

HOE LEONG CORPORATION LTD.

was incorporated in 1994 and was successfully admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") in 2005.

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CORPORATE PROFILE

Incorporated on 18 November 1994, **Hoe Leong Corporation Ltd.** ("Hoe Leong" or the "Group") was successfully admitted to the Official List of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 5 December 2005.

The Group trades and distributes an extensive range of equipment parts for both heavy equipment and industrial machinery, which include brands such as Caterpillar, Cummins, Hitachi, Hyster, Kato, Kobelco, Komatsu, Mitsubishi, P&H and Sumitomo. It also designs and manufactures equipment parts for both heavy equipment and industrial machinery at its subsidiaries in the People's Republic of China ("PRC) since 2004, and South Korea since 2012, under its own in-house brand names – KBJ, OEM and ROSSI.

The Group sells directly to end-users as well as through distributors in Singapore and overseas markets including Indonesia, Malaysia, PRC and emerging markets like the Middle East. The end-users of its products are generally operators of heavy equipment and industrial machinery in the building and infrastructure construction, forestry, marine, mining and plantation industries. The Group provides an integrated one-stop solution to customers with its extensive industry experience, large and varied inventory, and regional sales network that provides easy access to replacement parts

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I am pleased to present to you the annual report of Hoe Leong Corporation Ltd. ("Hoe Leong", or the "Company", or with its subsidiaries, the "Group") for the financial year ended 31 December 2019 ("FY2019").

PERFORMANCE REVIEW

The Group's total revenue decreased by 13.7% to \$\$62.5 million in FY2019, from \$\$72.4 million in the financial year ended 31 December 2018 ("FY2018"). The decrease in total revenue was due to decrease in revenue from both the Group's Equipment segment of \$\$7.4 million and the Group's Vessel Chartering segment of \$\$2.6 million.

Sales revenue from the Equipment segment decreased by \$\$7.4 million, or 12.1%, to \$\$53.2 million in FY2019 as compared to \$\$60.6 million in FY2018 mainly due to uncertainty caused by the trade war between the United States and China, as well as slowdown in global economic conditions.

Charter revenue from the Vessel Chartering segment decreased by \$\$2.6 million, or 21.7%, to \$\$9.2 million in FY2019 as compared to \$\$11.8 million in FY2018 mainly due to lower utilization of the vessels. Two vessels completed dry-docking in FY2019 and another two vessels were off-hired in September & October 2019 due the expiry of their respective charter contracts.

Total cost of sales decreased by \$\$1.1 million, or 1.8%, to \$\$58.3 million in FY2019 as compared to \$\$59.3 million in FY2018 despite a decrease in total revenue of \$\$9.9 million. This is mainly due to recognition of impairment loss on vessels of \$\$7.7 million and decrease in cost of sales of equipment parts by \$\$7.2 million, or 14.4%, to \$\$42.6 million in tandem with the decline in sales.

As a result, the Group reported loss after tax of S\$16.9 million for FY2019 as compared to profit after tax of S\$9.0 million for FY2018. This was mainly due to higher impairment loss of vessel & trade receivable of S\$7.7 million and S\$5.5 million from Vessel Chartering segment. As for FY 2018, the Group have recognised gain from debt to equity swap of S\$12.5 million from Scheme of Arrangement.

BUSINESS OVERVIEW & OUTLOOK

Following the changes to the Board and management structure, the Group, in conjunction with its Corporate Advisor, RSM Corporate Advisory Pte Ltd, had undertaken a review of its business segments and to strategies to improve its financial positions and performance. As a result, the Group has embarked on a plan to divest its Vessel Chartering Segment to shift its focus to sustaining and growing the Equipment Segment. To this end, the disposals of the Group's vessels which commenced in 2019 are on track and substantially completed. The proceeds from the sale will be used to reduce the Group's financial liabilities including interest costs going forward and any shortfall owing to the financial institutions will be converted to ordinary shares in the Company or by cash repayment, as agreed in the Scheme of Arrangement approved by the High Court of Singapore on 22 January 2018 and approved by the Shareholders at an extraordinary general meeting held on 27 April 2018. With the ringfencing of the liabilities of the Vessel Chartering Segment and the exposure to further downside risks in the oil and gas sector, the Group would be placed in a better position to tackle the challenges ahead.

Over the course of FY2019, the Group maintained a lean cost structure for the Vessel Chartering segment which is expected to decrease further. As at the date of this report, the Group's Vessel Chartering Segment has completed the sale of three vessels, namely Arkstar Energy, Arkstar Eagle 1 and Arkstar Eagle 3. The net proceeds from the disposals were used towards partial repayment of existing bank borrowings. A Memorandum of Agreement for disposal of Arkstar Voyager was concluded on 2 March 2020 and the completion of the sale is expected to take place by the second quarter of 2020. The Group intends to seek maximum value and dispose the remaining one vessel, Arkstar Unicorn, in due course.

CHAIRMAN'S STATEMENT

The Group holds an optimistic outlook on trade tensions that affected the Group's Equipment segment in FY2019 given the signing of an agreement between the United States and China in January 2020 aimed at easing trade restrictions. However any potential benefit from such easing may not provide sufficient impetus to overcome the social and economic impact of the COVID-19 pandemic and oil price war, both of which are expected to significantly affect the demand for the Group's goods and services.

The Group intends to address the challenges facing the Equipment segment via a continuation of a variety of measures initiated in FY2019, including but not limited to cost cutting exercises and the sale of non-core assets such as property and aged or obsolete inventory.

Notwithstanding the challenging macroeconomic environment, we will continue to remain alert to any potential opportunities for further growth while monitoring and overcoming threats facing the business.

IN APPRECIATION

On behalf of the Board, I would like to express my sincere gratitude to the management team and staff's dedication and efforts in supporting the business during a tumultuous period. Our stakeholders, including suppliers, business partners and shareholders have provided immense support and we would like to take the opportunity to thank them for their trust in the Group.

The Group will continue to work towards improving its performance despite the challenging headwinds and strive towards rewarding our shareholders in the long term.

Liew Yoke Pheng, Joseph

Chairman and Chief Executive Officer

BOARD OF DIRECTORS



MR LIEW YOKE PHENG JOSEPH

Chairman and CEO

Mr Joseph Liew, has been appointed as an Executive Director and member of the Nominating Committee on 23 October 2019 and subsequently appointed as Chairman and CEO on 25 October 2019.

Joseph is a seasoned business and strategic management leader, passionate in the fields of information technology, corporate governance, finance and accounting. He held various senior management positions of multinational companies based in Singapore and China. He had turned around businesses, managed growth and business transformation for companies in Asia Pacific region and beyond.

Currently, he is a Lead Independent Director and Chairman of Audit Committee of Singapore-listed Grand Venture Technology Limited, a Director of Lew Foundation and Char Yong Foundation.

Joseph graduated with a Bachelor of Commerce (Accountancy) from Singapore Nanyang University in 1980. He is a Certified Information Systems Auditor; Certified Fraud Examiner; Fellow of the Institute of Singapore Chartered Accountants; Fellow of the Association of Chartered Certified Accountants (United Kingdom) and member of the Singapore Institute of Directors.



MR CHOY BING CHOONG

Independent Director

Mr Choy Bing Choong was appointed as Independent Director on 1 September 2019. He has been appointed as Chairman of the Audit Committee and a member of the Remuneration Committee on 1 November 2019.

He is a member of the Institute of Singapore Chartered Accountants, a member of the Singapore Institute of Directors, and holds a Bachelor's of Accountancy Degree from the National University of Singapore.

Mr Choy has 29 years of experience in a variety of roles in multiple industries and countries, and is currently Director and Group Chief Operating Officer at Natural Cool Holdings Limited where he has been for the last 6 years. Prior to that, he spent 8 years with the corporate finance department at CIMB Bank Berhad, Singapore Branch where he last held the position of Director, Corporate Finance. Before CIMB Bank Berhad, he served 3 years in the Corporate and Capital Markets Group at Rajah & Tann. Apart from his home base in Singapore, he has also worked in China, the United Kingdom and Indonesia.

Mr Choy is also an Independent Director at Hiap Tong Corporation Ltd and Zhongmin Baihui Retail Group Ltd.



MR LEE CHIN CHAI

Independent Director

Mr Lee Chin Chai was appointed as an Independent Director on 1st Nov 2019, and as Chairman for the Nominating Committee of Hoe Leong Corporation Ltd. He was most recently Chief Executive Officer for AWWA which provided life cycle services to more than 10,000 clients with a staff strength exceeding 650. He is currently on various Boards & Management Committees to render his expertise in Strategy & Transformation, Audit & Finance Management, Human Resources & Remuneration, and Operations Management. In addition, he has taken on various executive leadership roles with large multinational companies, and has garnered more than 20 years in transforming and growing enterprise businesses both in Singapore and across the Asia Pacific region. He is currently also a member with the Singapore Institute of Directors.



MR ANG MONG SENG

Independent Director

Mr Ang Mong Seng was appointed as an Independent Director on 29 September 2005 and was last re-elected as a Director on 29 April 2019. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee.

Mr Ang was a former Member of Parliament for Hong Kah GRC and the ex-Chairman of Hong Kah Town Council. Mr Ang has more than 33 years of experience in Estate Management. Mr Ang is also an Independent Director of Chip Eng Seng Corporation Ltd and Emerging Town & Cities Singapore Ltd. Mr Ang obtained a Bachelor of Arts degree from Nanyang University in 1973.

KEY MANAGEMENT TEAM



MR RAYMOND QUAH ENG KIAT

General Manager of Hoe Leong Crawler Parts Pte Ltd

Mr Raymond Quah Eng Kiat is General Manager of Hoe Leong Crawler Parts Pte Ltd. He joined our company in 2008 and was promoted to Senior Sales and Marketing Manager on 26 February 2016. He is responsible for the day-to-day operations of the Ship Management business and partially oversees the sales and marketing activities for Russia and CIS countries for equipment parts. Prior to joining our company, Mr Raymond Quah was in the banking sector for five years specializing in anti-money laundering and compliance matters for Standard Chartered Bank and Citigroup respectively. He holds a Master degree majoring in International Business from the University of New South Wales from Sydney.



MR KELVIN KUAH ZHICHAO

General Manager of Hoe Leong Crawler Parts Pte Ltd

Mr Kelvin Kuah Zhichao is General Manager of Hoe Leong Crawler Parts Pte Ltd. He joined our company in 2011. He is responsible for all the major activities of the equipment parts business, including the factory and branch management, sales development, purchasing and in overseas sales and marketing activities predominantly for Europe and Asia. Prior to joining our company, he was working in the Credit Control department of Kim Eng Securities Pte Ltd and as a Business Development Manager in Hoe Leong Metal & Machinery Pte Ltd, spending two years in each company. He holds a Bachelor degree in Electrical and Electronic Engineering from Nanyang Technological University in Singapore.



MDM KUAH GEOK KHIM

Senior Manager (Operations & Administration) of Hoe Leong Crawler Parts Pte Ltd

Mdm Kuah Geok Khim is our Operations Manager. She joined our Company in 1975 and is responsible for the administrative functions of the Group including general office administration, the maintenance and procurement of office equipment and computerization. She is also in charge of our inventory management and management information system. In addition, she is responsible for our sales and purchases, shipping, import and export functions. She holds the equivalent of a GCE 'O' certificate.



MR LIM LIAN TUAN

Director of Sales and Marketing of Ho Leong Tractors Sdn. Bhd.

Mr Lim Lian Tuan is the Sales and Marketing Director of our wholly-owned subsidiary, Ho Leong Tractors Sdn Bhd ("HL Tractors") in Malaysia. He joined HL Tractors in 1987 and oversees its sales and marketing operations. From 1984 to 1986, he worked in Ho Leong Machinery Sdn. Bhd. as a Sales Executive for the Malaysian operations. Prior to that, Mr Lim worked as a Sales Executive with TAS Berhad and Trackspare Sdn Bhd, both of whom were distributors of equipment parts for both heavy equipment and industrial machinery. He holds the equivalent of a GCE 'O' certificate.



MR CHO HANG LAE

President of Korea Crawler Track Ltd

Mr Cho Hang Lae is the President of our wholly- owned subsidiary, Korea Crawler Track Ltd ("Korea Crawler") in South Korea. He joined Korea Crawler in 2010 and oversees its sales and manufacturing operations. Prior to joining us, Mr Cho has been working in the undercarriage industry for more than 13 years in sales, production and operations management. He holds a Bachelor degree in International Trade from the University of Kyungnam in South Korea.



MS YAP SUAT KAM

Group Financial Controller

Ms Yap Suat Kam is our Group Financial Controller. Prior to joining our group, she held several key finance positions in various organisations. She graduated with a Master of Finance from RMIT University Melbourne, Australia. She is an associate member of Chartered Institute of Management Accountants (CIMA, UK), and a Chartered Global Management Accountant. She is also a Chartered Accountant of Institute of Singapore Chartered Accountants (ISCA).

OPERATIONS REVIEW

STATEMENT OF PROFIT OR LOSS

The Group reported loss after tax of S\$16.9 million for the year ended 31 December 2019 ("FY2019") as compared to profit after tax of S\$9.0 million for the year ended 31 December 2018 ("FY2018") due to the following factors:

Total revenue decreased by \$\$9.9 million, or 13.7%, to \$\$62.5 million FY2019 as compared to \$\$72.4 million in FY2018. The decrease in total revenue was due to decrease in revenue from both the Group's Equipment segment of \$\$7.4 million and the Group's Vessel Chartering segment of \$\$2.6 million.

Sales revenue from the Equipment segment decreased by \$\$7.4 million, or 12.1%, to \$\$53.2 million in FY2018 as compared to \$\$60.6 million in FY2018 mainly due to uncertainty caused by the trade war and slowdown in global economic conditions.

Charter revenue from the Vessel Chartering segment decreased by \$\$2.6 million, or 21.7%, to \$\$9.2 million in FY2019 as compared to \$\$11.8 million in FY2018 mainly due to lower utilization of the vessels. Two vessels completed dry-docking in FY2019 and another two vessels were off-hired in September & October 2019 due to the expiry of the charter contract.

Total cost of sales decreased by \$\$1.1 million, or 1.8%, to \$\$58.3 million in FY2019 as compared to \$\$59.3 million in FY2018 despite a decrease in total revenue of \$\$9.9 million. This is mainly due to recognition of impairment loss on vessels of \$\$7.7 million and decrease in cost of sales of equipment parts by \$\$7.2 million, or 14.4%, to \$\$42.6 million in tandem with the decline in sales.

Overall gross profit margin % decreased to 6.7% in FY2019 as compared to 18.0% in FY2018. Gross profit for Equipment segment decreased by S\$0.2 million while the gross profit for Vessel Chartering segment decreased by S\$10.0 million due to impairment loss of vessels recognized, lower utilization with two vessels off-hire for dry-docking and another two vessels expired of the charter contract.

OPERATING INCOME & EXPENSES

Other income decreased by S\$12.6 million, to S\$0.3 million in FY2019 due to the recognized the gain in the debt to equity swap of S\$12.5 million in FY2018 and the loss on deconsolidation of subsidiaries of S\$1.2 million.

Administrative expenses decreased by \$\$1.4 million, or 17.9% in FY2019 to \$\$6.3 million in FY2019 mainly due to decrease in staff-related costs and legal expenses incurred.

Impairment loss on trade receivables increased by \$\$5.3 million, to \$\$5.7 million in FY2019 mainly due to higher impairment loss on trade receivables by \$\$5.3 million mainly from Vessel Chartering segment.

Net finance costs were S\$1.0 million in FY2019 as compared to net finance costs of S\$2.4 million in FY2018. This is due to decrease in bank borrowings resulted from the Scheme of Arrangement that was successfully implemented in May 2018.

OTHER COMPREHENSIVE INCOME

Foreign currency translation loss of \$\$0.04 million arising from foreign operations in FY2019 related mainly to the Group's net investment in foreign operations.

OPERATIONS REVIEW

STATEMENT OF FINANCIAL POSITION

The Group's Property, plant and equipment decreased by \$\$15 million, or 55.5%, to \$\$12 million as at 31 December 2019 mainly due to impairment loss on vessels of \$\$7.7 million and depreciation expenses of \$\$3.4 million by an increase in the recognition of Right-of-use asset of \$\$2.4 million in accordance with SFRS(I) 16. During the year, management embarked on a restructuring plan to sell all of its vessels. Accordingly, the vessels amounting to \$\$6.6 million are presented as assets held for sale.

Inventories decreased by \$\$3.6 million, or 15.9%, to \$\$19.0 million as at 31 December 2019 due to clearance of old inventories and decrease in purchases made.

Trade and other receivables decreased by S\$7.6 million, or 39.7%, to S\$11.5 million as of 31 December 2019 mainly due to impairment loss on trade receivables in the Vessel Chartering segment of S\$5.5 million and decrease in sales in the Equipment segment.

Trade and other payables decreased by \$\$1.2 million, or 7.8%, to \$\$14.3 million as at 31 December 2019 mainly due to decrease in trade-related payables of \$\$1.1 million.

Loans and borrowing decreased by S\$3.0 million, or 9.9% to S\$27.5 million at 31 December 2019 mainly due to repayment of loans and borrowing and offset by recognition of lease liabilities of S\$2.3 million under SFRS(I) 16.

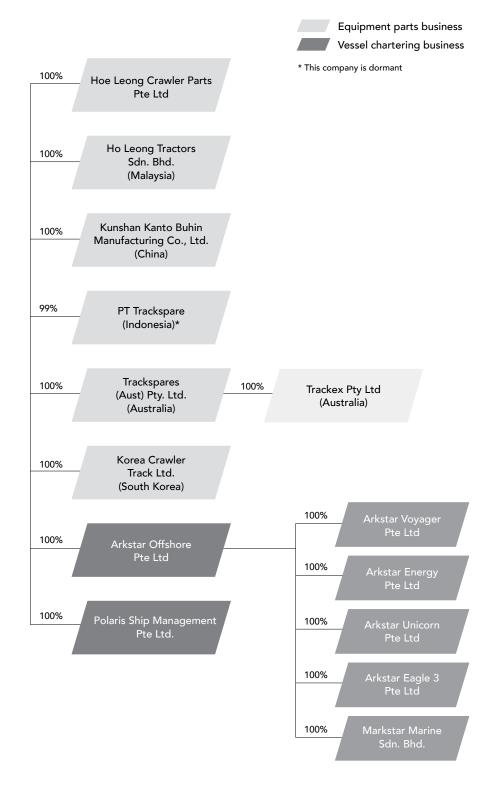
STATEMENT OF CASH FLOWS

In FY2019, the Group reported net cash outflows of S\$0.9 million, mainly comprising net cash inflows from operating activities of S\$6.2 million, offset by net cash outflows from investing activities of S\$1.0 million due to capital expenditure, and net cash outflows from financing activities of S\$6.1 million.

At 31 December 2019, the Group's cash and cash equivalents amounted to S\$2.5 million (31 December 2018: S\$3.3 million).

GROUP STRUCTURE





The Board of Directors (the "Board") is committed to ensure high standards of corporate governance to protect the interests of shareholders and at the same time to enhance long term shareholders' value through corporate performance and accountability. The Board observes and adheres to the principles and provisions set out in the Code of Corporate Governance 2018 (the "Code"). Where there are deviations from the Code, appropriate explanations are provided.

In the opinion of the Board, the Company has generally complied with all the provisions as set out in the Code for the financial year ended 31 December 2019 ("FY2019").

A. BOARD MATTERS

Principle 1: The Board's Conduct of its Affairs

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 oversees the Group's overall policies, strategies, key operational initiatives, performance and measurement, internal control and risk management to protect and enhance long-term shareholder value. Board members act in good faith and exercise independent judgement in the best interest of the Group. Directors of the Board discharge their duties and responsibilities at all times, comply with applicable laws and act objectively in the interest of the Company. The Board is entrusted with the responsibility of the overall management of the Company and their main duties are to:-

- (a) provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the Company to meet its objective;
- (b) approve board policies, strategic plans, and financial objectives of the Group and monitor the performance of Management;
- (c) approve annual budgets, funding, material investment and divestment proposals;
- (d) approve interim and full year results and announcements and annual report;
- (e) ensure an adequate system of internal controls and compliance with financial reporting requirements;
- (f) review the financial performance of the Group, proposal of dividends and review interested person transactions;
- (g) approve the nomination of directors and appointment of key personnel; and
- (h) assume responsibility for corporate governance.

