



NORDIC
Group Limited

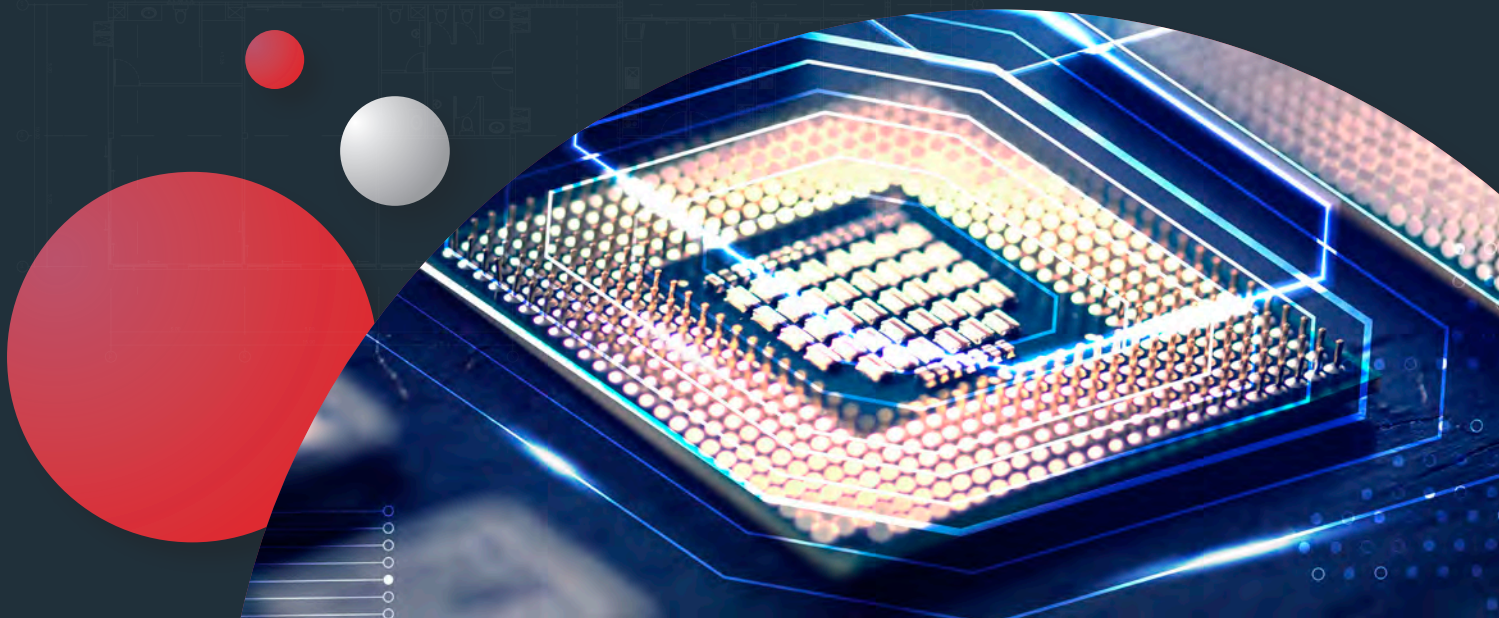
ANNUAL REPORT
2021

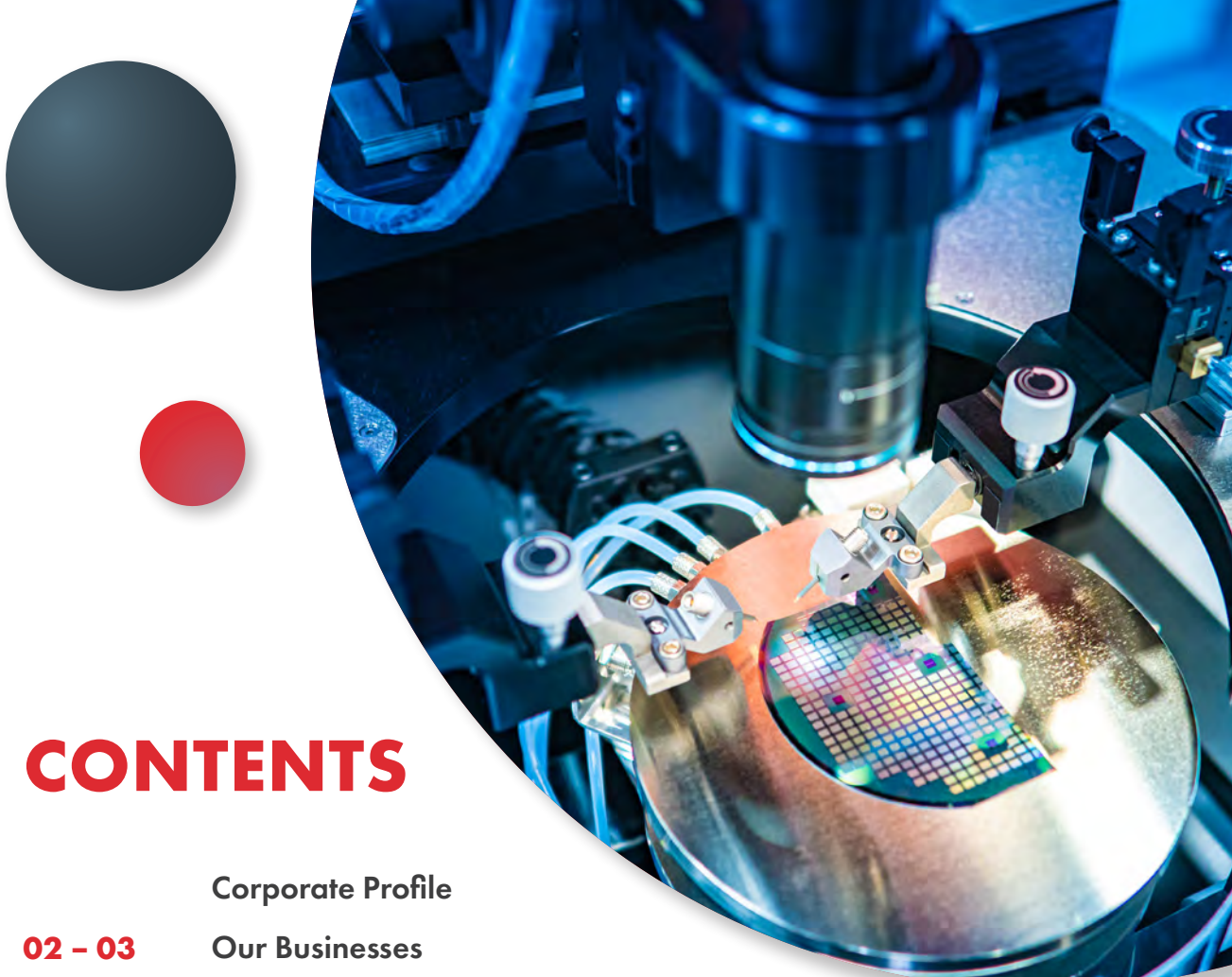
**BUILDING
MOMENTUM
CAPTURING
OPPORTUNITIES**

CORPORATE PROFILE

Listed on the Singapore Stock Exchange Mainboard in 2010, we are a global solutions provider in areas of System Integration, Maintenance, Repair, Overhaul and Trading, Precision Engineering, Scaffolding, Insulation Services, Petrochemical and Environmental Engineering Services and Cleanroom, Air and Water Engineering Services. Our System Integration division turns systems into solutions by providing Flow, Automation and Navigation solutions, while the Maintenance, Repair, Overhaul and Trading division provides after-sales service support for the marine, oil & gas and infrastructure industries. Our Precision Engineering division designs and builds tooling systems, and provides turnkey production solutions for the aerospace, marine, medical, oil and gas, and electronic manufacturing industries. Our Scaffolding Services division provides scaffolding and alternative access solutions for the oil & gas, petrochemical, construction and marine industries. Our Insulation Services division specialises in thermal and cryogenic insulation, thermal spray aluminium and passive fireproofing services in the petrochemical, pharmaceutical, marine, oil and gas industries. Our Petrochemical and Engineering services division specialises in a wide range of services: pre and post commissioning cleaning, heat exchanger cleaning, tank cleaning, process plant recovery work, temporary intervention activities in process plants, on line cleaning process, turnaround work and support, decontamination services, temporary equipment support services, product filtering services and support in operation of utility plants in the petrochemical, manufacturing, and infrastructure industries. Our Cleanroom, Air and Water Solutions Engineering Services provides holistic suite of services in facilities engineering services, maintenance, engineering, project management and construction for air pollution control system, water and waste treatment system to semiconductor, pharmaceutical, oil and gas, power plant and municipal sectors.

Our Precision Engineering operation is based in Singapore and Suzhou, People's Republic of China. Our head office and other businesses are mainly located in Singapore. Our Cleanroom, Air and Water Solutions Engineering Services is located in Singapore and Malaysia.





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OUR BUSINESSES



System Integration

We turn systems into solutions by providing Flow, Automation and Navigation solutions that includes valve remote control systems and tank gauging systems. We also offer services such as Engineering, Procurement, Installation, and Commissioning (“EPIC”) for conversion, upgrading, factory and infrastructure automation.

Maintenance, Overhaul and Trading

With our extensive network of service centres spanning across the globe, our dedicated team of consultants readily provides prompt service support round the clock as part of our after-sales service. To date, over 1,000 vessels have been fitted with our systems, with the number steadily increasing with every delivery of new vessel, creating more opportunities for conversion and retrofitting of existing vessels.



Precision Engineering

Featuring 5-axis CNC machines at our production facilities in Suzhou, PRC, we specialise in the design and building of tooling systems, and provision of turnkey production solutions in high mix, low volume niche industries, servicing customers mainly from the marine, oil and gas, aerospace, medical and electronic manufacturing services industries.

Scaffolding Services

We provide scaffolding and alternative access solutions for the oil and gas, petrochemical, construction, marine and semiconductor industries in Singapore. We have the requisite technical capabilities, expertise and infrastructure to execute complex projects. As testament to our strong customer base and longstanding relationships, we are the resident contractor for many major local and multinational companies.



OUR BUSINESSES



Insulation Services

We specialise in supplying thermal, cryogenic, acoustic, clean room insulation, passive fireproofing services and industrial coatings such as thermal spray aluminium. With a skilled workforce and technical expertise, we have established a strong presence in several industries including the marine, oil and gas, petrochemical and pharmaceutical industries.

Petrochemical and Environment Engineering Services

We specialise in a wide range of services: pre and post commissioning cleaning, heat exchanger cleaning, tank cleaning, process plant recovery work, temporary intervention activities in process plants, on line cleaning process, turnaround work and support, decontamination services, temporary equipment support services, product filtering services and support in operation of utility plants. We serve the petrochemical, manufacturing, and infrastructure industries.





Cleanroom Air and Water Engineering Solutions

We provide a holistic suite of services in facilities engineering services, maintenance, engineering, project management and construction for air pollution control system, water and waste treatment system to semiconductor, pharmaceutical, oil and gas, power plant and municipal sectors.

SALES & SERVICES NETWORK

Covering Singapore and various locations globally, our system integration division sales and services network provides prompt and proficient service support.

Legend:

	
Existing Presence (Agents)	Nordic



AWARDS & ACCREDITATIONS



System Integration

All systems, associated equipment and parts offered to customers are accredited by various marine classification bodies such as ABS, China Classification Society, Germanischer Lloyd, Indian Register of Shipping, Korean Registry of Shipping, Lloyd's Register, Nippon Kaiji Kyokai and Polski Rejestr Statkow. Attaining certifications, such as ISO9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System, ISO 45001:2018 Occupational Health and Safety Management System and the WSH bizSAFE Star award reinforces our steadfast dedication to quality and safety excellence.

Insulation Services

Our Insulation Services division is committed to providing quality products and solutions to customers. Besides having the quality certification ISO 9001:2015, we are also ISO 14001:2015 Environmental Management System and ISO 45001:2018 Occupational Health & Safety Management System certified. We are awarded bizSAFE Star certification from the Workplace Safety and Health Council (WSH).

Scaffolding Services

Our Scaffolding Services division was one of the first in its industry to obtain the ISO 9001 (previously known as ISO 9002) certification in 1997. Multiheight has also received the ISO 14001:2015 Environmental Management System and ISO 45001:2018 Occupational Health & Safety Management System and for the Erection & Dismantling of Metal Scaffolding. Multiheight is a certified ITE OJT center and also a WSH bizSAFE Star certified organisation. These are testament to our achievements in meeting stringent quality and safety requirements over the years.

Petrochemical & Environment Engineering Services

Our Petrochemical & Environmental Engineering Services division is certified with the valued Integrated Management System (IMS), which encompasses 3 systems, namely the ISO 9001:2015 Quality Management System, ISO 14001:2015 Environmental Management System and ISO 45001:2018 Occupational Health & Safety Management System. We are a certified OJT Centre with ITE, Singapore and awarded WSH bizSAFE Star certification for our commendable work safety. We are also the official blood donation center for the Singapore Red Cross Society.

Precision Engineering

Our commitment to quality is evident as we attained certification for AS 9100 D and ISO 9001:2015.

Cleanroom Air & Water Engineering Solutions

Our cleanroom air and water engineering solutions are able to meet the stringent requirements of the industry by attaining and implementing the ISO: 9001:2015 Quality Management System, ISO:14001:2015 Environmental Management System and ISO 45001:2018 Occupational Health and Safety Management System. We are also a WSH bizSAFE Star certified organisation.

CHAIRMAN'S STATEMENT



Dear Shareholders,

On behalf of the Board of Nordic Group Limited ("Nordic" or together with its subsidiaries, the "Group"), it is my honour and privilege to deliver to you our Annual Report 2021 for the financial year ended 31 December 2021 ("FY2021").

Year in Review - Back to Pre-pandemic Level and Record High Revenue

2021 has shown us that predictions and expectations can change just as quickly as the pandemic may mutate and present new variants to the world. However, with our resilience and diversified business model, the new variants and restrictions did not slow down the Group in FY2021 as business activities resumed to a pre-Covid level steadily on the back of the bold decision to shore up labour shortages regardless of cost.

