–	–	224	25,127	–	25,351	(156)	25,195
Contributions and distributions to owners								
Dividends on ordinary shares (Note 31)	–	–	–	(1,280)	–	(1,280)	–	(1,280)
Total transactions with owners in their capacity as owners	–	–	–	(1,280)	–	(1,280)	–	(1,280)
Transfer upon sale of financial assets at fair value through other comprehensive income	–	–	(10)	10	–	–	–	–
At 31 December 2021	59,954	1,000	341	182,647	(16,239)	167,749	(50)	227,653

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2022

2022 **Company**	**Share capital (Note 26)** **S$'000**	**Accumulated profits** **S$'000**	**Total equity** **S$'000**
At 1 January 2022	**59,954**	**50,237**	**110,191**
Profit, representing total comprehensive income, for the year	**–**	**8,976**	**8,976**
Contributions by and distributions to owners			
Dividends on ordinary shares (Note 31)	**–**	**(6,401)**	**(6,401)**
Total transactions with owners in their capacity as owners	**–**	**(6,401)**	**(6,401)**
At 31 December 2022	**59,954**	**52,812**	**112,766**

2021 **Company**	**Share capital (Note 26)** **S$'000**	**Accumulated profits** **S$'000**	**Total equity** **S$'000**
At 1 January 2021	59,954	44,863	104,817
Profit, representing total comprehensive income, for the year	–	6,654	6,654
Contributions by and distributions to owners			
Dividends on ordinary shares (Note 31)	–	(1,280)	(1,280)
Total transactions with owners in their capacity as owners	–	(1,280)	(1,280)
At 31 December 2021	59,954	50,237	110,191

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED **CASH FLOW STATEMENT**

For the financial year ended 31 December 2022

	2022 S$'000	2021 S$'000
Cash flows from operating activities		
Profit before taxation	**19,466**	28,484
Adjustments for:		
Bad debt written off	**1**	79
Depreciation of property, plant and equipment	**3,679**	4,776
Dividend income from investment securities	**(79)**	(64)
Gain on fair value of investment property	**(100)**	(50)
Gain on disposal of property, plant and equipment	**(325)**	(151)
Gain on sale of investment securities	**–**	(5)
Loss/(gain) on fair value of investment securities	**277**	(98)
Interest income	**(3,130)**	(2,383)
Share of results of joint ventures	**(3,077)**	(7,285)
Unrealised gain on foreign exchange	**(90)**	(296)
Operating cash flows before changes in working capital	**16,622**	23,007
Decrease/(increase) in:		
Contract assets	**24,083**	(22,979)
Trade receivables	**13,455**	(18,310)
Development properties	**3,449**	4,501
Other receivables	**1,816**	(89)
Prepayments and deposits	**(708)**	(696)
Increase/(decrease) in:		
Trade and other payables and provisions	**(5,482)**	16,229
Contract liabilities	**5,187**	9,022
Advance received from customer	**(3,754)**	(1,959)
Deferred income	**(28)**	(201)
Cash flows generated from operations	**54,640**	8,525
Interest received – loans and receivables	**1,197**	127
Income tax paid	**(4,779)**	(1,920)
Net cash flows generated from operating activities	**51,058**	6,732

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED **CASH FLOW STATEMENT**

For the financial year ended 31 December 2022

	2022 S$'000	2021 S$'000
Cash flows from investing activities		
Dividend income from investment securities	**79**	64
Repayment from/(advance to) joint venture, net	**2,745**	(1,350)
Proceeds from disposal of property, plant and equipment	**407**	173
Proceeds from sale of investment securities	**–**	512
Proceeds from maturity of investment securities	**2,570**	8,015
Purchases of property, plant and equipment	**(1,165)**	(652)
Purchases of investment securities	**(9,040)**	(5,745)
Interest received – investment securities	**1,032**	969
Net cash flows (used in)/generated from investing activities	**(3,372)**	1,986
Cash flows from financing activity		
Dividends paid on ordinary shares	**(6,401)**	(1,280)
Net cash flows used in financing activity	**(6,401)**	(1,280)
Net increase in cash and cash equivalents	**41,285**	7,438
Effect of exchange rate changes on cash and cash equivalents	**90**	296
Cash and cash equivalents at the beginning of year	**67,464**	59,730
Cash and cash equivalents at the end of year (Note 21)	**108,839**	67,464

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

1. Corporate information

Hock Lian Seng Holdings Limited (the "Company") is a limited liability company, which is incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The registered office and the principal place of business of the Company is located at 80 Marine Parade Road, #16-08 Parkway Parade, Singapore 449269.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries, joint operations and joint venture are disclosed in Notes 13, 12 and 11 respectively.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheets and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars ("SGD" or "S$") and all values are rounded to the nearest thousand ("S$'000"), except when otherwise indicated.

2.2 Changes in accounting policy

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2022. The adoption of these standards did not have any effect on the financial performance or position of the Group.

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
SFRS(I) 17: *Insurance Contracts*	1 January 2023
Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: *Disclosure of Accounting Policies*	1 January 2023
Amendments to SFRS(I) 1-8: *Definition of Accounting Estimates*	1 January 2023
Amendments to SFRS(I) 1-12: *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

NOTES TO THE FINANCIAL STATEMENTS

2. Summary of significant accounting policies (cont'd)

2.3 Standards issued but not yet effective (cont'd)

The directors expect that the adoption of the standards and interpretations above will have no material impact on the financial statements in the year of initial application.

2.4 Functional and foreign currency

The financial statements are presented in SGD, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

2.5 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.6 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

2. Summary of significant accounting policies (cont'd)

2.6 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– derecognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– derecognises the carrying amount of any non-controlling interest;

– derecognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss; and

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or accumulated profits, as appropriate.

(b) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

2. Summary of significant accounting policies (cont'd)

2.6 Basis of consolidation and business combinations (cont'd)

(b) Business combinations (cont'd)

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

– The assets and liabilities of the combining entities are reflected at their carrying amounts reported in the consolidated financial statements of the controlling holding company.

– No adjustments are made to reflect the fair values on the date of combination, or recognised any new assets or liabilities.

– No additional goodwill is recognised as a result of the combination.

– Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within the equity as merger deficit.

– The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.

– Comparatives are restated to reflect the combination as if it had occurred from the beginning of the earliest period presented in the financial statements or from the date the entities had come under common control, if later.

2.7 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.8 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

2. Summary of significant accounting policies (cont'd)

2.8 Joint arrangements (cont'd)

(a) Joint operations

The Group recognises in relation to its interest in a joint operation,

(i) its assets, including its share of any asset held jointly;

(ii) its liabilities, including its share of any liabilities incurred jointly;

(iii) its share of the revenue of the joint operation; and

(iv) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

(b) Joint ventures

The Group accounts for its investments in joint ventures using the equity method from the date on which it becomes a joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities represents goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the joint ventures. The profit or loss reflects the share of results of the operations of the joint ventures. Distributions received from joint ventures reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and joint venture are eliminated to the extent of the interest in the joint ventures.

When the Group's share of losses in a joint venture equals or exceeds its interest in the joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTES TO **THE FINANCIAL STATEMENTS**

2. Summary of significant accounting policies (cont'd)

2.9 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.19. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Building	–	4 to 17 years
Office premises	–	62 years
Machinery and equipment	–	10 years
Motor vehicles	–	5 years
Office equipment	–	3 years
Furniture and fittings	–	10 years

Capital work-in-progress included in plant and equipment are not depreciated as these assets are not yet available for use.

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in the profit or loss in the year in which the asset is derecognised.

2.10 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties also include right-of-use assets relating to leasehold land that is held for long-term capital appreciation or for a currently indeterminate use. Investment properties comprise completed investment properties. Properties held under operating leases are classified as investment properties when the definition of an investment property is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

2. Summary of significant accounting policies (cont'd)

2.10 Investment properties (cont'd)

Investment properties are derecognised when either they have been disposed of or when the investment properties are permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment properties only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment set out in Note 2.9 up to the date of change in use.

2.11 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment assessment for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year. Impairment losses are recognised in profit or loss.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

NOTES TO **THE FINANCIAL STATEMENTS**

2. Summary of significant accounting policies (cont'd)

2.12 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The three categories for classification of debt instruments are:

(a) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

(b) Fair value through other comprehensive income ("FVOCI")

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Financial assets measured at FVOCI are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except for impairment losses, foreign exchange gains and losses and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

2. Summary of significant accounting policies (cont'd)

2.12 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

Investments in debt instruments (cont'd)

(c) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in other comprehensive income, changes in fair value are recognised in profit or loss.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

On disposal of an equity investment, the difference between the carrying amount and sales proceed is recognised in profit or loss if there was no election made to recognise fair value changes in other comprehensive income. If there was an election made, any difference between the carrying amount and sales proceed amount would be recognised in other comprehensive income and transferred to retained profits along with the amount previously recognised in other comprehensive income relating to that asset.

2. Summary of significant accounting policies (cont'd)

2.12 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand and fixed deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.14 Impairment of financial assets

The Group recognised an allowance for ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default ("a lifetime ECL").

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

2. Summary of significant accounting policies (cont'd)

2.14 Impairment of financial assets (cont'd)

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognised a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

For debt instruments at FVOCI, the Group applies the low credit risk simplification. At every reporting date, the Group evaluates whether the debt instrument is considered to have low credit risk using all reasonable and supportable information that is available without due cost or effort. In making that evaluation, the Group reassesses the internal credit rating of the debt instrument. In addition, the Group considers that there has been a significant increase in credit risk when the contractual payments are more than 30 days past due.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.15 Development properties

Development properties are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Development properties are held as inventories and are measured at the lower of cost and net realisable value.

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

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

2.16 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 an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

2. Summary of significant accounting policies (cont'd)

2.16 Provisions (cont'd)

Provisions for maintenance and warranties

The Group provides for maintenance and warranty claims on contractual items with customers after the substantial completion of projects.

The provisions for maintenance and warranties represent the best estimate of the Group's legal or constructive obligations at the balance sheet date. The majority of the costs is expected to be incurred over the applicable warranty periods. The assumptions used to estimate maintenance and warranties provisions are reviewed periodically in light of actual experience.