Where there are circumstances in which a Director has a conflict of interest or it appears that the Director might have a conflict of interest in relation to any matter, the Director concerned will recuse himself from participating in the discussion and decision of the matter. Such compliance will be recorded in the minutes of meeting or the Board resolutions.

To facilitate effective management, certain functions have been delegated by the Board to various Board Committees, namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"). The Board Committees operate under clearly defined terms of reference which clearly spells out the objectives, duties, powers, responsibilities as well as qualifications for committee membership. The Chairman of the respective Committees will report to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters are made by the Board as a whole.

The Board holds at least four meetings every year. The Board and Board Committees meetings, as well as the Company's Annual General Meeting ("AGM") for the financial year are scheduled in advance, usually at the end of the previous financial year or at the beginning of the current financial year. This is to allow Directors to plan their schedule ahead and be able to participate in the meetings, either in person or via telecommunication. Adhoc meetings are convened when circumstances require, especially when considerable deliberation on the subject matter is warranted. Article 106 of the Company's Constitution permits meetings of the Directors to be conducted by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means.

	Во	ard		ıdit mittee		inating mittee		eration nittee		Annual eral Meeting
Name of Director	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Liew Yoke Pheng Joseph ⁽¹⁾	5	2/2	_	_	2	1/1	_	-	NA	NA
Kuah Geok Lin (2)	5	3/3	_	_	2	1/1	-	_	1	1
Kuah Geok Khim (3)	5	3/3	_	_	_	_	-	_	1	1
Quah Yoke Hwee (4)	5	3/3	_	_	_	_	_	_	1	1
Ang Mong Seng	5	5/5	4	4/4	2	2/2	2	2/2	1	1
Hoon Ching Sing (5)	5	3/3	4	3/3	-	_	2	1/1	1	1
Yeoh Seng Huat Geoffrey ⁽⁶⁾	5	3/3	4	3/3	2	1/1	2	1/1	1	1
Choy Bing Choong (7)	5	2/2	4	1/1	_	_	2	1/1	NA	NA
Lee Chin Chai (8)	5	2/2	4	1/1	_	_	2	1/1	NA	NA

A record of the Directors' attendances at Board, Board Committee and Shareholders' meetings during the financial year ended 31 December 2019 is disclosed as follows:

- (1) Mr Liew Yoke Pheng, Joseph was appointed as an Executive Director on 23 October 2019 and as Chief Executive Officer ("CEO") on 25 October 2019.
- (2) Mr Kuah Geok Lin resigned as an Executive Director and CEO on 25 October 2019.
- (3) Mr Kuah Geok Khim resigned as an Executive Director on 25 October 2019.
- (4) Mr Quah Yoke Hwee resigned as an Executive Director on 25 October 2019.
- (5) Mr Hoon Ching Sing resigned as an Independent Director on 30 September 2019.
- (6) Mr Yeoh Seng Huat Geoffrey resigned as an Independent Director on 30 September 2019.
- (7) Mr Choy Bing Choong was appointed as an Independent Director on 1 September 2019.
- (8) Mr Lee Chin Chai was appointed as an Independent Director on 1 November 2019.

Three new Directors were appointed in FY2019. Mr Joseph Liew Yoke Pheng was appointed as an Executive Director ("ED") on 23 October 2019 and as the Chief Executive Officer ("CEO") on 25 October 2019. Two Independent Directors ("IDs"), namely Mr Choy Bing Choong and Mr Lee Chin Chai were appointed on 1 September 2019 and 1 November 2019 respectively.

A newly appointed director will be provided with a formal appointment letter setting out the Director's duties and obligations. If the new Director has not served on any public listed company, he/she will be required to attend the basic course for new Directors of listed companies conducted by the Singapore Institute of Directors ("Basic Course"). Mr Liew Yoke Pheng and Mr Choy Bing Choong have prior experience serving on the Board of listed companies and therefore they were not required to attend the Basic Course. Mr Lee Chin Chai does not have prior experience serving on the Board of listed companies. However, he has attended and completed the Basic Course in 2014. The newly appointed Directors will be provided with minutes of the Board and Board Committees' meetings for the past one year, Company's Constitution and Terms of Reference of the Board Committees so that they have the relevant information to make contributions and exercise judgment for decision making at meetings. They will also receive appropriate induction that includes briefings on the Group's structure, strategic objectives, business operations and policies and governance practices and orientations on the business activities of the Group.

Where possible and when opportunity arises, the Directors will be invited to locations within the Group's operating businesses to enable them to obtain a better perspective of the business and enhance their understanding of the Group's operations. The directors of the Company are encouraged to attend seminars and trainings conducted by external organisations at the expense of the Company so that they are able to keep pace with new laws, regulations, changing commercial risks and accounting standards that are relevant to the business of the Group. If there are any changes in the existing rules of the Listing Manual, Companies Act, the Code, the Directors will be updated by the secretary at the quarterly Board meetings and/or via email in a timely manner. The Directors, who are members of the Audit Committee, will also be updated on any change in the financial reporting standards by the external auditors at the quarterly Audit Committee meetings.

Management endeavours to provide the Board with complete, adequate and timely information on Board affairs and issues that require Board's attention and decision prior to the Board meetings and on an on-going basis so as to enable them to make informed decision to discharge their duties and responsibilities. As and when there are important matters that require the Directors' attention, the information will be furnished to the Directors as soon as practicable.

All Directors have independent access to the Group's senior management and the company secretary.

The Company Secretary and her assistant provide secretarial support to the Board which includes attendance at Board and Board Committee meetings, ensuring that meeting procedures are followed and that the relevant rules and regulations of the Companies Act and the Listing Manual of the SGX-ST ("Listing Manual") which are applicable to the Company are adhered to. The Company Secretary and her assistant attended all the Board and Board Committee meetings in FY2019.

Pursuant to the Company's Constitution, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

If the Directors need independent professional advice to fulfill their duties, such advice will be obtained from the professional entity approved by the Board and the cost of such professional advice will be borne by the Company.

Principle 2: Board Composition and Guidance

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 interest of the Company.

As at 31 December 2019 and the date of this Report, the Board comprises four directors, three of whom are IDs. As majority of the Board is comprised of IDs, there is a strong independent element on the Board to ensure that it is able to exercise objective and independent judgment on corporate affairs.

Liew Yoke Pheng – Executive Director cum CEO
Ang Mong Seng – Independent Director
Choy Bing Choong – Lead Independent Director
Lee Chin Chai – Independent Director

The Board feels that the role of the Independent Directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take into account the long term interests of the Group's stakeholders, which includes shareholders, employees, customers and suppliers.

The independence of each Independent Director is assessed at least annually by the Nominating Committee. All the Independent Directors are required to declare and confirm his/her independence via the Form on Declaration of Independence. The Independent Directors have confirmed that they do not have any relationship with the Company or its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgement with a view to the best interest of the Company. Based on the declaration, the NC will deliberate and determine whether a director is independent taking into consideration other factors including whether that Director is able to exercise independent judgement and whether he/she has any relationships which are likely to affect his/her independent judgement and character. The NC is also of the view that no individual or small groups of individuals dominate the Board's decision-making processes.

To determine whether a Director is independent, the Board has established a process whereby the Non-Executive Directors ("NEDs") are required to submit a declaration form on an annual basis. The NC will take into consideration the NEDs' declaration during its review of the NEDs' independence. The existence of any of the following relationships or circumstances will also deem the NED not independent:-

- the NED who is and has been employed by the Company or any of its related corporations for the current or any of the past three financial years;
- (b) the NED who has an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations and whose remuneration is determined by the RC;
- (c) the NED, or an immediate family member, accepting any significant compensation from the Company or any of its related corporations for the provision of services, for the current or immediate past financial year, other than compensation for board service;
- (d) the NED:
 - (i) who, in the current or immediate past financial year, is or was; or
 - (ii) whose immediate family member, in the current or immediate past financial year, is or was, a 5% shareholder of, or a partner in (with 5% or more stake), or an executive officer of, or a director of, any organization to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments or material services (which may include auditing, banking, consulting and legal services), in the current or immediate past financial year. As a guide, payments aggregated over any financial year in excess of S\$200,000 should generally be deemed significant;
- (e) the NED who is a 5% shareholder or an immediate family member of a 5% shareholder of the Company; or
- (f) the NED who is or has been directly associated with a 5% shareholder of the Company, in the current or immediate past financial year.

In FY2019, none of the NEDs who are considered independent had any of the above relationships or circumstances. The NC is satisfied that the Board has substantial independent elements to ensure that objective judgement is exercised on corporate affairs.

The independence of any NED who has served on the Board beyond nine years would be subject to particularly rigorous review. The NC has performed a rigorous review on the independence of Mr Ang Mong Seng who has served the Board for more than nine years (appointed on 29 September 2005) and has determined that Mr Ang has remained independent in character and judgment despite his length of service. The NC had taken into consideration that there was a change in the Board of Directors where all the long serving Executive Directors had stepped down in FY2019, and that the new Board would benefit from Mr Ang's historical corporate knowledge of the Company and the Group. The Board has concurred with the NC's views.

The Board's structure, size and composition is reviewed annually by the Nominating Committee which is of the view that the current size of the Board is appropriate, taking into account the nature and scope of the Group's operations, to facilitate effective decision making. The Nominating Committee is satisfied that the Board comprises directors who as a group provide core competencies such as accounting, finance, business and management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge to lead the company effectively. Profiles of the Directors are set out in the "Board of Directors" section in this Annual Report.

To facilitate a more effective check on Management, the three NEDs who were not involved in the operations of the Company would meet regularly for discussion on the matters of the Company without the presence of the Management.

Principle 3: Chairman and Chief Executive Officer

There should be a clear division of responsibilities between the leadership of the Board and the Management and no one individual has unfettered powers of decision making.

The Chairman and Chief Executive Officer ("CEO") of the Company is Mr Liew Yoke Pheng. The Board, after careful consideration, is of the opinion that it is not necessary, under current circumstances, to separate the roles of the Chairman and CEO. This is after taking into consideration the size, scope and nature of the operations of our Group, together with the strong presence of our Independent Directors which comprises majority of the Board, who ensure that decision-making is based on collective decision and that there is no concentration of power and authority vested in one individual.

The Chairman and CEO takes an active role in the management of the Group and also bears responsibility for the workings of the Board, ensuring the integrity and effectiveness of the governance process of the Board, ensuring that Board meetings are held regularly, and setting the Board meeting agenda in consultation with all members of the Board. The Chairman ensures that Board members are provided with adequate and timely information.

As the Chairman and the CEO is the same person, the Board had appointed Mr Choy Bing Choong as the Lead Independent Director. This is to offer shareholders an avenue of contact where their concerns can be addressed when the normal channels of contact through the Chairman or CEO has failed to provide satisfactory resolution, or when such contact is inappropriate.

Principle 4: Board Membership

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

The NC is established for the purposes of ensuring that there is a formal and transparent process for all Board appointments. As at 31 December 2019 and the date of this Report, the NC comprises the following three members, majority of whom are Independent Directors:-

Mr Lee Chin Chai (Chairman) (Appointed on 1 November 2019)

Mr Ang Mong Seng (Member)

Mr Liew Yoke Pheng, Joseph (Member) (Appointed on 1 November 2019)

Mr Yeoh Seng Huat Geoffrey (Resigned as ID and stepped down as NC Chairman on 30 September 2019)

Mr Kuah Geok Lin (Resigned as Executive Director and stepped down as a member of the NC on 25 October 2019)

The NC has adopted written terms of reference defining its membership, administration and duties. Duties and responsibilities of the NC include:

- (a) Reviewing and recommending the (i) Board succession plans of the Directors, in particular the Chairman and Chief Executive Officer, (including Independent Directors) taking into consideration each Director's contribution and performance; (ii) the development of a process for evaluation of the performance of the Board of Directors, the board committees and Directors; (iii) the review of training and professional development programmes for the Board of Directors; (iv) the appointment and re-appointment of Directors (including alternate Directors, if applicable);
- (b) Reviewing annually the composition of the Board to ensure that our Board has an appropriate balance of expertise, skills, attributes and abilities;
- (c) Determining annually whether or not a Director is independent in accordance with the Revised Code of Corporate Governance and any other salient factors;
- (d) Reviewing and deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director;
- Reviewing and approving of any new employment of related persons and the proposed terms of their employment; and
- (f) Evaluating the performance and effectiveness of the Board as a whole.

Each member of our NC shall abstain from voting on any resolution in respect of his re-nomination as a director.

The search and nomination process for new directors, if any, will be through search companies, contacts and recommendations that go through the normal selection process, to cast its net as wide as possible for the right candidates. Based on the profile submitted, the NC will meet with the candidate for a chat to have a better understanding of the candidate. The NC will consider amongst others, the qualification, experience and qualities of the candidate and the requirement of the Board at that point in time. This is to ensure that the Board comprises members with different expertise and perspectives having come from different background, for a more balanced Board.

In considering new appointment and re-appointment of directors, the NC will consider amongst other things, the board size, the board composition and whether there is a need for renewal.

The NC meets at least once a year. The Constitution of the Company requires one-third of the Directors, or if their number is not a multiple of three, the number nearest to but not less than one-third of our Directors, to retire and subject themselves to re-election by the shareholders at every Annual General Meeting ("AGM"). In addition, all Directors of the Company, including the Managing Director after his initial term of engagement as Managing Director, shall retire from office at least once every three years. A retiring Director is eligible for re-election at the meeting at which he retires.

Pursuant to Article 96 of the Company's Constitution, Mr Liew Yoke Pheng, Joseph, Mr Choy Bing Choong and Mr Lee Chin Chai, the Directors who were newly appointed since the last AGM will have to vacate their office at the close of the forthcoming AGM. Being eligible, they have offered themselves for re-election. The NC, having considered the attendance and participation of these Directors at the Board and Board committee meetings and in particular, their contribution to the business and operations of the Company, has recommended their re-election. Each member of the NC/Board had abstained from participating in any deliberations of the NC/Board, making any recommendations and/or voting on any resolutions in respect of his or her re-election as a Director of the Company. The Board has concurred with the NC's recommendation to nominate all the three retiring Directors for re-election at the Company's forthcoming AGM.

As an individual Director's ability to commit time to the Group's affair is essential, the NC has determined that the maximum number of listed company board representations which any Director of the Company may hold is eight. All the Directors have complied with this requirement.

The NC is charged with the responsibility of determining annually, and as and when circumstances require, if a director is independent, bearing in mind the relationships and circumstances set forth in Provision 2.1of the Code and specifically described under Principle 2 in this Report. Once a year, after each financial year end, the NEDs are required to make a self-declaration. The self-declaration compels each NED to consider if he meets the criteria of independence as set out in the Code. The NC, when performing the review of the NED's independence, will take into consideration the NED's declaration. The NC had determined that all the NEDs are independent in FY2019. The Board concurred with the NC's assessment. Each of the NEDs had abstained from deliberating on his own independence.

The Company would generally avoid approving the appointment of alternate directors unless in exceptional cases such as when a director has a medical emergency. No alternate director was appointed in FY2019.

Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that each of its board committees and individual directors.

The Board acknowledges the importance of a formal assessment of Board performance. It has adopted a formal system of evaluating Board performance with the use of evaluation forms to assess the effectiveness of the Board and Board Committees and the contribution by each Director. All Directors are required to complete the evaluation questionnaire annually. The Company Secretary compiles the Directors' responses to the evaluation forms into a consolidated report. The report is reviewed at the NC meeting and then reported to the Board.

The evaluation of the Board's performance as a whole deals with matters on Board composition, information flow to the Board, Board procedures and Board accountability. Factors such as the structure, size and processes of the Board and the Board's access to information, management and the effectiveness of the Board's oversight of the Company's performance are applied to evaluate the performance of the Board as a whole. The evaluation of the Board Committees' performance deals with the ideality of the size and composition of the committee, responsibilities, resources and relevant expertise of each of the Directors, Board's access of information, guidance to and communication with the Management and the standard of conduct and performance of the Board's principal functions. The evaluation of the performance of an individual director deals with matters on an individual director's attendance at meetings, observance of the individual directors' duties towards the Company and the individual director's know-how and interaction with fellow directors.

The evaluation of Board performance is conducted annually to identify areas of improvement and as a form of good Board management practice. The last Board of Director's evaluation was conducted in February 2020 for performance in FY2019 and the results have been presented to the NC for discussion. The NC is satisfied that the Board has been effective as a whole and that each and every Director has contributed to the effective functioning of the Board and the Board Committees. In addition, the NC is also satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that some of the directors have multiple board representations. The Company did not engage any external consultant to facilitate the evaluation for FY2019.

B. REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

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

The Remuneration Committee ("RC") is established for the purposes of ensuring that there is a formal and transparent process for developing policy on executive remuneration and for fixing the remuneration packages of individual directors and key executives. As at 31 December 2019 and the date of this Report, the RC comprises the following three Independent Directors:-

Mr Ang Mong Seng (Chairman)

Mr Choy Bing Choong (Member) (Appointed on 1 November 2019)

Mr Lee Chin Chai (Member) (Appointed on 1 November 2019)

Mr Mr Yeoh Seng Huat Geoffrey (Resigned as ID and stepped down as a member on 30 September 2019)

Mr Hoon Ching Sing (Resigned as ID and stepped down as a member on 30 September 2019)

The RC has adopted written terms of reference defining its membership, administration and duties. Duties and responsibilities of the RC include:

- (a) to review and recommend to the Board a framework of remuneration for the Board and key executives;
- (b) to review and determine specific remuneration packages for each Executive Director and the CEO which should cover all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, share-based compensation and benefits in kind;
- (c) to review and recommend to the Board the terms of renewal of service contracts of Directors;
- (d) to retain such professional consultancy firm as the committee may deem necessary to enable it to discharge its duties satisfactorily;
- (e) to consider various disclosure requirements for Directors' remuneration, particularly those required by regulatory bodies such as the SGX-ST, and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties; and
- (f) to carry out such other duties as may be agreed by the RC and the Board. The RC's recommendations would be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board and no Director shall participate in decisions on his/her own remuneration.

The RC review and recommend the remuneration of Directors and key management personnel. The remuneration policy adopted comprises a fixed and variable component. The fix component is in the form of base salary while the variable component is in the form of performance bonus which is determined based on the performance of the Group and the individual.

Each member of the RC abstains from voting on any resolution or participating in any deliberation in respect of his/her remuneration package and matters in which he/she has an interest. During FY2019, the RC did not engage any external remuneration consultant.

Principle 7: Level and Mix of Remuneration

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.

It is the Group's policy to set a level of remuneration that is appropriate to attract, retain and motivate the directors and key management personnel. The Independent Directors receive directors' fees in accordance with their level of contribution, taking into account factors such as effort and time spent and responsibilities of the directors. The Board may, if it considers necessary, consult experts on the remuneration of non-executive directors and would recommend the remuneration of the non-executive directors for approval at the AGM.

The RC had recommended to the Board an amount of \$\$135,000 as Directors' fees to be paid to the Independent Directors for the financial year ending 31 December 2020 (the Directors' fees for the previous financial year was \$\$145,000). The Board had concurred with the RC's recommendation. These recommendations will be tabled for shareholders' approval at the Company's forthcoming AGM. Each of the RC members had abstained from deliberating and voting on his own remuneration.

The NEDs' fee structure is as follows:-

	Basic fee as a member of the Board	AC	NC	RC
	S\$	S\$	S\$	S\$
Chairman	N.A	30,000	10,000	10,000
Member	20,000	5,000	5,000	5,000

Following the resignation of Mr Kuah Geok Lin, Mr Kuah Geok Khim and Mr Quah Yoke Hwee as Executive Directors of the Company on 25 October 2019, their service agreements were terminated. The Company entered into a service agreement with Mr Liew Yoke Pheng, Joseph ("Mr Liew") following his appointment as Executive Director and CEO on 23 October 2019 and 25 October 2019 respectively. The service agreement contains non competition and non-solicitation clauses, which are binding on Mr Liew during his period of employment with the Company and for a period of 12 months after the cessation of his employment with the Company. Mr Liew will not receive Director's fee. His remuneration comprises a fixed basic salary component and variable component. Fixed basic salary comprised of 68% in cash and 32% in the form of shares and shall be payable on an annual basis subject to the approval to be obtained from the shareholders at the Annual General Meeting or at an Extraordinary General Meeting, whichever is earlier. Variable component is an incentive bonus ("Incentive Bonus") given at the end of every financial year of the Company based on the audited consolidated profit before tax (before the Incentive Bonus) of our Group. Mr Liew is also entitled to other benefits including dental, car allowance and medical benefits, personal accident, hospitalization and surgical insurance and travelling and entertainment expenses incurred for the purposes of the Group's business.