As a continuation on the recovery path, the financial results of the Group in FY2021 resumed its improvements over that of FY2020. I am thrilled to report that our revenue for the Group went past the S\$100 million mark for the first time. The Group's revenue increased 28% year-on-year ("yoy") to highest level of S\$103.1 million in FY2021 as business activities resumed to pre-pandemic levels along with a healthy momentum pick-up for both Project services

("PS") and Maintenance services ("MS"). Revenue contribution from PS increased by 23% to S\$48.4 million and revenue from MS surged by 32% to S\$54.7 million in FY2021.

This year, we have also benefitted from the Government's various schemes and grants to support industries affected by Covid-19 and labour shortage. Overall, our gross profit margin ("GPM") improved from 22% in FY2020 to 27% in FY2021. If we exclude the rebates and grants, the GPM was 25% in FY2021, a huge jump from GPM of 16% in FY2020. Hence, gross profit jumped by 55% to S\$27.8 million in FY2021.

EBITDA rose 58% to S\$19.0 million in FY2021 from S\$12.0 million in FY2020 as a result of greater revenue, better profit margins and effective cost management. In addition, the net profit attributable to shareholders grew over 2.5 times from S\$5.5 million in FY2020 to S\$13.9 million in FY2021.

In view of the strong performance, the Board of Directors have proposed a final dividend of 0.608 Singapore cents per share and a special dividend of 0.152 Singapore cents. Together with the interim and special dividend paid

CHAIRMAN'S STATEMENT

on 3 September 2021, this brings the total dividend pay-out for FY2021 to 1.74 Singapore cents per ordinary share which is 3.2 times over FY2020's dividend pay-out of 0.549 Singapore cents per ordinary share. Total dividend of 1.74 Singapore cents represented a dividend yield of 4.1%¹. Dividend pay-out for FY2021 is 50%², which is 10% higher than our dividend pay-out policy of 40%, as a reward for our loyal shareholders and in line with our better performance.

Our balance sheet further strengthened during the year as cash and cash equivalents rose from S\$57.5 million as of 31 December 2020 to S\$75.3 million as of 31 December 2021. Total loan and borrowings increased to S\$60.3 million as of 31 December 2021 due to a drawdown of loans which also increased cash and cash equivalents. However, the net cash position increased to S\$15.1 million as of 31 December 2021 by 30% from S\$11.6 million as of 31 December 2020.

Inorganic Growth – Acquisition of Starburst Holdings Limited

On 10 November 2021, the Group announced its proposed acquisition of Starburst Holdings Limited ("Starburst") with a pre-conditional voluntary offer of S\$0.238 per ordinary share. Starburst specialises in design, fabrication, installation and maintenance of anti-ricochet ballistic protection systems for shooting ranges and tactical training mock-ups with clients mainly from Singapore and the Middle East. These clients from the security industries are more exclusive to acquire and are in new regions for the Group to tap in.

Starburst is an exceptional business having its proprietary line of anti-ricochet ballistic protection materials with good potential and complements the existing businesses of the Group. It has seen increases in revenue and net profit for FY2021 which is a testament to its financials even with the ongoing pandemic. Starburst's strength lies in the building of steel and concrete structures which can be applicable to the needs of the Group's clients for lightweight and durable structures. Likewise, the Group has solutions in electrical and instrumentation, thermal and acoustic insulation as well as scaffolding services that can bring improvements to Starburst's current client facilities and future builds.

On 3 March 2022, the Group received valid acceptances of the offer in respect of more than 90% of the total number of issued shares (excluding treasury shares) of Starburst

and was entitled to exercise the right to acquire all of the remaining shares compulsorily. The total cost of the acquisition is S\$59.1 million, funded by internal resources and bank borrowings. The proforma gearing ratio using FY2021 financial results and including new estimated debt of S\$41.2 million is at 0.29 times, showing a low exposure to debt compared to net asset. Starburst will be delisted tentatively on 22 April 2022 as per current intentions and its management will be kept as advisors to the Group to maintain and enhance its current advantages. We are pleased to welcome its business into our fold as one of our many capabilities we can share with our clients.

Strong Order Winning Momentum – Fuelled by Recovery and Growth

Even the emergence of new variants in 2021 did not dampen the Group's order winning momentum. In the entire 2021, the Group secured total S\$141.7 million worth of contracts through all the efforts of the staff and management. As of 31 December 2021, the Group's outstanding order book stood at S\$166.0 million with S\$60.4 million or 36% from PS segment and S\$105.6 million or 64% from MS segment. These orders will be spread over the next 36 months, solidifying the Group's revenue stream until FY2024. The order book has grown by 87% compared to S\$89.0 million as of 31 December 2020 showing the growth of the Group's capacity and capability.

I am also delighted to highlight that on 21 March 2022, the Group secured additional S\$151.6 million worth of contracts and this included S\$90.1 million of contracts secured by our newly acquired subsidiary, Starburst. With these recent wins, our order book stood at S\$262.4 million as of 21 March 2022 and of this about S\$87.4 million is attributable to Starburst.



¹ Based on the closing price of S\$0.42 per share on 23 March 2022

² Based on total number of issued shares at 400,000,000, pay-out is 50% of NPAT (50% x \$13,876,000 / 400,000,000 = 1.74)

³ Gearing = (Total Borrowings minus Cash) over Net Asset Value

CHAIRMAN'S STATEMENT

Business Outlook

The Group's operations in China faced shut down in early 2020 due to measures taken against the Covid-19 pandemic. While the factories in China are in full operations since March 2020, the increase in revenue from China is outpaced by the revenue growth from Singapore's faster recovery pickup. As a result, revenue contribution from China decreased to 24% in FY2021 from the previous year's 26%. Singapore continued to be our main revenue driver and registered growth in contributions to the Group's revenue from 74% in FY2020 to 76% in FY2021 with improvement in the pandemic situation as the government pushed for higher vaccination rates and endemic living approach.

Oil prices on average increased 67% to US\$69.1 per barrel in 2021 yoy, as global crude oil demand rose more than the production. This would be a boost to oil producers' top line and The U.S. Energy Information Administration ("EIA") in January 2022 forecasted a fall in oil prices for 2022 and 2023 as production and inventory increases, showing the short-term energy outlook at that point of time.

However, due to the conflict between Russia and Ukraine, the oil prices have jumped by more than 30% to hit US\$130 per barrel. Supply shocks over sanctions on Russia, the world's largest exporter of oil to global markets, created additional volatility by limiting purchases from Russia. The increase in oil prices is expected to support the oil majors in their operations and expansion, however the effect may not be realised immediately in the short-term due to lead time. Against this background, we are cautiously optimistic for our Scaffolding, Insulation and Petrochemical & Environmental Engineering divisions to secure more orders going forward.

Overall, while the Group's outlook is positive with improvement in financial results and higher order book level, we remain prudent and cautious in our approach for the future. As evident from the continued pandemic and geo-political conflict, we cannot take on the everchanging global situation without making thorough preparation and planning. Our management will continue to practise meticulous cost and risk management so as to protect our stakeholders' interest and to grow our shareholder's value. We also want to reiterate to our shareholders that we will continue to look at feasible organic and inorganic opportunities to grow further and the recent acquisition of Starburst is a testament of that.

Appreciation

On behalf of the Board of Directors, I would like to thank all our customers for their continued support through this challenging time and over the years. Your support allows us to continue to provide safe and high-quality products and services to you, and we look forward to maintaining this relationship for years to come.

Next, I would like to offer my thanks to my fellow Board of Directors and to the key management and staff of the Group. It is with their grit, efforts and commitment that we are able to overcome the challenges posed by the pandemic, together.

I would also take this opportunity to welcome onboard Mr Astro Chang Yeh Fung who joined us from December 2021 as the Group Head, Strategic Investments and Projects.

Finally, I would like to take the opportunity to thank all of our steadfast shareholders for their support in the Group's strategic direction and in our management team's leadership. We will endeavour to bring the Group to greater heights through growth in financial performance and expansion in the Group's business and capabilities.

Thank you.

Yours sincerely,

Chang Yeh Hong
Group Executive Chairman

5 April 2022



⁴ <https://thedocs.worldbank.org/en/doc/5d903e848db1d1b83e0ec8f744e55570-0350012021/related/CMO-Pink-Sheet-March-2022.pdf>

⁵ <https://www.eia.gov/todayinenergy/detail.php?id=50858>

⁶ <https://www.eia.gov/todayinenergy/detail.php?id=50858>

BOARD OF DIRECTORS



CHANG YEH HONG
Executive Chairman

Chang Yeh Hong is our Executive Chairman. He was appointed to our Board on 8 April 2010 and was last re-elected at the Company's Annual General Meeting ("AGM") on 27 April 2020. He is responsible for the working of the Board; the reviewing of business plans, strategic positioning and business expansion of the Group. He is a member of our Nominating Committee. He has more than 18 years of experience in the banking industry. From 1999 to 2000, he was the regional managing director of Asia Pacific with Citibank, and from 2000 to 2002, he was the global head of a product group with Standard Chartered Bank. Since he took an executive role with us in 2004, he has played a pivotal role in the growth and development of our Group. Mr Chang holds a Bachelor of Arts degree majoring in Economics from National University of Singapore and has completed the Standard Chartered International Management Programme in INSEAD Fontainebleau, France and the Business Financial Management Programme with Manchester Business School, United Kingdom



TEO LING LING DORCAS
Executive Director & Chief Executive
Officer, Nordic Flow Control

Teo Ling Ling Dorcas is our Executive Director. She was appointed to our Board on 30 June 2010 and was last re-elected at the Company's AGM on 26 April 2021. She has been with us since 2003 and was appointed Chief Executive Officer of Nordic Flow Control in 2012. She is responsible for the overall operations, sales and business development and profit and loss management of Nordic Flow Control. She has more than 25 years of experience in the marine and offshore valve remote control industry. From 1994 to 2003, she was with Tyco Flow Control Pte Ltd where she eventually took on the position of sales manager. Ms Teo holds a Bachelor of Commerce degree with major studies in Management from The University of Western Sydney, a Diploma in Sales and Marketing from the Marketing Institute of Singapore as well as a Diploma in Electrical Engineering from the Singapore Polytechnic. In 2006, Ms Teo was awarded the Spirit of Enterprise Award in recognition of her inspiring her fellow Singaporeans to achieve greater entrepreneurial excellence.



LEE KIM LIAN JULIANA
Independent Director

Lee Kim Lian Juliana is our Independent Director. She was appointed to our Board on 16 September 2010 and was last re-elected at the Company's AGM on 26 April 2021. She is currently the Chairwoman of our Nominating Committee, and a member of our Audit Committee and Remuneration Committee. Ms Lee also serves as an independent director on the boards of other listed companies, namely Uni-Asia Group Limited, VCPlus Limited (formerly known as Anchor Resources Limited) and Dyna-Mac Holdings Ltd. Ms Lee is a Director of Aptus Law Corporation, a law firm in Singapore. She has more than 25 years of experience in legal practice and currently heads the corporate practice of Aptus Law Corporation. Her main areas of practice are corporate law, corporate finance, mergers and acquisitions and venture capital. Ms Lee holds a Bachelor of Laws (Honours) degree from National University of Singapore and is a member of the Singapore Institute of Directors.

BOARD OF DIRECTORS



SIAU KAI BING

Independent Director

Siau Kai Bing is our Independent Director. He was appointed to our Board on 27 April 2020 and was last re-elected at the Company's AGM on 26 April 2021. He is currently the Chairman of our Audit Committee, and a member of our Remuneration Committee and Nominating Committee. Mr Siau also serves as an Independent Director at Union Steel Holdings Limited and Econ Healthcare (Asia) Limited. He has more than 40 years of experience in accounting and audit and has held various senior appointments in finance in the past including Chief Financial Officer and Independent Director in public listed companies. Mr Siau holds a Bachelor of Accountancy from the National University of Singapore and he is a Fellow Chartered Accountant with the Institute of Singapore Chartered Accountants.



LEE KOK KENG ANDREW

Independent Director

Lee Kok Keng Andrew is our Independent Director. He was appointed to our Board on 29 April 2019. He is currently the Chairman of our Remuneration Committee, and a member of our Audit Committee and Nominating Committee. Mr Lee also serves as an Independent Director at OCBC Al-Amin Bank Berhad in Malaysia and Oversea-Chinese Banking Corporation Limited in Singapore. He has more than 35 years of experiences in banking and financial services. Mr Lee holds a Bachelor of Social Science (Honours in Economics) from the University of Singapore and has attended the Stanford Executive Programme at Stanford University.



SENIOR MANAGEMENT



LIN CHOON HIN ERIC

Executive Director, Ensure

Lin Choon Hin Eric is the Executive Director of Ensure. He is also the founder of Nordic Flow Control. Eric has more than 25 years of experience in the marine, offshore and automation industries. Mr Lin holds a Diploma in Manufacturing Engineering from Singapore Polytechnic.



TANG YEW QUAN

Senior Executive, Group Office

Tang Yew Quan is a senior executive in the group office. He left our Group as the Chief Financial Officer in April 2014 and rejoined 12 months later and since then held various positions in our Group. In April 2020, he assumed current position. He has more than 30 years of experience in the banking industry. He held local and regional positions from 1977 to 2008 in Standard Chartered Bank. Prior to joining our Group in December 2009, he was the Country Head of Credit for Small & Medium Enterprises at the Taiwan branch of Standard Chartered Bank. Mr Tang holds a Bachelor of Business Administration degree from the then University of Singapore and a Master of Business Administration (Banking and Finance) degree from Nanyang Technological University.



KOH WEI MING RODNEY

Chief Executive Officer, Avitools
and Country Head, China

Koh Wei Ming Rodney is the Chief Executive Officer of Avitools and Country Head of China. He is responsible for the overall operations, sales and business development and profit and loss management of Avitools. He reports to our Executive Chairman for regulatory, governance and compliance matters for China entities. Mr Koh was a senior repair development engineer at Pratt & Whitney Services Pte Ltd (SPRO) from 1999 to 2001, and an engineering manager from 2002 to 2005. From 2005 to 2006, he was the Operations Manager of Avitools Singapore. Mr Koh holds a Bachelor of Engineering degree from the University of Aberdeen and a Diploma in Mechanical Engineering from Ngee Ann Polytechnic.