Provision for onerous contracts

If the Group has a contract that is onerous, the present obligation under the contract is recognised and measured as a provision. However, before a separate provision for an onerous contract is established, the Group recognises any impairment loss that has occurred on assets dedicated to that contract.

An onerous contract is a contract under which the unavoidable costs (i.e., the costs that the Group cannot avoid because it has the contract) of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

2.17 Government grants

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

Where the grant relates to an expense item, it is recognised in profit or loss over the period necessary to match them on a systematic basis to the costs that it is intended to compensate. Grant relating to income is recognised as a credit in the profit or loss under "Other income".

2.18 Financial guarantee

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.14 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

2. Summary of significant accounting policies (cont'd)

2.19 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.20 Employee benefits

(i) Defined contribution plans

The Group makes contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period.

2.21 Leases

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

(a) ***As lessee***

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.11.

2. Summary of significant accounting policies (cont'd)

2.21 Leases (cont'd)

(a) ***As lessee (cont'd)***

Lease liabilities

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

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

(b) ***As lessor***

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned. The accounting policy for rental income is disclosed in Note 2.22 (iii).

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

2. Summary of significant accounting policies (cont'd)

2.22 Revenue

(i) Revenue from civil engineering construction projects

The Group enters into civil engineering construction contracts with customers. Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. The Group is restricted contractually from directing the construction project for another use as they are being constructed, and has enforceable rights to payment for performance completed to date. The revenue is recognised over time, based on the construction costs incurred to date as a proportion of estimated total construction costs to be incurred.

Progress billings to the customer is based on certified progress on the construction project. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

(ii) Sales of completed development properties and development properties under construction

Revenue is recognised when control over the property has been transferred to the customer, either over time or at a point in time, depending on the contractual terms and the practices in the legal jurisdictions.

For development properties whereby the Group is restricted contractually from directing the properties for another use as they are being developed and has an enforceable right to payment for performance completed to date, revenue is recognised over time, based on the construction and other costs incurred to date as a proportion of the estimated total construction and other costs to be incurred.

For development properties whereby the Group does not have an enforceable right to payment for performance completed to date, revenue is recognised when the customer obtains control of the asset.

2. Summary of significant accounting policies (cont'd)

2.22 Revenue (cont'd)

(ii) Sales of completed development properties and development properties under construction (cont'd)

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified construction milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

Incremental costs of obtaining a contract are capitalised if these costs are recoverable. Costs to fulfil a contract are capitalised if the costs relate directly to the contract, generate or enhance resources used in satisfying the contract and are expected to be recovered. Other contract costs are expensed as incurred.

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue. An impairment loss is recognised in profit or loss to the extent that the carrying amount of the capitalised contract costs exceeds the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the contract costs relates less the costs that relate directly to providing the goods and that have not been recognised as expenses.

(iii) Rental income

Rental income arising from operating leases on investment properties are recognised on a straight-line basis over the period of the lease. The aggregate cost of incentives provided to lesses are recognised as a reduction of rental income over the lease term on a straight-line basis.

(iv) Interest income

Interest income is recognised using the effective interest method.

(v) Dividend income

Dividend income is recognised when the Group's right to receive payment is established.

(vi) Supply of labour and services provided

The Group supplies labour, management and accounting services. Revenue from supply of labour and services provided is recognised when the services are performed and all criteria for acceptance by the customer have been satisfied.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

2. Summary of significant accounting policies (cont'd)

2.23 Taxes

(a) ***Current income tax***

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) ***Deferred tax***

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be recognised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

2. Summary of significant accounting policies (cont'd)

2.23 Taxes (cont'd)

(b) ***Deferred tax (cont'd)***

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) ***Sales tax***

Revenues, expenses and assets are recognised net of the amount of sales tax except:

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

2.24 Share capital and share issuance expenses

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

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

2. Summary of significant accounting policies (cont'd)

2.25 Contingencies

A contingent liability is:

a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

2.26 Segment reporting

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

3. Significant accounting estimates and judgments

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period.

3.1 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 are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

NOTES TO THE FINANCIAL STATEMENTS

3. Significant accounting estimates and judgments (cont'd)

3.1 Key sources of estimation uncertainty (cont'd)

(a) Accounting for civil engineering construction projects

The accounting for such civil engineering construction projects is complex due to high level of estimation uncertainty in determining the costs to complete. This uncertainty is due to the nature of the operations, which may be impacted by the technical complexity of projects, the precision of cost estimation as at balance sheet date and change in material and labour cost, amongst others. The uncertainty and subjectivity could result in estimation variances which will affect the determination of revenue, and hence may have a significant impact on the results of the Group.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred.

The carrying amount of assets and liabilities arising from construction contracts at the end of each reporting periods are disclosed in Note 4c to the financial statements. If the estimated total contract cost had been 1% higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been S$5,531,000 lower and S$176,000 higher respectively (2021: assets S$6,312,000 lower and liabilities S$Nil).

(b) Provision for maintenance and warranties

The Group provides for maintenance and warranties based on the estimated rectification costs to be incurred for projects during the defect liability and warranty periods.

Significant estimate is required in determining the expected cost to be incurred for the maintenance and warranties. In making the estimate, the Group rely on actual claim experiences and its best estimates of the expenditures expected to be incurred over the remaining warranty periods.

The carrying amount of the provision for maintenance and warranties for construction contracts at the end of each reporting period is disclosed in Note 24. If the estimated total maintenance and warranty costs had been 5% higher than management estimate, the carrying amount of the provision for maintenance and warranties arising from construction contracts would have been S$1,070,000 (2021: S$1,406,000) higher.

(c) Carrying value of development properties

As at year end, the Group held completed development properties held-for-sale. These properties are stated at the lower of cost and net realisable value ("NRV").

The determination of the NRV of these properties requires estimations, including expected future selling prices and costs necessary to complete the sale of these properties, and is assessed by management with reference to the independent valuations carried out by the external property valuers or based on latest sale transactions. The assessment is based on the relevant market conditions prevailing at the reporting date, which may be subject to significant changes after the reporting period.

The carrying amounts of the development properties stated at cost are disclosed in Note 16.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

4. Revenue

	Group 2022 S$'000	Group 2021 S$'000
Revenue from contracts with customers	**142,563**	168,325
Rental income from investment properties	**144**	290
	142,707	168,615

(a) ***Disaggregation of revenue***

Segments	Civil engineering 2022 S$'000	Civil engineering 2021 S$'000	Properties development 2022 S$'000	Properties development 2021 S$'000	Total revenue 2022 S$'000	Total revenue 2021 S$'000
Major revenue streams						
Contract revenue	**138,339**	162,886	**–**	–	**138,339**	162,886
Sales of commercial properties	**–**	–	**3,850**	4,992	**3,850**	4,992
Supply of labour and services provided	**279**	304	**95**	143	**374**	447
Total revenue	**138,618**	163,190	**3,945**	5,135	**142,563**	168,325
Timing of transfer of goods and services						
At a point in time	**–**	–	**3,850**	4,992	**3,850**	4,992
Over time	**138,618**	163,190	**95**	143	**138,713**	163,333

(b) ***Judgement and methods used in estimating revenue***

Recognition of revenue from civil engineering construction projects and development properties over time

For the contract revenue and sale of development properties where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's performance in transferring control of the construction and development properties to the customers, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the construction projects and development properties. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to completion.

The estimated total construction and other related costs are based on contracted amounts and, in respect of amounts not contracted for, management relies on past experience and knowledge of the project engineers to make estimates of the amounts to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in its other similar projects or properties for the past 3 to 5 years.

4. Revenue (cont'd)

(c) ***Contract assets and contract liabilities***

Information about receivables, contract assets and contract liabilities from contracts with customers is disclosed as follows:

	Group		
	31 December		1 January
	2022	2021	2021
	S$'000	S$'000	S$'000
Receivables from contracts with customers (Note 17)	**16,255**	29,711	11,480
Contract assets	**17,491**	41,574	18,595
Contract liabilities	**(21,187)**	(16,000)	(6,978)

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for revenue from civil engineering construction projects. Contract assets are transferred to receivables when the rights become unconditional.

The significant changes in the contract assets during the year are as follows:

	Group	
	2022	2021
	S$'000	S$'000
Increase due to work completed but not yet billed at reporting date	**466**	23,349
Contract assets reclassified to receivables	**(24,549)**	(370)

Contract liabilities primarily relate to progress billings in excess of the Group's right to the consideration, and the Group's obligation to transfer goods or services to customers for which the Group has received advances from customers for revenue from civil engineering construction projects.

Contract liabilities are recognised as revenue as the Group performs under the contract. The significant changes in the contract liabilities during the year are as follows:

	Group	
	2022	2021
	S$'000	S$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	**4,444**	6,978
Increases due to cash received, excluding amounts recognised as revenue during the year	**(9,631)**	(16,000)

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

4. Revenue (cont'd)

(d) ***Transaction price allocated to remaining performance obligation***

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2022 is S$875,591,000 (2021: S$214,796,000). This will be recognised as revenue by reference to the percentage of completion over the next seven years. The amount disclosed above does not include any estimated amounts of variable consideration that is constrained.