The service agreement shall be subject to termination:

- (i) by the Company or Mr Liew giving to the other at least three months' written notice; or
- (ii) without prior notice, upon the occurrence of certain specified events, including willful neglect in the discharge of duties.

Principle 8: Disclosure on Remuneration

The Company is transparent on its remuneration policies, level and mix of remuneration, the procedures for setting remuneration, and the relationships between remuneration, performance and value creation.

For competitive and confidentiality reasons, the Board is of the view that the disclosure of the annual aggregate remuneration of its key management personnel and Directors of the Company for FY2019 would not be in the best interests of the Company and the Company has instead disclosed the remuneration for its key management personnel and Directors in percentage terms and in bands of \$\$250,000.

A breakdown showing the level and mix of each individual Director's remuneration for the year ended 31 December 2019 is disclosed in the table below:

Name of Directors	Remuneration	Salary ⁽⁶⁾ %	Fees %	Other Benefits & Allowances %	Share Based Compensation %	Total %
Kuah Geok Lin (2)	S\$250,000 - S\$499,999	91	ı	9	-	100
Liew Yoke Pheng Joseph (1)		68	_	_	32	100
Kuah Geok Khim (2)		94	_	6	-	100
Quah Yoke Hwee (2)		92	_	8	_	100
Ang Mong Seng	S\$0 -	-	100	_	_	100
Hoon Ching Sing (3)	S\$249,999	-	100	_	_	100
Yeoh Seng Huat Geoffrey (3)		-	100	_	_	100
Choy Bing Choong (4)		_	100	_	_	100
Lee Chin Chai (5)		_	100	_	_	100

- (1) Appointed as an Executive Director on 23 October 2019 and as Chief Executive Officer ("CEO") on 25 October 2019.
- (2) The Executive Directors, namely Mr Kuah Geok Lin, Mr Kuah Geok Khim and Mr Quah Yoke Hwee are siblings. They resigned on 25 October 2019.
- (3) Resigned on 30 September 2019.
- (4) Appointed on 1 September 2019.
- (5) Appointed on 1 November 2019.
- (6) Salary includes basic salary and employer's CPF

All the Directors remuneration is pro-rated to their period of service.

The table below shows the level and mix of the remuneration of the Group's 5 key executives (who are not directors) for the financial year ended 31 December 2019:

Sn	Name	Remuneration Band	Salary ⁽⁵⁾	Bonus	Other Benefits & Allowances	Total
1	Alvin Kuah Han Zhou (1)		95%	0%	5%	100%
2	Mdm Kuah Geok Khim (2)		95%	0%	5%	100%
3	Raymond Quah Eng Kiat (3)	Below S\$250,000	96%	0%	4%	100%
4	Kelvin Kuah Zhichao (4)	3\$230,000	96%	0%	4%	100%
5	Yap Suat Kam		93%	7%	_	100%

For financial year ended 2019, the aggregate total remuneration paid to the top 5 key management personnel amounts to \$\$667,000

For financial year ended 2019, there was no termination and post-employment benefits granted to the Directors, the CEO and the top 5 key management personnel other than the standard contractual notice period termination payment in lieu of service in respect of management employees.

Note:

- (1) Mr Alvin Kuah Han Zhou is the son of Mr Kuah Geok Lin. He resigned on 22 November 2019.
- (2) Mdm Kuah Geok Khim is the sister of Mr Kuah Geok Lin, Mr Kuah Geok Khim and Mr Quah Yoke Hwee, the Executive Directors who resigned on 25 October 2019.
- (3) Mr Raymond Kuah Eng Kiat is the son of Mr Quah Yoke Hwee.
- (4) Mr Kevin Kuah Zhichao is the son of Mr Kuah Geok Khim.
- (5) Salary includes basic salary and employer's CPF.

The table below shows the remuneration of the executives who are immediate family members of the Directors or the CEO, whose remuneration exceeds \$100,000 for the financial year ended 31 December 2019:-

Name	Relationship	Position	Remuneration Band
Mdm Kuah Geok Khim	Sister of Messrs Kuah Geok Lin, Kuah Geok Khim and Quah Yoke Hwee	Senior Manager (Operations & Administration) of Hoe Leong Crawler Parts Pte Ltd	\$100,000 - \$199,999
Raymond Quah Eng Kiat	Son of Mr Quah Yoke Hwee	General Manager of Hoe Leong Crawler Parts Pte Ltd	\$100,000 - \$199,999
Alvin Kuah Han Zhou (Resigned on 22 November 2019)	Son of Mr Kuah Geok Lin	Senior Manager (Business Development)	\$100,000 - \$199,999
Kelvin Kuah Zhichao	Son of Mr Kuah Geok Khim	General Manager of Hoe Leong Crawler Parts Pte Ltd	\$100,000 - \$199,999

C. ACCOUNTABILITY AND AUDIT

Principle 9: Risk Management and Internal Controls

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 interest of the company and its shareholders.

One of the Board's principal duties is to protect and enhance the long-term value and returns to the shareholders of the Company. The accountability of the Board to the shareholders is demonstrated through the presentation of the periodic financial statements as well as the timely announcements and news releases of significant corporate developments and activities so that the shareholders can have a detailed explanation and balanced assessment of the Group's financial position and prospects.

The Management presents to the Audit Committee the quarterly and full-year results for its review and recommendation to the Board for approval. The Board approves the results and authorizes the release of the results to the SGX-ST and the public via SGXNET as required by the SGX-ST Listing Manual.

Risk Management

The Board had assessed and decided not to establish a separate Board Risk Committee to carry out its responsibility of helping the Board in the overseeing of the Group's risk management framework and policies. Instead, this responsibility is assumed by the Audit Committee. The AC assists the Board in providing oversight of risk management in the Company. The AC is responsible for reviewing the adequacy and effectiveness of the Group's risk management systems and internal controls, including financial, operational, compliance and information technology controls and report to the Board its observations on the matters as it considers necessary and makes recommendations to the Board.

The Company had set up the Enterprise Risk Management ("ERM") system and framework with the help of an external consultant in 2013. The ERM system and framework established was embedded in the internal control system of the Group. The external consultant will assist with the risk assessment at least on an annual basis, or more frequently if the AC deems necessary. The risk assessment report would be presented to the AC for review and for follow-up actions by the Management.

Internal Controls

The Board recognizes the importance of maintaining a sound system of internal controls to safeguard the shareholders' interest and investments and the Group's assets. The Board is cognizant that the internal control 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 any material misstatement or loss.

The Group has internal control systems and processes which it considers to be sufficient having regard to the size of the Group and the complexity of its operations. The Board has also received written assurance from the Chairman cum CEO and the Group Financial Controller ("GFC") that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and the Company risk management and internal control systems in place are effective.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by the Management, various Board Committees and the Board, and the written assurance from the CEO and the GFC, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing key financial, operational, compliance and information technology controls, and risk management systems were adequate and effective as at 31 December 2019. The Group will review its internal control systems and processes on an on-going basis and make further improvements when necessary.

Principle 10: Audit Committee

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

As at 31 December 2019 and the date of this Report, the AC comprises the following three Independent Directors:-

Mr Choy Bing Choong (Chairman) (Appointed on 1 November 2019)

Mr Ang Mong Seng (Member)

Mr Lee Chin Chai (Member) (Appointed on 1 November 2019)

Mr Hoon Ching Sing (Resigned as ID and stepped down as Chairman of AC on 30 September 2019)

Mr Yeoh Seng Huat Geoffrey (Resigned as ID and stepped down as a member of the AC on 30 September 2019)

The Board is of the view that the members of the AC are appropriately qualified, having accounting or related financial management expertise or experience as the Board interprets such qualification, to discharge their responsibilities.

The AC assists the Board in discharging its responsibility to safeguard the Group's assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Group. The AC will also review and supervise the internal audit functions of the Group.

The AC had met four times during the financial year and these meetings were attended by the GFC, and the External Auditors. The AC also met once during the financial year with the external auditors and internal auditors, without the presence of any Executive Director and Management personnel. The last private session with the external auditors and internal auditors was held in February 2020.

Our AC has adopted written terms of reference defining its membership, administration and duties. The duties and responsibilities of the AC include:

- (a) review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;
- (b) review the financial statements of the Company including quarterly and full-year results before submission to our Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the SGX-ST Listing Manual and any other relevant statutory or regulatory requirements;

- (c) review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors. Where the external auditors also supply a substantial volume of non-audit services to the Company, the AC would keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- (d) review the internal control procedures and ensure co-ordination between the external auditors and our management, and review the assistance given by our management to the external auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the external auditors may wish to discuss in the absence of our management at least annually;
- (e) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and our management's response;
- (f) to review the independence and objectivity of the external auditors annually;
- (g) consider the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the external auditors;
- (h) review interested person transactions (if any) falling within the scope of Chapter 9 of the SGX-ST Listing Manual;
- (i) review potential conflicts of interest, if any;
- (j) undertake such other reviews and projects as may be requested by the Board, and will report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (k) generally undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, or by such amendments as may be made thereto from time to time.

In the event that any Director has a personal material interest in any contract or proposed contract or arrangement, he will abstain from reviewing that particular transaction or voting on the particular resolution.

The AC is not comprised of any former partner or director of the Company's existing auditing firm or audit corporation.

The Company has put in place a whistle-blowing policy which is duly endorsed by the AC and approved by the Board. Any person who wishes to whistle blow could send in an email to the whistle blow designated email at whistleblowing@hoeleong.com. The recipient of the whistle blow email is the Lead ID who will discuss the complaint/report with the AC members to determine if any action is to be taken, and if so, the course of action to be taken.

Apart from the duties listed above, the AC shall 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 our Company's operating results and/or financial position.

In performing its functions, the AC has explicit authority to investigate any matter within its terms of reference, having full access to and co-operation by management and full discretion to invite any director or executive officer to attend meetings, and reasonable resources to enable it to discharge its function properly.

The AC has reviewed the independence of the Company's external auditors and is satisfied with the independence and objectivity of the external auditors.

During the financial year under review, the AC met with the external auditors once without the presence of any management personnel and Executive Directors.

The aggregate amount of fees paid/ payable to KPMG LLP, the external auditors of the Company and Subsidiaries for annual audit services was S\$216,000 for the financial year ended 31 December 2019. There were no non-audit services provided by the external auditors of the Company for the financial year ended 31 December 2019.

The AC has determined that KPMG LLP is independent and recommended the re-appointment of KPMG LLP as external auditors at the forthcoming AGM.

The Company has complied with Rules 712 and Rule 715 or 716 in relation to its auditors.

The AC members are kept abreast of the changes to accounting standards and issues which have a direct impact on financial statements through periodic meetings with the external auditors.

AC's views on significant accounting matters

The significant areas of focus considered by the AC in relation to the 2019 Annual Report are outlined below. These issues were discussed with the external auditors during the year and, where appropriate, these have been addressed as key audit matters as outlined in the Independent Auditor's Report on pages 28 to 29:

Significant Issues	How the issue was addressed by the AC
Going Concern	The AC has reviewed management's assessment of going concern in Note 2 to the Financial Statements.
Impairment of the Group's Non-Financial Assets	The AC has ascertained that the independent professional appraisers were engaged to carry out valuations for the purpose of determining the level of impairment for the financial reporting period.
Valuation of Trade Receivables	The AC has ascertained that the management has an internal process to assess the level of allowable for uncollectable trade receivables for the financial reporting period.

Internal Audit

The Company has engaged the services of Baker Tilly Consulting ("BTC") to perform its internal audit function. The AC opined that the internal audit team from BTC was adequately resourced, including having the appropriate personnel with relevant experience and qualification to perform the assignment for the Company. The internal auditors report directly to the AC on all the internal audit matters.

The AC reviews annually the Internal Audit plan independent of the Management. The internal auditors will report directly to the Chairman of the AC on any material non-compliance and internal control weaknesses identified in the course of audit.

The Board recognizes the importance of an internal audit function as an integral part of an effective system of good corporate governance and will from time to time review and strengthen the existing control system.

The AC approves the appointment, removal, evaluation and compensation of the internal auditor. The internal audit plan for FY2019 was reviewed and approved by the AC before commencement of the audit. The AC reviews the adequacy and effectiveness of the internal audit function at least on an annual basis, and as and when the situation calls for it. The AC meets with the internal auditors at least once a year. The last private session with the internal auditors was held in February 2020.

D. SHAREHOLDER RIGHTS AND ENGAGEMENT

Principle 11: Shareholder Rights and Conduct of General Meetings

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

The Group's corporate governance culture and awareness promotes fair and equitable treatment of all shareholders. All shareholders are treated fairly and equitably.

The Group respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure.

Shareholders are given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing the meetings are clearly communicated. All shareholders of the Company receive the annual report of the Company and notice of AGM within the prescribed period. Shareholders will be informed of rules, including voting procedures that govern general meetings of shareholders. Shareholders are given the opportunity to participate in the question and answer session. The Board of Directors (including the Chairman of the respective Board committees), the Management, as well as the external auditors will attend the Company's AGM to address any questions that the shareholders may have.

The Company allows all individual and corporate shareholders to appoint up to two proxies to attend general meetings and vote on their behalf. For corporations which provide nominee and custodial services and the CPF Board, they are allowed to appoint more than two proxies to attend the general meetings.

Each item of special business included in the notice of the meeting will be accompanied by an explanation of the effects of a proposed resolution. Unless the resolution proposed at a meeting are interdependent and linked so as to form one significant proposal, separate resolutions shall be proposed for substantially separate issues at the meeting.

All the resolutions put to the vote at the forthcoming AGM will be voted on by poll and the detailed results of the poll will be announced via SGXNET. Polling may be conducted in manual or electronic form. In determining which polling mode to take, the Company will take into consideration the turnout at general meetings and the relevant costs involved for each polling mode.

The Company will also prepare minutes of the general meetings that include substantial comments or queries from shareholders and responses from the Board and Management, and will make such minutes available to shareholders by posting the minutes on the Company's website.

The Company does not have a fixed dividend policy as the Company is not able to declare dividend in view of its current financial position.

Principle 12: Engagement with Shareholders

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: Managing Stakeholders Relationships

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

The Company endeavours to communicate regularly, effectively and fairly with its shareholders. Timely, as well as, detailed disclosure is made to the public in compliance with SGX-ST guidelines. The Company does not practise selective disclosure. Price sensitive information is first publicly released before the Company meets with any group of investors or analysts.

Shareholders are kept informed of developments and performance of the Group through announcements published via SGXNET and the press when necessary as well as in the annual report. Other announcements are also made on an ad-hoc basis where applicable as soon as possible to ensure timely dissemination of the information to shareholders.

Shareholders and investors can contact the Company or access information on the Company at its website at https://www.hoeleong.com/home.html which provides the information on the Company, products catalogue, information on the factories and subsidiaries, annual reports, and circulars released by the Company on SGXNet.

SUSTAINABILITY REPORTING

The Company considers relevant environmental, social, and governance ("ESG") risks and opportunities to strengthen business sustainability. The Company will publish its Sustainability Report ("Sustainability Report") before 31 May 2020 and will be publicly accessible through the Company's website as well as on SGXNet. It should be read in conjunction with the Annual Report presented here.

E. DEALINGS IN SECURITIES

The Company has adopted the requirements in SGX-ST Rule 1207(19) applicable to dealings in the Company's securities by its Directors, management and officers. Directors, management and officers of the Group who have access to price-sensitive, financial or confidential information are prohibited to deal in the Company's shares during the period commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one (1) month before the announcement of the Company's full-year financial statements.

Directors, management and officers of the Group are also required to observe insider trading laws at all times even when dealing in securities within the permitted trading period. In addition, the Directors, management and officers of the Group are discouraged from dealing in the Company's securities on short-term considerations.

F. INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of transactions with interested persons. All interested person transactions ("IPT") are subject to review by the AC every quarter to ensure that the relevant rules in Chapter 9 of the SGX-ST Listing Manual are complied with.

There were no IPT (each with a value of \$100,000 or more) during the financial year ended 31 December 2019 except as follows:

Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual)

Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than \$100,000)

Name of interested person	Nature of relationship	\$'000	\$′000
Hoe Leong Plastic Industry (China) Ltd - Rental expense	Substantial shareholder	389	_

The Company has not obtained a general mandate from shareholders for Interested Person Transactions.

G. MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the SGX-ST Listing Manual, the Company confirms that there was no material contract entered into between the Company and its subsidiaries which involved the interests of any director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which was entered into since the end of the previous financial year.

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DIRECTORS' STATEMENT

Year ended 31 December 2019

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2019.

In our opinion:

- (a) the financial statements are drawn up to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2019 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and
- (b) at the date of this statement, having regard to the matters referred to in Note 2 to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

The directors in office at the date of this report are as follows:

Liew Yoke Pheng Joseph (Appointed on 23 October 2019) Choy Bing Choong (Appointed on 1 September 2019)

Ang Mong Seng

Lee Chin Chai (Appointed on 1 November 2019)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company are as follows:

		Holdings
	Holdings	at end
	at beginning	of the
Name of director and corporation in which interests are held	of the year	year

Ang Mong Seng

The Company

Ordinary shares

- interests held 175,000 175,000

Except as disclosed above, there were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2020.

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

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

Audit Committee

The members of the Audit Committee at the date of this report are:

- Choy Bing Choong (Chairman), independent director, appointed on 1 Nov 2019
- Ang Mong Seng, independent director
- Lee Chin Chai, independent director, appointed on 1 Nov 2019

DIRECTORS' STATEMENT

Year ended 31 December 2019

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX-ST Listing Manual and the Code of Corporate Governance.

The Audit Committee has held four meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's external auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system. The Company's internal audit function has been outsourced and the Audit Committee has discussed the scope of the work with the appointed firm, the results of their examination and their evaluation of the Company's internal accounting system, where appropriate.

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing the auditors for the Company and its subsidiaries, the Company has complied with Rule 712 and 715 of the SGX-ST Listing Manual.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Liew Yoke Pheng Joseph

Director

Choy Bing Choong

Director

15 April 2020

INDEPENDENT AUDITORS' REPORT

Members of the Company Hoe Leong Corporation Ltd.

Year ended 31 December 2019

Report on the audit of the financial statements

Disclaimer of Opinion

We were engaged to audit the financial statements of Hoe Leong Corporation Ltd. (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statements of profit or loss, comprehensive income, changes in equity and cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 30 to 90.

We do not express an opinion on the accompanying financial statements of the Company. Because of the significance of the matters described in the 'Basis for disclaimer of opinion' section of our report, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

Basis for Disclaimer of Opinion

- (i) Going concern
 - As disclosed in note 2 to the financial statements, the Group has incurred a net loss of \$16,881,000 for the year ended 31 December 2019 and, as of that date, the Group's current liabilities exceeded its current assets by \$3,952,000. Included in the current liabilities are loans and borrowings of \$7,528,000 that were reclassified from non-current liabilities as a result of defaults and breaches of certain loan covenants as at 31 December 2019.
 - During the year, a subsidiary received a letter of statutory demand for repayment of a secured bank loan of \$5,630,000 within 21 days from the receipt of the letter. Given the circumstances, while no other letters of statutory demand have been received to date, we are unable to ascertain that such letters will not be received within the next twelve months for bank loans and borrowings of \$19,571,000 included in current liabilities.
 - b) As disclosed in note 2 to the financial statements, the Group's positive cash flow forecast for the next 12 months is dependent on (i) the design and manufacture, and trading and distribution segments' ability to generate adequate cash flows to meet its debt obligations as and when they fall due in a challenging economic environment made even more challenging by the COVID-19 pandemic; (ii) the successful outcome of the divestment plan for the Group's vessels; (iii) the conversion by the lenders of outstanding (or "unpaid") vessel-related bank loans into equity after the disposal of the vessels in question; and (iv) the continuing availability of bank facilities from the Group's lenders.

Although the Group is in negotiations with various parties to realise the above assumptions, we have not been able to obtain sufficient documentary evidence to satisfy ourselves that any of these assumptions will indeed be realised.