SENIOR MANAGEMENT



TENG POH LIANG

Chief Executive Officer, Austin Energy

Teng Poh Liang is the Chief Executive Officer of Austin Energy. He is responsible for the overall operations, sales and business development and profit and loss management of Austin Energy. He joined the Group as Group Head of Business Excellence and Corporate Development in March 2017. He was appointed as the Chief Operating Officer in October 2017 and Chief Executive Officer in January 2020 of Austin Energy. Prior to joining us, he held various positions in small medium enterprises to multinational companies as project engineer, project manager and general manager. Mr Teng holds a Bachelor of Engineering (Mechanical & Production Engineering) degree from the Nanyang Technological University and a Diploma in Marketing Management from Singapore Institute of Management.



LEE MEI HUE JEANETTE

Chief Executive Officer, Envipure

Lee Mei Hue Jeanette was appointed the Chief Executive Officer of Envipure from 1 March 2022. She is responsible for the overall operations, sales and business development and profit and loss management of Envipure Group. She joined our Group in 2003. Prior to joining Envipure Group, she was our General Manager, Sales in Nordic Flow Control. Ms Lee holds a Bachelor of Electrical and Electronics Engineering degree from University of Sunderland and Diploma in Electrical Engineering from Singapore Polytechnic.



LIM BEE HONG SAMANTHA

Chief Operating Officer, Avitools Suzhou and General Manager, Nordic Suzhou and Deputy Country Head, China

Lim Bee Hong Samantha is the Chief Operating Officer of Avitools Suzhou, General Manager of Nordic Suzhou and Deputy Country Head, China. She is responsible for all aspects relating to internal controls, risk management and business process improvement of our China subsidiaries as well as serving as deputy country head for China. From 1995 to 1999, she was an accounts executive at Planet Hollywood (Asia) Pte Ltd. From 2001 to 2004, Samantha was an accounts supervisor at International Refinery Services Pte Ltd. From 2004 to 2007, she was our Group accountant, and from 2007 to 2008, she was a senior accountant at CapitalLand Limited. From 2008 to 2009, she was Head, Business Control of Nordic Flow Control. Ms Lim holds a Bachelor of Commerce Degree in Accounting and Banking from Curtin University of Technology.

SENIOR MANAGEMENT



CHOU CHEE FATT

Chief Operating Officer, Nordic Flow Control

Chou Chee Fatt is the Chief Operating Officer of Nordic Flow Control and is responsible for the management of the overall operations of Nordic Flow Control. This includes resource management, planning, project execution, budget and cost control. He is also responsible for the continuous improvement in process and overall productivity of the team. Prior to becoming our Chief Operating Officer, he was our General Manager, Design Software, Technical Support and he was responsible for leading the design and software engineers to provide software and design capabilities to our project team as well as to offer technical support on our products. From 1997 to 2001, he was a project engineer at Flexlink Systems Pte Ltd. From 2002 to 2003, he was a project engineer at Spraying System Pte Ltd.

Prior to joining us in 2003, he was a project engineer at Tyco Building Services Pte Ltd. Mr Chou holds a Bachelor of Engineering (Electrical & Electronic Engineering) degree and a Master of Science (Communication Software & Networks) degree from the Nanyang Technological University.



JAMIL BIN PUNGOT

Chief Operating Officer, Multiheight

Jamil Bin Pungot is the Chief Operating Officer of Multiheight. He is responsible for the management of the overall operations of Multiheight. This includes resource management, planning, project execution, budget and cost control. He is also responsible for the continuous improvement in process and overall productivity of the team. Prior to becoming our Chief Operating Officer in January 2020, he was our Operations Manager and he joined our Group in 2007. Mr Pungot holds a Diploma in Marine Engineering from Singapore Polytechnic.



TAN PENG HOCK STANLEY

Chief Operating Officer, Envipure

Tan Peng Hock Stanley was appointed the Chief Operating Officer of Envipure from 1 March 2022. He is responsible for the management of the overall operations of Envipure. This includes resource management, planning, project execution, budget and cost control. He is also responsible for continuous improvement in process and overall productivity of the Envipure Team. He joined Envipure in 2006 as a project engineer. Mr Tan holds a Bachelor of Engineering (Civil Engineering) - Major Modules related to Environmental Engineering from National University of Singapore. He is a certified Project Management Professional (PMP)[®], the world's leading project management certification by the Project Management Institute (PMI[®]), USA.

SENIOR MANAGEMENT



CHIA MENG RU
Group Chief Financial Officer

Chia Meng Ru was appointed as our Group Chief Financial Officer on 17 August 2017 and Company Secretary on 17 October 2017. She is responsible for the Group's back office functions which includes finance, human resource, payroll, legal and compliance, office administration and information technology. She supports our Executive Chairman in the Group's strategic business planning process and participates in all major investment initiatives and decisions, providing financing options and optimal structuring of major projects, apart from building and enhancing shareholder and investor relations. Prior to joining our Group, she was an audit partner in RSM Chio Lim LLP. Ms Chia holds a Bachelor of Accountancy (Honours) degree from Nanyang Technological University. She is a member of the Institute of Singapore Chartered Accountants and a Fellow Member of Chartered Accountants Australia and New Zealand.



CHANG YEH FUNG ASTRO
Group Head, Strategic Investments
and Projects

Chang Yeh Fung Astro was appointed Group Head, Strategic Investments and Projects from 1 December 2021. He is responsible for the Group's Investments and Projects including M&A. Prior to joining us, he was Director and Head of Forex, Fixed Income and Derivatives Integration, Asia ex-Japan in IHS Markit. Mr Chang holds a Bachelor of Science in Economics (Honours) from University of London and a Masters in Applied Finance from the University of Melbourne, Australia.



LEE ENG SOON
General Manager, Envipure Malaysia
and Country Head, Malaysia

Lee Eng Soon is the General Manager of Envipure Malaysia and the Country Head of Malaysia. He is responsible for the sales, administrative, business continuity and sustainability of Envipure Malaysia. He reports to our Executive Chairman for regulatory, governance and compliance matters for Malaysia entities. He joined Envipure Malaysia in 2011 as an engineer in project and sales department. Mr. Lee holds a Bachelor of Technology degree from the National University of Singapore.

FINANCIAL HIGHLIGHTS AND INVESTMENT SCORECARD

REVENUE

\$103.1 MILLION

FY2020: \$80.8 million

EARNINGS PER SHARE

3.6 CENTS

FY2020: 1.4 cents

NET ASSET VALUE PER SHARE

25.2 CENTS

FY2020: 22.8 cents

NET PROFIT

\$13.9 MILLION

FY2020: \$5.5 million

MARKET CAPITALISATION³ AS AT 31 DECEMBER 2021

\$157 MILLION

FY2020: \$101 million

EBITDA

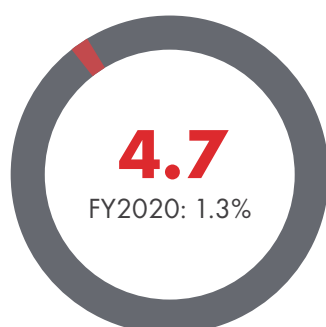
\$19.0 MILLION

FY2020: \$12.0 million

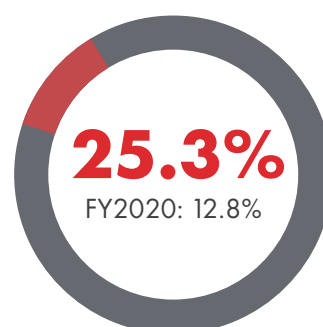
ORDER BOOK AS AT 31 DECEMBER 2021

\$166 MILLION

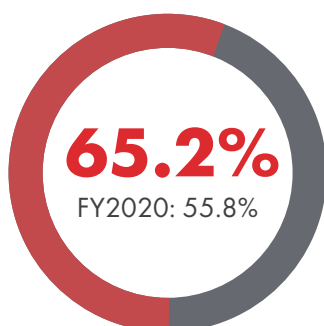
FY2020: \$89.0 million



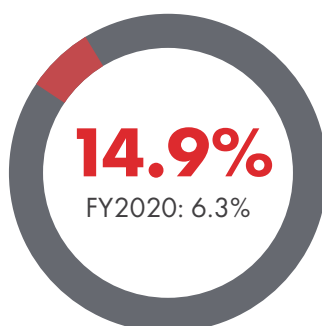
RETURN ON ASSET³



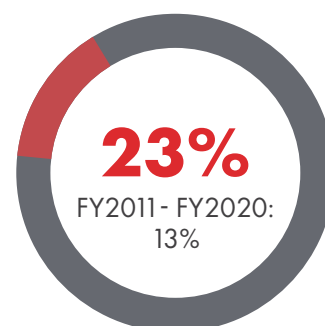
RETURN ON INVESTED CAPITAL¹



TOTAL DEBT TO EQUITY^{2 3}



RETURN ON EQUITY³



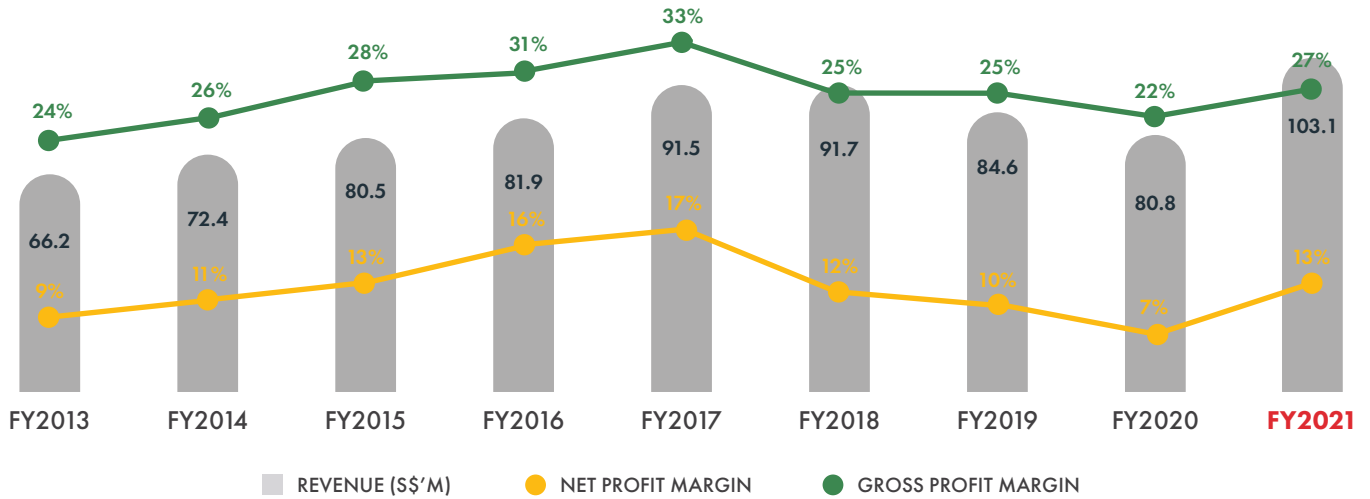
NET PROFIT CAGR FROM
FY2011 TO FY2021

¹ Means that for every \$1 of capital invested in the business, the Company earned about \$25 in profit. Calculated based on profit before interest and tax/intangible capital employed which is tangible non-current asset + current asset - current liabilities (trade and other payables, other liabilities, income tax payable) - excess cash

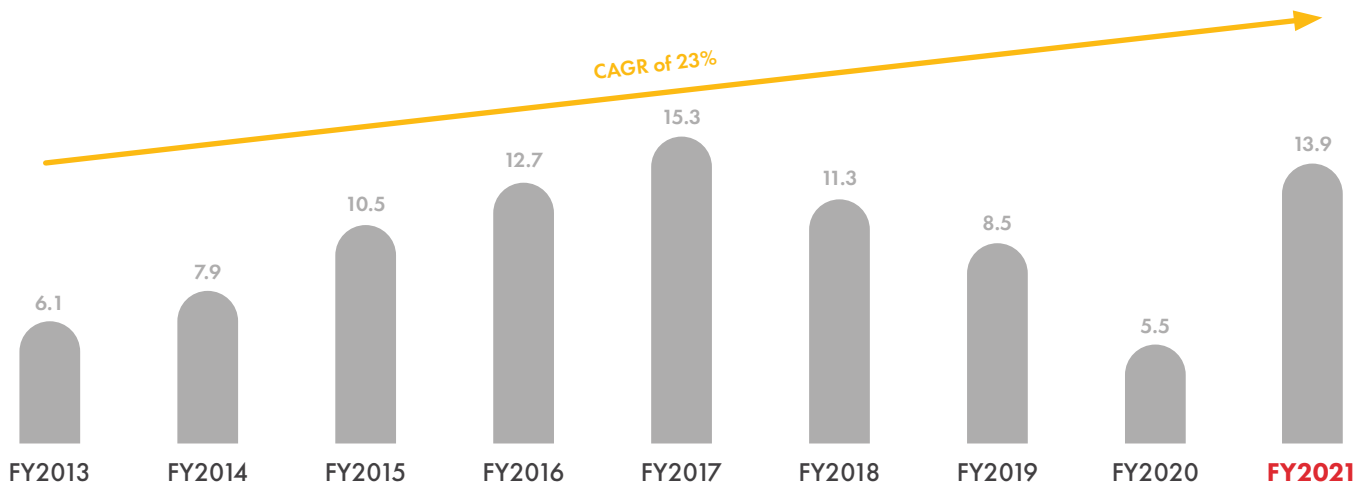
² If calculated base on (total borrowings less cash)/equity, total debt to equity would be net cash of -22% for 2021 and net cash of -20% for 2020.