5. Other income

	Group	
	2022	**2021**
	S$'000	**S$'000**
Gain on disposal of property, plant and equipment	**325**	151
Dividend income from investment securities (Fair value through profit or loss)	**79**	64
Fair value gain on investment property	**100**	50
Fair value gain on investment securities (Fair value through profit or loss)	**–**	98
Gain on sale of investment securities	**–**	5
Unrealised gain on foreign exchange	**90**	296
Government grants:		
– Job support scheme	**–**	1,797
– Foreign worker levy rebate	**364**	536
– Others	**800**	163
Interest income from:		
– Loans and fixed deposits	**2,047**	1,490
– Investment securities (Fair value through profit or loss)	**557**	540
– Investment securities (Fair value through other comprehensive income)	**526**	353
Rental income	**6,476**	4,422
Sundry income	**86**	33
	11,450	9,998

In the previous financial year, government grant income of S$1,797,000 was recognised under the Jobs Support Scheme (the "JSS"). The JSS is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

6. Profit before taxation

The following items have been included in arriving at profit before taxation:

	Group 2022 S$'000	Group 2021 S$'000
Bad debts written off	**1**	79
Depreciation of property, plant and equipment	**3,679**	4,776
Gain fair value of investment property	**100**	50
Fair value loss/(gain) on investment securities:		
– Debt instruments (quoted)	**277**	25
– Equity instruments (quoted)	**–**	(123)
Gain on sale of investment securities	**–**	(5)
Unrealised gain on foreign exchange	**(90)**	(296)
Employee benefits expense (Note A)	**22,362**	20,314
Audit fees paid to:		
– Auditor of the Group	**191**	178
Non-audit fees paid to:		
– Auditor of the Group	**23**	34

Note A: Employee benefits expense

	Group 2022 S$'000	Group 2021 S$'000
Employee benefit expense (including directors):		
Salaries, bonus and other benefits	**19,393**	17,376
Defined contribution plans	**2,969**	2,938
	22,362	20,314

7. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

	Group 2022 S$'000	Group 2021 S$'000
Consolidated income statement:		
Current income tax:		
– current income taxation	**2,184**	4,766
– over provision in respect of previous years	**–**	(1)
Deferred income tax:		
– origination and reversal of temporary differences	**886**	(1,252)
Income tax expense recognised in profit or loss	**3,070**	3,513

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

7. Income tax expense (cont'd)

Relationship between income tax expense and accounting profit

The reconciliation between income tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2022 and 2021 are as follows:

	Group	
	2022	**2021**
	S$'000	**S$'000**
Profit before taxation	**19,466**	28,484
Tax at Singapore statutory tax rate of 17% (2021: 17%)	**3,309**	4,842
Adjustments:		
Non-deductible expenses	**468**	407
Income not subject to taxation	**(72)**	(407)
Effect of partial tax exemption	**(91)**	(83)
Effect of tax at concessionary rate of 10%	**(68)**	(59)
Over provision in respect of previous years	**–**	(1)
Share of results of joint venture	**(523)**	(1,238)
Deferred tax assets not recognised	**47**	52
Income tax expense recognised in profit or loss	**3,070**	3,513

8. Earnings per share

Basic earnings per share amounts are calculated by dividing profit for the year that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share amounts are calculated by dividing the profit for the year that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares. There were no potential dilutive ordinary shares existing during the respective financial years.

The following table reflects the profit and share data used in the computation of basic and diluted earnings per share for the years ended 31 December:

	Group	
	2022	**2021**
Profit for the year, attributable to equity holders of the Company for basic and diluted earnings per share (S$'000)	**16,506**	25,127
Weighted average number of ordinary shares on issue applicable to basic and diluted earnings per share ('000)	**512,104**	512,104

9. Property, plant and equipment

Group	Building S$'000	Office premises S$'000	Machinery and equipment S$'000	Motor vehicles S$'000	Office equipment S$'000	Furniture and fittings S$'000	Total S$'000
Cost							
At 1 January 2021	17,457	6,751	17,097	10,909	695	209	53,118
Additions	–	–	253	399	–	–	652
Disposals	–	–	(476)	(265)	(71)	–	(812)
At 31 December 2021 and 1 January 2022	17,457	6,751	16,874	11,043	624	209	52,958
Additions	–	–	486	298	381	–	1,165
Disposals	–	–	(903)	(552)	(9)	–	(1,464)
At 31 December 2022	17,457	6,751	16,457	10,789	996	209	52,659
Accumulated depreciation							
At 1 January 2021	4,539	439	11,481	8,995	695	88	26,237
Charge for the year	1,709	110	1,499	1,439	–	19	4,776
Disposals	–	–	(476)	(243)	(71)	–	(790)
At 31 December 2021 and 1 January 2022	6,248	549	12,504	10,191	624	107	30,223
Charge for the year	1,709	110	1,260	520	61	19	3,679
Disposals	–	–	(851)	(522)	(9)	–	(1,382)
At 31 December 2022	7,957	659	12,913	10,189	676	126	32,520
Net carrying amount							
At 31 December 2022	9,500	6,092	3,544	600	320	83	20,139
At 31 December 2021	11,209	6,202	4,370	852	–	102	22,735

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

10. Investment properties

	Group	
	2022	**2021**
	S$'000	**S$'000**
Balance sheet:		
At 1 January	**2,900**	2,850
Net gain from fair value adjustments recognised in profit or loss	**100**	50
At 31 December	**3,000**	2,900
Income statement:		
Rental income from investment properties:		
– Minimum lease payments	**144**	291
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating properties	**(48)**	(40)

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Valuation of investment properties

The leasehold office premises and light industry workshop in Singapore are stated at fair value, which has been determined based on valuations performed as at 31 December 2022 and 31 December 2021. The valuations were performed by Colliers International Consultancy & Valuation (S) Pte Ltd, an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the properties being valued. The valuations are based on the Direct Comparison Method that makes reference to market evidence of transaction prices for similar properties in the open market.

The investment properties held by the Group as at 31 December 2022 are as follows:

Description and location	**Existing use**	**Tenure**	**Unexpired lease term**
Office premises, 80 Marine Parade Road, #09-07, Singapore (99 years lease)	Office	Leasehold	56 years
Light industry workshop, #60 Kaki Bukit Avenue 6, Singapore (30 years lease)	Workshop	Leasehold	20 years

11. Investment in joint venture

The Group's investment in joint venture is summarised below:

	Group	
	2022	**2021**
	S$'000	**S$'000**
FSKH Development Pte Ltd		
– Equity interest	**1,350**	1,350
– Amount due from a joint venture	**45,707**	47,606
– Share of profit	**5,009**	1,932
– Deferred interest	**(1)**	(264)
	52,065	50,624

The amount due from a joint venture is non-trade in nature, unsecured, bears interest at 2% (2021: 2%) per annum and is repayable when the cash flow of the joint venture permits. This amount is in substance part of the Group's net interest in the joint venture and hence determined to be capital in nature.

Deferred interest pertains to the Group's unrealised interest income on advance to joint venture.

The Group jointly controls the venture with other partners under contractual agreements which require unanimous consent for all major decisions over the relevant activities. The details of the joint venture as at 31 December 2022 and 31 December 2021 are as follows:

Name of partnership	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest 2022	2021
FSKH Development Pte Ltd	Singapore	Property development and property related activities	**45**	45

The joint venture is audited by Ernst & Young LLP, Singapore.

Besides meeting the Housing Developer (Project Accounts) rules, the amount due from a joint venture of S$45,707,000 (2021: S$47,606,000) are subordinated to bank loans secured against the development projects as at 31 December 2022.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

11. Investment in joint venture (cont'd)

Summarised financial information in respect of FSKH Development Pte Ltd based on its SFRS(I) financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheets

	FSKH Development Pte Ltd	
	2022	**2021**
	S$'000	**S$'000**
Development property	**–**	5,293
Capitalised contract costs	**263**	88,232
Contract assets	**104,336**	84,102
Cash and cash equivalents	**31,922**	36,283
Trade receivables	**43,414**	8,085
Prepayments and deposits	**53**	53
Current assets	**179,988**	222,048
Contract liabilities	**–**	(257)
Trade and other payables	**(6,664)**	(11,226)
Bank loan	**(55,422)**	(96,681)
Provision for income tax	**(2,258)**	–
Current liabilities	**(64,344)**	(108,164)
Deferred tax liability	**–**	(858)
Non-current liabilities	**–**	(858)
Net assets[(1)]	**115,644**	113,026
Proportion of the Group's ownership	**45%**	45%
Group's share of net assets	**52,040**	50,862
Adjustment: Elimination of unrealised interest income on advance to joint venture	**(1)**	(264)
Payment on behalf of a joint venture, included in shareholder loan	**26**	26
Carrying amount of the investment	**52,065**	50,624

(1) During the financial year, FSKH Development Pte Ltd made a repayment of shareholder loan (net of interest) amounting to S$4,220,000 (2021: S$Nil). The externally imposed deed of subordination has been complied with by the joint venture for the repayment of amount due to its shareholders.

NOTES TO THE FINANCIAL STATEMENTS

11. Investment in joint venture (cont'd)

Summarised statement of comprehensive income

	FSKH Development Pte Ltd	
	2022	**2021**
	S$'000	**S$'000**
Revenue	**128,770**	221,869
Cost of sales	**(116,385)**	(201,222)
Gross profit	**12,385**	20,647
Other income	**43**	119
Selling and distribution costs	**(252)**	(532)
Finance costs	**(3,841)**	(4,109)
Operating (expenses)/income	**(97)**	921
Profit before taxation	**8,238**	17,046
Tax expense	**(1,400)**	(858)
Profit after taxation and total comprehensive income	**6,838**	16,188

FSKH's current liabilities include bank loan that is subject to bank covenants and deed of subordination of all the moneys owing by the joint venture to its shareholders.