(ii) Litigations and claims

The Group was involved in several on-going litigations and claims. Total claims made against the Group to date amounted to \$496,000. Accruals relating to legal and related expenses as at 31 December 2019 amounted to \$323,000. We have not been able to obtain sufficient documentary evidence to satisfy ourselves that such provisions for litigations and claims are adequate.

It is the intention of the Group to continue to operate as a going concern. However, due to the above matters, there is significant doubt on the Group's and the Company's ability to continue as a going concern.

The existence of the above multiple uncertainties cast doubt over the Group's and the Company's ability to continue as a going concern and are significant to the financial statements as a whole. The financial statements do not include any adjustments that may be necessary as a result of these uncertainties or if the going concern assumption is inappropriate.

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 Companies Act, Chapter 50 ('the Act') and Singapore Financial Reporting Standards (International) ('SFRS(I)s'), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

INDEPENDENT AUDITORS' REPORT

Members of the Company Hoe Leong Corporation Ltd.

Year ended 31 December 2019

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.

Auditors' responsibilities for the audit of the financial statements

Our responsibility is to conduct an audit of the Company's financial statements in accordance with Singapore Standards on Auditing and to issue an auditors' report. However, because of the matters described in the 'Basis for disclaimer of opinion' section of our report, we were not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion on these financial statements.

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.

Report on other legal and regulatory requirements

In our opinion, because of the significance of the matters described in the 'Basis for Disclaimer of Opinion' section of our report, we do not express an opinion on whether 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 auditors' report is Teo Han Jo.

KPMG LLP

Public Accountants and Chartered Accountants

Singapore

15 April 2020

STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

		Group		Company	
	Note	2019	2018	2019	2018
		\$′000	\$′000	\$′000	\$′000
Assets					
Property, plant and equipment	5	12,016	26,992	3,846	2,213
Investments in subsidiaries	6	_	_	10,298	13,800
Loans to subsidiaries	6	_	_	_	_
Deferred tax assets	7 _	701	814	_	
Non-current assets	_	12,717	27,806	14,144	16,013
Inventories	8	18,993	22,581	_	_
Trade and other receivables	9	11,542	19,128	3,046	3,813
Cash and cash equivalents	10	2,499	3,264	73	41
'	_	33,034	44,973	3,119	3,854
Assets held for sale	11	6,909	_	_	_
Current assets	_	39,943	44,973	3,119	3,854
Total assets	_	52,660	72,779	17,263	19,867
Equity					
Share capital	12	114,461	114,461	114,461	114,461
Treasury shares	12	(55)	(55)	(55)	(55)
Currency translation reserve	13	(879)	(836)	-	-
Accumulated losses	.0	(106,388)	(89,503)	(106,988)	(98,816)
Equity attributable to owners of the Company	_	7,139	24,067	7,418	15,590
Non-controlling interests		_	(1,187)	_	_
Total equity	_	7,139	22,880	7,418	15,590
1 * 1 * 10 * 10 * 10 * 10 * 10 * 10 * 1					
Liabilities Loans and borrowings	14	1,588	19,351	1,189	184
Deferred tax liabilities	7	38	38	1,107	19
Non-current liabilities	′ –	1,626	19,389	1,208	203
Non-current nabilities	_	1,020	17,507	1,200	203
Trade and other payables	16	14,341	15,553	4,312	4,031
Loans and borrowings	14	25,922	11,174	737	43
Loan from non-controlling shareholder of a former		2.500	2.572	2.500	
subsidiary	15	3,588	3,573	3,588	_
Current tax payable	_	44	210		4.074
Current liabilities Total liabilities	_	43,895	30,510	8,637	4,074
	_	45,521	49,899	9,845	4,277
Total equity and liabilities	_	52,660	72,779	17,263	19,867

STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2019

		Gro	up
	Note	2019 \$′000	2018 \$'000
Revenue	17	62,481	72,386
Cost of sales		(58,275)	(59,340)
Gross profit		4,206	13,046
Other income	19	255	12,887
Distribution expenses		(4,070)	(4,100)
Administrative expenses		(6,266)	(7,631)
Other expenses		(3,960)	(2,484)
Impairment loss on trade receivables		(5,737)	(437)
Results from operating activities	_	(15,572)	11,281
Finance income	18	5	1
Finance costs	18	(1,047)	(2,399)
Net finance costs	_	(1,042)	(2,398)
(Loss)/Profit before income tax	19	(16,614)	8,883
Income tax expense	20	(267)	110
(Loss)/Profit for the year	_	(16,881)	8,993
(Loss)/Profit attributable to:			
Owners of the Company		(16,881)	8,993
(Loss)/Profit for the year	_	(16,881)	8,993
(Loss)/Earnings per share			
Basic (loss)/earnings per share (cents)	21	(0.30)	0.23
Diluted (loss)/earnings per share (cents)	21	(0.30)	0.23

STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2019

	Group	
	2019	2018
	\$′000	\$'000
(Loss)/Profit for the year	(16,881)	8,993
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences arising from foreign operations	(43)	(1,170)
Other comprehensive income, net of income tax	(43)	(1,170)
Total comprehensive income for the year	(16,924)	7,823
Total comprehensive income attributable to:		
Owners of the Company	(16,924)	7,827
Non-controlling interests	_	(4)
Total comprehensive income for the year	(16,924)	7,823

STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2019

1,187 1,187

1,187 1,187

Share Treasury compensation capital shares reserve \$'000 \$'0	Total €′000	
\$\frac{\frac	\$,000	controlling Total
12	9	
12	3,667) (28,731)	(1,183) (29,914)
12	8,993 8,993	- 8,993
12	- (1,166)	(4) (1,170)
12	3,993 7,827	(4) 7,823
$ \begin{array}{cccccccccccccccccccccccccccccccccccc$		
3.5	- 44,971	- 44,971
44,971 - (171) - 114,461 (55) - (836) (89,56) 114,461 (55) - - - - 3.5 - - - - - 114,461 (55) - (836) (89,56) - - - (836) (89,56)	171 –	I
3.5	171 44,971	- 44,971
3.5	7,503) 24,067	(1,187) 22,880
3.5	24,067	(1,187) 22,880
e year	(4) (4)	I
- (6)	7,507) 24,063	(1,187) 22,876
	5,881) (16,881)	(16,881)
	- (43)	- (43)
Total comprehensive income for the year – – – (43) (16,881)	5,881) (16,924)	- (16,924)

Deconsolidation of subsidiary with non-Transactions with owners controlling interests

At 31 December 2019

9

See Note 3.5. The Group initially applied SFRS(1) 16 at 1 January 2019, using the modified retrospective approach. Under this approach, comparative information is not restated and the cumulative effect of initially applying SFRS(1) 16 is recognised in retained earnings at the date of initial application. (106,388)(879)(55)114,461

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STATEMENT OF CASH FLOWS

Year ended 31 December 2019

		Group	
	Note	2019	2018
		\$'000	\$'000
Cash flows from operating activities			
(Loss)/Profit before income tax		(16,614)	8,883
Adjustments for:			
Depreciation of property, plant and equipment	5	3,350	3,104
Interest income	18	(5)	(1)
Interest costs	18	1,047	2,399
Loss/(Gain) on disposal of property, plant and equipment, net	19	30	(102)
Allowance written back for slow moving inventories	19	(922)	(538)
Impairment loss on property, plant and equipment	5	7,737	1,235
Impairment loss on trade and other receivables (net)	19	5,737	330
Gain on debt to equity swap	19	_	(12,492)
Loss on deconsolidation of subsidiaries	6	1,187	_
		1,547	2,818
Changes in working capital:			
Inventories		4,511	653
Trade and other receivables		1,850	(3,776)
Trade and other payables		(1,395)	3,267
Cash from operations		6,513	2,962
Income taxes paid		(327)	(424)
Net cash from operating activities		6,186	2,538
Cash flows from investing activities			
Interest income received		5	1
Purchase of property, plant and equipment		(1,704)	(1,072)
Proceeds from disposal of property, plant and equipment		707	133
Net cash outflow on deconsolidation of subsidiary	6	(7)	_
Net cash used in investing activities	_	(999)	(938)
Cash flows from financing activities			
Interest costs paid		(864)	(1,034)
Proceeds from bills payable and trust receipts		8,044	11,579
Repayment of bills payable and trust receipts		(10,204)	(10,221)
Payment of lease liabilities (2018: payment of finance lease liabilities)		(659)	(140)
Proceeds from interest-bearing borrowings		1,171	3,808
Repayment of interest-bearing borrowings		(3,609)	(3,656)
Net cash (used in)/from financing activities		(6,121)	336
Net (decrease)/increase in cash and cash equivalents		(934)	1,936
Cash and cash equivalents at beginning of the year		3,264	1,730
Effect of exchange rate fluctuations		169	(399)
Cash and cash equivalents at end of the year	10	2,499	3,264
Cash and Cash equivalents at end of the year		۷,411	3,204

For the Financial Year ended 31 December 2019

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 15 April 2020.

1 Domicile and activities

Hoe Leong Corporation Ltd. (the 'Company') is incorporated in the Republic of Singapore. The address of the Company's registered office is at 6 Clementi Loop, Singapore 129814.

The principal activities of the Group are those relating to designing, manufacturing, sale and distribution of machinery parts and vessel chartering business. The Company became primarily an investment holding company since 2016.

The immediate and ultimate holding company during the financial year is Hoe Leong Co. (Pte.) Ltd., a company incorporated in the Republic of Singapore.

The financial statements of the Group as at and for the year ended 31 December 2019 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities').

2 Going concern

The financial statements have been prepared on a going concern basis, which assumes that the Group will be able to meet its obligations as and when they fall due.

The Group incurred a net loss of \$16,881,000 for the year ended 31 December 2019, and as of that date, the Group's current liabilities are in excess of its current assets by \$3,952,000. As at 31 December 2019, the Group had breached certain covenants on consolidated tangible net worth and debt to equity ratio, as stipulated under the bank facilities agreements. Consequently, bank loans aggregating to \$7,528,000 have been reclassified from non-current liabilities to current liabilities.

The Group had received statutory demands and judicial management application from United Overseas Bank ("UOB") in respect of loans owed by companies in the Group. Following certain changes to the Board members of Hoe Leong Corporation Ltd. (the "Company"), on 5 November 2019, the judicial management application and statutory demands against the Company, and Notice of Event of Default against Hoe Leong Crawler Parts Pte Ltd. ("HLCP"), were withdrawn. As at the date of the audit report, the letter of statutory demand from UOB to Arkstar Voyager Pte. Ltd. ("AVPL") for repayment of bank loan of \$5,630,000 has not been withdrawn. In these circumstances, loans and borrowings included in current liabilities amounting to \$19,571,000 could be called for repayment upon notification by the other lenders, although the other lenders have not issued any letter of statutory demand for repayment as at the date of this financial statement.

The Group was involved in several on-going litigations and claims, and accruals relating to legal and related expenses of \$\$323,000 was made as at 31 December 2019. Total claims made against the Group to date amounted to \$\$496,000.

The financial statements for the year ended 31 December 2019 are prepared on a going concern basis, the validity of which is premised on the sufficiency of cash flows to be generated from (i) the Group's operating activities, and (ii) divestment plans, (iii) and the outcome of the various on- going litigations and claims.

(i) Operating activities

On 1 November 2019, the Group has appointed RSM Corporate Advisory Pte Ltd ("RSM") to assist the Group in its strategic review of the Group's existing businesses and in the formulation of plans to improve the financial position and/or performance of the Group.

The Group continues to make improvements to reduce the operating costs of machinery parts segments (consist of both design and manufacture, and trading and distribution segments, collectively known as "Equipment Segment"). Cost cutting measures undertaken include terminating the leases of under-utilised office or warehouse space, sale of slow-moving or obsolete stocks, and re-organisation of manpower to reduce headcount costs.

For the Financial Year ended 31 December 2019

2 Going concern (cont'd)

(i) Operating activities (cont'd)

Other than cost-cutting measures, the Group also plans to dispose under-performing assets and evaluate other alternatives to improve production capabilities, such as outsourcing all or part of the production manufacturing process.

The Group is also expecting that credit facilities will continue to be made available to the Group for its Equipment Segment.

Notwithstanding the above plans put in place, management acknowledges that there remains uncertainty over the ability of the Group to generate the necessary cash flows to meet its debt obligations due to the high level of uncertainty to the near-term global economic prospects and disruptions to businesses due to the spread of COVID-19 pandemic.

(ii) Divestment plan

Due to the continued downturn in the oil and gas exploration and production sector, the Group's vessel chartering segment is experiencing low charter rates for its vessels and certain vessels have not been chartered for extended periods. As a result, the Group's vessel chartering segment recorded losses as at 31 December 2019 and is likely to continue to record losses in the near future. Customers of the Group's vessel chartering segment are also delaying payment of the chartering fees, which has had an adverse impact on the cash flows of this segment.

As such, the Group has embarked on a plan to divest its vessel chartering segment through sale of vessels, which are substantially in the process of completion, and to refocus on its Equipment Segment to improve profitability and cash flow management. The proceeds from the sale will be used to reduce the Group's loans and borrowings including interest costs going forward. Any shortfall owing to the financial institutions will be crystallised and settled via the issuance of shares in the Company or by cash repayment, as agreed in the Scheme of Arrangement approved by the High Court of Singapore on 22 January 2018 and approved by shareholders at an extraordinary general meeting held on 27 April 2018. Although the final agreement by the financial institutions and the conversion of the remaining debt to equity are still subject to its due legal process, RSM has been in communication with and continues to engage the financial institutions regarding the conversion of the remaining debt to equity. The Company's shares are currently still under suspension and the actual conversion of debt to the Company's shares is still subject to the lifting of the trading halt. The Group is also in negotiations with the respective banks to obtain waivers for the breaches of the covenants.

The sale of the vessels are still ongoing at the date of this financial statements and the outcome of the above divestment plan remains uncertain.

(iii) Litigation and claims

The Group was involved in several on-going litigations and claims as disclosed in Note 25. Total claims made against the Group amounted to \$496,000. There are uncertainties as to the possible outcome of these ongoing litigations and claims as proceedings for most cases are still in an early stage and cannot be estimated reliably.

The divestment plans, together with the operating activities as described above, is expected to allow the Group to meet its current obligations as and when they fall due. Further, the proceedings for most on-going litigations and claims are still in an early stage and the possible cash flows arising within the next twelve months remains uncertain. As such, the Group believes that the continuing use of the going concern assumption in the preparation of the financial statements is appropriate.

However, the above-mentioned conditions in (i), (ii) and (iii) indicate the existence of multiple uncertainties which may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If for any reason the Group and the Company are unable to continue as a going concern, it could have an impact on the Group's and Company's classification of assets and liabilities and the ability to realise assets at their recognised values and to extinguish liabilities in the normal course of business at the amounts stated in the financial statements.

For the Financial Year ended 31 December 2019

3 Basis of preparation

3.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

This is the first set of the Group's annual financial statements in which SFRS(I) 16 Leases has been applied. The related changes to significant accounting policies are described in note 3.5.

3.2 Basis of measurement

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

3.3 Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

3.4 Use of estimates and judgements

The preparation of the financial statements in conformity with SFRS(I)s requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are included in the following notes:

- Note 5 measurement of depreciation and impairment of property, plant and equipment. Assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 1 to 50 years. As changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, future depreciation charges could be revised. In view of the recurring losses in difficult industry conditions, the Group performed an impairment assessment of its property, plant and equipment. The estimated recoverable amounts are mainly based on fair value less costs of disposal using external valuation reports obtained from independent professional valuers, with appropriate recognised professional qualifications and experience in the assets being valued. The recoverable amounts could change significantly as a result of changes in market conditions and the assumptions used in determining the fair value.
- Note 6 impairment of investments in subsidiaries. Investments in subsidiaries are assessed to determine
 whether they are impaired by assessing the factors that affect the recoverable amount of an investment, and
 the financial health of and business outlook for the investee. These include factors such as industry and sector
 performance, changes in technology, and operating and financing cash flows. Any change in the business
 environment and estimates of the recoverable amounts of the subsidiaries can impact the carrying amounts of
 the investments in the subsidiaries.
- Note 8 measurement of net realisable value of inventories. Inventories have been written down to lower
 of cost and estimated net realisable value to be consistent with the view that assets should not be carried
 in excess of amounts expected to be realised from their sale or use. These estimates take into consideration
 market demand, the age of the inventory, competition, selling price and events occurring after the end of the
 financial year to the extent that such events confirm conditions that existed at reporting date.

For the Financial Year ended 31 December 2019

3 Basis of preparation (cont'd)

3.4 Use of estimates and judgements (cont'd)

- Note 9 measurement of impairment loss allowance on trade receivables. Management estimated the impairment loss allowance on specific receivables based on the age of the trade receivables, their future collectability, credit-worthiness of customers, the historical default rate, and various other factors. The Group estimated the 'expected credit loss' (ECL) for trade receivables using the allowance matrix to measure the ECLs of trade receivables from individual customers. The historical credit loss rates were determined based on historical credit losses in relation to aggregated balances over a period of 4 years. Loss rates are calculated separately for exposures in the difference segments based on geographic region and adjusted to take into account current conditions with reference to the forward looking GDP. If the financial conditions of the customers or counterparties were to deteriorate, actual write-offs or impairment losses could be higher than estimated.
- Note 25 measurement of estimation of provision for litigation cases. In estimating the likelihood of the
 outcome of litigation claims filed against the Company and its subsidiarie, the Companies rely on the opinion
 of their legal solicitors. These estimates are based on the legal solicitor's best professional judgement, taking
 into account the stage of proceedings and legal precedents in respect of the different issues. Since the
 outcome of the claims will be determined in court, the results could differ from these estimates.

3.5 Changes in significant accounting policies

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 January 2019:

- SFRS(I) 16 Leases
- SFRS(I) INT 23 Uncertainty over Income Tax Treatments
- Long-term Interests in Associates and Joint Ventures (Amendments to SFRS(I) 1-28)
- Prepayment Features with Negative Compensation (Amendments to SFRS(I) 9)
- Previously Held Interest in a Joint Operation (Amendments to SFRS(I) 3 and 11)
- Income Tax Consequences of Payments on Financial Instruments Classified as Equity (Amendments to SFRS(I) 1-12)
- Borrowing Costs Eligible for Capitalisation (Amendments to SFRS(I) 1-23)
- Plan Amendment, Curtailment or Settlement (Amendments to SFRS(I) 1-19)

Other than SFRS(I) 16, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

SFRS(I) 16 Leases

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 January 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 Determining whether an Arrangement contains a Lease. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 January 2019.

For the Financial Year ended 31 December 2019

3 Basis of preparation (cont'd)

3.5 Changes in significant accounting policies (cont'd)

As a lessee

As a lessee, the Group leases many assets including office space, motor vehicle and office equipment. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are onbalance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of property the Group has elected not to separate non-lease components and account for the lease and associated non-lease components as a single lease component.

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities incremental borrowing rates applicable to the leases as at 1 January 2019. Right-of-use assets are measured at either:

- their carrying amount as if SFRS(I) 16 had been applied since the commencement date, discounted using the Group's incremental borrowing rate at the date of initial application: the Group applied this approach to its office spaces; or
- an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Company applied this approach to all other leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months
 of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets;
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application;
 and
- used hindsight when determining the lease term.

Leases classified as finance leases under SFRS(I) 1-17

The Group leases a number of items of motor vehicles. These leases were classified as finance leases under SFRS(I) 1-17. For these finance leases, the carrying amount of the right-of-use asset and the lease liability at 1 January 2019 were determined at the carrying amount of the lease asset and lease liability under SFRS(I) 1-17 immediately before that date.

As a lessor

The Group leases out its land, office and warehouse to its subsidiary, and certain subsidiaries charter out their respective vessels. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to SFRS(I) 16 for leases in which it acts as a lessor.

For the Financial Year ended 31 December 2019

3 Basis of preparation (cont'd)

3.5 Changes in significant accounting policies (cont'd)

Impact on financial statements

Impact on transition*

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets and additional lease liabilities, recognising the difference in accumulated losses. The impact on transition is summarised below.

	1 January 2019 \$'000
Right-of-use assets – property, plant and equipment	191
Lease liabilities	(195)
Accumulated losses	4

* For the impact of SFRS(I) 16 on profit or loss for the period, see Note 24. For the details of accounting policies under SFRS(I) 16 and SFRS(I) 1-17, see Note 4.11.