³ Source: Yahoo! Finance, 2021: 23 March 2022; 2020: 29 March 2021)

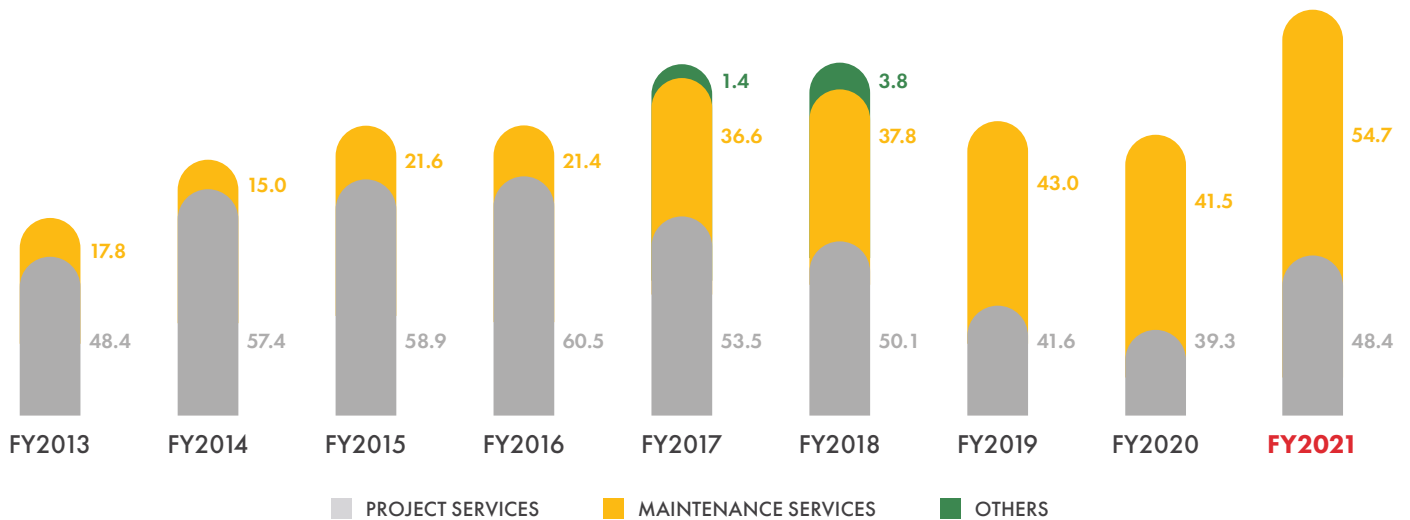
FINANCIAL HIGHLIGHTS



Revenue And Profit Margin



Net Profit (\$S' m)



Revenue By Project And Maintenance Segment

FINANCIAL AND OPERATION REVIEW

Operations Review

The Group's System Integration ("SI") division offers integrated control and management systems for newly built ships as well as ships that require upgrades or conversions. SI division manufactures actuators, valves and other components for assembly and integration into valve remote control systems, tank gauging systems, antiheeling systems, alarm monitoring and power management systems used by customers in their vessels.

The Group's Maintenance, Repair and Overhaul ("MRO") and Trading division provides customers with after-sales requests for maintenance, repairs and overhauls for the vessels.

The Group's Precision Engineering ("PE") division designs and builds tooling systems, and provides turnkey production solutions to customers in the marine, oil and gas, aerospace, medical, industrial and electronic manufacturing services industries.

The Group's Scaffolding Services ("SS") division is an established leader in metal scaffold works servicing the process, construction and marine industries, offering a full suite of scaffolding services including design, erection, modification and dismantling, sales and rental.

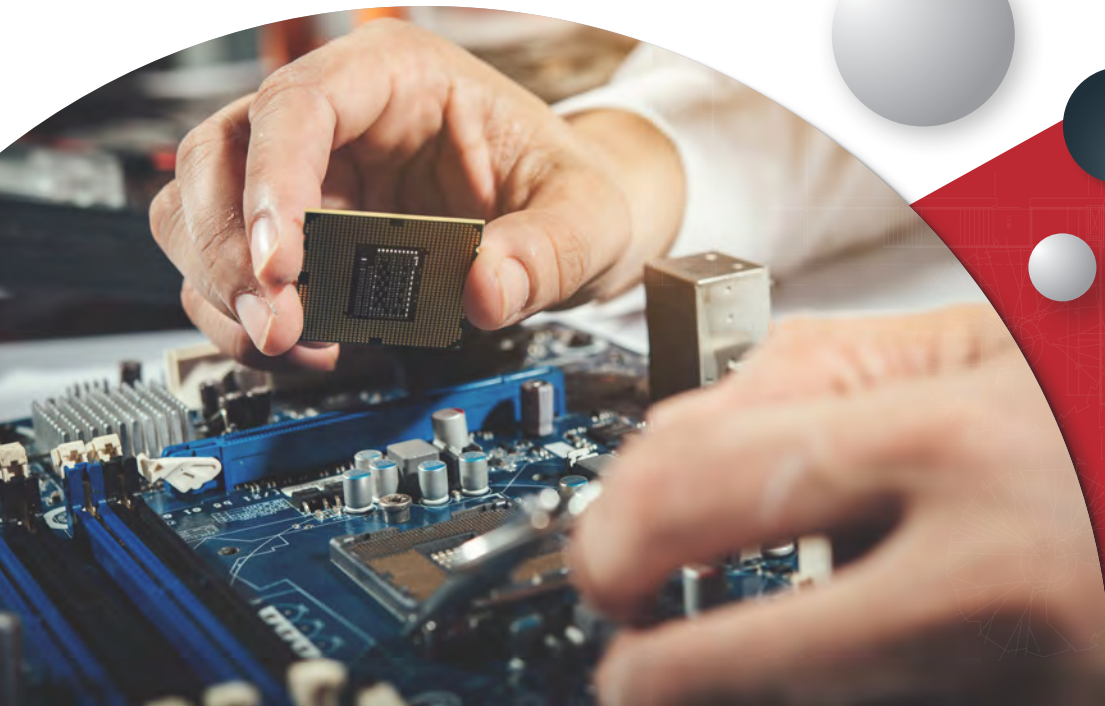
The Group's Insulation Services ("IS") division specialises in thermal and cryogenic, acoustic, clean room insulation, passive fireproofing services and industrial coatings such as thermal spray aluminium in the petrochemical, pharmaceutical, marine, oil and gas industries.

The Group's Petrochemical & Environmental Engineering Services ("PEES") division provides repairs, maintenance, operations and plant turnaround services for public environment engineering and energy installations, marine and offshore, manufacturing and oil and petrochemical industries.

The Group's Cleanroom, Air and Water Solutions ("CAW") provides holistic suite of services in facilities engineering services, maintenance, engineering, project management and construction for air pollution control system, water and waste treatment system to semiconductor, pharmaceutical, oil and gas, power plant and municipal sectors.

The Group's Project Services ("PS") business segment includes projects that requires engineering, design, procurement, construction, machining, scaffolding works, insulation services, passive fireproofing services. Revenue is usually from capital and ad-hoc projects which are non-recurring.

The Group's Maintenance Services ("MS") business segment includes maintenance and repair services, trading and supply of material, spare parts and components. MS's segmental revenue is recurring and the contracts are usually for a period of 1 to 3 years.



FINANCIAL AND OPERATION REVIEW

Financial Review for FY2021 v FY2020

Group’s revenue rose by 28% from S\$80.8 million in FY2020 to the highest in history to S\$103.1 million in FY2021 as all business segments recovered. Revenue contribution from MS business segment increased by 32% from S\$41.5 million in FY2020 to S\$54.7 million in FY2021 and PS business segment contributed 23% higher revenue at S\$48.4 million in FY2021 versus S\$39.3 million in FY2020. These increases are mainly attributed to increased business activities in all business segments and financial performance had improved during FY2021 to near pre-Covid levels. Revenue contribution from China was 24% while Singapore remained the Group’s key revenue driver at 76%.

Gross profit jumped by 55% from S\$18.0 million in FY2020 to S\$27.8 million in FY2021 while the gross profit margin increased from 22% to 27% mainly due to higher revenue. Excluding Government rebates and grants, the gross profit margin was 25% in FY2021, a huge jump from 16% in FY2020.

Other income and gains was lower by 57% at S\$1.6 million in FY2021 as compared to S\$3.8 million in FY2020 mainly due to absence of other payables to ex-shareholders of a subsidiary written back and lower government grant.

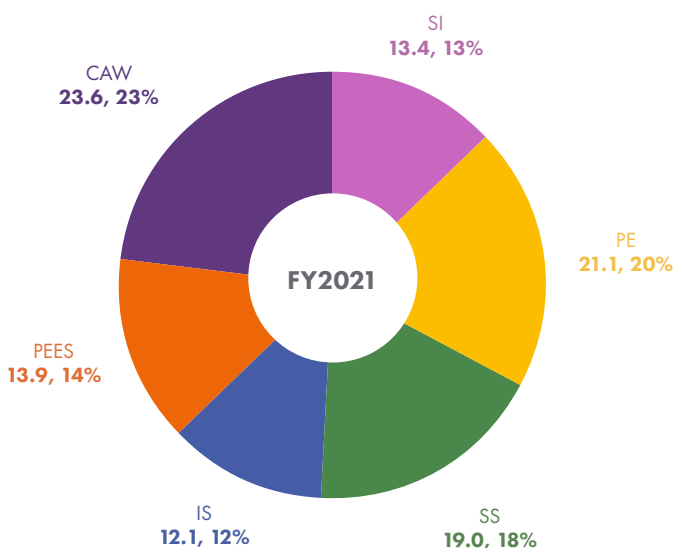
Administrative expenses was lower by 3% at S\$13.3 million in FY2021 as compared to S\$13.7 million in FY2020, mainly due to cost savings from restructuring of certain business units and lower depreciation expense.

Finance costs was lower by 44% at S\$0.6 million in FY2021 as compared to S\$1.0 million in FY2020 mainly due to lower interest rates during the year.

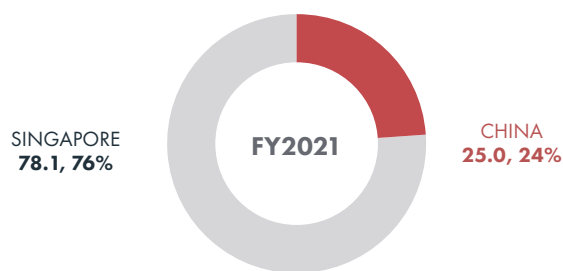
Other losses was lower by 31% at S\$0.3 million in FY2021 as compared to S\$0.4 million in FY2020 due to higher inventory written down offset by lesser allowance for impairment of trade and other receivables.

Overall, the Group’s net profit grew over 2.5 times from S\$5.5 million in FY2020 to S\$13.9 million in FY2021. A final dividend of 0.608 Singapore cents per share and special dividend of 0.152 Singapore cents per share was proposed to reward shareholders. Together with the interim and special dividend paid, the total dividend for FY2021 is at 1.74 Singapore cents per share.

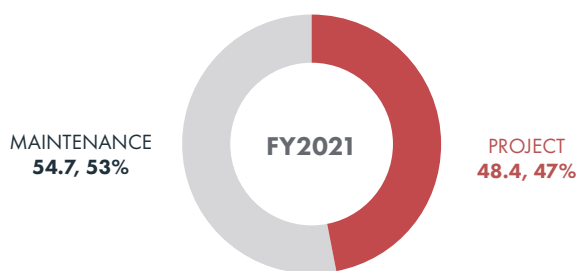
REVENUE BY BUSINESS DIVISION (IN MILLIONS)



REVENUE BY GEOGRAPHICAL DIVISION (IN MILLIONS)



REVENUE BY PROJECT AND MAINTENANCE (IN MILLIONS)



FINANCIAL AND OPERATION REVIEW

Balance Sheet Highlights

\$' 000	31 December 2020	31 December 2021
Current assets	100,055	127,057
Non-current assets	67,994	65,209
Current liabilities	67,026	85,932
Non-current liabilities	12,187	8,699
Total equity	88,836	97,635
Cash and cash equivalents	57,512	75,337
Net asset value per share (cents) ¹	22.8	25.2

¹ Computed based on number of 388,000,000 (31 Dec 20: 388,900,000) ordinary shares, excluding treasury shares



FINANCIAL AND OPERATION REVIEW

Non-current assets

Non-current assets decreased approximately S\$2.8 million or 4% from approximately S\$68.0 million as at 31 December 2020 to approximately S\$65.2 million as at 31 December 2021. The decrease was mainly due to depreciation charge of property, plant and equipment, right-of-use assets and amortisation expense of intangible asset in FY2021. The decrease was offset by an increase in deferred tax asset of S\$0.4 million.

Current assets

Current assets increased approximately S\$27.0 million or 27% from approximately S\$100.1 million as at 31 December 2020 to S\$127.1 million as at 31 December 2021. This increase was mainly due to higher inventories of S\$3.3 million, trade and other receivables of S\$3.1 million, unbilled revenue and contract assets of S\$1.9 million, advance to suppliers of S\$0.7 million and cash and cash equivalents of S\$17.8 million. These increases were attributable to the resumption of business activities to pre-Covid level and the increase in cash and cash equivalents was from the drawdown of the loans and borrowings.

Equity

Our capital and reserves increased approximately S\$8.8 million or 10% as at 31 December 2021. The increase was from the retention of net profit from FY2021 of approximately S\$13.9 million, offset by dividend payment of S\$5.2 million and purchase of treasury shares of S\$0.2 million.

Non-current liabilities

Non-current liabilities decreased approximately S\$3.5 million or 29% from approximately S\$12.2 million as at 31 December 2020 to approximately S\$8.7 million as at 31 December 2021. The decrease was mainly due to repayment of loans and borrowings of approximately S\$3.3 million.

Current liabilities

Current liabilities increased approximately S\$18.9 million or 28%, from approximately S\$67.0 million as at 31 December 2020 to S\$85.9 million as at 31 December 2021. The increase was due to more loans and borrowings of S\$17.6 million, trade and other payables of approximately S\$0.8 million and provisions of S\$0.5 million.

The Group continued to uphold a robust balance sheet as at 31 December 2021 with cash and cash equivalents of S\$75.3 million as compared to S\$57.5 million as at 31 December 2020 and a net cash position of S\$15.1 million as at 31 December 2021. Net asset value per share had also strengthened by 11% from 22.8 Singapore cents as at 31 December 2020 to 25.2 Singapore cents as at 31 December 2021.