12. Investments in joint operations

The Group has interests in two unincorporated joint arrangements. The Group has classified the joint arrangements as joint operations and recognised in relation to its interests in the joint operations, its share of assets held jointly and liabilities incurred jointly. The details of the joint operations as at 31 December 2022 and 2021 are as follows:

Name of joint operations	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest 2022	2021
GS Engineering & Construction – Hock Lian Seng Infrastructure Joint Venture	Singapore	Provision of civil engineering and infrastructure works	**50**	50
Hock Lian Seng Infrastructure – CES_SDC JV	Singapore	Provision of civil engineering works	**60**	60

All joint operations are audited by Ernst & Young LLP, Singapore.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

13. Investments in subsidiaries

	Company 2022 S$'000	Company 2021 S$'000
Shares, at cost at 1 January	**37,844**	37,844
Accumulated impairment of investment in a subsidiary	**(30)**	(30)
Shares, at cost at 31 December	**37,814**	37,814

(a) ***Composition of the Group***

Details of subsidiaries as at 31 December 2022 and 2021 are as follows:

Name of subsidiary	Country of incorporation and place of business	Principal activities	Proportion (%) of ownership interest 2022	Proportion (%) of ownership interest 2021
Hock Lian Seng Infrastructure Pte Ltd	Singapore	Provision of civil engineering works	**100**	100
Hock Lian Seng Properties Pte Ltd	Singapore	Rental of property, property development and property related activities	**100**	100
HLS Development Pte Ltd	Singapore	Property development and property related activities	**100**	100
First Shine Properties Pte Ltd	Singapore	Investment holding and property related activities	**100**	100
First Shine Enterprise Pte Ltd	Singapore	Building construction including major upgrading works	**60**	60
Beacon Properties Pte Ltd	Singapore	Property development and property related activities	**100**	100

All subsidiaries are audited by Ernst & Young LLP, Singapore.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

13. Investments in subsidiaries (cont'd)

(b) *Interest in subsidiary with material non-controlling interest (NCI)*

Name of subsidiary	Country of incorporation and place of business	Proportion of ownership interest held by NCI	Accumulated NCI at the beginning of reporting period S$'000	Losses allocated to NCI during the reporting period S$'000	Accumulated NCI at the end of reporting period S$'000	Dividend paid to NCI S$'000
2022:						
First Shine Enterprise Pte Ltd	**Singapore**	**40%**	**(50)**	**(110)**	**(160)**	**–**

Name of subsidiary	Country of incorporation and place of business	Proportion of ownership interest held by NCI	Accumulated NCI at the beginning of reporting period S$'000	Losses allocated to NCI during the reporting period S$'000	Accumulated NCI at the end of reporting period S$'000	Dividend paid to NCI S$'000
2021:						
First Shine Enterprise Pte Ltd	Singapore	40%	106	(156)	(50)	–

(c) *Summarised financial information about subsidiary with material NCI*

Summarised financial information including consolidation adjustments but before intercompany eliminations of subsidiary with material non-controlling interests are as follows:

Summarised balance sheet

	First Shine Enterprise Pte Ltd	
	2022 S$'000	2021 S$'000
Current		
Assets	**1,085**	1,115
Liabilities	**(1,518)**	(1,274)
Net current liabilities, representing total net liabilities	**(433)**	(159)

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

13. Investments in subsidiaries (cont'd)

(c) ***Summarised financial information about subsidiary with material NCI*** **(cont'd)**

Summarised statement of comprehensive income

	First Shine Enterprise Pte Ltd	
	2022	**2021**
	S$'000	**S$'000**
Revenue	**1,380**	1,400
Loss before tax	**(274)**	(303)
Income tax expense	**–**	–
Loss after tax representing total comprehensive income	**(274)**	(303)

Other summarised information

	First Shine Enterprise Pte Ltd	
	2022	**2021**
	S$'000	**S$'000**
Net cash flows generated from/(used in) operations	**527**	(118)

14. Investment securities

	Group	
	2022	**2021**
	S$'000	**S$'000**
Non-current		
At fair value through other comprehensive income		
– Equity instruments (quoted)	**13,140**	10,385
Current		
At fair value through profit or loss		
– Debt instruments (quoted)	**10,901**	8,984
– Equity instruments (quoted)	**26**	–
At amortised cost		
– Credit link note	**997**	–
	11,924	8,984

14. Investment securities (cont'd)

Investments in debt instrument at fair value through profit or loss

Debt investment in quoted corporate bonds were made for varying coupon rates ranging from 2.5% to 6.9% per annum (2021: 3.0% to 6.9%), with maturity dates ranging from 2023 to 2033.

Investments in equity instruments designated at fair value through other comprehensive income

The fair value of investments in quoted equity instruments designated at fair value through other comprehensive income at the end of the reporting period is as follows:

	Group	
	2022	**2021**
	S$'000	**S$'000**
At fair value through other comprehensive income		
– Equity instruments (quoted) by industry		
Bank and financial institutions	**5,656**	4,635
Real Estate	**6,567**	4,484
Telecommunication and infrastructure	**471**	513
Commodities	**446**	753
	13,140	10,385

The Group has elected to measure these equity securities at fair value through other comprehensive income due to the Group's intention to hold these equity instruments for long-term appreciation.

The Group recognised a dividend income of S$79,000 (2021: S$64,000) during the year.

In the previous financial year, the Group disposed certain of the listed equity instruments for cash and realised capital appreciation. The investment had a fair value of S$510,000 at the date of disposal, and the cumulative gain on disposal amounted to S$10,000. The cumulative gain on disposal was not recycled to profit or loss. The cumulative gain on disposal was reclassified from fair value adjustment reserve to accumulated profits.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

15. Deferred taxation

Deferred taxation as at 31 December relates to the following:

	Group			
	Consolidated balance sheet		Consolidated Income statement	
	2022 S$'000	2021 S$'000	2022 S$'000	2021 S$'000
Gross deferred tax assets				
Provisions	**3,744**	4,836	**1,092**	(1,066)
Others	**351**	362	**11**	275
	4,095	5,198		
Gross deferred tax liabilities				
Excess of net carrying value of property, plant and equipment over tax written down value	**(668)**	(885)	**(217)**	(461)
	(668)	(885)		
Net deferred tax assets	**3,427**	4,313		
Deferred tax expense/(benefit)			**886**	(1,252)

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately S$577,000 (2021: S$303,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses have no expiry date.

16. Development properties

	Group	
	2022 S$'000	2021 S$'000
Completed properties, at cost	**91,709**	95,158
At 1 January	**95,158**	99,659
Construction costs written-back[(1)]	**(560)**	(581)
Disposals (recognised in cost of sales)	**(2,889)**	(3,920)
At 31 December	**91,709**	95,158

(1) During the year, there was write-back of excess construction costs of S$560,000 (2021: S$581,000) arising from the finalisation of project costs.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

16. Development properties (cont'd)

List of development properties

Description and location	% owned	Site area (square metre)	Approximate saleable floor area (square metre)	Stage of completion as at date of annual report (year of completion)
Industrial property at Tuas South Avenue 7	100	25,700	49,507	100% (2018)
Industrial property at Gambas Avenue	100	21,427	49,046	100% (2014)

17. Trade receivables

	Group 2022 S$'000	Group 2021 S$'000
Trade receivables	**16,255**	29,711

Trade receivables

Trade receivables are non-interest bearing and are generally on 14-56 days' credit terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Receivables that are past due but not impaired

Trade receivables that are past due but not impaired at the end of the reporting periods are S$2,000 (2021: S$2,025,000).

	2022 S$'000	2021 S$'000
Trade receivables that are past due but not impaired:		
Less than 30 days	**2**	81
30 to 60 days	**–**	18
60 to 90 days	**–**	104
More than 90 days	**–**	1,822
	2	2,025

Receivables that are impaired

The Group's has no trade receivables that are individually or collectively impaired at the end of reporting date (2021: Nil).

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

18. Other receivables

	Group		Company	
	2022	**2021**	**2022**	**2021**
	S$'000	**S$'000**	**S$'000**	**S$'000**
Other debtors	**1,451**	1,461	**–**	–
Advances to subcontractors	**1,766**	4,095	**–**	–
Interest receivables	**499**	218	**–**	–
Amount due from joint venture partner	**37**	78	**–**	–
Amount due from a related company	**12**	30	**–**	–
Amount due from subsidiaries	**–**	–	**2,244**	687
Less: Allowance for impairment	**–**	–	**(260)**	–
	–	–	**1,984**	687
Loans due from subsidiaries	**–**	–	**72,767**	70,008
	3,765	5,882	**74,751**	70,695

Advances to subcontractors relate to advances made to them for maintenance of materials on site, and are non-interest bearing. The advances are recognised at their original invoice amounts, which represents their fair value on initial recognition.

Recoverable from subcontractors are non-interest bearing, and are recognised at their original invoice amounts, which represents their fair values on initial recognition.

Amounts due from subsidiaries are trade related, non-interest bearing, unsecured, repayable on demand and is to be settled in cash. The amounts relate to management fee and payroll costs of seconded staff charged to subsidiaries.

Loans due from subsidiaries are unsecured, bear interest at 2% (2021: 2%) per annum, repayable on demand and are to be settled in cash.

The movement in allowance for expected credit losses of other receivables are as follows:

	Company	
	2022	**2021**
	S$'000	**S$'000**
At 1 Jan	**–**	–
Charge for the year	**260**	–
At 31 Dec	**260**	–

19. Amounts due from joint venture partners

	Group	
	2022	**2021**
	S$'000	**S$'000**
Current		
Amounts due from joint venture partners – trade	**684**	591

The amounts due from joint venture partners relate to payroll costs of seconded staff and services provided to joint venture partners, are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

20. Prepayments and deposits

	Group	
	2022	2021
	S$'000	S$'000
Prepayments	**2,627**	2,091
Deposits	**273**	101
	2,900	2,192

21. Cash and short-term deposits

	Group		Company	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Cash at banks and on hand	**49,085**	29,314	**556**	2,083
Short-term deposits	**59,754**	38,150	**–**	–
Cash and cash equivalents per consolidated cash flow statement	**108,839**	67,464	**556**	2,083

Short-term deposits are made for varying periods of between 1 month to 3 months depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates. The average effective interest rates as at 31 December 2022 for the Group were 1.74% (2021: 0.28%) per annum.

Cash and short-term deposits denominated in foreign currencies at 31 December are as follows:

	Group	
	2022	2021
	S$'000	S$'000
United States Dollar	**8,080**	11,696

22. Trade and other payables

	Group		Company	
	2022	2021	2022	2021
	S$'000	S$'000	S$'000	S$'000
Current portion:				
Trade payables	**3,227**	6,157	**16**	19
Amount due to joint venture partners	**49**	36	**–**	–
Accrued operating expenses	**55,478**	52,660	**306**	347
Deposits received	**1,039**	729	**–**	–
GST payables	**1,583**	1,437	**17**	20
Other payables	**516**	71	**–**	–
	61,892	61,090	**339**	386
Non-current portion:				
Other payables	**1,387**	945	**–**	–

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

22. Trade and other payables (cont'd)

Trade payables

Trade payables are non-interest bearing and are normally settled on 30-60 days' terms.

Amounts due to joint venture partners

Amounts due to joint venture partners were trade related, unsecured, non-interest bearing and repayable upon demand.

Other payables – current

The current other payables are non-interest bearing and have an average term of 2 months.

Other payables – non-current

Other payables are rental deposits received which are refundable more than 12-months after the financial year end.