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 January 2019. The weighted-average rate applied is 3%.

	1 January 2019 \$′000
Operating lease commitments at 31 December 2018 as disclosed under SFRS(I) 1-17 in the Group's financial statements	1,120
Discounted using the incremental borrowing rate at 1 January 2019	1,083
Finance lease liabilities recognised as at 31 December 2018	468
- Recognition exemption for leases of low-value assets	(5)
- Recognition exemption for leases with less than 12 months of lease term at transition	(878)
Lease liabilities recognised at 1 January 2019	668

4 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 3.5, which addresses changes in accounting policies.

4.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method when control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

For the Financial Year ended 31 December 2019

4 Significant accounting policies (cont'd)

4.1 Basis of consolidation (cont'd)

(i) Business combinations (cont'd)

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment. When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the date of acquisition. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by SFRS(I)s.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

(c) Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

(d) Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary, and any related non-controlling interested ("NCI") and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is measured at fair value when control is lost.

For the Financial Year ended 31 December 2019

4 Significant accounting policies (cont'd)

4.1 Basis of consolidation (cont'd)

(e) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(f) Subsidiaries in the separate financial statements

Investments in subsidiaries are stated in the Company's statement of financial position at cost less accumulated impairment losses.

4.2 Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on translation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income ("OCI"). However, if the foreign operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the currency translation reserve in equity.

For the Financial Year ended 31 December 2019

4 Significant accounting policies (cont'd)

4.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at fair value through profit or loss (FVTPL), transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at amortised cost. Non-derivative financial assets are categorised as follows:

Financial assets	Initial measurement	Subsequent measurement
Amortised cost	 Business model to hold assets to collect contractual cash flows; and 	 Measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses.
	 its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal 	
	amount outstanding.	 Any gain or loss on derecognition is recognised in profit or loss.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

For the Financial Year ended 31 December 2019

4 Significant accounting policies (cont'd)

4.3 Financial instruments (cont'd)

(ii) Classification and subsequent measurement (cont'd)

Non-derivative financial assets (cont'd)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Directly attributable transaction costs are recognised in profit or loss as incurred.

Other financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised loans and borrowings, bank overdrafts, and trade and other payables.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

For the Financial Year ended 31 December 2019

4 Significant accounting policies (cont'd)

4.3 Financial instruments (cont'd)

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

(vi) Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the remitting surplus or deficit on the transaction is presented in non-distributable capital reserve.

(vii) Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value and the initial fair value is amortised over the life of the guarantees. Subsequent to initial measurement, the financial guarantees are measured at the higher of the amortised amount and the amount of loss allowance.

Expected credit losses (ECLs) are a probability-weighted estimate of credit losses. ECLs are measured for financial guarantees issued as the expected payments to reimburse the holder less any amounts that the Company expects to recover.

Loss allowances for ECLs for financial guarantees issued are presented in the Company's statement of financial position as 'loans and borrowings'.

4.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses. The cost of certain items of property, plant and equipment at 1 January 2017, the Group's date of transition to SFRS(I), was determined with reference to its fair value at that date.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

For the Financial Year ended 31 December 2019

4 Significant accounting policies (cont'd)

4.4 Property, plant and equipment (cont'd)

(i) Recognition and measurement (cont'd)

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

The estimated useful lives for the current and comparative years are as follows:

Freehold building - 50 years
Furniture, fittings and office equipment - 5 to 10 years
Material handling equipment - 5 to 10 years
Computers - 3 years
Motor vehicles - 1 to 5 years
Barge and vessel - 20 to 25 years
Right-of-use assets - 1 to 3 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

4.5 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

For the Financial Year ended 31 December 2019

4 Significant accounting policies (cont'd)

4.6 Impairment

(i) Non-derivative financial assets and contract assets

The Group recognises loss allowances for expected credit losses (ECLs) on:

- financial assets measured at amortised costs; and
- intra-group financial guarantee contracts (FGC).

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months
 after the reporting date (or for a shorter period if the expected life of the instrument is less than 12
 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments and FGCs. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held)

The Company considers a FGC to be in default when the debtor of the loan is unlikely to pay its credit obligations to the creditor and the Company in full, without recourse by the Company to actions such as realising security (if any is held). The Company only applies a discount rate if, and to the extent that, the risks are not taken into account by adjusting the expected cash shortfalls.

The maximum period considered when estimating ECLs is the maximum contractual period over which the Group is exposed to credit risk.

For the Financial Year ended 31 December 2019

4 Significant accounting policies (cont'd)

4.6 Impairment (cont'd)

(i) Non-derivative financial assets and contract assets (cont'd)

General approach (cont'd)

Measurement of expected credit losses (ECLs) (cont'd)

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are creditimpaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise; or
- it is probable that the borrower will enter bankruptcy or other financial reorganisation.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds the estimated recoverable amount.

For the Financial Year ended 31 December 2019

4 Significant accounting policies (cont'd)

4.6 Impairment (cont'd)

(ii) Non-financial assets

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets do not generate separate cash inflows and are utilised by more than one CGU. Corporate assets are allocated to CGUs on a reasonable and consistent basis and are tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

4.7 Assets held for sale

Non-current assets that are highly probable to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Property, plant and equipment once classified as held for sale are not amortised or depreciated.

4.8 Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

For the Financial Year ended 31 December 2019

4 Significant accounting policies (cont'd)

4.9 Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

4.10 Revenue

(i) Goods and services sold

Revenue from sale of goods and services in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated to each PO in the contract on the basis of the relative stand-alone selling prices of the promised goods or services. The individual standalone selling price of a good or service that has not previously been sold on a stand-alone basis, or has a highly variable selling price, is determined based on the residual portion of the transaction price after allocating the transaction price to goods and/or services with observable stand-alone selling prices. A discount or variable consideration is allocated to one or more, but not all, of the performance obligations if it relates specifically to those performance obligations.

The transaction price is the amount of consideration in the contract to which the Group expects to be entitled in exchange for transferring the promised goods or services. The transaction price may be fixed or variable and is adjusted for time value of money if the contract includes a significant financing component. Consideration payable to a customer is deducted from the transaction price if the Group does not receive a separate identifiable benefit from the customer. When consideration is variable, the estimated amount is included in the transaction price to the extent that it is highly probable that a significant reversal of the cumulative revenue will not occur when the uncertainty associated with the variable consideration is resolved.

Revenue may be recognised at a point in time or over time following the timing of satisfaction of the PO. If a PO is satisfied over time, revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that PO.

(ii) Revenue from vessel chartering

Revenue from vessel chartering under an operating lease is recognised in profit or loss on a straight-line basis over the term of the lease.

(iii) Rental income receivable under operating lease

Rental income receivable under operating lease is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

4.11 Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 January 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 January 2019.

For the Financial Year ended 31 December 2019

4 Significant accounting policies (cont'd)

4.11 Leases (cont'd)

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices. However, for the leases of property the Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

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

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease
 payments in an optional renewal period if the Group is reasonably certain to exercise an extension
 option, and penalties for early termination of a lease unless the Group is reasonably certain not to
 terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and lease liabilities in 'loans and borrowings' in the statement of financial position.

For the Financial Year ended 31 December 2019

4 Significant accounting policies (cont'd)

4.11 Leases (cont'd)

(i) As a lessee (cont'd)

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases, including IT equipment. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16 except for the classification of the sub-lease entered into during current reporting period that resulted in a finance lease classification.

Leases - Policy applicable before 1 January 2019

Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

For the Financial Year ended 31 December 2019

4 Significant accounting policies (cont'd)

4.12 Finance income and finance costs

The Group's finance income and finance costs include:

- interest income; and
- interest expense.

Interest income or expense is recognised using the effective interest method.

The 'effective interest rate' is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to:

- the gross carrying amount of the financial asset; or
- the amortised cost of the financial liability.

In calculating interest income and expense, the effective interest rate is applied to the gross carrying amount of the asset (when the asset is not credit-impaired) or to the amortised cost of the liability. However, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

4.13 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

The Group has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets.*

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

For the Financial Year ended 31 December 2019

4 Significant accounting policies (cont'd)

4.13 Tax (cont'd)

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax provisions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such a determination is made.

4.14 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options and share awards granted to employees.

4.15 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

4.16 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 January 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's financial statements.

- Amendments to References to Conceptual Framework in SFRS(I) Standards
- Definition of a Business (Amendments to SFRS(I) 3)
- Definition of Material (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- SFRS(I) 17 Insurance Contracts

For the Financial Year ended 31 December 2019

Property, plant and equipment

Group	Freehold land \$'000	Freehold buildings \$'000	Furniture, fittings and office equipment \$'000	Material handling equipment \$'000	Computers \$'000	Motor vehicles \$'000	Barge and vessels \$'000	Right-of-use assets \$'000	Total \$'000
Cost									
At 1 January 2018	3,074	6,346	1,672	11,201	807	1,680	81,046	I	105,826
Additions	I	55	59	910	1	533	I	I	1,568
Disposals	I	I	(26)	I	I	(514)	I	I	(540)
Written off	I	I	(22)	I	(40)	(27)	I	I	(88)
Translation differences on consolidation	(35)	(99)	(40)	(342)	(6)	(48)	1,287	I	747
At 31 December 2018	3,039	6,335	1,643	11,769	692	1,624	82,333	1	107,512
At 1 January 2019	3,039	6,335	1,643	11,769	692	1,624	82,333	I	107,512
Recognition of right- of-use asset on initial application of									
SFRS(I) 16	I	I	-	l	I	I	_	236	236
Adjusted balance at 1 January 2019	3,039	6,335	1,643	11,769	697	1,624	82,333	236	107,748
Additions	I	28	20	103	7	44	1,588	2,397	4,217
Disposals	I	I	I	(261)	I	(474)	I	I	(735)
Written off	1 1	I	(19)	I	(29)	I	I	I	(48)
Deconsolidation of subsidiaries	I	I	I	I	(27)	I	I	I	(27)
Reclassification to assets held for sale	1 1	I	I	I	I	I	(83,062)	I	(83,062)
Translation differences on consolidation	(84)	(165)	(16)	(430)	(3)	(22)	(859)	I	(1,579)
At 31 December 2019	2,955	6,198	1,658	11,181	717	1,172	ı	2,633	26,514

For the Financial Year ended 31 December 2019

Property, plant and equipment (cont'd)

Group	Freehold land \$′000	Freehold buildings \$'000	Furniture, fittings and office equipment \$'000	Material handling equipment \$′000	Computers \$'000	Motor vehicles \$'000	Barge and vessels \$'000	Right-of-use assets \$'000	Total \$'000
Accumulated depreciation and accumulated impairment losses	i			1	ì				! !
At 1 January 2018	350	1,701	1,484	7,402	791	1,397	62,962	I	76,087
Depreciation charge for the year	I	127	89	1,031	20	175	1,683	I	3,104
Impairment loss	I	I	I	I	1	I	1,235	I	1,235
Disposals	I	I	(25)	I	I	(485)	I	I	(210)
Written off	I	I	(21)	I	(40)	(27)	I	I	(88)
Translation differences on consolidation	I	(8)	(24)	(239)	(8)	(30)	1,001	I	692
At 31 December 2018	350	1,820	1,482	8,194	763	1,030	66,881	I	80,520
At 1 January 2019	350	1,820	1,482	8,194	763	1,030	66,881	I	80,520
Recognition of right-									
of-use asset on initial application of SFRS(I) 16	I	I	I	I	I	I	I	45	45
Adjusted balance at 1 January 2019	350	1,820	1,482	8,194	763	1,030	66,881	45	80,565
Depreciation charge for			ļ	1	;	!			(
the year	I	169	92	828	7	167	1,583	497	3,350
Impairment loss	I	I	1	I	I	I	7,737	I	7,737
Disposals	I	I	I	(232)	I	(243)	099	I	185
Written off	I	I	(19)	I	(27)	I	I	I	(46)
Deconsolidation of					(50)				(+0)
subsidaries	I	I	I	I	(77)	I	I	I	(77)
Reclassification to assets held for sale	ı	I	I	I	I	ı	(76,153)	I	(76,153)
Translation differences on		(35)	(36)	(315)	(3)	(11)	(202)		(1 113)
COIISOIIGATIOII	1	(00)	(00)	(0.10)	(C)	(+1)	(00 /)	1 9	(611,11)
At 31 December 2019	350	1,954	1,492	8,505	715	940	I	542	14,498
Carrying amounts				0	;	0	0		1
At 1 January 2018	2,724	4,645	188	3,799	16	283	18,084	I	29,739
At 31 December 2018	2,689	4,515	161	3,575	9	594	15,452	I	26,992
At 31 December 2019	2,605	4,244	166	2,676	2	232	I	2,091	12,016

For the Financial Year ended 31 December 2019

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	Freehold land \$'000	Freehold buildings \$'000	Furniture, fittings and office equipment \$'000	Material handling equipment \$'000	Computers \$'000	Motor vehicles \$'000	Right-of-use assets \$'000	Total \$'000
Company								
Cost								
At 1 January 2018	1,136	2,013	I	206	2	463	I	3,820
Additions	I	I	I	I	I	331	I	331
Disposals	ı	I	I	-	I	(463)	I	(463)
At 31 December 2018	1,136	2,013	ı	206	2	331	I	3,688
Additions	I	I	I	I	I	I	2,397	2,397
Disposals	I	I	I	I	1	(331)	ı	(331)
At 31 December 2019	1,136	2,013	I	206	2	I	2,397	5,754
Accumulated depreciation and								
accumulated impairment losses At 1 January 2018	350	827	I	187	-	431	I	1 796
Depreciation charge for the year)) I	41	I	19	. 1	53	I	113
Disposals	I	I	I	I	I	(434)	I	(434)
At 31 December 2018	350	898	ı	206	_	50	I	1,475
Depreciation charge for the year	I	40	I	I	_	55	442	538
Disposals	I	I	I	I	I	(105)	ĺ	(105)
At 31 December 2019	350	806	I	206	2	1	442	1,908
Carrying amounts								
At 1 January 2018	786	1,186	_	19	1	32	I	2,024
At 31 December 2018	786	1,145	I	I	1	281	I	2,213
At 31 December 2019	786	1,105	I	ı	1	ı	1,955	3,846

For the Financial Year ended 31 December 2019

5 Property, plant and equipment (cont'd)

As at 31 December 2019, the details of the right-of-use assets included in property, plant and equipment are set out as follows:

	Land and buildings \$'000	Motor vehicle \$'000	Office equipment \$'000	Motor vehicle \$'000	Material handling equipment \$'000	Total \$'000
2019						
Balance at 1 January	191	_	_	340	52	583
Depreciation charge for the year	(490)	(4)	(3)	(122)	(6)	(625)
Additions to right-of-use assets	2,369	24	4	_	_	2,397
Balance at 31 December	2,070	20	1	218	46	2,355

As at 31 December 2019, the carrying amount of the property, plant and equipment of the Group includes amounts totalling \$528,000 in respect of motor vehicles and material handling equipment held under finance lease agreements.

The following property, plant and equipment and assets held for sale are pledged as security to secure credit facilities:

	Gro	oup
Note	2019	2018
	\$'000	\$'000
	6,849	7,204
	2,026	2,877
	218	392
11	6,909	15,452
	16,002	25,925
		\$'000 6,849 2,026 218 11 6,909

Impairment loss in relation to property, plant and equipment

Impairment indicators have been identified for the vessel chartering business because of the continuing challenging market conditions and recurring losses of this business. For impairment purpose, each vessel is a separate cash-generating unit (CGU). Management assessed the recoverable amounts of the Group's CGU based on their respective fair values less costs of disposal. The fair values were estimated using external valuations performed by independent professional valuers with appropriate recognised professional qualifications and experience in the assets being valued. An impairment loss of \$7,737,000 (2018: \$1,235,000) was recognised in the Group's profit or loss, included in cost of sales. As at 31 December 2019, the fair value amount of barge and vessels was \$6,909,000.

		Gro	up
		Impairmer	nt charge
		2019	2018
	Valuation technique	\$'000	\$'000
Level 3			
- barge and vessels	Direct sales comparison	7,737	1,235

In preparing their valuation report, some of the factors the valuers considered include market comparable transactions, the current charter market and current market sentiment which takes into account other similar vessels currently on the market, offers and negotiations that have been tabled and/or are under way, vessel specification, builder's yard, quality of equipment and other market factors.

For the Financial Year ended 31 December 2019

5 Property, plant and equipment (cont'd)

Change in classification

As at year end, the Group has reclassified \$6,909,000 of barge and vessels to assets held for sale (Note 11).

6 Subsidiaries

	Com	pany
	2019 \$′000	2018 \$′000
Investments in subsidiaries		
Unquoted equity shares, at cost	37,291	37,291
Accumulated impairment losses	(26,993)	(23,491)
Carrying amount	10,298	13,800

The movements in accumulated impairment losses on investment in subsidiaries during the year were as follows:

	2019	2018
	\$'000	\$'000
At 1 January	23,491	23,491
Impairment loss charged to profit or loss	3,502	
At 31 December	26,993	23,491

Management of the Company has performed a review of the recoverable amounts of its investments in its subsidiaries in accordance with the accounting policy stated in note 4.6. Certain subsidiaries are inactive with no revenue generating activities. The recoverable amounts of investments in inactive subsidiaries were determined based on the carrying amounts of their net assets, which comprise mainly monetary items.

For the impairment losses made in 2019, the recoverable amount of investment in the subsidiary was determined based on the value in use of its assets, which was determined by discounting future cash flows generated from continuing use. Cash flows were projected over a period of 5 years at constant profit margins or fixed growth rates of 5%. A terminal value, which is the present value of all future cash flows to perpetuity, assuming nil growth rate is applied from the fifth year. The cash flow projection was discounted at pre-tax rate of 7.01%.

Details of significant subsidiaries are as follows:

Country of incorporation	by the	
	2019	2018
	%	%
Singapore	100	100
Malaysia	100	100
Australia	100	100
Korea	100	100
	Singapore Singapore Singapore Singapore Malaysia Australia	Country of incorporation by the 2019 % Singapore 100 Singapore 100 Singapore 100 Singapore 100 Malaysia 100 Australia 100

⁽¹⁾ In compliance with Rule 715(1) of the SGX-ST Listing Manual, all Singapore-incorporated subsidiaries are audited by the Company's auditors, KPMG LLP.

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⁽²⁾ Audited by Moore Stephens Associates PLT.

⁽³⁾ Audited by Crowe Horwath Audit Queensland.

⁽⁴⁾ Audited by Lian Accounting Corporation.

For the Financial Year ended 31 December 2019

6 Subsidiaries (cont'd)

	Com	Company	
	2019 \$'000	2018 \$'000	
Loans to subsidiaries			
Loans to subsidiaries	15,022	15,022	
Accumulated impairment losses	(15,022)	(15,022)	

Loans to subsidiaries are unsecured and non-interest bearing. Repayment of these loans is neither planned nor likely to occur in the foreseeable future and are classified as non-current. There is no movement in the accumulated impairment loss allowance in 2019 and 2018.

Deconsolidation of subsidiary

As at 31 December 2019, the Company has determined that it had lost control of the following subsidiaries:

- (i) Arkstar Ship Management Pte Ltd
- (ii) Ebony Ritz

Details on the deconsolidation are set out as follows:

Carrying amounts of net assets over which control was lost

	2019 \$'000
Current assets	3,308
Curent liabilities	(2,121)
Net assets de-recognised	1,187
No consideration was received on deconsolidation of the above subsidiaries.	
Loss on deconsolidation of subsidiaries:	2012
	2019
	\$'000
Consideration received	_
Net assets de-recognised	(1,187)
Loss on deconsolidation	(1,187)

For the Financial Year ended 31 December 2019

7 Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year are as follows:

	At 1 January 2018 \$'000	Recognised in profit or loss (note 20) \$'000	Exchange differences \$'000	At 31 December 2018 \$'000	Recognised in profit or loss (note 20) \$'000	Exchange differences \$'000	At 31 December 2019 \$'000
Group							
Deferred tax assets							
Provisions	479	289	(48)	720	(16)	(14)	690
Others	60	40	(6)	94	(82)	(1)	11
	539	329	(54)	814	(98)	(15)	701
Deferred tax liabilities							
Property, plant and equipment	(38)	_	_	(38)	_	_	(38)

Deferred tax assets and liabilities of the Company (prior to offsetting of balances) are attributable to the following:

	Company	
	2019 \$′000	2018 \$′000
Deferred tax assets		
Provisions	19	19
Deferred tax liabilities Property, plant and equipment	(38)	(38)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The following amounts, determined after appropriate offsetting, are included in the statements of financial position as follows:

	Gro	Group		oany
	2010 \$'000	2018 \$'000	2019 \$'000	2018 \$′000
Deferred tax assets	701	814	_	_
Deferred tax liabilities	(38)	(38)	(19)	(19)

Deferred tax assets have been recognised in respect of provisions to the extent that these balances will reverse in the foreseeable future and to the extent that their realisation through future taxable profits is probable.