FINANCIAL AND OPERATION REVIEW

Cash Flow Review

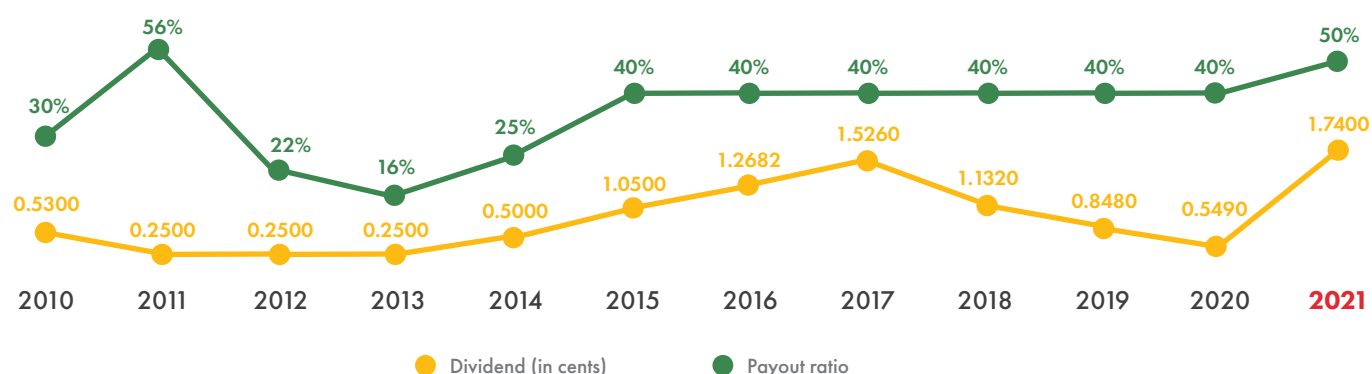
\$' 000	FY2020	FY2021
Net cash generated from operating activities	17,974	9,924
Net cash generated used in from investing activities	(623)	(575)
Net cash used in from financing activities	(2,459)	8,069
Cash and cash equivalents at the end of the year	57,512	75,337

In FY2021, net cash generated from operating activities amounted to approximately S\$9.9 million. We generated net cash of approximately S\$18.8 million from operating profits before working capital changes. Working capital changes cash outflow was approximately S\$7.9 million. This was mainly due to increase in inventories, trade and other receivables, other assets and decrease in other non-financial liabilities. These cash outflows were offset by cash inflows due to increases in provisions and trade and other payables. Operating cash flow from operations of S\$10.9 million was reduced by income tax payments of approximately S\$1.0 million.

Net cash of approximately S\$0.6 million was used in investing activities, mainly from the purchase of plant and equipment of approximately S\$0.7 million. This cash outflow was offset by interest received and proceed from disposal of plant and equipment of approximately \$0.1 million.

Net cash of approximately S\$8.1 million was from financing activities. This was mainly due to new loans and borrowings of S\$18.5 million. These new loans increase was offset by dividend payment of approximately S\$5.2 million, purchase of treasury shares of S\$0.2 million and lease liabilities – principal and interest portion paid of S\$0.4 million.

Dividends



The Group proposed a final and special dividend of 0.608 and 0.152 Singapore cents per share to reward shareholders. Together with an interim and special dividend of 0.980 Singapore cents per share distributed on 3 September 2021, this represented a dividend yield of 4.1%¹. The dividend pay-out is 50%, 10% more than our dividend policy of 40% of net earnings. The dividends are expected to be paid out to shareholders on 17 May 2022 subject to shareholders' approval at the upcoming Annual General Meeting ("AGM") on 25 April 2022.

¹ Based on the closing price of \$0.42 per share on 23 March 2022

OUR COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY



Commitment To Our Community

Our Group is deeply committed to community outreach and green actions. In the past few years, the Group has actively participated in volunteer activities in supporting the less privileged, blood donation drives and environmental protection.

2021 had been a challenging year as the unknown virus, Covid-19, forced us to adapt to new ways of working and living our lives amid stressors that we have never experienced before.

Community activities were continued to be put on hold or on a scale with 5 persons since 2020.

As much as we missed face to face interactions, celebrations and contributing to the community, we were always concerned that our employees and their loved ones will be vulnerable to the deadly virus. Our employees continue to work from home when necessary. Our support team from the various departments worked round the clock to ensure that our employees had the necessary equipment, knowledge and support to perform their work from home. As a Group, we knew the importance to implement quick measures to curb the community spread.



Commitment To Our Shareholders

The Group is obligated to provide accessible, transparent and accurate information to our shareholders. Communication to our shareholders is on the principles of rigour & consistency and all information is to be submitted in a non-discriminatory and complete manner to our shareholders. Such disclosures help investors to better evaluate the Group and make informed decisions. Information is available via the following channels:-

- 1 All our corporate announcements, including half-year, full-year results and presentation materials, are published on the Singapore Exchange's SGXNet
- 2 Our Group's corporate website with easy-to-access business information of our subsidiaries – <http://www.nordicgrouplimited.com>
- 3 Our investor relations email: ir@nordicgrouplimited.com
- 4 Investor, analyst and media briefings and site visits in relation to our corporate updates. For further information, please email to ir@nordicgrouplimited.com or register via the link in the investor's briefing invites on our website <http://www.nordicgrouplimited.com>
- 5 Our sustainability report: <http://www.nordicgrouplimited.com>
- 6 Our annual general meeting held annually in April where our shareholders and management can interact



Commitment To The Environment

The Group is always committed to exceed our customers' expectations. We strive to provide exceptional client service by developing ground breaking products, completing projects on time and be in compliance with government regulations and practice high service quality standards. We firmly believe that a returning customer is the best recognition of our hard work and dedication, supported by our Group's safety and quality track records and capabilities. We strive to deliver the highest satisfaction to our valued customers.

OUR COMMITMENT TO CORPORATE SOCIAL RESPONSIBILITY



Commitment To Employees

Employees are our assets and the Group is committed to treating all employees fairly without discrimination regardless of ethnicity, race or religion. All employees are given the opportunity to express themselves and the avenue to grow into the roles given. Mental and physical health of employees are taken into consideration before giving them the appropriate roles. Career progression of our employees is one of our primary objectives and the Group believes in grooming our own to take up senior roles in the organisation.

Being in a highly regulated and hazardous industry, safety is of paramount importance. The Group strongly believes in maintaining zero occupational injuries, diseases and damage to people and property. Safety practices and policies are constantly improved and reviewed to keep up with time and technology. The Group has racked up multiple safety awards in 2021 such as Multiheight Scaffolding receiving Air Liquide's Certificate of Appreciation in recognition to their contribution to Micron 10A project for 1,000,000 Safe Man hours and Multiheight Scaffolding and Austin Energy (Asia) receiving recognition for their contribution to 1 million Safe Man hours in the Chevron Oronite FEP Wave 1 project.

Training and creating awareness are the two pillars that will help to build the proactive and safe culture which will give the Group the competitive edge. To align with industry practices and to stay on top of things, employees are sent for relevant trainings. Further to such trainings, both Multiheight & Ensure are certified on the job training centres which help to integrate new employees/workers and provide them with the exposure to assimilate into their roles.

The Group understands the importance of showing appreciation. A happy working environment will bring the best out of the employees. Despite the pandemic, the Group made time to recognise our workers who were hit the most by arranging appreciation lunch and dinner for them. The Group also liaised with NGOs to organise and distribute basic necessities such as masks, hand sanitizers etc to our workers and to educate and constantly remind them to take care of their health. Other team bonding activities were continued to be put on hold but we hope to have more employee engagement in the coming year. With such sound policies, training objectives, awareness, recognition for our staff, Nordic has positioned itself as an employer of choice in the industry.



Commitment To Our Customers

The Group is always committed to exceed our customers' expectations. We strive to provide exceptional client service by developing ground breaking products, completing projects on time and be in compliance with government regulations and practice high service quality standards. We firmly believe that a returning customer is the best recognition of our hard work and dedication, supported by our Group's safety and quality track records and capabilities. We strive to deliver the highest satisfaction to our valued customers.



CORPORATE INFORMATION

BOARD OF DIRECTORS

Chang Yeh Hong
Executive Chairman

Teo Ling Ling
Executive Director and
Chief Executive Officer of
Nordic Flow Control Pte Ltd

Lee Kim Lian Juliana
Independent Director

Lee Kok Keng Andrew
Independent Director

Siau Kai Bing
Independent Director

AUDIT COMMITTEE

Siau Kai Bing (Chairman)
Lee Kim Lian Juliana
Lee Kok Keng Andrew

REMUNERATION COMMITTEE

Lee Kok Keng Andrew (Chairman)
Lee Kim Lian Juliana
Siau Kai Bing

NOMINATING COMMITTEE

Lee Kim Lian Juliana (Chairwoman)
Chang Yeh Hong
Lee Kok Keng Andrew
Siau Kai Bing

COMPANY SECRETARY

Chia Meng Ru, CA (Singapore)

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road #02-00, Singapore 068898

REGISTERED OFFICE

2 Tuas Ave 10
Singapore 639126

AUDITORS

RSM Chio Lim LLP
Public Accountants and Chartered Accountants
8 Wilkie Road #03-08
Wilkie Edge, Singapore 228095
Partner-in-charge: Yeow Thuan Wee
(A member of the Institute of Singapore Chartered
Accountants)
(Effective from the year ended 31 December 2019)

PRINCIPAL BANKERS

Bank of China
4 Battery Road
Bank of China Building, Singapore 049908
CIMB Bank Berhad
50 Raffles Place #09-01
Singapore Land Tower, Singapore 048623
Citibank N.A.
8 Marina View #21-00
Asia Square Tower 1, Singapore 018960
DBS Bank Ltd.
12 Marina Boulevard
Marina Bay Financial Centre Tower 3, Singapore 018982
Malayan Banking Berhad
2 Battery Road #15-01
Maybank Tower, Singapore 049907
Oversea-Chinese Banking Corporation Limited
65 Chulia Street #10-00
OCBC Centre East, Singapore 049514
RHB Bank Berhad
90 Cecil Street #12-00
RHB Bank Building, Singapore 069531
Standard Chartered Bank
8 Marina Boulevard #27-01
Marina Bay Financial Centre Tower 1, Singapore 018981
The Hongkong and Shanghai Banking Corporation
Limited
21 Collyer Quay #08-01
HSBC Building, Singapore 049320
United Overseas Bank Ltd
80 Raffles Place UOB Plaza, Singapore 048624

CORPORATE DIRECTORY

Company Registration NO.: 201007399N
Website: www.nordicgrouplimited.com

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “Board”) of Nordic Group Limited (the “Company”) and its subsidiaries (the “Group”) is committed to achieving high standards of corporate governance to ensure investor confidence in the Company as a trusted business enterprise. The Board and management will continue to uphold good corporate governance practices to enhance long-term value and returns for shareholders and protect shareholders’ interests.

This report (the “Report”) describes the Group’s corporate governance structures and practices that were in place during the financial year ended 31 December 2021 with reference made to the principles and provisions of the Code of Corporate Governance 2018 (the “2018 Code”) and the accompanying Practice Guidance issued in August 2018 which forms part of the continuing obligations of the Listing Rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The Board is pleased to report on the compliance of the Group with the Code. Such compliance is regularly reviewed to ensure transparency and accountability. Where there are deviations from the Code, appropriate explanations have been provided.

BOARD OF DIRECTORS

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

The Board provides leadership to the Group by setting the corporate policies and strategic aims. The main functions of the Board, apart from its statutory responsibilities, are to:

- Approve the broad policies, strategies and financial objectives of the Group and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- Oversee the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance to enable risks to be assessed and managed including safeguarding of shareholders’ interest and the assets of the Group;
- Review the performance of the management and approving the nominations of directors of the Company and appointment of key management personnel;
- Approve annual budgets, major funding proposals, investment and divestment proposals;
- Set the Group’s values and standards (including ethical standards) and ensure that the obligations to the shareholders and other stakeholders are met; and
- Assume responsibility for corporate governance.

The Board have the appropriate core competencies and diversity of experience to enable them to contribute effectively. The Board exercises due diligence and independent judgement in dealing with the business affairs of the Group and works with the management to make objective decisions in the interest of the Group.

CORPORATE GOVERNANCE REPORT

The Board has established a number of Board Committees to assist it in discharging its responsibilities. These Board Committees operate under clearly defined terms of reference. The three (3) Board Committees are:

- Audit Committee (the "AC")
- Nominating Committee (the "NC")
- Remuneration Committee (the "RC")

Every Director is required to promptly disclose any conflict or potential conflict of interest in relation to a transaction. Any Director facing a conflict of interest will recuse himself or herself from discussion and decision involving the issue of conflict.

The Board accepts that while the Board Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

The Board meets at least four (4) times a year to review and approve, inter alia, the quarterly financial results of the Company, including the half-year and year-end results. The Board also meets as warranted by circumstances to supervise, direct and control the Group's business and affairs. Apart from Board meetings, important matters are also put to the Board for approval by way of circulating resolutions in writing. Telephonic attendance and conference via audio communication at Board and Board Committee meetings are allowed by the Company's Constitution.

The attendances of the Directors at meetings of the Board and Board Committees, as well as the frequency of such meetings during the financial year ended 31 December 2021 ("FY2021") are as follows:

	Board and Board Committees			
	Board	Audit	Nominating	Remuneration
No. of Meeting Held	5	4	2	2
Board/ Committee Members				
Chang Yeh Hong	5(a)	-	1	-
Teo Ling Ling	5	-	-	-
Lee Kim Lian Juliana	5	4	2(a)	2
Lee Kok Keng Andrew	5	4	2	2(a)
Siau Kai Bing	5	4(a)	2	2

Note:

(a) Chairman

CORPORATE GOVERNANCE REPORT

Certain matters specifically reserved for decision by the Board are those relating to approval of strategies and objectives of the Group, announcements of financial results, approval of annual reports and financial statements, convening of shareholders' meeting, dividend payment, major contracts, material acquisitions and disposal of assets and corporate restructuring.

During the year, management kept the Directors up-to-date on pertinent developments in the business, financial reporting standards and industry-related matters. Such periodic updates were provided to the Directors to facilitate the discharge of their duties. The Directors are also encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group through the extension of opportunities for participation in the relevant training courses, seminars and workshops as relevant and/or applicable. At each Board meeting, the Chief Executive Officers ("CEO") and Chief Operating Officers ("COO") of the Group's respective business divisions update the Board on the business and strategic developments of their respective business divisions.

Incoming Directors are briefed on the Group's business and Corporate Governance policies by senior management, to familiarise new directors with business and governance policies. Familiarisation visits, including overseas offices, are organised, if necessary, to facilitate a better understanding of the Group's operations. The sessions also allow the new directors to get acquainted with senior management, thereby facilitating Board interaction and independent access to senior management.

Board members are encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Company works closely with professionals to provide its Directors with updates on changes to relevant laws, regulations and accounting standards.

Newly appointed Directors will be provided with a formal letter setting out their roles and obligations, among other matters, duties and responsibilities as member of the Board. There is no new Directors appointed during the year.