23. Advance received from customer

In the previous financial year, advance received from customer comprises the value of the materials on construction site but not incorporated in the works, which would subsequently be paid out to the subcontractors when they submit progress claims for the work done using those materials to the Group.

24. Provisions

(i) ***Provision for maintenance and warranties***

	Group	
	2022	**2021**
	S$'000	**S$'000**
At 1 January	**28,116**	20,741
Utilisation	**(3,486)**	(3,291)
Current year provision	**–**	13,748
Write-back	**(3,240)**	(3,082)
At 31 December	**21,390**	28,116

The Group provides for maintenance and warranties claims on contracted items with customers after the substantial completion of projects. The amount of the provision for maintenance and warranties are based on past experience of the level of maintenance and rectification work. The estimation basis is reviewed on an ongoing basis and revised when appropriate.

Management reviews the estimation basis on an ongoing basis taking into consideration past claims experience and actual utilisation, and revises the provision when appropriate. During the year, the Group has written back S$3,240,000 (2021: S$3,082,000) of the maintenance and warranty provisions upon assessment of the claims.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

24. Provisions (cont'd)

(ii) ***Provision for project costs***

	Group	
	2022	**2021**
	S$'000	**S$'000**
At 1 January	**–**	1,186
Utilisation	**–**	–
Write back	**–**	(1,186)
At 31 December	**–**	–

This relates to provision for project and subcontractor costs to be incurred on completion. The provision was based on management's assessment of the status of the project. The estimation basis is reviewed on an ongoing basis and revised when appropriate. In the previous financial year, the Group has written back S$1,186,000 upon assessment of the project status.

25. Deferred income

	Group	
	2022	**2021**
	S$'000	**S$'000**
Government grant:		
Others	**116**	144

26. Share capital

	Group and Company			
	2022		**2021**	
	No. of shares '000	**S$'000**	**No. of shares '000**	**S$'000**
Issued and fully paid ordinary shares				
At 1 January and 31 December	512,104	59,954	512,104	59,954

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

27. Capital reserve

Capital reserve records the costs of share-based payments, in the form of 4,000,000 shares transferred from the former shareholders to certain selected employees of the Group as consideration for their services received, which is measured by reference to the fair value of the shares at the grant date.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

28. Fair value adjustment reserve

Fair value adjustment reserve records the cumulative fair value changes, net of tax, of financial assets at fair value through other comprehensive income financial assets until they are disposed of or impaired.

	Group	
	2022	**2021**
	S$'000	**S$'000**
At 1 January	**341**	127
(Loss)/gain on fair value changes of financial assets at fair value through other comprehensive income during the year	**(498)**	224
Transfer upon sale of financial assets at fair value through other comprehensive income	**–**	(10)
At 31 December	**(157)**	341

29. Merger deficit

The merger deficit records the difference between the purchase consideration and the share capital of a subsidiary acquired from an entity under common control.

30. Commitments

Group as lessee

The Group also has certain leases of machinery with lease terms of 12 months or less and leases of equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

The following are the amounts recognised in profit or loss:

	Group	
	2022	**2021**
	S$'000	**S$'000**
Expense relating to short-term leases (included in cost of sales) representing total amount recognised in profit or loss	**4,367**	3,956

The Group had total cash outflows for short-term leases of S$3,681,000 in 2022 (2021: S$3,722,000).

NOTES TO **THE FINANCIAL STATEMENTS**

30. Commitments (cont'd)

Group as lessor

The Group has entered into commercial property leases on its investment properties.

Future minimum rental receivables under non-cancellable operating leases at the end of the reporting period are as follows:

	Group	
	2022	**2021**
	S$'000	**S$'000**
Not later than one year	**160**	139
Later than one year but not later than five years	**91**	59
	251	198

Share of capital commitment to a joint venture

The Group has committed to provide funding in the proportion of the shareholdings held by the Group in a joint venture required to develop and complete the development properties.

The Group's share of the capital expenditure contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group	
	2022	**2021**
	S$'000	**S$'000**
Capital commitment in respect of property development expenditure	**37**	9,472

31. Dividends

	Group and Company	
	2022	**2021**
	S$'000	**S$'000**
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Final tax-exempt (one-tier) dividend for 2022:S$0.0125 (2021: S$0.0025) per share	**6,401**	1,280
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
Final tax-exempt (one-tier) dividends for 2022: S$0.0010 (2021: S$0.0125) per share	**5,121**	6,401

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

32. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following transactions took place between the Group and related parties at terms agreed between the parties:

(i) ***Sales and purchases of services***

	Group	
	2022	**2021**
	S$'000	**S$'000**
Rental paid to:		
– A company related to a director	**108**	–

(ii) ***Compensation of key management personnel***

	Group	
	2022	**2021**
	S$'000	**S$'000**
Salaries and other remuneration	**3,096**	3,150
Defined contribution plans	**107**	106
Directors' fees	**192**	192
Total compensation paid to key management personnel	**3,395**	3,448

	Group	
	2022	**2021**
	S$'000	**S$'000**
Comprise amounts paid to:		
– Directors of the Company	**1,619**	1,729
– Other key management personnel	**1,776**	1,719
	3,395	3,448

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

33. Contingent liabilities

The Company has provided financial guarantee to a bank in respect of bank loan of a joint venture with a balance of S$24,940,000 (2021: S$43,506,000). The fair value of such financial guarantee is not expected to be material as the loan is collateralised against the respective entity's development property. Accordingly, the fair value of the financial guarantees has not been recognised.

34. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include interest rate risk, credit risk, market price risk, liquidity risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks. It is, and has been throughout the years under review, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken. The Group and the Company do not apply hedge accounting.

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

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from the Group's cash and short-term deposits.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 100 (2021: 100) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been S$450,000 (2021: S$414,000) higher/lower, arising mainly as a result of higher/lower interest income on cash and short-term deposits.

(b) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from contract assets, trade and other receivables. For other financial assets (including investment securities, amount due from joint venture partners and cash and short-term deposits), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group trades only with recognised and creditworthy third parties or government authorities. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 180 days when they fall due, which are derived based on Group's historical information. The Group also considers a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

34. Financial risk management objectives and policies (cont'd)

(b) ***Credit risk (cont'd)***

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

– Internal credit rating

– External credit rating

– Actual or expected significant adverse changes in business, financial of economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations

– Actual or expected significant changes in the operating results of the borrower

– Significant increases in credit risk on other financial instruments of the same borrower

– Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

– There is significant difficulty of the borrower

– A breach of contract, such as a default or past due event

– It is becoming probable that the borrower will enter into bankruptcy or other financial reorganisation

– There is a disappearance of an active market for that financial asset because of financial difficulty

The Group categories a loan or receivable for potential write-off when a debtor fails to make contractual payments for more than 180 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage appropriate enforcement activities to attempt to recover the receivables due. Where recoveries are made, these are recognised in profit or loss.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

34. Financial risk management objectives and policies (cont'd)

(b) ***Credit risk (cont'd)***

Financial assets at amortised cost

The Group uses three categories of internal credit risk ratings for debt instruments and loans which reflect their credit risk and how the loss provision is determined for each of those categories. The Group assesses the qualitative and quantitative factors that are indicative of the risk of default based on experienced credit judgement. The Group compute expected credit loss for this group of financial assets using the probability of default approach. In calculating the expected credit loss rates, the Group considers implied probability of default from external rating agencies where available and historical loss rates for each category of counterparty, and adjusts for forward looking macroeconomic data such as GDP growth and central bank base rates.

A summary of the Group's internal grading category in the computation of the Group's expected credit loss model for the debt instruments and loans is as follows:

Category	Definition of category	Basis for recognition of ECL provision	Basis for calculating interest revenue
Level 1	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12-month ECL	Gross carrying amount
Level 2	Loans for which there is a significant increase in credit risk	Lifetime ECL	Gross carrying amount
Level 3	Interest and/or principal repayment are 180 days past due.	Lifetime ECL	Amortised cost of carrying amount (net of credit allowance)

There are no significant changes to estimation techniques or assumptions made during the reporting period.

The Group assessed the qualitative and quantitative factor that are indicative of the risk of default based on experienced credit judgement. These exposures are considered to have low credit risk. Therefore, impairment on these balances has been measured on the 12-month expected credit loss basis. There was no loss allowance provision made on debt instruments carried at amortised cost.

The gross carrying amount of financial assets of the Group and Company as at 31 December 2022, without taking into account of any collaterals held of other credit enhancements which represents the maximum exposure to loss, is S$132,697,000 and S$75,307,000 (2021: S$103,749,000 and S$72,778,000) respectively.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

34. Financial risk management objectives and policies (cont'd)

(b) ***Credit risk (cont'd)***

Trade receivables and contract assets

The Group recognises lifetime expected credit loss 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 assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Summarised below is the information about the credit risk exposure on the Group's trade receivables and contract assets:

31 December 2022	**Contract assets S$'000**	**Current S$'000**	**Past due 1-30 days S$'000**	**Past due 31-60 days S$'000**	**Past due 60-90 days S$'000**	**Past due More than 90 days S$'000**	**Total S$'000**
Gross carrying amount	**17,491**	**16,253**	**2**	**–**	**–**	**–**	**33,746**
Loss allowance provision	**–**	**–**	**–**	**–**	**–**	**–**	**–**

31 December 2021	**Contract assets S$'000**	**Current S$'000**	**Past due 1-30 days S$'000**	**Past due 31-60 days S$'000**	**Past due 60-90 days S$'000**	**Past due More than 90 days S$'000**	**Total S$'000**
Gross carrying amount	41,574	27,686	81	18	104	1,822	71,285
Loss allowance provision	–	–	–	–	–	–	–

Information regarding loss allowance movement of trade receivables is disclosed in Note 17. During the year, there were no loss allowance provision made on trade receivables and contract assets.

Cash and bank balances

The cash and bank balances are held with banks and financial institution counterparties, which are rated at least A, based on Standard & Poor's ratings. Impairment on cash and bank balances has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and bank balances have low credit risk based on the external credit ratings of the counterparties. There were no loss allowance provision made on cash and bank balances.

Other receivables and amount due from joint venture partners

The Group and Company have assessed that its other receivable debtors and joint venture partners have strong financial capacity to meet the contractual obligation and considered to have low credit risk. Other receivables and amount due from joint venture partners are measured on 12-month expected credit losses and subject to immaterial credit loss.