For the Financial Year ended 31 December 2019

8 Inventories

	Group	
	2010 \$′000	2018 \$'000
Raw materials	905	1,280
Work-in-progress	5,169	7,077
Finished goods, at net realisable value	12,176	13,443
Goods-in-transit	743	781
	18,993	22,581

In 2019, the amount of inventories recognised in cost of sales was \$33,120,000 (2018: \$43,275,000).

Work-in-progress consists primarily raw material and overhead costs. Direct labour costs are insignificant.

The Group recognises allowance on obsolete inventories when inventory items are identified as obsolete. Obsolescence is based on the physical and functional condition of inventory items and is established when these inventory items are no longer marketable. Obsolete inventory items when identified are written off to profit or loss. In addition to an allowance for specifically identified obsolete inventory, allowances are also estimated based on the age of the inventory items. The Group believes such estimates represent a fair charge of the level of inventory obsolescence in a given year.

Finished goods are stated after deducting an allowance for slow-moving inventories of \$18,673,000 (2018: \$19,667,000).

9 Trade and other receivables

	Group		Company	
	2019 \$′000	2018 \$′000	2019 \$′000	2018 \$′000
Trade receivables due from:				
- third parties	17,448	18,366	114	108
- subsidiaries	_	_	9,963	10,609
	17,448	18,366	10,077	10,717
Less: allowance for impairment losses				
- third parties	(7,284)	(1,677)	(110)	(113)
- subsidiaries	_	-	(7,216)	(7,106)
	(7,284)	(1,677)	(7,326)	(7,219)
Net trade receivables	10,164	16,689	2,751	3,498
Non-trade receivables due from subsidiaries	_	_	48,843	48,545
Less: allowance for impairment losses	_	_	(48,755)	(48,391)
Net non-trade receivables	_	_	88	154
Advances to suppliers	282	964	_	_
Deposits	544	768	98	83
Tax recoverable	21	26	_	_
Sundry receivables	253	156	_	_
	11,264	18,603	2,937	3,735
Prepayments	278	525	109	78
	11,542	19,128	3,046	3,813

For the Financial Year ended 31 December 2019

9 Trade and other receivables (cont'd)

Non-trade receivables due from subsidiaries are unsecured, interest-free and repayable on demand.

The Group does not require collateral in respect of trade receivables. The Group does not have trade receivables for which no loss allowance is recognised because of collateral.

The exposure to credit risk for trade receivables at the reporting date (by geographical distribution) was as follows:

	Group		Company	
	2019	2018	2019	2018
	\$′000	\$'000	\$'000	\$'000
Singapore	49	385	11	334
Middle East	1,618	4,965	_	_
Australia	2,653	2,031	_	_
Other ASEAN countries	1,574	1,478	(17)	(17)
Other Asian countries	3,370	5,340	2,760	3,153
Others	900	2,490	(3)	28
	10,164	16,689	2,751	3,498

A summary of the Group and Company's exposures to credit risk for trade receivables is as follows:

		Gr	oup		
Non- credit- impaired \$'000	2019 Credit- impaired \$'000	Gross carrying amount \$'000	Non- credit- impaired \$'000	2018 Credit- impaired \$'000	Gross carrying amount \$'000
11,958	5,490	17,448	18,366	_	18,366
11,958	5,490	17,448	18,366	_	18,366
(1,794)	(5,490)	(7,284)	(1,677)	_	(1,677)
10,164	_	10,164	16,689		16,689
	2019	Com	pany	2018	
Non- credit- impaired \$'000	Credit- impaired \$'000	Gross carrying amount \$'000	Non- credit- impaired \$'000	Credit- impaired \$'000	Gross carrying amount \$'000
4,069	6,008	10,077	4,709	6,008	10,717
4,069	6,008	10,077	4,709	6,008	10,717
(1,320)	(6,006)	(7,326)	(1,213)	(6,006)	(7,219)
2,749	2	2,751	3,496	2	3,498
	credit- impaired \$'000 11,958 11,958 11,958 (1,794) 10,164 Non- credit- impaired \$'000 4,069 4,069 (1,320)	credit- impaired \$'000 11,958 5,490 11,958 5,490 (1,794) (5,490) 10,164 - 2019 Non- credit- impaired \$'000 \$'000 4,069 6,008 4,069 6,008 (1,320) (6,006)	Non-credit-impaired Sross Credit-impaired Sroon Sroo	Non-credit-impaired \$'000 Credit-impaired \$'000 Gross carrying amount \$'000 Non-credit-impaired \$'000 11,958 5,490 17,448 18,366 11,958 5,490 17,448 18,366 (1,794) (5,490) (7,284) (1,677) 10,164 - 10,164 16,689 Company Non-credit-impaired impaired \$'000 Gross carrying credit-impaired amount impaired \$'000 Non-credit-impaired \$'000 \$'000 \$'000 \$'000 \$'000 \$'000	Non-credit-impaired \$'000

For the Financial Year ended 31 December 2019

9 Trade and other receivables (cont'd)

Movements in allowance for impairment losses in respect of trade and other receivables

The movement in the allowance for impairment in respect of trade and non-trade receivables (excluding loans to investees) during the year was as follows:

	Group Lifetime ECL \$'000	Company Lifetime ECL \$'000
At 1 January 2018	1,244	49,017
Impairment loss recognised	437	6,593
Translation differences	(4)	_
At 31 December 2018	1,677	55,610
Impairment loss recognised	5,737	471
Translation differences	(130)	
At 31 December 2019	7,284	56,081

Management estimated the impairment loss allowance on specific receivables based on the aging of the loans and receivables, credit-worthiness of customers or counter-parties, future collectability of loans and receivables and historical write-off experience of loans and receivables. If the financial condition of the customers or counter-parties were to deteriorate, actual write-offs could be higher than estimated.

Expected credit loss assessment

The Group uses an allowance matrix to measure the ECLs of trade receivables from customers, which comprise a large number of small balances. The allowance matrix is based on actual credit loss experience over the past four years. The ECL computed is derived from historical data which management is of the view that the historical conditions are representative of the conditions prevailing at the reporting date, taking into consideration of the GDP growth of the construction industry in Singapore.

The following table provides information about the exposure to credit risk and ECLs for trade receivables for individual customers as at 31 December 2019:

	Weighted average loss rate	Gross carrying amount \$'000	Allowance for impairment losses \$'000	Credit impaired
2019				
Group				
Not past due	5.6%	5,924	333	No
Past due 0 – 30 days	11.2%	1,738	195	No
Past due 31 – 60 days	15.5%	1,401	217	No
Past due 61 – 90 days	26.6%	1,562	416	No
Past due more than 90 days	47.5%	1,333	633	No
Past due more than 90 days	100%	5,490	5,490	Yes
	_	17,448	7,284	

For the Financial Year ended 31 December 2019

9 Trade and other receivables (cont'd)

Expected credit loss assessment (cont'd)

	Weighted average loss rate	Gross carrying amount \$'000	Allowance for impairment losses \$'000	Credit impaired
2019				
Company				
Not past due		11	_	No
Past due 0 – 30 days		_	_	No
Past due 31 – 120 days		_	_	No
Past due more than 120 days	32.5%	4,058	1,320	No
Past due more than 120 days	100% _	6,008	6,006	Yes
	_	10,077	7,326	
2018				
Group				
Not past due	3.6%	9,382	334	No
Past due 0 – 30 days	8.5%	3,426	292	No
Past due 31 – 60 days	11.2%	1,485	167	No
Past due 61 – 90 days	11.8%	1,004	118	No
Past due more than 90 days	25.0%	3,069	766	No
	_	18,366	1,677	
Commonwe				
Company		33		No
Not past due Past due 0 – 30 days		33	_	No
Past due 31 – 120 days		_	_	No
Past due more than 120 days	25.9%	- 4,676	- 1,213	No
Past due more than 120 days	100%	6,008	6,006	Yes
i ast due more than 120 days	100%	10,717	7,219	162
	_	10,717	1,217	

Loss rates are based on actual credit loss experience over the past four years. These rates are multiplied by scalar factors to reflect differences between economic conditions during the period over which the historic data has been collected, current conditions and the Group's view of economic conditions over the expected lives of the receivables.

Scalar factors are based on actual and forecast gross domestic product and are as follows: 1.04 for Singapore, 1.6 for Malaysia and 0.7 for Australia.

10 Cash and cash equivalents

Group		Company	
2019	2018	2019	2018
\$′000	\$'000	\$'000	\$'000
2,499	3,264	73	41
2,499	3,264		
	2019 \$'000 2,499	2019 2018 \$'000 \$'000 2,499 3,264	2019 2018 2019 \$'000 \$'000 \$'000 2,499 3,264 73

Cash at banks of approximately \$1,840,000 (2018: \$865,000) are held in countries with foreign exchange controls.

For the Financial Year ended 31 December 2019

10 Cash and cash equivalents (cont'd)

Impairment on cash and cash equivalents 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 cash equivalents have low credit risk based on the external credit ratings of the counterparties.

The Group uses a similar approach for assessment of ECLs for cash and cash equivalents to those used for debt instruments. The amount of the allowance on cash and cash equivalents is negligible.

11 Assets held for sale

During the year, management embarked on a restructuring plan to sell all of its vessels. Accordingly, the vessels are presented as assets held for sale. Efforts to sell the vessels have started prior to 31 December 2019, and two of its vessels have since been sold in March 2020.

At 31 December 2019, assets held for sale stated at their carrying amount comprised of the following:

	Note	2019 \$'000
Property, plant and equipment	5	6,909

12 Share capital

	Group and Company			
	2019	2018	2019	2018
	No. of shares ('000)	\$′000	No. of shares ('000)	\$'000
Issued and fully paid ordinary shares, with no par value				
At 1 January	5,619,543	114,461	622,791	69,490
Issue of ordinary shares		_	4,996,752	44,971
At 31 December	5,619,543	114,461	5,619,543	114,461

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

On 8 May 2018, the Company has allotted and issued 4,996,751,855 shares at an issue price of \$\$0.0115 per share to Scheme Creditors (financial institutions and the immediate holding company) under the Scheme of Arrangement. The share capital of the Group and Company was increased by \$44,970,766, determined based on the fair value of the Company's shares issued on 8 May 2018 at \$\$0.009 per share. The shares were issued pari passu with the existing shares and are, inter alia, entitled to receive dividends as declared from time to time, and to vote at general meetings of the Company. All shares rank equally with regards to the Company's residual assets.

As a result of the Scheme of Arrangement, an aggregate amount of \$57,462,646 of loans and borrowings, non-trade payables due to immediate holding company and accrued interest on these balances were converted to equity.

The excess of the debts converted of \$57,462,646 over the share capital consideration of \$44,970,766, amounting to \$12,491,880 (Note 19), was recognised in profit or loss.

Capital management

The Board's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as profit for the year divided by total shareholders' equity. The Board also monitors the level of dividends to ordinary shareholders. The Group funds its operations and growth through a mix of equity and debts. This includes the maintenance of adequate lines of credit and assessing the need to raise additional equity, when required.

For the Financial Year ended 31 December 2019

12 Share capital (cont'd)

Capital management (cont'd)

There were no changes in the Group's approach to capital management during the year.

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain balance sheet ratios and minimum level of net worth.

13 Currency translation reserve

The currency translation reserve of the Group comprises foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currency is in a foreign currency, as well as from the translation of receivables denominated in foreign currencies, which form part of the Company's net investment in the foreign operations.

14 Loans and borrowings

	Group		Company	
	2019 \$′000	2018 \$'000	2019 \$′000	2018 \$'000
Non-current liabilities				
Secured bank loan A	_	1,171	_	_
Secured bank loan B	-	4,990	_	_
Secured bank loan C	226	404	_	_
Secured bank loan D	-	2,344	_	_
Secured bank loan E	-	2,344	_	_
Secured bank loan H	_	2,176	_	_
Unsecured bank loans	_	5,570	_	_
Lease liabilities (2018: Finance lease liabilities)	1,362	352	1,189	184
	1,588	19,351	1,189	184
Current liabilities				
Secured bank loan A	210	480	_	_
Secured bank loan B	5,630	960	_	_
Secured bank loan C	4,076	3,334	_	_
Secured bank loan D	2,434	360	_	_
Secured bank loan E	2,434	360	_	_
Secured bank loan F	914	1,066	_	_
Secured bank loan H	2,177	137	_	_
Lease liabilities (2018: Finance lease liabilities)	964	116	737	43
Secured invoice financing	1,513	3,741	_	_
Unsecured bank loans	5,570	620	_	_
	25,922	11,174	737	43
	27,510	30,525	1,926	227

⁽i) The secured bank loans A, B, D and E are granted to the subsidiaries and are secured by legal mortgages over the barge and vessels of the subsidiaries and corporate guarantees provided by the Company.

- (iii) Corporate guarantees provided by the Company for bank loans F and H.
- (iv) Personal guarantees are provided by subsidiary's director for bank loans H

⁽ii) The secured bank loans C, F and H are granted to the Company and subsidiaries and are secured by legal mortgages over the freehold land and building, certain plant and equipment of the subsidiaries.

For the Financial Year ended 31 December 2019

14 Loans and borrowings (cont'd)

Lease liabilities (2018: Finance lease liabilities)

Lease liabilities are payable as follows:

	2019 \$′000	Interest 2019 \$'000	Present value of minimum lease payments 2019 \$'000
Group	\$ 000	\$ 000	\$ 000
Within one year	944	65	879
Between one and 5 years	1,490	43	1,447
20110011 0110 0110 0 90010	2,434	108	2,326
Company			
Within one year	783	47	736
Between one and 5 years	1,216	26	1,190
·	1,999	73	1,926
	2018 \$′000	2018 \$'000	2018 \$′000
Group			
Within one year	133	17	116
Between one and 5 years	392	40	352
	525	57	468
Company			
Within one year	50	7	43
Between one and 5 years	211	27	184
	261	34	227

For the Financial Year ended 31 December 2019

14 Loans and borrowings (cont'd)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

	2019			2018	
	Year of maturity	Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Group					
S\$ floating rate loans:					
- secured loans A,B,D,E	2019 – 2025	10,708	10,708	13,009	13,009
- unsecured loans	2019 – 2024	5,570	5,570	6,190	6,190
KRW floating rate loan: - secured loan C	2019 – 2020	4,302	4,302	3,738	3,738
AUD floating rate loan: - secured loan F	2019 – 2019	1,116	1,116	1,066	1,066
RM floating rate loan: - secured loan H	2019 – 2031	2,177	2,177	2,313	2,313
Lease liabilities (2018: Finance lease liabilities)	2019 – 2024	2,434	2,326	525	468
Secured invoice financing	2019 – 2020	1,311	1,311	3,741	3,741
	_	27,618	27,510	30,582	30,525
Company Lease liabilities (2018: Finance					
lease liabilities)	2019 – 2022	1,926	1,926	227	227

The S\$ floating rate loans bear interest of 3% per annum.

The KRW floating rate loan bears interest ranging from 2.97% to 5.09% (2018: 2.97% to 4.68%) per annum and is repriced on a quarterly basis.

The AUD floating rate loans bear interest ranging from 4.75% to 5.98% (2018: 5.52% to 5.86%) per annum and are repriced on a monthly basis.

The RM floating rate loans bear interest ranging from 5.10% to 5.35% (2018: 4.75% to 5.1%) per annum and are repriced on a monthly basis.

As at 31 December 2019, the Group had breached certain covenants on consolidated tangible net worth and debt to equity ratio, as stipulated under the bank facilities agreements. Consequently, bank loans aggregating to \$7,528,000 have been reclassified from non-current liabilities to current liabilities. Refer to note 2 to the financial statements.

For the Financial Year ended 31 December 2019

14 Loans and borrowings (cont'd)

Contractual cash flows

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

		Cash flows			
				Within	
	Carrying	Contractual	Within	1 to 5	More than
	amount	cash flows	1 year	years	5 years
	\$'000	\$'000	\$'000	\$'000	\$′000
Group					
31 December 2019					
Non-derivative financial liabilities					
Variable interest rate loans	23,671	(26,005)	(8,942)	(15,148)	(1,915)
Lease liabilities (2018: Finance					
lease liabilities)	2,326	(2,434)	(944)	(1,490)	_
Invoice financing	1,513	(1,513)	(1,513)	_	_
Trade and other payables	14,341	(14,341)	(14,341)		
_	41,851	(44,293)	(25,740)	(16,638)	(1,915)
31 December 2018					
Non-derivative financial liabilities					
Variable interest rate loans	26,316	(28,788)	(8,059)	(17,829)	(2,900)
Finance lease liabilities	468	(525)	(133)	(380)	(12)
Invoice financing	3,741	(3,741)	(3,741)	_	_
Trade and other payables	15,553	(15,553)	(15,553)	_	_
	46,078	(48,607)	(27,486)	(18,209)	(2,912)
Company	_				_
31 December 2019					
Non-derivative financial liabilities					
Lease liabilities (2018: Finance					
lease liabilities)	1,926	(1,999)	(783)	(1,216)	_
Trade and other payables	4,312	(4,312)	(4,312)	_	
_	6,238	(6,311)	(5,095)	(1,216)	
31 December 2018					
Non-derivative financial liabilities					
Finance lease liabilities	227	(261)	(50)	(199)	(12)
Trade and other payables	4,031	(4,031)	(4,031)	<u> </u>	_
	4,258	(4,292)	(4,081)	(199)	(12)
-					

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

For the Financial Year ended 31 December 2019

14 Loans and borrowings (cont'd)

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

_		Liabilities		
	Bank overdrafts \$'000	Other loans and borrowings \$'000	Finance lease liabilities \$'000	Total \$'000
Balance at 1 January 2018	751	67,697	112	68,560
Changes from financing cash flows		· · · · · · · · · · · · · · · · · · ·		-
Proceeds from bills payables, trust receipts and interest-bearing borrowings	_	15,387	_	15,387
Repayment of bills payables, trust receipts and interest-bearing borrowings	_	(13,877)	_	(13,877)
Payment of finance lease liabilities	_	_	(140)	(140)
Finance costs paid	(14)	(1,001)	(19)	(1,034)
Total changes from financing cash flows	(14)	509	(159)	336
The effect of changes in foreign exchange rates	_	(66)	_	(66)
Other changes				
Liability-related				
New finance lease	_	_	496	496
Debt to equity swap	(751)	(40,136)	_	(40,887)
Interest expense	14	2,053	19	2,086
Total liability-related other changes	(737)	(38,083)	515	(38,305)
Balance at 31 December 2018	_	30,057	468	30,525
Balance at 1 January 2019		30,057	468	30,525
Changes from financing cash flows				
Proceeds from bills payables, trust receipts and interest-bearing borrowings	-	9,215	_	9,215
Repayment of bills payables, trust receipts and interest-bearing borrowings	-	(13,813)	_	(13,813)
Payment of lease liabilities	_	_	(659)	(659)
Finance costs paid		(802)	(62)	(864)
Total changes from financing cash flows		(5,400)	(721)	(6,121)
The effect of changes in foreign exchange rates	_	(119)	(4)	(123)
Other changes				
Liability-related				
New lease	_	_	116	116
Interest expense	_	985	62	1,047
New leases	_		2,066	2,066
Total liability-related other changes		985	2,244	3,229
Balance at 31 December 2019	_	25,523	1,987	27,510

For the Financial Year ended 31 December 2019

15 Loan from non-controlling shareholder of a subsidiary

Loan from non-controlling shareholder of a former subsidiary is unsecured, interest-free and repayable on demand.