Access to Information

The members of the Board in their individual capacity have access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, the Directors are each provided with the relevant documents and information to enable them to obtain a comprehensive understanding of the issues to be deliberated upon to enable them to arrive at an informed decision. Senior management attends Board Meetings to answer any queries from the Directors. The Directors also have unrestricted access to the Company's senior management at all times.

To allow Directors sufficient time to prepare for the meetings, all Board and Board Committee papers are distributed to Directors in advance of the meeting. Any additional material or information requested by the Directors is promptly furnished.

In order to ensure that the Board is able to fulfil its responsibilities, management provides the Board with regular updates on the financial position of the Group. The Directors have been provided with the phone numbers and email particulars of the Company's key management personnel to facilitate separate and independent access.

The Company Secretary attends and prepares minutes for all Board and Board Committee meetings and is responsible for ensuring that the Board Meeting procedures are followed and that applicable rules, acts and regulations are complied with.

CORPORATE GOVERNANCE REPORT

As secretary for all the Board Committees, the Company Secretary assists in ensuring coordination and liaison between the Board, Board Committees and management. The Company Secretary assists the Chairman, Chairman of each Board Committee and management in the development of the agendas for the various Board and Board Committee meetings.

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

Each Director, whether individually or as a group, has the right to seek independent professional advice as and when necessary, in furtherance of their duties. The cost of such professional advice will be borne by the Company.

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

As at date of this Report, the Board comprises an Executive Chairman, an Executive Director and three (3) Independent Directors. This composition complies with the Rule 201(5)(c) of the Listing Manual of the SGX-ST ("SGX Listing Rules") which requires independent directors to make up at least one-third of the Board; and the requirements of the 2018 Code which requires independent directors to make up a majority of the Board where the Chairman is not independent and for Non-Executive Directors to make up a majority of the Board. Each Director has been appointed on the strength of his calibre, expertise and experience.

The Independent Directors have confirmed that they do not have any relationship with the Company, its related corporations, its officers or its shareholders with shareholdings of 5% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgement with a view to the best interests of the Group.

The NC, in its deliberation as to the independence of a Director, has reviewed, determined and confirmed the independence of the Independent Directors.

The Company had adopted a board diversity policy, recognizing the importance of diversity in various areas including professional qualifications, skills, business experience, industry knowledge, gender and age and other distinguishing qualities. The NC reviews the size and composition of the Board and Board Committees and the skills and core competencies, as well as gender and age of its members to ensure appropriate balance of skills, experience and diversity. These competencies include accounting and finance, business acumen, management experience, industry knowledge, strategic planning experience, familiarity with regulatory requirements and knowledge of risk management. The NC acknowledge that improvements to Board diversity practices are an ongoing process. The Board includes two (2) female Directors in recognition of the importance and value of gender diversity and three directors have recent and relevant accounting or related financial management expertise or experience. The NC is satisfied that the current size and composition of the Board and Board Committees are appropriate for effective decision making, having taken into consideration the nature and scope of the Group's operations. The NC is also of the view that the Directors possess the necessary competencies and knowledge to lead and govern the Group effectively.

When necessary, the Independent Directors of the Board will meet among themselves and with the External Auditor and Internal Auditor without management's presence.

CORPORATE GOVERNANCE REPORT

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

The Executive Chairman and the CEOs of each of the Group's respective business divisions are separate persons to ensure an appropriate balance and separation of power and authority, and clear division of responsibilities and accountability.

The Executive Chairman bears responsibility for the working of the Board and, together with the AC, ensures the integrity and effectiveness of the governance process of the Board. Additionally, the Executive Chairman plays a pivotal role in steering the strategic direction for the Board while the respective subsidiary CEOs manages the business of the subsidiaries and ensures the execution of the Board's decisions.

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

NOMINATING COMMITTEE

The NC comprises four (4) members, a majority of whom including the Chairman are independent.

Chairman:	Lee Kim Lian Juliana	(Independent Director)
Members:	Lee Kok Keng Andrew	(Independent Director)
	Siau Kai Bing	(Independent Director)
	Chang Yeh Hong	(Executive Chairman)

The main role of the NC is to make the process of Board appointments and re-appointments transparent and to assess the effectiveness of the Board as a whole and the contribution of individual Director to the effectiveness of the Board.

When a vacancy arises under any circumstances, or where it is considered that the Board would benefit from the services of a new Director with a particular skill, the NC, in consultation with the Board, determines the selection criteria and selects the candidates with the appropriate expertise and experience for the position.

The NC performs the following functions:

- review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the Chief Executive Officer and key management personnel.
- make recommendations to the Board on the appointment and re-appointment of directors (including alternate directors, if applicable).
- regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary.
- determine the process for the search, nomination, selection and appointment of new Board members and assess nominees or candidates for appointment or election to the Board, determining whether or not such nominee has the requisite qualifications and whether or not he/she is independent.

CORPORATE GOVERNANCE REPORT

- develop a process for the evaluation of performance of the Board, its Board committees and Directors.
- determine how the Board’s performance may be evaluated and propose objective performance criteria.
- assess the effectiveness of the Board as a whole and its Board Committees and to assess the contribution by the Chairman and each individual Director to the effectiveness of the Board.
- review training and professional development programs for the Board.
- determine, on an annual basis, if a Director is independent.
- recommend Directors who are retiring by rotation or are newly appointed to be put forward for re-election.

The Constitution of the Company requires one-third of the 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 shall retire from office at least once every three years.

The Directors who are retiring and seeking re-election at the forthcoming AGM are:

- (a) Mr Chang Yeh Hong (pursuant to Regulation 106 of the Constitution of the Company);
- (b) Mr Lee Kok Keng Andrew (pursuant to Regulation 106 of the Constitution of the Company); and

Mr Chang Yeh Hong and Mr Lee Kok Keng, being members of the NC, abstained from deliberation in respect of their respective nomination.

The NC is satisfied that the Directors retiring in accordance with Regulations 106 of the Company’s Constitution at the forthcoming AGM are properly qualified for re-appointment by virtue of their skills, experience and their contribution in terms of guidance and time devoted to Board affairs.

Ms Lee Kim Lian Juliana was appointed as an Independent Director of the Company on 16 September 2010 and has served as a Board member beyond 9 years. Approval was sought for her continued appointment as an Independent Director through a 2-Tier voting process in accordance with Rule 210(5)(d)(iii) of the SGX Listing Rules (which took effect from 1 January 2022) at the AGM of the Company held on 26 April 2021. The Nominating Committee and the Board have determined that Ms Lee remains objective and independent minded in Board deliberations and that her length of services does not interfere with her exercise of independent judgment nor hinder her ability to act in the best interests of the Company.

On the matter of multiple board representations, and to address the issue of competing time commitments, the Board has endorsed the NC’s recommendation that each Director shall not hold in excess of six (6) listed company board representations.

As at the date of this Report, the Company does not have any alternate Director.

The Company has established the following process for the selection and appointment of new Directors:

- The NC determines a suitable size of the Board and evaluates the balance of skills, knowledge and

CORPORATE GOVERNANCE REPORT

experience of members of the Board required to add value and facilitate effective decision-making, after taking into consideration the scope and nature of the Group's operations;

- The NC considers various sources of seeking suitable candidate(s) or recommendations from, among others, Directors, business associates and advisors;
- Short-listed candidate(s) will be required to furnish their curriculum vitae stating in detail, among others, their qualification, working experience and employment history;
- The NC evaluates candidate(s) in areas of academic and professional qualifications, knowledge and experiences in relation to the business of the Group, independence status and other present and past directorships; and
- The NC makes recommendation to the Board for approval. The Board is to ensure that the candidate is aware of the expectations and the level of commitment required.

Key information of each member of the Board including directorships and chairmanships, both present and those held over the preceding three (3) years, in other listed companies and other major appointments, academic/professional qualifications, membership/chairmanship in the Board Committees can be found on pages 9 and 10 of this Annual Report.

NC is responsible of determining the independence of the director in line with Rule 210(5)(d) of the SGX Listing Rules and the relevant guidelines set out under the 2018 Code. For FY2021, the NC has assessed and determined that the Independent Directors of the Company are independent.

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

The NC has established an appraisal process to assess the performance and effectiveness of the Board as a whole as well as to assess the contribution of individual Director. The objective of the annual appraisal is to identify areas for improvement and to implement appropriate action. The appraisal process focuses on a set of performance criteria which includes qualitative and quantitative factors such as principal functions, fiduciary duties, attendance record, level of participation at meetings, and guidance provided to the management.

All Directors are requested to complete a Board Assessment Checklist and an Individual Director Assessment Form designed to seek their views on the performance criteria so as to assess the overall performance and effectiveness of the Board and individual Director. The checklists and forms were completed and submitted to the Company Secretary for collation and the consolidated responses were presented to the NC for review and discussion before making any recommendations to the Board. The NC has reviewed the overall performance and effectiveness of the Board and is of the view that the performance and effectiveness of the Board as a whole has been satisfactory. The NC is also of the view that each Director has been adequately carrying out his or her duties as a Director of the Company.

The NC has not engaged any external facilitator in conducting the assessment of the Board's performance. Where relevant, the NC will consider such engagement.

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REMUNERATION COMMITTEE

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

The RC comprises three (3) members, all of whom including the Chairman are independent.

Chairman:	Lee Kok Keng Andrew	(Independent Director)
Members:	Lee Kim Lian Juliana	(Independent Director)
	Siau Kai Bing	(Independent Director)

To minimise the risk of any potential conflict of interest, each member of the RC shall abstain from voting on any resolution in respect of his/her remuneration package.

The Company may also engage an external consultant to advice on all remuneration and related matters of Directors and senior management, as and when circumstances require to ensure that the Directors' remuneration is fair and reasonable and benchmarked against comparable companies.

The remuneration packages of the Executive Directors and certain key executive officers are based on their respective service agreements. These include a profit sharing scheme that is performance related to align their interests with those of the shareholders.

Independent Directors are paid Directors' fees of an agreed amount and these fees are subject to shareholders' approval at the AGM.

The principal terms of reference of the RC are as follows:

- review and recommend to the Board a general framework of remuneration for the Board and key management personnel and to review and recommend to the Board the specific remuneration packages for each Director, key management personnel of the Group and employees who are substantial shareholders of the Company, or are immediate family members of a director, the Chief Executive Officer or a substantial shareholder of the Company.
- consider all aspects of remuneration, including termination terms, to ensure they are fair.
- review whether the Executive Directors and key management personnel should be eligible for benefits under any long-term incentive schemes which may be set up from time to time and to do all acts necessary in connection therewith.
- administer the performance based bonus scheme and any other share option scheme or share plan established from time to time for the -Directors and key management personnel.
- carry out its duties in the manner that it deems expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board.

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The recommendations of the RC are submitted to the Board for endorsement. All aspects of remuneration, including but not limited to directors' fees, salaries, allowances, bonuses, options and benefits in kind are reviewed by the RC.

The RC has access to expert professional advice on human resource matters whenever there is a need to consult externally. In its deliberations, the RC will take into consideration industry practices and norms in compensation in addition to the Company's relative performance to the industry and the performance of the individual Director. No individual Director is involved in deciding his/her own remuneration.

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

The remuneration packages of the Executive Chairman, Executive Director and key executive officers generally comprise two components. One component is fixed in the form of a base salary, car allowance and handphone allowance. The other component is variable consisting of incentive or performance bonuses. The remuneration package is appropriate to attract, retain and motivate the Directors to provide good stewardship of the Company and key executive officers to successfully manage the Company for the long term.

The incentive and performance bonuses are dependent on the financial performance of the Group or business segments as the RC strongly supports and endorses the flexible wage system which gives the Group more flexibility to ride through economic downturns. The RC has adopted set profitability levels to be achieved before incentive bonuses are payable.

In structuring the compensation framework, the RC also takes into consideration the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and be sensitive to the time horizon of risks.

The Independent Directors are paid Directors' fees for their efforts and time spent, responsibilities and contributions to the Board, subject to the approval by shareholders at the Annual General Meeting.

There are no termination or retirement benefits that are granted to the Directors. The Company has contractual provisions to allow the Company to reclaim performance-based components of remuneration from the Executive Chairman, Executive Director and key executive officers in exceptional circumstances of restatement of financial results. The Executive Chairman and Directors owe a fiduciary duty to the Company and the Company should be able to avail itself to remedies against the Executive Chairman and Directors in the event of such breach of fiduciary duties.

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

The Board exercises its discretion and independent judgment in ensuring that the amount and mix of compensation are aligned with the interests of shareholders and promote the long-term success of the Group. Total compensation is pegged to the achievement of organisational and individual performance objectives, and is benchmarked against relevant and comparative compensation in the market.

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The level and mix of remuneration (in percentage terms) of the Directors for FY2021 is as follows:

Directors' Remuneration for FY2021

Name	Remuneration (\$'000)	Fee ^(a)	Salary	Bonus	Allowance	Total
Chang Yeh Hong	982	–	37%	58%	5%	100%
Teo Ling Ling Dorcas	352	–	58%	28%	14%	100%
Lee Kim Lian Juliana	45	100%	–	–	–	100%
Lee Kok Keng Andrew	45	100%	–	–	–	100%
Siau Kai Bing	47	100%	–	–	–	100%

Note:

(a) Directors' fees of \$1,37,000 for FY2021 have been approved by the shareholders at the AGM on 26 April 2021.

No option has been granted to the above Directors.

The breakdown of remuneration of the Group's top five key executives (who are not Directors) in percentage terms for FY2021 is as follows:

Remuneration of Key Executives for FY2021

Total remuneration paid to the top 5 key executives (who are not Directors) for FY2021 is \$1,142,000. The breakdown in percentage terms are set out below:

Name	Salary	Bonus	Allowance	Total
<u>Between \$200,000 and \$300,000</u>				
Chia Meng Ru	65%	18%	17%	100%
Lin Choon Hin *	71%	10%	19%	100%
Koh Wei Ming, Rodney	55%	14%	31%	100%
Teng Poh Liang	55%	23%	22%	100%
Wang Lai Suan	87%	6%	7%	100%

* Lin Choon Hin who is a key executive, is also a substantial shareholder of the Company.

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In considering the disclosure of remuneration of key executives, the Board has regarded the industry conditions in which the Group operates as well as the confidential nature of such remuneration.

No options, termination or retirement benefits have been granted to the above key executives.