NOTES TO THE FINANCIAL STATEMENTS

34. Financial risk management objectives and policies (cont'd)

(b) ***Credit risk (cont'd)***

Excessive risk concentration

Concentrations arise when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Exposure to credit risk

As at the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Since the Group trades only with recognised and creditworthy third parties or government authorities, there is no requirement for collateral.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and short-term deposits and investment securities that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 17 (Trade receivables).

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

34. Financial risk management objectives and policies (cont'd)

(b) ***Credit risk (cont'd)***

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2022		2021	
	S$'000	% of total	S$'000	% of total
By country:				
Singapore	**16,255**	**100.0**	29,711	100.0
By industry sector:				
Civil engineering	**16,255**	**100.0**	27,833	93.7
Properties development	**–**	**–**	1,878	6.3
	16,255	**100.0**	29,711	100.0

At the end of the reporting period, approximately:

– 99.9% (2021: 92.5%) of the Group's trade receivables were due from government authorities of Singapore or government linked entities who are located in Singapore.

– 0.1% (2021: 0.9%) of the Group's trade receivables is due from a related party.

(c) ***Market price risk***

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group has investments in quoted securities which are listed in Singapore and exposed to equity price risk. These investments are classified as fair value through profit or loss and fair value through other comprehensive income financial assets. The Group does not have exposure to commodity price risk.

The Group's objective is to manage investment returns and equity price risk using a mix of investment grade shares with steady dividend yield and non-investment grade shares with higher volatility.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the underlying quoted securities prices had been 5% (2021: 10%) higher/lower with all other variables held constant, the Group's profit before taxation would have been S$546,000 (2021: S$898,000) higher/lower, as a result of higher/lower fair value gains on quoted investment securities classified as fair value through profit or loss, and the Group's other comprehensive income would have been S$657,000 (2021: S$1,039,000) higher/lower, as a result of higher/lower fair value gains on quoted investment securities classified as fair value through other comprehensive income.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

34. Financial risk management objectives and policies (cont'd)

(d) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's and the Company's operations and mitigate the effect of fluctuations in cash flows.

Analysis of financial instruments by remaining contractual maturities

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

	2022			
Group	**One year or less S$'000**	**One to five years S$'000**	**Over five years S$'000**	**Total S$'000**
Financial assets:				
Investment securities	2,881	6,064	5,222	14,167
Trade receivables	16,255	–	–	16,255
Other receivables	3,765	–	–	3,765
Amounts due from joint venture partners	684	–	–	684
Deposits	273	–	–	273
Cash and short-term deposits	108,839	–	–	108,839
Total undiscounted financial assets	132,697	6,064	5,222	143,983

	2022			
Group	**One year or less S$'000**	**One to five years S$'000**	**Over five years S$'000**	**Total S$'000**
Financial liabilities:				
Trade and other payables (exclude GST payables)	(60,309)	–	–	(60,309)
Other payables	–	(1,387)	–	(1,387)
Total undiscounted financial liabilities	(60,309)	(1,387)	–	(61,696)
Total net undiscounted financial assets	72,388	4,677	5,222	82,287

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

34. Financial risk management objectives and policies (cont'd)

(d) ***Liquidity risk (cont'd)***

Analysis of financial instruments by remaining contractual maturities (cont'd)

Group	2021 One year or less S$'000	2021 One to five years S$'000	2021 Over five years S$'000	2021 Total S$'000
Financial assets:				
Investment securities	–	8,542	1,567	10,109
Trade receivables	29,711	–	–	29,711
Other receivables	5,882	–	–	5,882
Amounts due from joint venture partners	591	–	–	591
Deposits	101	–	–	101
Cash and short-term deposits	67,464	–	–	67,464
Total undiscounted financial assets	103,749	8,542	1,567	113,858

Group	2021 One year or less S$'000	2021 One to five years S$'000	2021 Over five years S$'000	2021 Total S$'000
Financial liabilities:				
Trade and other payables (exclude GST payables)	(59,653)	–	–	(59,653)
Other payables	–	(945)	–	(945)
Advance received from customer	(3,754)	–	–	(3,754)
Total undiscounted financial liabilities	(63,407)	(945)	–	(64,352)
Total net undiscounted financial assets	40,342	7,597	1,567	49,506

Company	2022 One year or less S$'000	2021 One year or less S$'000
Financial assets:		
Other receivables	**74,751**	70,695
Cash and short-term deposits	**556**	2,083
Total undiscounted financial assets	**75,307**	72,778
Financial liabilities:		
Trade and other payables (exclude GST payable)	**(322)**	(366)
Total undiscounted financial liabilities	**(322)**	(366)
Total net undiscounted financial assets	**74,985**	72,412

34. Financial risk management objectives and policies (cont'd)

(d) ***Liquidity risk (cont'd)***

Analysis of financial instruments by remaining contractual maturities (cont'd)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantees could be called.

	2022			2021		
	One year or less S$'000	One to five years S$'000	Total S$'000	One year or less S$'000	One to five years S$'000	Total S$'000
Company						
Financial guarantees (Note 33)	**24,940**	**–**	**24,940**	43,506	–	43,506

(e) ***Foreign currency risk***

The Group holds cash and short-term deposits denominated in a currency other than the functional currency of the Group, which is SGD. At the end of the reporting period, the foreign currency balances are denominated in USD. The Group is also exposed to currency translation risk arising from its cash and short-term deposits denominated in USD.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD exchange rates against the functional currency of the Group (SGD), with all other variables held constant.

	2022 S$'000	2021 S$'000
	Profit before tax	
USD/SGD		
– Strengthened 3% (2021: 3%)	**245**	351
– Weakened 3% (2021: 3%)	**(245)**	(351)

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

35. Fair value of assets and liabilities

(a) ***Fair value hierarchy***

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs used as follows:

– Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;

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

– Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) ***Assets and liabilities measured at fair value***

The following table shows an analysis of each class of assets measured at fair value at the end of the reporting period:

	Group 2022 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) S$'000	**Significant observable inputs other than quoted prices (Level 2) S$'000**	**Significant unobservable inputs (Level 3) S$'000**	**Total S$'000**
Assets measured at fair value				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)				
– Debt instruments (quoted)	**10,901**	–	–	**10,901**
– Equity instruments (quoted)	**26**	–	–	**26**
Financial assets at fair value through other comprehensive income (Note 14)				
– Equity instruments (quoted)	**13,140**	–	–	**13,140**
Financial assets as at 31 December 2022	**24,067**	–	–	**24,067**
Non-financial assets:				
Investment properties (Note 10)				
– Office premises	–	–	**1,600**	**1,600**
– Workshop	–	–	**1,400**	**1,400**
Non-financial assets as at 31 December 2022	–	–	**3,000**	**3,000**

35. Fair value of assets and liabilities (cont'd)

(b) ***Assets and liabilities measured at fair value (cont'd)***

The following table shows an analysis of each class of assets measured at fair value at the end of the reporting period: (cont'd)

	Group 2021 Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1) S$'000	**Significant observable inputs other than quoted prices (Level 2) S$'000**	**Significant unobservable inputs (Level 3) S$'000**	**Total S$'000**
Assets measured at fair value				
Financial assets:				
Financial assets at fair value through profit or loss (Note 14)				
– Debt instruments (quoted)	8,984	–	–	8,984
Financial assets at fair value through other comprehensive income (Note 14)				
– Equity instruments (quoted)	10,385	–	–	10,385
Financial assets as at 31 December 2021	19,369	–	–	19,369
Non-financial assets:				
Investment properties (Note 10)				
– Office premises	–	–	1,500	1,500
– Workshop	–	–	1,400	1,400
Non-financial assets as at 31 December 2021	–	–	2,900	2,900

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

35. Fair value of assets and liabilities (cont'd)

(c) ***Level 3 fair value measurements***

Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value at 31 December 2022 S$'000	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Recurring fair value measurements				
Investment properties:				
– Office premises	**1,600**	Market comparable approach	Market price per square metre*	S$17,000 to S$18,000 per square metre
– Workshop	**1,400**	Market comparable approach	Market price per square metre*	S$2,800 to S$3,350 per square metre

Description	Fair value at 31 December 2021 S$'000	Valuation techniques	Significant unobservable inputs	Range (weighted average)
Recurring fair value measurements				
Investment properties:				
– Office premises	1,500	Market comparable approach	Market price per square metre*	S$16,000 to S$19,000 per square metre
– Workshop	1,400	Market comparable approach	Market price per square metre*	S$2,700 to S$4,700 per square metre

* Adjustments are made for any difference in the nature, location or condition of the specific property.

For office premises and workshop, a significant increase/(decrease) in market price per square metre based on external valuation expert's assumptions would result in a significantly higher/(lower) fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

35. Fair value of assets and liabilities (cont'd)

(c) ***Level 3 fair value measurements (cont'd)***

Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)

While the Group believes that its estimate of fair value is appropriate, the use of different methodologies or assumptions could lead to different measurements of fair value.

The Group believes that there are no reasonably possible alternative assumptions that will result in a significant change in fair value of the investment properties for the years ended 31 December 2022 and 2021.

Movement in Level 3 assets measured at fair value

	Group	
	2022	**2021**
	S$'000	**S$'000**
Fair value measurements using significant unobservable inputs (Level 3)		
Investment properties:		
At 1 January	**2,900**	2,850
Gain on fair value of investment property	**100**	50
At 31 December	**3,000**	2,900

Valuation policies and procedures

It is the Group's policy to engage external valuation experts to perform valuation. The management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 *Fair Value Measurement* guidance to perform the valuation.