16 Trade and other payables

	Gro	oup	Com	pany
	2019 \$′000	2018 \$′000	2019 \$′000	2018 \$′000
Trade payables due to:				
- third parties	6,226	7,235	_	_
- subsidiaries	-	_	1,004	1,763
Non-trade payables due to:				
- subsidiaries	_	_	696	931
- related parties	853	807	_	_
Accrued expenses	7,076	7,487	2,612	1,337
Accrued interests	183	21	_	_
Deposits received	3	3	_	_
	14,341	15,553	4,312	4,031

Outstanding balances with related parties are unsecured and repayable on demand.

17 Revenue

Revenue represents sales of goods less discounts and returns, and income from chartering of vessels.

	Group	
	2019 \$′000	2018 \$'000
Sales of goods	53,241	60,592
Vessels chartering	9,240	11,794
	62,481	72,386

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms, and the related revenue recognition policies:

Sale of goods

Nature of goods or services	Sales and distribution of machinery parts.
When revenue is recognised	For sales of machinery parts, revenue is recognised when the goods are received at the customers' warehouse or when goods are delivered onto the carrier at the port depending on the shipping terms.
Significant payment terms	Sales of machinery parts: varies between 30 to 90 days after invoice date.
Obligations for returns and refunds, if any	Generally, customers do not have the right of return except for faulty parts.
Obligations for warranties	Faulty parts are exchanged one for one.

For the Financial Year ended 31 December 2019

17 Revenue (cont'd)

Vessel chartering

Nature of goods or services	Revenue from vessel chartering.
When revenue is recognised	Revenue from vessel chartering under operating lease is recognised on a straight line basis over the term of the lease.
Significant payment terms	Varies from 30 to 45 days after invoice date.

Disaggregation of revenue

In the following table, revenue is disaggregated by primary geographical market, major products/service lines.

	Machine	ery parts	Vessel ch	artering	To	tal
Primary geographical markets	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$′000	2018 \$′000
Singapore	346	800	_	_	346	800
Australia	18,474	20,140	_	_	18,474	20,140
United States of America	6,759	10,677	-	_	6,759	10,677
Indonesia	4,324	7,234	_	_	4,324	7,234
Malaysia	2,619	4,042	_	_	2,619	4,042
Middle East	_	_	9,240	11,794	9,240	11,794
Other Northern America countries	3,582	2,326	_	_	3,582	2,326
Other ASEAN countries	1,357	1,731	_	_	1,357	1,731
Other Asian countries	8,281	4,855	_	_	8,281	4,855
Others	7,499	8,787			7,499	8,787
Total	53,241	60,592	9,240	11,794	62,481	72,386

18 Finance income and costs

	Group	
	2019	2018
	\$'000	\$'000
Finance income:		
- bank deposits	5	1
Finance costs:		
- interest-bearing borrowings	(985)	(2,380)
- Financial liabilities measured at amortised cost – interest expense (2018:		
finance lease liabilities)	(62)	(19)
_	(1,047)	(2,399)
Net finance costs recognised in profit or loss	(1,042)	(2,398)

For the Financial Year ended 31 December 2019

19 (Loss)/Profit before income tax

The following items have been included in arriving at (loss)/profit before income tax:

		Gro	up
	Note	2019	2018
		\$′000	\$'000
Allowance written back for slow-moving inventories, included in other expense	es	(922)	(538)
Audit fees paid and payable to:			
- auditors of the Company		216	246
- other auditors		81	52
Bad debts written back		_	(107)
Depreciation expense		3,350	3,104
Foreign exchange loss/(gain), included in other expenses		1,120	(780)
Impairment loss on property, plant and equipment, included in cost of sales	5	7,737	1,235
Loss on deconsolidation of subsidiaries		1,187	_
Loss/(Gain) on disposal of property, plant and equipment, net		30	(102)
Other income			
Gain on debt-to-equity swap	12	_	12,492
Gain on sale of scrap metals		146	281
Other income		35	50
Rental income		74	64
		255	12,887
Employee benefits expense			
Contributions to defined contribution plans, included in staff costs		460	522
Staff costs		5,037	6,622

20 Income tax expense

income tax expense	Gro	up
	2019 \$′000	2018 \$'000
Current tax expense		
Current year	284	302
Changes in estimates related to prior years	(116)	(83)
	168	219
Deferred tax expense		
Origination and reversal of temporary differences	99	(329)
Total income tax expense	267	(110)
Reconciliation of effective tax rate		
(Loss)/Profit before income tax	(16,614)	8,883
Tax using the Singapore tax rate of 17% (2018: 17%)	(2,824)	1,510
Effect of tax rates in foreign jurisdictions	82	(32)
Non-deductible expenses	2,869	493
Tax exempt income	(5)	(2,138)
Tax incentives	_	(2)
Benefits of deferred tax assets not recognised	74	155
Under/(Over) provided in prior years	(116)	83
Others	187	(13)
	267	(110)

For the Financial Year ended 31 December 2019

20 Income tax expense (cont'd)

Deferred tax assets have not been recognised in respect of the following items:

	Gro	up
	2019 \$'000	2018 \$′000
Deductible temporary differences	_	(18)
Capital allowances	19	42
Tax losses	22,874	22,033
	22,893	22,057

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The tax losses, capital allowances and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is uncertain as to whether that future taxable profit will be available against which the Group can utilise the benefits.

21 (Loss)/Earnings per share

	Gı	roup
	2019 \$′000	2018 \$'000
Basic (loss)/earnings per share (cents)	(0.30)	0.23
Diluted (loss)/earnings per share (cents)	(0.30)	0.23
The basic (loss)/ earnings per share is calculated based on:		
(Loss)/Profit attributable to owners of the Company	(16,881)	8,993
	Gı	roup
	No. of Shares (′000)	No. of shares ('000)
Issued ordinary shares at 1 January	5,619,903	623,151
Effect of ordinary shares issued in May 2018	_	3,244,466
Effect of own shares held	(470)	(470)
Energy of the charge mana	(470)	(170)

For the Financial Year ended 31 December 2019

21 (Loss)/Earnings per share (cont'd)

The diluted earnings per share is calculated based on:

	Gı	roup
	2019 \$′000	2018 \$'000
(Loss)/Profit attributable to owners of the Company	(16,881)	8,993
	No. of Shares ('000)	No. of shares ('000)
Weighted average number of ordinary shares used in the calculation of diluted earnings per share for the financial year	5,619,433	3,867,147

22 Operating segments

The Group has three operating and reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Design and manufacture

Design, manufacture and sale of equipment parts for both heavy equipment and industrial machinery under inhouse brand names, "KBJ", "OEM", "ROSSI" and "TMI".

Trading and distribution

Trading and distribution of an extensive range of equipment parts for both heavy equipment and industrial machinery sourced from third parties.

Vessel chartering

Chartering of vessels to oil and gas industry.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO.

For the Financial Year ended 31 December 2019

Operating segments (cont'd)

Business segments

Information about reportable segments

	Design and manufacture	nanufacture	Trading and distribution	distribution	Vessel chartering	artering	Total	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$′000	2018 \$'000	2019 \$'000	2018 \$′000
External revenue	38,193	43,527	15,048	17,065	9,240	11,794	62,481	72,386
Finance income	2	~	I	I	I	I	5	~
Finance costs	(466)	(1,220)	(234)	(290)	(347)	(888)	(1,047)	(2,399)
Depreciation	(1,398)	(1,141)	(365)	(272)	(1,587)	(1,691)	(3,350)	(3,104)
Reportable segment loss before income tax	(269)	(2,390)	526	109	(14,370)	(1)	(14,541)	(2,282)
Unallocated income Unallocated expenses							(2,073)	12,492 (1,327)
Profit/(Loss) before income tax							(16,614)	8,883
Other material non-cash items:								
Allowance written back/(allowance) for slow-moving inventories	804	449	118	88	I	I	922	538
Impairment loss on trade receivables	(178)	(340)	(67)	(67)	(5,492)	I	(5,737)	(437)
Bad debts written back	I	06	I	17	I	I	I	107
Impairment on property, plant and equipment	1	1	1	1	(7,737)	(1,235)	(7,737)	(1,235)
Capital expenditure:								
Purchase of property, plant and equipment	(80)	(1,217)	(144)	(351)	(1,569)	I	(1,793)	(1,568)
Additions to right-of-use assets	1	ı	(2,397)	1	I	I	(2,397)	1

those lease contracts. The assets and liabilities are included in the trade and distribution and design and manufacture segments as at 31 December 2019. The Group has applied SFRS(I) 16 using the modified retrospective approach, under which comparative information is not restated (see note 3.5). The Group initially applied SFRS(1)16 at 1 January 2019, which requires the recognition of right-of-use assets and lease liabilities for lease contracts that were previously classified as operating leases (see note 3.5). As a result, the Group recognised \$2,331,000 of right-of-use assets and \$2,442,000 of liabilities from

For the Financial Year ended 31 December 2019

22 Operating segments (cont'd)

Business segments (cont'd)

		gn and facture		ng and bution	Vessel o	:hartering	To	otal
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Reportable segment assets Unallocated	28,540	33,822	15,338	15,940	8,479	22,796	52,357	72,558
assets						_	303	221
Total assets						_	52,660	72,779
Reportable segment liabilities Unallocated	17,120	21,822	8,104	6,816	15,098	16,053	40,322	44,691
liabilities						_	5,199	5,208
Total liabilities						_	45,521	49,899

Information about major customers

Revenue of approximately \$6,384,000 (2018: \$7,818,000) are derived from a single external customer who individually contributed 10% or more of the Group's revenue and is attributable to the vessel chartering segment.

Geographical segments

The design and manufacture, trading and distribution, and vessel chartering segments are presented below in the major regions as stated below.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	_		Non-curre (excluding	deferred
	Reve	enue	tax as	•
	2019	2018	2019	2018
	\$′000	\$'000	\$'000	\$'000
Singapore	346	800	1,827	12,756
Australia	18,474	20,140	2,639	2,797
United States of America	6,759	10,677	_	_
Indonesia	4,324	7,234	_	_
Malaysia	2,619	4,042	933	3,643
Middle East	9,240	11,794	_	_
Other Northern America countries	3,582	2,326	_	_
Other ASEAN countries	1,357	1,731	_	_
Other Asian countries	8,281	4,855	6,617	7,796
Others	7,499	8,787	_	
	62,481	72,386	12,016	26,992

For the Financial Year ended 31 December 2019

23 Financial instruments

General

The Group has a system of controls in place to create an acceptable balance between the potential loss from risks occurring and the cost of managing the risks. The management continually monitors the Group's risk management process to ensure that an appropriate balance between risk and control is achieved. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures, and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by an outsourced Internal Audit function. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

The financial risk management is described below:

Credit risk

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The credit limit of each customer is established after taking into account the financial position of, and past experience with, the customer.

Refer to notes 9 and 10 to the financial statements for disclosures relating to the Group's credit risk exposures and FCL.

Cash and cash equivalents

Cash and fixed deposits are placed with banks and approved financial institutions.

Impairment on cash and cash equivalents 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 cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents was negligible.

Financial guarantees

The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. Guarantees are only given to its subsidiaries. Financial guarantees provided by the Company to its subsidiaries are eliminated in preparing the consolidated financial statements.

Financial guarantees were computed based on the expected payment to reimburse the holder less any amount that the company expected to recover. Estimates of the Company's obligations arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions may well vary from actual experience so that the actual liability may vary considerably from the best estimates. Financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to S\$19,570,571 (2018: S\$22,577,429).

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

For the Financial Year ended 31 December 2019

23 Financial instruments (cont'd)

Liquidity risk (cont'd)

Typically, the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as defaults by certain major customers.

As at 31 December 2019, the Group's current liabilities exceed current assets by \$3,952,000.

The Group's operations are financed mainly through equity and bank borrowings. As disclosed in note 2, the Group had breached certain covenants on consolidated tangible net worth and debt to equity ratio, as stipulated under the bank facilities agreements. The Group has been in negotiations with the respective banks to obtain waivers of the covenant breaches.

The Group believes that upon the successful outcome of management's plans, the repayment of its present and future obligations will occur as required and is confident that the cash flows generated from the Equipment Segment is adequate with the continuing support from banks.

The following are the remaining contractual maturities of financial liabilities. The amounts are gross and undiscounted, and include contractual interest payments and excluding the impact of netting agreements:

	Carrying amount \$'000	Contractual cash flows \$'000	1 year or less \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Group						
31 December 2019						
Non-derivative financial liabilities						
Secured bank loans	18,101	(20,009)	(7,926)	(4,883)	(5,285)	(1,915)
Unsecured bank loans	5,570	(5,996)	(1,016)	(1,227)	(3,753)	_
Invoice Financing	1,513	(1,513)	(1,513)	_	_	_
Lease liabilities	2,326	(2,434)	(943)	(972)	(519)	_
Trade and other payables	14,341	(14,341)	(14,341)	_	_	_
-	41,851	(44,293)	(25,739)	(7,082)	(9,557)	(1,915)
31 December 2018 Non-derivative financial liabilities						
Secured bank loans	20,126	(21,994)	(7,261)	(5,877)	(6,651)	(2,205)
Finance lease liabilities	6,190	(6,794)	(798)	(1,016)	(4,285)	(695)
Invoice Financing	3,741	(3,741)	(3,741)	(1,010)	(1,200)	(878)
Unsecured bank loans	468	(525)	(133)	(120)	(260)	(12)
Trade and other payables	15,553	(15,553)	(15,553)	_	_	_
-	46,078	(48,607)	(27,486)	(7,013)	(11,196)	(2,912)

For the Financial Year ended 31 December 2019

23 Financial instruments (cont'd)

Liquidity risk (cont'd)

	Carrying amount \$'000	Contractual cash flows \$'000	1 year or less \$'000	1-2 years \$'000	2-5 years \$'000	More than 5 years \$'000
Company						
31 December 2019						
Non-derivative financial liabilities						
Lease liabilities	1,926	(1,999)	(783)	(836)	(380)	_
Trade and other payables	4,312	(4,312)	(4,312)	_	_	
Recognised financial liabilities	6,238	(6,311)	(5,095)	(836)	(380)	_
Financial guarantees	_	(21,829)	(21,829)	(5,915)	(8,991)	(1,915)
	6,238	(28,140)	(26,924)	(6,751)	(9,371)	(1,915)
Company						
31 December 2018						
Non-derivative financial liabilities						
Unsecured bank loans	227	(261)	(50)	(50)	(149)	(12)
Trade and other payables	4,031	(4,031)	(4,031)	_	_	_
Recognised financial liabilities	4,258	(4,292)	(4,081)	(50)	(149)	(12)
Financial guarantees	_	(24,972)	(24,972)			
	4,258	(29,264)	(29,053)	(50)	(149)	(12)

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group's exposure to risk of change in cash flows due to changes in interest rates relates primarily to the Group's variable-rate borrowings with financial institutions. Short-term receivables and payables are not exposed to interest rate risk.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Gro	up
	2019	2018
	\$'000	\$'000
Variable rate instruments		
Loans and borrowings	23,671	26,316

For the Financial Year ended 31 December 2019

23 Financial instruments (cont'd)

Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2019.

	Profit be	efore tax
	100 bp increase \$'000	100 bp decrease \$'000
Group		
31 December 2019		
Variable rate instruments	(237)	237
31 December 2018		
Variable rate instruments	(543)	543

Foreign currency risk

The Group is exposed to transactional foreign currency risk to the extent that there is a mismatch between the currencies in which sales, purchases, receivables and borrowings, including inter-company sales, purchases and inter-company balances, that are denominated in a currency other than the respective functional currencies of Group entities. The functional currencies of Group entities are primarily the Singapore dollar, US dollar, Australian dollar, Korean Won and Malaysian Ringgit. The currencies in which these transactions are primarily denominated are the US dollar (USD) and Euro (EUR).

In respect of monetary assets and liabilities held in currencies other than Singapore dollar, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short-term imbalances. The Group uses forward exchange contracts to hedge its foreign currency risk. At 31 December 2019, the Group has no outstanding forward exchange contracts.

The Group's and Company's exposures to foreign currency risk are as follows:

	20)19	20	18
	Euro	US dollar	Euro	US dollar
	\$'000	\$'000	\$'000	\$'000
Group				
Trade and other receivables (before impairment)	_	12,239	_	12,964
Cash and cash equivalents	_	791	_	786
Trade and other payables	65	(2,253)	67	(1,687)
Loans and borrowings	<u> </u>	(1,308)		(3,724)
Net exposure	65	9,469	67	8,339
Company				
Trade and other receivables (before impairment)	791	3,472	818	36,603
Cash and cash equivalents	_	5	_	4
Trade and other payables		(776)		(23)
Net exposure	791	2,701	818	36,584

For the Financial Year ended 31 December 2019

23 Financial instruments (cont'd)

Sensitivity analysis

A 10% strengthening of the Singapore dollar against the following currencies at the reporting date would have increased/(decreased) profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2018, as indicated below:

	Group Profit before tax \$'000	Company Profit before tax \$'000
31 December 2019		
Euro	(7)	(79)
US dollar	(947)	(270)
		_
31 December 2018		
Euro	(7)	(82)
US dollar	(834)	(3,658)

A 10% weakening of the Singapore dollar against the above currencies would have an equal but opposite effect on equity and profit or loss by the amounts shown above, on the basis that all other variables, in particular interest rates, remain constant.

Measurement of fair values

The following summarises the significant methods and assumptions used in measuring the fair values of financial instruments of the Group and the Company.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, trade and other payables and interest-bearing borrowings) are assumed to approximate their fair values because of the short period to maturity.

Fair value hierarchy

The table below analyses fair value measurements for assets and liabilities, by the levels in the fair value hierarchy based on the inputs to valuation techniques. The different levels are defined as follows:

- Level 1 fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those instruments valued using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those instruments valued using valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

For the Financial Year ended 31 December 2019

23 Financial instruments (cont'd)

Accounting classification and fair values

The carrying amounts and fair values of financial assets and financial liabilities, including their levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value if the carrying amount is a reasonable approximation of fair value. Further, for the current year the fair value disclosure of lease liabilities is also not required.

	_	C	arrying amount	
	Note	Amortised cost \$'000	Other financial liabilities \$'000	Total \$'000
31 December 2019				
Financial assets not measured at fair value				
Trade and other receivables	9	11,264	_	11,264
Cash and cash equivalents	10	2,499	_	2,499
		13,763	_	13,763
Financial liabilities not measured at fair value				
Loans and borrowings	14	_	(27,510)	(27,510)
Trade and other payables	16 _	_	(14,341)	(14,341)
	_	_	(41,851)	(41,851)
31 December 2018				
Financial assets not measured at fair value				
Trade and other receivables	9	18,603	_	18,603
Cash and cash equivalents	10 _	3,264		3,264
	_	21,867		21,867
Financial liabilities not measured at fair value				
Loans and borrowings	14	-	(30,525)	(30,525)
Trade and other payables	16 _	_	(15,553)	(15,553)
	_	_	(46,078)	(46,078)

24 Leases

Leases as lessee (SFRS(I) 16)

The Group leases office space, motor vehicle and office equipment. The leases typically run for a period of three years for office spaces, with an option to renew the lease after that date. Lease payments are renegotiated every three years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

The office space was newly entered during the year as the previous lease has ended. Previously, these leases were classified as operating leases under SFRS(I) 1-17.

The Group leases motor vehicle, which were classified as finance leases under SFRS(I) 1-17.

The Group leased office space which ended during the year. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

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

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented as property, plant and equipment (see Note 5).

For the Financial Year ended 31 December 2019

24 Leases (cont'd)

Right-of-use assets (cont'd)

	Land and buildings \$'000	Motor vehicle \$'000	Office equipment \$′000	Motor vehicle \$'000	Material handling equipment \$'000	Total \$'000
2019						
Balance at 1 January	191	_	_	340	52	583
Depreciation charge for the year	(490)	(4)	(3)	(122)	(6)	(625)
Additions to right-of-use assets	2,369	24	4	-	_	2,397
Balance at 31 December	2,070	20	1	218	46	2,355

Amounts recognised in profit or loss

2010 Lossos undan SERS/I) 14	\$'000
2019 – Leases under SFRS(I) 16	42
Interest on lease liabilities	43
Expenses relating to short-term leases	661
2018 – Operating leases under SFRS(I) 1-17	
Lease expense	1,630
Amounts recognised in statement of cash flows	
	2019
	\$'000
Total cash outflow for leases	659

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

The Group's property leases does not contain extension options.