Save as disclosed above, there is no other employee who is a substantial shareholder or is related to a Director, the CEO or substantial shareholder and whose remuneration exceeded \$100,000 during FY2021.

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

The Board acknowledges that it is responsible for maintaining a sound system of internal controls to safeguard shareholders' interests and maintain accountability of its assets but acknowledges that no cost-effective risk management and internal controls system will preclude all errors and irregularities. While no cost effective internal control system can provide absolute assurance against loss or misstatement, the Group's internal controls and systems have been designed to provide reasonable assurance that assets are safeguarded, operational controls are in place, business risks are suitably protected, proper accounting records are maintained and financial information used within the business and for publication, are reasonable and accurate.

The Group has in place an Enterprise Risk Management ("ERM") Framework, which governs the risk management processes of the Group. Risk management capabilities and competencies are continuously enhanced through this Framework. The ERM Framework also enables the identification, prioritisation, assessment, management and monitoring of key risks and associated key controls in the Group's businesses. The key risks of the Group are deliberated by Management and reported to the AC at least once a year. The AC reviews the adequacy and effectiveness of the ERM Framework against leading practices in risk management and vis-à-vis the external and internal environments, which the Group operates.

Complementing the ERM framework is a Group-wide system of internal controls, which includes documented policies and procedures, proper segregation of duties, approval procedures and authorisations, as well as checks-and-balances built into the business processes. The Group has in place a risk management process that requires business units to perform regular assessments of the effectiveness of applicable internal controls. In addition to ensuring that internal controls and risk management processes are adequate and effective, the AC is assisted by various independent professional service providers. The external auditor provided assurance over the risk of material misstatements in the Group's financial statements. The Internal auditor conducted audit reviews based on the approved internal audit plans. All audit reports detailing audit findings and recommendations are provided to management who timely respond to actions to be taken. The AC monitors closely and timely to ensure proper implementation of the required corrective action plans are undertaken by management.

Management has established the Group's risk profile which identifies the material risks faced by the Group and the counter measures that are in place to manage or mitigate those risks. As the Group does not have a risk management committee, the Board and the management assume the responsibility of the risk management function. The Group's risk profile is reviewed by the AC and the Board annually to ensure regular assessment and update of the Group's key risks, how they are managed, the key personnel responsible for each identified risk type and the various assurance mechanism in place. It allows the Group to address the on-going changes and the challenges in the business environment, reduces uncertainties and facilitates the shareholder value creation process. In addition, the Board reviews and determines the Group's level of risk tolerance and risk policies, and oversees the design, implementation and monitoring of the risk management and internal control systems.

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The internal auditor carried out internal audit on the system of internal controls and reported their findings to the AC. The external auditor have also carried out, in the course of their statutory audit, an understanding of the key internal controls assessed to be relevant to the audit. In this respect, the AC has reviewed the findings of both the external auditor and internal auditor and will ensure that the Group follows up on the auditors' recommendations raised during the audit process.

Based on the Group's framework of management controls in place, the internal control policies and procedures established and maintained by the Group, as well as the reviews performed by the external and internal auditors, the Board, with the concurrence of the AC, is of the opinion that the risk management and internal control systems of the Group, addressing the financial, operational, compliance, information technology risks and risk management systems are adequate and effective as at 31 December 2021 to address the risks that the Group considers relevant and material to its operations.

The Board and the AC have also received assurances from the Executive Chairman and Group Chief Financial Officer that (a) the Company's internal control and risk management systems in place are adequate and effective in addressing the material risks of the Company in its current business environment including financial, operational, compliance and information technology risks; and (b) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's business operations and finances.

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

The AC comprises three (3) members, all of whom including the Chairman are independent.

Chairman:	Siau Kai Bing	(Independent Director)
Members:	Lee Kim Lian, Juliana	(Independent Director)
	Lee Kok Keng Andrew	(Independent Director)

The Board is of the view that the AC has the requisite financial management expertise and experience to discharge its responsibilities properly.

The terms of reference of the AC are as follows:

- review significant financial reporting issues and judgments to ensure integrity of the financial statements of the Company and any announcements relating to the Company's financial performance.
- review and report to the Board at least annually the adequacy and effectiveness of the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems (such review can be carried out internally or with the assistance of any competent third parties).
- review at least annually the adequacy and effectiveness of the Company's internal audit function including ensuring it is staffed with persons with the relevant qualifications and experience.
- the internal auditor should carry out its function according to the standards set by nationally or internationally recognised professional bodies including the standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

CORPORATE GOVERNANCE REPORT

- ensure that the internal audit function is adequately resourced and has appropriate standing within the Company.
- review the internal audit programme and ensure co-ordination between the internal auditor and management.
- review the adequacy, effectiveness, independence, scope and results of the Company's internal audit functions.
- review the adequacy, effectiveness, independence, scope and results of the external audit functions.
- approve the hiring, removal, evaluation and compensation of the Head of the Internal Audit function, or accounting/auditing firm or corporation if the internal audit function is outsourced.
- make recommendations to the Board on (i) the proposals to shareholders on the appointment, re-appointment, resignation and removal of the external auditor, and (ii) approving the remuneration and terms of engagement of the external auditor.
- ensure co-ordination where more than one auditing firm or corporation is involved.
- review with the internal and external auditors:
 - (a) their audit plan, including the nature and scope of the audit before the audit commences;
 - (b) their evaluation of the system of internal controls;
 - (c) their audit report; and
 - (d) their management letters and management's responses.
- review interested person transactions (IPTs) falling within the scope of the SGX-ST Listing Manual on a quarterly basis.
- review the quarterly and full year financial statements of the Company before submission to the Board for approval, focusing in particular, on:
 - (a) changes in accounting policies and practices;
 - (b) major risk areas;
 - (c) significant adjustments resulting from the audit;
 - (d) the going concern statement;
 - (e) compliance with accounting standards;
 - (f) compliance with stock exchange and statutory/regulatory requirements;
- review the audited financial statements of the Company and the consolidated balance sheet and statement of comprehensive income, before approval by the Board.

CORPORATE GOVERNANCE REPORT

- discuss problems and concerns, if any, arising from the full year audits, in consultation with the external and internal auditors, where necessary.
- meet with the external and internal auditors without the presence of management, at least annually, to discuss any problems or concerns they may have.
- ensure where deficiencies in internal controls have been identified, appropriate and prompt remedial action is taken by management.
- review the assistance given by management to the internal and external auditors.
- review annually the independence of the external auditor, the aggregate amount of fees paid to the external auditor for the financial year and the breakdown of the fees paid in total for audit and non-audit services respectively.

Where the external auditor also provide non-audit services to the Company, the nature and extent of such services should be reviewed in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditor would not be compromised.

- review and discuss with the external auditor, any suspected fraud or irregularity, or suspected infringement of any applicable law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and management's response.
- review the policy and arrangements by which staff of the Company or of the Group and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or any other matters and conduct an independent investigation of such matters for appropriate follow-up action pursuant to the Company's whistle-blowing program.
- investigate any matter within the Terms of Reference, with full access to and cooperation by management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its function properly.
- report to the Board its findings from time to time on matters arising and requiring the attention of the AC.
- undertake such other reviews and projects as may be requested by the Board.
- undertake such other functions and duties as may be required by statute or the Listing Manual, and by such amendments made thereto from time to time.

Summary of the Audit Committee's Activities

The AC met four (4) times during the year under review. Details of members and their attendance at meetings are provided on page 26. The Group Chief Financial Officer, internal auditor and external auditor are invited to these meetings. Other members of senior management are also invited to attend as appropriate to present reports.

The AC has explicit authority to investigate any matter within its terms of reference. It has full access to and has the full cooperation of the management and employees. It also has the full discretion to invite any Director or any member of management to attend its meetings.

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During FY2021, the AC has met the external auditor and internal auditor, without the presence of the Company's management. This meeting enabled the external auditor and internal auditor to raise issues encountered in the course of their work directly to the AC.

The AC has reviewed the amount of non-audit related services rendered to the Group by the external auditor, RSM Chio Lim LLP. During the year 2021, the fees paid to RSM Chio Lim LLP for non-audit related services amounted to \$36,000 or 15% of the audit fee. Being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditor, the AC has recommended their nomination for re-appointment as external auditor of the Company to the Board.

The Company confirms that it is in compliance with Rule 712 and Rule 715 of the SGX-ST Listing Manual.

The Company has put in place a whistle-blowing framework ("Speaking Up Policy"), endorsed and with oversight by the AC where the employees of the Group or any other person may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters.

Details of the Speaking Up Policy and arrangements have been made available to all employees of the Group. It has a well-defined process which ensures independent investigation of issues/concerns raised and appropriate follow-up action, and provides assurance that whistle blowers will be protected from reprisal within the limits of the law.

The AC reports to the Board on such matters at the Board meetings. Should the AC receive reports relating to serious offences and/or criminal activities in the Group, the AC and the Board have access to appropriate external advice where necessary.

There was no reported incident pertaining to the Speaking Up Policy during FY2021. In January 2022, there was one reported incident pertaining to the Speaking Up Policy.

Financial reporting and significant financial issues

The AC has considered whether accounting standards are consistently applied across the Group and whether disclosures to the financial statements are clear and sufficient. For the year reported on, the AC reviewed and approved the scope of the audit plans of the external auditor. In its recommendation to the Board to approve the full year financial statements, the AC reviewed the results of the audit, significant findings or areas of emphasis and audit recommendations. The AC also discussed with management the basis of the assumptions and methodologies used by management in relation to matters of significant impact. In particular, the following key audit matters identified by the external auditor were discussed with management and reviewed by the AC:

Assessment of impairment of goodwill

Goodwill is required to be assessed annually for impairment. The AC has reviewed the methodology used by management to determine the recoverable amount of goodwill for impairment assessment. In addition, the AC discussed with the external auditor on their review of the reasonableness and relevance of the assumptions used in the impairment assessment and the sensitivity analysis performed. The AC concurred with the management's conclusion that no impairment loss was recognised for goodwill as at 31 December 2021 as the carrying amount of all cash-generating units was lower than their recoverable amounts and the disclosures in the financial statements were appropriate.

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Assessment of adequacy of inventory obsolescence

Inventory obsolescence was assessed at year end. Management is of the view that inventories which had no movement for more than two years are still realisable and there is no requirement to write down these inventories. This assessment was based on management's knowledge of the group's operations and the industry, and their technical assessment of the inventories. The AC concurred with the management's conclusion that no inventory write down was necessary for year ended 31 December 2021.

ACCOUNTABILITY AND AUDIT

Accountability

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely information and to ensure full disclosure of material information to shareholders in compliance with statutory requirements and the Listing Manual of the SGX-ST.

The Board reviews and approves the results as well as any announcements before its release. In presenting the annual financial statements and, half yearly and full year financial results announcements to shareholders, it is the aim of the Board to provide the shareholders with detailed analysis and a balanced and understandable assessment of the Group's performance, position and prospects. This responsibility is extended to regulators.

Financial reports and other price-sensitive information are disseminated to shareholders through announcement via SGXNET.

The Board also reviews legislation and regulatory compliance with management to ensure that the Group complies with the relevant regulatory requirements.

Internal Audit

The AC approves the hiring, removal, evaluation and compensation of the internal auditor. The internal audit function ("IA") of the Company is out-sourced to In. Corp Business Advisory Pte. Ltd. (formerly known as Ardent Business Advisory Pte Ltd). The IA reviews the effectiveness of key internal controls, including financial, operational and compliance controls for selected scope of review annually, as approved by the AC. Procedures are in place for the IA to report independently on their findings and recommendations to the AC for review. The IA reports primarily to the Chairman of the AC and has full access to the documents, records properties and personnel of the Group, including access to AC.

The primary functions of internal audit are to assist in the following:–

- (a) assess if adequate systems of internal controls are in place to protect the assets of the Group and to ascertain whether control procedures are complied with;
- (b) assess if operations of the business processes under review are conducted efficiently and effectively; and
- (c) identify and recommend improvement to internal control procedures, where required.

The AC is satisfied that the internal audit function has adequate resources to perform its function effectively. The AC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals with the relevant qualifications and experience.

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The Company's IA function is independent of the external audit. The IA is a member of the Institute of Internal Auditors Singapore ("IIA"), a professional internal auditing body affiliated to the Institute of Internal Auditors, Inc. The audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing laid down in the International Professional Practices Framework issued by the IIA. The IA continues to meet or exceed the IIA Standards in all key aspects. In. Corp Business Advisory Pte Ltd has confirmed their independence to the AC.

During the year, the IA adopted a risk-based audit approach that focused on material internal controls, including financial, operational, compliance and information technology controls. Audits were carried out on all significant business units in the Group. All Group Internal Audit reports are submitted to the AC for deliberation with copies of these reports extended to the Executive Chairman, Directors and the relevant key management personnel.

The AC has reviewed the Company's internal control assessment and based on the internal auditor's and external auditor's reports and the internal controls in place, it is satisfied that there are adequate and effective internal controls to meet the needs of the Group in its current business environment. The AC is satisfied that the internal audit function is independent, effective and adequately resourced.

The AC reviews the adequacy and effectiveness of the internal audit function of the Company annually. No former partner or director of the Group's EA and IA is a member of the AC.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

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

The Company's corporate governance practices promote the fair and equitable treatment to all shareholders. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive, accurate and timely basis via SGXNET, especially information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company, so as to enable shareholders to make informed decisions in respect of their investments in our Company.

Shareholders are given opportunity to participate effectively and vote at general meetings of the company, where relevant rules and procedures governing such meetings are clearly communicated through Annual Report or Circular to shareholders.

Conduct of Shareholder Meetings

The Company supports active shareholder participation at general meetings. The shareholders are encouraged to attend the general meetings to ensure high level of accountability and to stay informed of the Group's strategies and visions.

If shareholders are unable to attend the meetings, the Company's Constitution allows a shareholder of the Company to appoint up to two proxy to attend, speak and vote in place of the shareholder. Shareholders who are relevant intermediaries (as defined in the Act) are allowed to appoint more than two proxies to attend, speak and vote at the Company's general meetings.

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The Company has implemented poll voting for all resolutions tabled at the Company's general meetings. Independent scrutineers are appointed to review the poll voting procedure and verify the results of the poll.