The Group revalues its properties and the valuation techniques used is the comparison method that considers the sales of similar properties that have been transacted in the open market with adjustments made for differences in factors that affect value. The appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs used in the valuations.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

36. Financial instruments by category

Set out below is the carrying amount of each of the categories of the Group's and the Company's financial instruments that are carried in the financial statements:

Group	Note	Assets at amortised cost S$'000	Equity instruments at FVTPL S$'000	Equity instruments at FVOCI S$'000	Debt instruments at FVTPL S$'000	Liabilities at amortised cost S$'000
At 31 December 2022						
Assets						
Investment securities (non-current)	14	**–**	**–**	**13,140**	**–**	**–**
Investment securities (current)	14	**997**	**26**	**–**	**10,901**	**–**
Trade receivables	17	**16,255**	**–**	**–**	**–**	**–**
Other receivables	18	**3,765**	**–**	**–**	**–**	**–**
Amounts due from joint venture partners	19	**684**	**–**	**–**	**–**	**–**
Deposits	20	**273**	**–**	**–**	**–**	**–**
Cash and short-term deposits	21	**108,839**	**–**	**–**	**–**	**–**
Liabilities						
Trade and other payables (exclude GST payables)	22	**–**	**–**	**–**	**–**	**60,309**
Other payables	22	**–**	**–**	**–**	**–**	**1,387**
		130,813	**26**	**13,140**	**10,901**	**61,696**

Group	Note	Assets at amortised cost S$'000	Equity instruments at FVTPL S$'000	Equity instruments at FVOCI S$'000	Debt instruments at FVTPL S$'000	Liabilities at amortised cost S$'000
At 31 December 2021						
Assets						
Investment securities (non-current)	14	–	–	10,385	–	–
Investment securities (current)	14	–	–	–	8,984	–
Trade receivables	17	29,711	–	–	–	–
Other receivables	18	5,882	–	–	–	–
Amounts due from joint venture partners	19	591	–	–	–	–
Deposits	20	101	–	–	–	–
Cash and short-term deposits	21	67,464	–	–	–	–
Liabilities						
Trade and other payables (exclude GST payables)	22	–	–	–	–	59,653
Advance received from customer	23	–	–	–	–	3,754
Other payables	22	–	–	–	–	945
		103,749	–	10,385	8,984	64,352

36. Financial instruments by category (cont'd)

Set out below is the carrying amount of each of the categories of the Group's and the Company's financial instruments that are carried in the financial statements: (cont'd)

	Note	Assets at amortised cost S$'000	Liabilities at amortised cost S$'000
Company			
At 31 December 2022			
Assets			
Other receivables	18	**74,751**	**–**
Cash and short-term deposits	21	**556**	**–**
Liabilities			
Trade and other payables (exclude GST payable)	22	**–**	**322**
		75,307	**322**

	Note	Assets at amortised cost S$'000	Liabilities at amortised cost S$'000
Company			
At 31 December 2021			
Assets			
Other receivables	18	70,695	–
Cash and short-term deposits	21	2,083	–
Liabilities			
Trade and other payables (exclude GST payable)	22	–	366
		72,778	366

37. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustment to it, in the light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 2021.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

37. Capital management (cont'd)

The Group monitors its capital structure as follows:

	Note	Group 2022 S$'000	Group 2021 S$'000
Cash and short-term deposits	21	**(108,839)**	(67,464)
Net cash		**(108,839)**	(67,464)
Equity attributable to owners of the Company		**237,310**	227,703

The Group will continue to be guided by prudent financial policies of which gearing is an important aspect.

38. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- Civil engineering: Infrastructure construction and civil engineering works for bridges, expressways, tunnels and other related infrastructure works.
- Properties development: Development of properties in the residential and industrial sectors.
- Properties investment: Investment properties held to earn rentals and/or for capital appreciation and others.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

The three operating segments are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who review the segment results every quarter for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit margins of the products and services.

Corporate overheads, taxes and investment securities are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

38. Segment information (cont'd)

At 31 December 2022	Civil engineering S$'000	Properties development S$'000	Properties investment S$'000	Adjustments S$'000	Notes	Per consolidated financial statements S$'000
Revenue:						
External customers, representing total revenue	138,618	3,945	144	–		142,707
Results:						
Depreciation	3,679	–	–	–		3,679
Dividend income from investment securities	–	–	–	79		79
Gain on disposal of property, plant and equipment	–	–	–	325		325
Gain on fair value of investment property	–	–	–	100		100
Loss on fair value of investment securities – net	–	–	–	(277)		(277)
Interest income	–	1,108	–	2,022		3,130
Share of results of joint venture	–	3,077	–	–		3,077
Unrealised gain on foreign exchange	–	–	–	90		90
Segment profit	9,271	8,931	59	1,205	A	19,466
Assets:						
Investment in joint venture	–	52,065	–	–		52,065
Additions to non-current assets	1,165	–	–	–	B	1,165
Segment assets	167,753	143,868	3,876	29,841	C	345,338
Segment liabilities	103,335	2,606	31	2,216	D	108,188

NOTES TO **THE FINANCIAL STATEMENTS**

For the financial year ended 31 December 2022

38. Segment information (cont'd)

At 31 December 2021	**Civil engineering S$'000**	**Properties development S$'000**	**Properties investment S$'000**	**Adjustments S$'000**	**Notes**	**Per consolidated financial statements S$'000**
Revenue:						
External customers, representing total revenue	163,341	5,135	139	–		168,615
Results:						
Depreciation	4,776	–	–	–		4,776
Dividend income from investment securities	–	–	–	64		64
Gain on disposal of property, plant and equipment	–	–	–	151		151
Gain on fair value of investment property	–	–	–	50		50
Gain on fair value of investment securities – net	–	–	–	98		98
Interest income	–	1,362	–	1,021		2,383
Share of results of joint venture	–	7,285	–	–		7,285
Unrealised loss on foreign exchange	–	–	–	296		296
Segment profit	16,087	9,504	33	2,860	A	28,484
Assets:						
Investment in joint venture	–	50,624	–	–		50,624
Additions to non-current assets	652	–	–	–	B	652
Segment assets	167,554	146,391	3,535	25,033	C	342,513
Segment liabilities	108,029	1,991	29	4,811	D	114,860

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2022

38. Segment information (cont'd)

Nature of adjustments to arrive at amounts reported in the consolidated financial statements

A. The following items are added to/(deducted from) segment profit to arrive at "Profit before taxation" presented in the consolidated income statement:

	Group	
	2022	**2021**
	S$'000	**S$'000**
Other income	**4,974**	8,480
Corporate overheads	**(3,496)**	(4,232)
Non-controlling interest	**–**	156
Other operating costs	**(273)**	(1,544)
	1,205	2,860

B. Additions to non-current assets consist of additions to property, plant and equipment.

C. The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheets:

	Group	
	2022	**2021**
	S$'000	**S$'000**
Investment in joint venture	**1,350**	1,350
Investment securities	**25,064**	19,370
Deferred tax assets	**3,427**	4,313
	29,841	25,033

D. The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheets:

	Group	
	2022	**2021**
	S$'000	**S$'000**
Provision for taxation	**2,216**	4,811

Geographical information

The Group derives all of its revenues from external customers based in Singapore and its non-current assets are solely located in Singapore for the years ended 31 December 2022 and 2021.

Information about major customers

Revenue from one major customer amounted to S$107,756,000 (2021: S$134,938,000) for a civil engineering project.

39. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 31 March 2023.

STATISTICS OF **SHAREHOLDINGS**

As at 10 March 2023

ISSUED AND FULLY PAID	:	S$59,954,000
NUMBER OF SHARES	:	512,103,991
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	1 VOTE PER SHARE
NUMBER OF TREASURY SHARES AND SUBSIDIARY HOLDINGS HELD	:	NIL

SIZE OF SHAREHOLDERS	NO. OF SHAREHOLDINGS	%	NO. OF SHARES	%
1 – 99	3	0.15	54	0.00
100 – 1,000	81	4.11	61,200	0.01
1,001 – 10,000	710	35.98	4,859,600	0.95
10,001 – 1,000,000	1,140	57.78	70,253,476	13.72
1,000,001 & ABOVE	39	1.98	436,929,661	85.32
TOTAL	1,973	100.00	512,103,991	100.00

TWENTY LARGEST SHAREHOLDERS	NO. OF SHARES	%
CHUA LEONG HAI @CHUA LEANG HAI	194,116,547	37.91
CHUA AIK KHOON (CAI YIQUN)	29,847,663	5.83
CHUA SIOK PENG (CAI SHUPING)	26,119,265	5.10
CHUA SIOK HONG	26,098,442	5.10
CHUA SIOK KHENG (CAI SHUQING)	26,087,569	5.09
CHUA BOE	13,988,736	2.73
PEH TIEW HOI OR CHUA YEN JOO (CAI YANRU)	12,874,292	2.51
NG SING	9,451,760	1.85
DBS NOMINEES PTE LTD	9,360,200	1.83
CHUA HUA LEONG	8,915,376	1.74
TAN AH CHON	7,243,032	1.41
CHUA HOO SAI OR TI POH CHOO	7,203,236	1.41
CHUA SEE	6,407,501	1.25
TAN KWEE HIANG	4,800,000	0.94
PEH LING PING (PEH MENG HOONG)	4,477,150	0.87
PEH MENG HING	4,477,149	0.87
PEH CHANG YEW @PEH BENG KIAT	4,067,149	0.79
PEH PECK HOON (BAI BIYUN) @BAI SHI CI	3,214,850	0.63
PHILLIP SECURITIES PTE LTD	2,814,870	0.55
CHUA HUA HONG	2,649,600	0.52
	404,214,387	78.93

Based on the information available to the Company as at 10 March 2023, approximately 35.29% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Limited is complied with.

SUBSTANTIAL SHAREHOLDERS	NO. OF SHARES	%
CHUA LEONG HAI @CHUA LEANG HAI	194,116,547	37.91
CHUA AIK KHOON (CAI YIQUN)	29,847,663	5.83
CHUA SIOK PENG (CAI SHUPING)	26,119,265	5.10
CHUA SIOK HONG	26,098,442	5.10
CHUA SIOK KHENG (CAI SHUQING)	26,087,569	5.09

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **HOCK LIAN SENG HOLDINGS LIMITED** (the "**Company**") will be held by electronic means on Tuesday, 25 April 2023 at 9.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2022 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final dividend (tax exempt one-tier) of 1 Singapore cents per ordinary share for the financial year ended 31 December 2022. **(Resolution 2)**

3. To re-elect the following Directors who will be retiring pursuant to Regulation 97 of the Constitution of the Company and who being eligible, offer themselves for re-election as Directors of the Company:

   (i) Ms Chua Siok Peng **(Resolution 3)**
   (ii) Mr Lim Bok Ngam **(Resolution 4)**

   [See Explanatory Note (i)]

4. To approve the payment of Directors' fees of S$192,000 for the financial year ended 31 December 2022 (FY2021: S$192,000). **(Resolution 5)**

5. To re-appoint Messrs Ernst & Young LLP, Certified Public Accountants, as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

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

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

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

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

   (iii) issue additional Instrument arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues;

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

NOTICE OF **ANNUAL GENERAL MEETING**

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

provided that:

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

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

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

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

(c) any subsequent bonus issue, consolidation or subdivision of shares.