Operating leases under SFRS(I) 1-17

(a) Operating lease commitments

The Group and the Company lease land, office, warehouse and factory facilities under operating leases. The leases typically run for an initial period of one to three years (2017: one to three years), with an option to renew after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

For the Financial Year ended 31 December 2019

24 Leases (cont'd)

Operating leases under SFRS(I) 1-17 (cont'd)

(a) Operating lease commitments (cont'd)

At 31 December 2018, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Gro	Group		Company	
	2018 \$′000	2017 \$′000	2018 \$′000	2017 \$′000	
Payable:					
Within 1 year	967	1,530	448	912	
After 1 year but within 5 years	153	818		547	
	1,120	2,348	448	1,459	

(b) Operating lease receivables

The Company lease land, office and warehouse to its subsidiary, and certain subsidiaries charter out their respective vessels. The leases typically run for an initial period of three years, with an option to renew after that date.

At 31 December 2018, the Group and the Company had non-cancellable operating lease receivable as follows:

	Group		Company	
	2018 \$′000	2017 \$′000	2018 \$′000	2017 \$′000
Receivable:				
Within 1 year	7,874	9,401	183	209
After 1 year but within 5 years	253	10,711	_	836
	8,127	20,112	183	1,045

25 Contingencies

(A) <u>Litigation with Sumatec Resources Bhd ("Sumatec")</u>

The Company and Ebony Ritz Sdn Bhd ("Ebony", an 80%-owned subsidiary of the Company currently under liquidation, with the Official Receiver of Malaysia acting as liquidator) have, pursuant to mediation at the Singapore Mediation Centre on 19 June 2018, entered into a conditional Settlement Agreement with Sumatec and Mr Chan Yok Peng ("Mr Chan") ("Settlement Agreement") in relation to the full and final settlement of the following Litigation (as referred to below) by the completion of Sumatec's corporate exercise which was expected no later than 30 October 2018 ("Corporate Exercise Completion Date"):

- 1. Singapore High Court Suit No. 534 of 2016;
- 2. Singapore High Court Suit No. 808 of 2017; and
- 3. Sumatec's counterclaim in Suit No. WA-22NCC-52-02/2017 before the High Court of Malaya at Kuala Lumpur against the Company;
- 4. Sumatec's claim in Suit No. WA-22NCC-65-02/2019 before the High Court of Malaya at Kuala Lumpur against the Company;

(collectively, the "Litigation").

The Settlement Agreement is conditional upon the approval of the Official Receiver of Malaysia on behalf of Ebony, Sumatec's Board of Directors and the Company's Board of Directors ("Approvals"), to be provided by 3 May 2018 ("Approval Date"). The Approval Date was extended to 6 June 2018. On 6 June 2018, Official Receiver did not approve the terms of the Settlement Agreement due to issues relating as to whether the Official Receiver could handle the issuance of the redeemable convertible preference shares (RCPS). The Settlement Agreement ceased to take effect and the legal suits were reinstated.

For the Financial Year ended 31 December 2019

25 Contingencies (cont'd)

(A) <u>Litigation with Sumatec Resources Bhd ("Sumatec") (cont'd)</u>

I. Singapore High Court Suit No. 534 of 2016 (Ebony vs Sumatec)

On 3 October 2018, the Court issued its Judgement that Sumatec shall pay Ebony the following sum in respect of the Guarantee Claim:

- (i) RM10,000,000;
- (ii) Re-judgment interest at the rate of 5.33% per annum on the judgement sum (ie RM10,000,000) from the date of accrual ranged from 31 June 2012 to 24 September 2012;and
- (iii) costs in the sum of S\$40,000

On 22 February 2019, the Singapore Court of Appeal dismissed Sumatec's appeal against the above judgment with costs of \$\$20,000.

Premised on the Singapore High Court and Court of Appeal judgments, it is calculated that hitherto, Sumatec is to pay the Company RM47,832,599 and \$\$106,100 plus post-judgment interest.

This contingent asset has not been recognised as realisation is uncertain.

II. Singapore High Court Suit No. 808 of 2017 (the Company vs (1) Sumatec (2) Mr Chan)

The Company commenced the suit on 31 August 2017 before the Singapore High Court against Sumatec and Mr Chan for (among others) damages for conspiracy and causing loss by unlawful means to the Company in relation to their refusal and/or failure to extend funds to the Semua Group in breach of the Shareholders' Agreement dated 5 May 2010 entered into between Sumatec, Ebony and SISB.

By an Order of Court dated 7 December 2018, the Company was granted leave to discontinue Suit 808 against Mr Chan on the basis of the same cause of action in Suit 808 in Singapore or any other jurisdiction.

III. Counterclaim by Sumatec in Suit No. WA-22NCC-52-02/2017 before the High Court of Malaya at Kuala Lumpur

Sumatec commenced a counterclaim in Suit No. WA-22NCC-52-02/2017 before the High Court of Malaya at Kuala Lumpur against the Company and Setinggi Holdings Ltd ("Setinggi") ("KL Counterclaim") which relates to the same matters and seeks substantially the same reliefs as in Kuala Lumpur High Court Suit No. WA-22NCC-142-04/2017 commenced by Sumatec against the Company, Ebony, Setinggi, Mr Kuah Geok Lin, Mr Kuah Geok Khim and Mr Teh Teong Lay (has been struck out pursuant to an Order of Court granted by the Singapore High Court on 30 November 2017 restraining Sumatec from maintaining and/or continuing the prosecution Suit No. WA-22NCC-142-04/2017).

On 16 April 2018, the Court of Appeal struck out the KL Counterclaim.

IV. Sumatec's claim in Suit No. WA-22NCC-65-02/2019 before the High Court of Malaya at Kuala Lumpur against the Company

On 14 April 2019, the Company received a writ dated 25 February 2019 issued from Malaysia High Court filed by Sumatec claiming for general and exemplary damages for fraud and conspiracy. The Company was one of the defendants who were alleged to be acting in concert with Mr Chan with the intention to defraud or deceive Sumatec in relation to the Settlement Agreement 2013 and 2015. The Company has engaged solicitors to defend against Sumatec's claim.

Subsequently, Sumatec has filed an application to amend its claim to add a further cause of action of 'equitable fraud' ("Sumatec's Amendment Application"). The Court allowed Sumatec's amendment application.

For the Financial Year ended 31 December 2019

25 Contingencies (cont'd)

(A) <u>Litigation with Sumatec Resources Bhd ("Sumatec") (cont'd)</u>

IV. Sumatec's claim in Suit No. WA-22NCC-65-02/2019 before the High Court of Malaya at Kuala Lumpur against the Company (cont'd)

On 22 August 2019, the Company filed an application to strike out Sumatec's claim. The said striking out application was initially fixed for hearing on 20 November 2019. However, before the Company's striking out application could be heard, Sumatec was wound up by a court order on 15 October 2019. An Official Receiver was appointed to be the liquidator of Sumatec. On 24 February 2020, Sumatec informed the Court that it was seeking to appoint a private liquidator, Mr Onn Kien Hoe from Messrs Crowe Malaysia PLT for Sumatec. The Court has fixed the matter for Case Management on 13 May 2020 for the Court to be updated whether the Official Receiver has given its approval for the said private liquidator to be appointed for Sumatec

On 6 March 2020, the Company filed an application for security for costs against Sumatec. The said application is also fixed for Case Management on 13 May 2020.

The Court has also fixed the matter for trial on 27 to 30 July 2020.

As at 31 December 2019, the proceedings are still on-going. The outcome of the proceedings remains uncertain.

(B) <u>Kuala Lumpur High Court - Auspicious Journey Sdn Bhd vs Ebony Ritz Sdn Bhd</u>

Auspicious Journey Sdn Bhd a minority shareholder in Ebony Ritz Sdn Bhd ("Ebony"), had filed in the Malaysian High Court a suit against the Company, being the majority shareholder in Ebony, for conducting the affairs of Ebony in manner that is oppressive to the Plaintiff. On 3 August 2016, the trial and hearing of the legal action has been concluded.

The Court issued an Order partially in favour of the Plaintiff and ordered:

- A declaration that the Company has conducted the affairs of Ebony in a manner that is oppressive to the Plaintiff;
- 2. Ebony is to be wound up and the Official Receiver be appointed as the liquidator of Ebony;
- 3. the Company is to pay general damages with interest to the Plaintiff, to be assessed by the Court through an assessment process; and
- 4. the Company has to pay costs of RM300,000 (equivalent to \$\$98,680) to the Plaintiff.

Both the Plaintiff and the Company appealed against the Order. The Appeals were heard on 21 November 2017 and 21 May 2018 in the Court of Appeal. Both Appeals were dismissed.

The Plaintiff filed an application for leave to appeal to the Federal Court against the dismissal of its Appeal by the Court of Appeal. On 13 May 2019, the Federal Court made a decision to allow the Leave application in part, in particular only insofar as the Leave application relates to whether the directors of the Company can be attributed with the Company's liability in respect of its said oppression on Auspicious Journey. The said Federal Court Appeal was only heard in part on 21 January 2020 due to the Federal Court's time constraints. The Appeal is currently fixed for continued hearing on 20 May 2020.

The assessment of damages proceeding in the High Court is currently fixed for case management on 4 June 2020 to update the Court on the outcome of the said Federal Court Appeal. The damages cannot be estimated reliably and hence, the Company made no provision in the financial statements in FY2019.

The Official Receiver of Ebony Ritz Sdn Bhd had previously filed an application for a private liquidator to be appointed to manage Ebony Ritz Sdn Bhd in place of the Official Receiver (the "Private Liquidator Application"). Before that Private Liquidator Application could be heard, Auspicious Journey had filed an Originating Summons to stay proceedings of the Private Liquidator Application pending the disposal of Auspicious Journey's said appeal to the Federal Court ("Auspicious Journey's Stay OS").

For the Financial Year ended 31 December 2019

25 Contingencies (cont'd)

(B) Kuala Lumpur High Court -Auspicious Journey Sdn Bhd vs Ebony Ritz Sdn Bhd (cont'd)

The High Court had allowed Auspicious Journey's Stay OS, which has the effect of staying the Private Liquidator Application pending the disposal of Auspicious Journey's appeal to the Federal Court.

The Company filed an appeal against the said High Court order allowing Auspicious Journey's Stay OS. The appeal has since been withdrawn with no order as to costs.

While the Court has issued an order in favour of the minority shareholder, the amount of damages has not been assessed. As the proceedings for the assessment of damages are still at an early stage and cannot be estimated reliably, no provision has been made in the financial statements. The loan of \$3,600,000 payable to the minority shareholder which is included in current liabilities is also subject to the outcome of the aforementioned proceedings for the assessment of damages.

(C) Kuala Lumpur High Court - Tan Sri Halim bin Saad v Hoe Leong Corporation Limited & 5 Ors

On 9 September 2019, the Company received a writ dated 20 June 2019 from Tan Sri Halim bin Saad claiming for, misrepresentation, fraud, and/or conspiracy alleged to have been committed by the Company and other defendants against Tan Sri Halim bin Saad.

The Company has engaged solicitors to enter its appearance in the civil suit and to defend against the same. The Company has filed its defence against the said civil suit on 4 November 2019. On 16 December 2019, the Company filed an application to strike out the said civil suit filed by Tan Sri Halim bin Saad. The striking out of the application is currently fixed for hearing on 21 May 2020.

As at 31 December 2019, the proceedings are still at an early stage. The outcome of the proceedings remains uncertain.

26. Related party transactions

Other related party transactions

Other than those disclosed elsewhere in the financial statements, transactions with related parties are as follows:

	Gro	Group	
	2019	2018	
	\$'000	\$'000	
Related corporations			
Interest expenses	_	317	
Utilities expenses	69	86	
Rental and miscellaneous expenses	439	486	
Rental income	63	64	

For the Financial Year ended 31 December 2019

26. Related party transactions (cont'd)

Key management personnel compensation

Key management personnel of the Group are persons having the authority and responsibility for planning, directing and controlling the activities of Group entities. The directors, department heads and the chief executive officer are considered as key management personnel of the Group.

	Group	
	2019 \$′000	2018 \$′000
Key management personnel compensation comprised:	• • • • • • • • • • • • • • • • • • • •	7
Short-term employee benefits	1,249	1,616
Post-employment benefits (including CPF)	66	93
	1,315	1,709

27 Subsequent events

The COVID-19 outbreak ("Outbreak") since early 2020 has brought about disruption and uncertainties in the Group's operating environment and has impacted the Group's operations and its financial position subsequent to the financial year end, 31 December 2019. The financial reporting effects of the Outbreak is considered a post balance sheet non-adjusting event as the significant changes to the business activities and economic conditions occurred as a result of events occurring after the balance sheet date, accordingly no adjustments are to be made to 31 December 2019 financials. The situation is fast evolving and the effect of the Outbreak is subject to significant levels of uncertainty, with the full range of possible effects unknown. Given the uncertainty of the potential impact, the material uncertainties that cast doubt on the company's ability to operate under the going concern basis from the next twelve months is disclosed under note 2.

STATISTICS OF SHAREHOLDINGS

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 20 MARCH 2020

	No. of	No. of		
Size of Shareholdings	Shareholders	%	Shares	%
1 - 99	44	2.97	596	0.00
100 - 1,000	108	7.29	70,485	0.00
1,001 - 10,000	322	21.74	2,240,380	0.04
10,001 - 1,000,000	956	64.55	111,791,224	1.99
1,000,001 AND ABOVE	51	3.45	5,505,329,894	97.97
TOTAL:	1,481	100.00	5,619,432,579	100.00

Note:

Percentage computed is based on 5,619,432,579 shares (excluding shares held as treasury shares) as at 20 March 2020. Treasury shares as at 20 March 2020 are 470,000 shares.

TWENTY LARGEST SHAREHOLDERS AS AT 20 MARCH 2020

No.	Shareholder's Name	No. of Shares Held	%
1	United Overseas Bank Nominees Pte Ltd	1,611,062,393	28.67
2	Hoe Leong Co. (Pte.) Ltd.	1,589,854,677	28.29
3	DBS Nominees Pte Ltd	975,559,725	17.36
4	CGS-CIMB Securities (Singapore) Pte Ltd	458,059,404	8.15
5	DBS Vickers Securities (Singapore) Pte Ltd	290,603,850	5.17
6	RHB Bank Nominees Pte Ltd	280,903,297	5.00
7	Sing Investments & Finance Ltd	118,555,561	2.11
8	Maybank Nominees (Singapore) Pte Ltd	38,396,802	0.68
9	Kuah Geok Lin	15,506,617	0.28
10	Kuah Geok Khim	15,314,117	0.27
11	Quah Yoke Hwee	15,314,117	0.27
12	Maybank Kim Eng Securities Pte. Ltd	10,755,676	0.19
13	Kuah Geok Khim	7,400,592	0.13
14	Raffles Nominees (Pte) Limited	6,972,300	0.12
15	Heng Wang Chew	4,000,000	0.07
16	Tan Kee Sea	3,700,200	0.07
17	Tan Bak Chua Robert	3,561,000	0.06
18	Chua Yean Cheng (Cai Yingqing)	3,506,900	0.06
19	Chew Eu Hock	2,907,800	0.05
_20	Larry Kong Chin Wa (Kuang Zhenhua)	2,800,000	0.05
	TOTAL	5,454,735,028	97.05

Note:

Percentage computed is based on 5,619,432,579 shares (excluding shares held a treasury shares) as at 20 March 2020. Treasury shares as at 20 March 2020 are 470,000 shares.

STATISTICS OF SHAREHOLDINGS

SHAREHOLDING STATISTICS AS AT 20 MARCH 2020

Class of shares

Voting rights

Condinary shares fully paid

One vote per share

No. of issued and paid-up shares (excluding treasury shares)

5,619,432,579

No. of treasury shares held : 470,000

REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 20 MARCH 2020

	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
	140. Of Silares	70	140. Of Sildies	
United Overseas Bank Limited (1)	_	_	1,610,543,486	28.66
Hoe Leong Co. (Pte.) Ltd.	1,589,854,677	28.29	_	_
DBS Bank Ltd. (2)	_	_	916,972,699	16.32
CIMB Bank Berhad (3)	_	_	452,285,350	8.05
Australia and New Zealand Banking Group Ltd (4)	_	_	290,105,850	5.16
Kuah Geok Lin (5)	15,506,617	0.28	1,589,854,677	28.29
Kuah Geok Khim (5)	15,314,117	0.27	1,589,854,677	28.29
Quah Yoke Hwee (5)	15,314,117	0.27	1,589,854,677	28.29
Mdm Kuah Geok Khim (5)	7,400,592	0.13	1,589,854,677	28.29

Note:

- (1) United Overseas Bank Limited's interests in 1,610,543,486 shares were held under the name of nominees United Overseas Bank Nominees Pte Ltd.
- (2) DBS Bank Ltd.'s interests in 916,972,699 shares were held under the name of nominees DBS Nominees Pte Ltd.
- (3) CIMB Bank Berhad's interests in 452,285,350 shares were held under the name of nominees CGS-CIMB Securities (Singapore) Pte Ltd.
- (4) Australia and New Zealand Banking Group Ltd's interests in 290,105,850 shares were held under the name of nominees DBS Vickers Securities (Singapore) Pte Ltd.
- (5) Messrs Kuah Geok Lin, Kuah Geok Khim, Quah Yoke Hwee and Mdm Kuah Geok Khim are deemed to be interested in the shares of the Company held by Hoe Leong Co. (Pte.) Ltd. by virtue of Section 7(4) of the Companies Act.

PERCENTAGE OF SHAREHOLDING IN THE HANDS OF THE PUBLIC

As at 20 March 2020, 12.35% of the issued share capital of the Company was held in the hands of the public (based on the information available to the Company). Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive:

Liew Yoke Pheng Joseph

(appointed on 23 Oct 2019, appointed as Chairman and CEO on 25 Oct 2019)

James Kuah Geok Lin

(Chairman and CEO, resigned on 25 Oct 2019)

Quah Yoke Hwee

(Executive Director, resigned on 25 Oct 2019)

Paul Kuah Geok Khim

(Executive Director, resigned on 25 Oct 2019)

Non-Executive:

Choy Bing Choong

(Appointed on 1 Sept 2019, appointed as Lead Independent Director on 1 Nov 2019)

Lee Chin Chai

(Independent Director, appointed on 1 Nov 2019)

Ang Mong Seng

(Independent Director)

Yeoh Seng Huat Geoffrey

(Lead Independent Director, resigned on 30 Sept 2019)

Hoon Ching Sing

(Independent Director, resigned on 30 Sept 2019)

AUDIT COMMITTEE

Choy Bing Choong

(Chairman, appointed on 1 Nov 2019)

Ang Mong Seng

Lee Chin Chai

(appointed on 1 Nov 2019)

Hoon Ching Sing

(Chairman, resigned on 30 Sept 2019)

Yeoh Seng Huat Geoffrey

(Resigned on 30 Sept 2019)

NOMINATING COMMITTEE

Lee Chin Chai

(Chairman, appointed on 1 Nov 2019)

Ang Mong Seng

Liew Yoke Pheng Joseph

(Appointed on 23 Oct 2019)

Yeoh Seng Huat Geoffrey

(Chairman, resigned on 30 Sept 2019)

James Kuah Geok Lin

(Resigned on 25 Oct 2019)

REMUNERATION COMMITTEE

Ang Mong Seng

(Chairman)

Choy Bing Choong

(Appointed on 1 Nov 2019)

Lee Chin Chai

(Appointed on 1 Nov 2019)

Hoon Ching Sing

(Resigned on 30 Sept 2019)

Yeoh Seng Huat Geoffrey

(Resigned on 30 Sept 2019)

COMPANY SECRETARY

Ang Siew Koon, ACIS

REGISTERED OFFICE

6 Clementi Loop

Singapore 129814

Tel: (65) 6463-8666

Fax: (65) 6564-7252

Website: http://www.hoeleong.com Registration No. 199408433W

SHARE REGISTRAR

Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.)

80 Robinson Road #02-00

Singapore 068898

AUDITOR

KPMG LLP

16 Raffles Quay, #22-00

Hong Leong Building

Singapore 048581

Audit Partner-in-charge

Teo Han Jo

Appointed with effect from financial year 2019

PRINCIPAL BANKERS

United Overseas Bank Limited Standard Chartered Bank (Singapore) Limited

HOE LEONG CORPORATION LTD.

Registration No.: 199408433W

6 Clementi Loop, Singapore 129814

Tel: +65 6463 8666 Fax: +65 6564 7252