Adjustments in accordance with 7(2)(a) or 7(2)(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of passing of the Share Issue Mandate.

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

(4) unless revoked or varied by the Company in General Meeting, the authority conferred by this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments. **(Resolution 7)**

[See Explanatory Note (ii)]

By Order of the Board

Siau Kuei Lian
Company Secretary
Singapore

6 April 2023

NOTICE OF **ANNUAL GENERAL MEETING**

Explanatory Notes:

(i) (a) Ms Chua Siok Peng will, upon re-election as a Director of the Company, remain as Executive Director and will be considered non-independent. Please refer to page 114 to page 115 in the Annual Report for the detailed information required pursuant to 720(6) of the Listing Manual of the SGX-ST.

(b) Mr Lim Bok Ngam will, upon re-election as a Director of the Company, remain as Independent Director, Chairman of Nominating Committee and Board Safety Committee and a member of Remuneration Committee and Audit and Risk Management Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST. Please refer page 114 to page 115 in the Annual Report for the detailed information required pursuant to 720(6) of the Listing Manual of the SGX-ST.

(ii) Resolution 7 in item 7 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares) and subsidiary holdings in the capital of the Company, of which up to twenty per centum (20%) may be issued other than on a *pro rata* basis to existing shareholders of the Company.

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

Notes:

1. This AGM is being convened and will be held by electronic means pursuant to COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. In line with the provisions under the Relevant Order, **no printed copies** of the Notice of AGM and the Proxy Form in respect of the AGM will be despatched to Shareholders. Instead, the accompanying Proxy Form for the AGM may be accessed at the Company's website at www.hlsgroup.com.sg and will also be made available on the SGX website at http://www.sgx.com/securities/company-announcements. Please refer to the announcement pertaining to the "important notice to shareholders regarding the Company's Annual General Meeting" dated 6 April 2023 for further alternative arrangement details.

2. The AGM of the Company will be held by way of electronic means. Shareholders will not be able to attend the AGM in person. A member (whether individual or corporate) is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. The proxy form for the AGM will be made available on the Company's website at www.hlsgroup.com.sg and the SGX website at https://www.sgx.com/securities/company-announcements.

3. A member of the Company (including a Relevant Intermediary*) entitled to vote at the AGM may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member (which number and class of shares shall be specified.)

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 80 Marine Parade Road, #16-08 Parkway Parade, Singapore 449269 by mail not less than seventy-two (72) hours before the time appointed for holding the AGM, and in default the instrument of proxy shall not be treated as valid.

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

6. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) and wishes to appoint a proxy should approach their respective CPF/SRS Approved Nominees (CPF Agent Banks or SRS Operators) to submit their votes at least seven (7) working days before the AGM.

7. The Annual Report for FY2022 may be accessed on the Company's website at www.hlsgroup.com.sg and the SGX website at https://www.sgx.com/securities/company-announcements.

NOTICE OF **ANNUAL GENERAL MEETING**

* A Relevant Intermediary is:

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

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

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

Personal data privacy:

By submitting an instrument appointing the proxy/(ies) and/or representative(s) to attend and vote at the Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

Additional Information on directors seeking re-election:

To provide the information as set out in Appendix 7.4.1 relating to the candidate who is proposed to be appointed for the first time or re-elected to the board at a general meeting, in the notice of meeting, annual report or relevant circular distributed to shareholders prior to the general meeting.

The Directors named below are retiring and being eligible, offer themselves for re-election at the upcoming AGM:

Name of Director	**Chua Siok Peng**	**Lim Bok Ngam**
Date of Appointment	15 December 2015	4 January 2021
Age	48	73
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company is of the opinion that Ms Chua can contribute positively to the Company after reviewing the Nominating Committee's recommendation and Ms Chua's qualifications, extensive experiences and suitability	The Board of Directors of the Company is of the opinion that Mr Lim can contribute positively to the Company after reviewing the Nominating Committee's recommendation and Mr Lim's qualifications, extensive experiences and suitability. The Board considers Mr Lim to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
Whether appointment is executive, and if so, the area of responsibility	Executive. She is the Head of the Property Development division and also in charge of business development	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director	Independent Director, Chairman of Nominating Committee and Board Safety Committee and a member of Remuneration Committee and Audit and Risk Management Committee.
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	Ms Chua is the daughter of Mr Chua Leong Hai, the Executive Director and Chief Executive Officer of the Company	None
Conflict of interest (including any competing business)	None	None

NOTICE OF **ANNUAL GENERAL MEETING**

Working experience and occupation(s) during the past 10 years	Executive Director of the Company, its subsidiaries and joint venture companies. UK registered professional architect with extensive work experience in UK and Singapore	Mr Lim has extensive experience in the field of infrastructure, building and civil engineering. He started his career in the area of design and progressed to construction and project management. During his career he has worked with Brown & Root, RDC (Resources Development Corporation), PWD (Public Works Department), LTA (Land Transport Authority) and MSI International (LTA consultant arm). He was the DCE (Deputy Chief Executive) of LTA, overseeing the implementation of MRT/road projects and smooth running of the land transport system in Singapore. Mr Lim is currently a board member of Transitlink Pte Ltd, adviser for DTSS2, PUB Deep Sewer Tunnel Project and Council member of the Public Transport Council.
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	Direct interest – 26,119,265 shares	Nil
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)	Past (for the last 5 years) Nil Present Director of Hock Lian Seng Group's subsidiaries and joint venture companies	Past (for the last 5 years) Project Adviser for Hock Lian Seng Infrastructure Pte. Ltd. Present – Board member (Transitlink Pte Ltd), an LTA company – Committee Member of ECAD (Executive Committee on Airport Development), Changi Airport Group – Council member (Public Transport Council), a MOT Statutory Board – Adviser, DTSS2, PUB Deep Sewer Tunnel Project – Panel member DPAP (Development Projects Advisory Committee), Ministry of Finance

The retiring Directors have responded negative to items (a) to (k) listed in Rule 720(6) of the Listing Rules of SGX-ST.

This page has been intentionally left blank

HOCK LIAN SENG HOLDINGS LIMITED

(Company Registration No. 200908903E)

(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT:

1. The AGM (as defined below) is being convened and will be held by way of electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. The AGM of the Company will be held by way of electronic means and shareholders will not be able to attend the AGM in person.
3. Alternative arrangements relating to attendance at the AGM by way of electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance or during the AGM, addressing of substantial and relevant questions prior to or during the AGM and voting by appointing a proxy or proxies at the AGM, are set out in the Notice of AGM dated 6 April 2023.
4. A member (whether individual or corporate) is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
5. Central Provident Fund Investment Scheme ("**CPF Investor**") or Supplementary Retirement Scheme ("**SRS Investor**") who wish to appoint a proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
6. By submitting an instrument appointing a proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 6 April 2023.
7. Please read the AGM notes overleaf which contain instructions on, *inter alia*, the appointment of a proxy to attend and vote on his/her/its behalf at the AGM.

I/We, ______________________________ (Name) ________________ (NRIC/Passport No.)

of ____ (Address)

being a member/members of **HOCK LIAN SENG HOLDINGS LIMITED** (the "**Company**"), hereby appoint:

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

and/or failing him/her

Name	**NRIC/Passport No.**	**Proportion of Shareholdings**	
		No. of Shares	**%**
Address			

or failing him/her/them, the Chairman of the Meeting as my/our proxy/proxies to attend and vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held by electronic means on Tuesday, 25 April 2023 at 9.30 a.m. and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for, against or to abstain from voting the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her/their discretion.

No.	**Resolutions relating to:**	**No. of votes 'For'***	**No. of votes 'Against'***	**No. of votes 'Abstain'***
	Ordinary Business			
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2022			
2	Declaration of First and Final Dividend for the financial year ended 31 December 2022			
3	Re-election of Ms Chua Siok Peng as a Director			
4	Re-election of Mr Lim Bok Ngam as a Director			
5	Approval of Directors' fees amounting to S$192,000 for the financial year ended 31 December 2022			
6	Re-appointment of Messrs Ernst & Young LLP as Auditors and to authorise the Directors of the Company to fix their remuneration			
	Special Business			
7	Authority to allot and issue shares and convertible securities			

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

Dated this __________ day of ____________________ 2023

Total number of Shares held

____

Signature of Shareholder(s)
and, Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act 2001), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument shall be deemed to relate to all the Shares held by you.

2. A member of the Company (including a Relevant Intermediary*) entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

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

5. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

6. The instrument appointing a proxy or proxies must be submitted to the Company in the following manner:

   (a) depositing it at the registered office of the Company at 80 Marine Parade Road, #16-08 Parkway Parade, Singapore 449269, or

   (b) if submitted electronically, be received by the Company at info@hlsgroup.com.sg or main@zicoholdings.com

   not less than seventy-two (72) hours before the time appointed for the Meeting, and in default the instrument of proxy shall not be treated as valid.

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

8. A corporation which is a member may authorise by resolution of its Directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act 1967, and the person so authorised shall upon production of a copy of such resolution certified by a Director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

9. An investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") (as may be applicable) and wishes to appoint a proxy should approach their respective CPF/SRS Approved Nominees (CPF Agent Banks or SRS Operators) to submit their votes at least seven (7) working days before the Meeting.

* A Relevant Intermediary is:

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

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

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

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2023.

General:

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

This page has been intentionally left blank

This page has been intentionally left blank

HOCK LIAN SENG HOLDINGS LIMITED
Company Registration No.: 200908903E
80 Marine Parade Road, #16-08 Parkway Parade
Singapore 449269
Tel: (65) 6344 0555 | Fax: (65) 6440 9049
www.hlsgroup.com.sg