The Board takes note that there should be separate resolution at general meetings on each substantially separate issue and supports the Code's principle as regards to "bundling" of resolutions.

Resolutions are as far as possible, structured separately and are voted on independently.

All Directors including Chairpersons of the Board, AC, RC and NC and senior management are in attendance at the AGMs and Extraordinary General Meetings to allow shareholders the opportunity to air their views and ask Directors or management questions regarding the Company. The external auditor are also invited to attend the AGMs and are available to assist the Directors in addressing any relevant queries by the shareholders relating to the conduct of the audit, the preparation and contents of the independent auditors' report.

In accordance with the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, which prescribed alternative arrangement for the conduct of general meetings, the Company will conduct its upcoming annual general meeting ("AGM") by electronic means. Shareholders are invited to submit their questions in advance of the meeting and the Company will provide its responses via SGXNET and the corporate website prior to the AGM.

Minutes of the general meetings, including substantial relevant comments or queries from shareholders and responses from the Board and/or management will be published via SGXNet and on the Company's website within 1 month after the relevant general meeting.

Dividend and Dividend Policy

The Company's dividend policy is to pay out 40% of the net profit, payable every half yearly.

For FY2021, the Company paid an interim dividend and a special dividend of 0.780 and 0.200 Singapore cents per ordinary share, respectively. The Board has also proposed a final dividend and a special one-tier tax exempt dividend of 0.608 and 0.152 Singapore cent per ordinary share, which will be subject to shareholders' approval at the forthcoming AGM.

COMMUNICATION WITH SHAREHOLDERS

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

The Group is committed to maintaining high standards of corporate disclosure and transparency through timely communication of information to shareholders and the public. It is the Company's policy that all shareholders and the public be informed of all major developments that impact the Group on a timely basis. Communication is made through:

- Annual reports which can be accessed through the SGXNET and Company's website;
- Announcement of half-year and full-year results on the SGXNET;
- Disclosure on the SGXNET;

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- Press releases on major developments of the Company; and
- Shareholders' briefings

Investor Relations

The Company's corporate website (www.nordicgrouplimited.com) has a dedicated "Investor Relations" link which features the latest and past financial results and related information as well as other announcements released via SGXNet. The contact details of the Investor Relations team are available on the website. The Investor Relations team has procedures in place for addressing investor's queries or complaints as soon as possible.

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

The Group has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. Such stakeholders include customers, employees, contractors and suppliers, government and regulators, community, and shareholders and investors. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders.

The Group maintains a corporate website at www.nordicgrouplimited.com to communicate and engage with stakeholders.

Interested Persons Transactions

The Group has established internal control policies to ensure that transactions with interested persons are properly reviewed and approved, and are conducted at an arm's length basis.

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the SGX-ST Listing Manual. For the year under review, there have been interested person transactions but these are below \$100,000 in aggregate.

Securities Transaction

The Group has adopted a policy whereby the Directors and employees are prohibited from dealing in the securities of the Company while in possession of price-sensitive information as well as during the period commencing one (1) month before the announcement of the Company's half year and full year results until the said results announcement has been made. The Directors and employees of the Group are to refrain from dealing in the Company's securities on short-term considerations.

Directors and employees of the Group are also expected to observe insider trading laws at all times even when dealing with securities within the permitted trading period.

Material Contracts

There was no material contracts entered into by the Company or any of its subsidiaries involving the interest of any Director or controlling shareholder in FY2021.

STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 December 2021.

1. Opinion of the directors

In the opinion of the directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the company and, of the financial position and performance of the group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of the statement 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 approved and authorised these financial statements for issue.

2. Directors

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

Executive Directors:

Chang Yeh Hong
Teo Ling Ling

Independent Directors:

Lee Kok Keng Andrew
Lee Kim Lian Juliana
Siau Kai Bing

STATEMENT BY DIRECTORS

3. Directors' interests in shares and debentures

The directors of the company holding office at the end of the reporting year had no interests in shares in or debentures of the company or other related body corporate as recorded in the register of directors' shareholdings kept by the company under section 164 of the Companies Act 1967 ("the Act") except as follows:

Name of directors and companies in which interests are held	Direct		Deemed	
	At beginning of the reporting year	At end of the reporting year	At beginning of the reporting year	At end of the reporting year
The company – <u>Nordic Group Limited</u>			<u>Number of shares of no par value</u>	
Chang Yeh Hong	218,017,325	218,017,325	–	–
Teo Ling Ling	32,319,500	32,319,500	–	–
Lee Kok Keng Andrew	467,000	467,000	594,800	594,800

By virtue of section 7 of the Act, Chang Yeh Hong is deemed to have an interest in the company and in all the related body corporate of the company.

The directors' interests as at 21 January 2022 were the same as those at the end of the reporting year.

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the company is a party, being arrangements whose objects are, or one of whose objects is, to enable 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.

5. Options

During the reporting year, no option to take up unissued shares of the company or other body corporate in the group was granted.

During the reporting year, there were no shares issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares under option.

STATEMENT BY DIRECTORS

6. Independent auditor

RSM Chio Lim LLP has expressed willingness to accept re-appointment.

7. Report of audit committee

The members of the audit committee at the date of this report are as follows:

Siau Kai Bing (Chairman of the audit committee)
Lee Kim Lian Juliana
Lee Kok Keng Andrew

The audit committee performs the functions specified by section 201B (5) of the Act. Among other functions, it performed the following:

- Reviewed with the independent external auditor their audit plan;
- Reviewed with the independent external auditor their evaluation of the company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them;
- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by the management to the internal auditor;
- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption; and
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report of the company. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditor provides non-audit services.

The audit committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as the independent auditor at the next annual general meeting of the company.

8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that the company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2021.

STATEMENT BY DIRECTORS

9. Subsequent developments

Save as disclosed in Note 30 to the financial statements, there are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 21 February 2022, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On behalf of the directors

Chang Yeh Hong
Director

Teo Ling Ling
Director

5 April 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NORDIC GROUP LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Nordic Group Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2021, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including accounting policies.

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

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NORDIC GROUP LIMITED

Key audit matters (cont'd)

- Assessment of impairment of goodwill

Refer to Note 2 for the relevant accounting policy; Note 2C on critical judgements, assumptions and estimation uncertainties, Note 15 on goodwill and the annual report section on the audit committee's views and responses to the reported key audit matters.

As at the reporting year end, the group had goodwill of \$29,552,000, which accounted for approximately 15% of the group's total assets as at the reporting year end. Goodwill is assessed annually for impairment. Management used the value in use method to determine the recoverable amount of goodwill. The value in use method required management to estimate the future cash flows expected to arise from each of the cash-generating units as well as to use a suitable discount rate in order to measure the recoverable amount. In estimating the future cash flows of the cash-generating units, management forecasted the revenue growth and profit margins based on presently available information.

With the assistance of our in-house valuation specialists, we evaluated management's inputs to the value in use calculations through discussions with management, checked to supporting documents where applicable as well as compared the inputs against available industry data and performed sensitivity analysis on the outcome of the calculations.

We evaluated the adequacy of the disclosures included in the financial statements.

- Assessment of adequacy of inventories obsolescence

Refer to Note 2 for the relevant accounting policy; Note 2C on critical judgements, assumptions and estimation uncertainties and Note 18 for the breakdown of inventory balance and the annual report section on the audit committee's views and responses to the reported key audit matters.

The carrying amount of inventories amounted to \$14,542,000, which accounted for approximately 8% of the group's total assets as at the reporting year end. Inventories are stated after impairment allowance of \$1,757,000 based on management's assessment. This assessment was based on management's knowledge of the group's operations and the industry, and their technical assessment of the inventories.

We obtained an understanding of the group's accounting policy on the valuation of its inventories and management's basis in determining the inventories impairment allowance. On a sample basis, we verified management's assessment of inventories to state the inventories at the lower of cost and net realisable value by comparing the carrying amount of the inventories to recent sales. In addition, we also evaluated management's forecast future usage of the inventories and reviewed the utilisation patterns over the past years.

We evaluated the adequacy of the disclosures included in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NORDIC GROUP LIMITED

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NORDIC GROUP LIMITED

Auditor's responsibilities for the audit of the financial statements (cont'd)

- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the group to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF NORDIC GROUP LIMITED

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Yeow Thuan Wee.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

5 April 2022

Engagement partner - effective from year ended 31 December 2019

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2021

	Notes	Group	
		2021 \$'000	2020 \$'000
Revenue	5	103,065	80,794
Cost of sales		(75,267)	(62,831)
Gross profit		27,798	17,963
Other income and gains	6	1,623	3,796
Distribution costs		(775)	(721)
Administrative expenses	7	(13,316)	(13,703)
Finance costs	8	(567)	(1,021)
Other losses	6	(287)	(416)
Profit before tax		14,476	5,898
Income tax expense	10	(600)	(416)
Profit for the year		13,876	5,482
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		371	458
Other comprehensive income for the year, net of tax:		371	458
Total comprehensive income for the year		14,247	5,940
Profit attributable to owners of the parent, net of tax		13,876	5,482
Total comprehensive income attributable to owners of the parent		14,247	5,940
Earnings per share			
Earnings per share currency unit		Cents	Cents
Basic and diluted	11	3.6	1.4

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

STATEMENTS OF FINANCIAL POSITION

31 DECEMBER 2021

	Notes	Group		Company	
		2021 \$' 000	2020 \$'000	2021 \$' 000	2020 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	32,099	34,801	5,991	6,160
Right-of-use assets	14	3,109	3,281	1,615	1,672
Goodwill	15	29,552	29,552	-	-
Intangible assets	16	55	360	-	-
Investments in subsidiaries	17	-	-	1,350	1,350
Deferred tax assets	10C	394	-	-	-
Total non-current assets		65,209	67,994	8,956	9,182
Current assets					
Inventories	18	14,542	11,195	-	-
Trade and other receivables	19	24,419	21,364	39,300	16,054
Other assets	20	12,759	9,984	1,019	2,385
Cash and cash equivalents	21	75,337	57,512	5,043	31,795
Total current assets		127,057	100,055	45,362	50,234
Total assets		192,266	168,049	54,318	59,416
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	22	22,439	22,439	22,439	22,439
Treasury shares	22	(2,614)	(2,374)	(2,614)	(2,374)
Retained earnings		76,994	68,326	15,786	20,220
Other reserves	23	816	445	-	-
Total equity		97,635	88,836	35,611	40,285
Non-current liabilities					
Provisions	24	51	123	-	-
Deferred tax liabilities	10C	2,916	2,859	49	37
Loans and borrowings	25	2,575	5,836	-	1,261
Financial liabilities – lease liabilities	14	3,157	3,369	1,644	1,679
Total non-current liabilities		8,699	12,187	1,693	2,977
Current liabilities					
Provisions	24	2,377	1,831	-	-
Income tax payable		915	948	95	125
Loans and borrowings	25	57,687	40,037	14,511	14,500
Financial liabilities – lease liabilities	14	226	319	37	37
Trade payables	26	23,830	22,987	2,371	1,492
Other non-financial liabilities	27	897	904	-	-
Total current liabilities		85,932	67,026	17,014	16,154
Total liabilities		94,631	79,213	18,707	19,131
Total equity and liabilities		192,266	168,049	54,318	59,416

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

	Total equity \$' 000	Share capital \$' 000	Treasury shares \$' 000	Retained earnings \$' 000	Other reserves \$' 000
Group:					
Current year:					
Opening balance at 1 January 2021	88,836	22,439	(2,374)	68,326	445
Changes in equity:					
Total comprehensive income for the year	14,247	-	-	13,876	371
Dividends paid (Note 12)	(5,208)	-	-	(5,208)	-
Purchase of treasury shares (Note 22)	(240)	-	(240)	-	-
Closing balance at 31 December 2021	97,635	22,439	(2,614)	76,994	816
Previous year:					
Opening balance at 1 January 2020	85,898	22,439	(1,736)	65,208	(13)
Changes in equity:					
Total comprehensive income for the year	5,940	-	-	5,482	458
Dividends paid (Note 12)	(2,364)	-	-	(2,364)	-
Purchase of treasury shares (Note 22)	(638)	-	(638)	-	-
Closing balance at 31 December 2020	88,836	22,439	(2,374)	68,326	445
	Total equity \$' 000	Share capital \$' 000	Treasury shares \$' 000	Retained earnings \$' 000	
Company:					
Current year:					
Opening balance at 1 January 2021	40,285	22,439	(2,374)	20,220	
Changes in equity:					
Total comprehensive income for the year	774	-	-	774	
Dividends paid (Note 12)	(5,208)	-	-	(5,208)	
Purchase of treasury share (Note 22)	(240)	-	(240)	-	
Closing balance at 31 December 2021	35,611	22,439	(2,614)	15,786	
Previous year:					
Opening balance at 1 January 2020	42,382	22,439	(1,736)	21,679	
Changes in equity:					
Total comprehensive income for the year	905	-	-	905	
Dividends paid (Note 12)	(2,364)	-	-	(2,364)	
Purchase of treasury share (Note 22)	(638)	-	(638)	-	
Closing balance at 31 December 2020	40,285	22,439	(2,374)	20,220	

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

	2021 \$' 000	2020 \$' 000
<u>Cash flows from operating activities</u>		
Profit before tax	14,476	5,898
Adjustments for:		
Interest expense	567	1,021
Interest income	(89)	(222)
(Gain) / loss on disposal of plant and equipment	(42)	219
Depreciation of property, plant and equipment	3,540	4,825
Depreciation of right-of-use assets	172	189
Amortisation of intangible assets	305	305
Foreign exchange adjustments unrealised (gains) / losses	(168)	729
Operating cash flows before changes in working capital	18,761	12,964
Inventories	(3,347)	850
Trade and other receivables	(3,055)	2,247
Other assets	(2,775)	361
Provisions	474	(322)
Trade payables	843	3,376
Other non-financial liabilities	(7)	117
Net cash flows from operations	10,894	19,593
Income taxes paid	(970)	(1,619)
Net cash flows from operating activities	9,924	17,974
<u>Cash flows from investing activities</u>		
Purchase of property, plant and equipment	(723)	(876)
Disposal of property, plant and equipment	59	31
Interest received	89	222
Net cash flows used in investing activities	(575)	(623)
<u>Cash flows from financing activities</u>		
Dividends paid to equity owners	(5,208)	(2,364)
Increase in loans and borrowings	18,530	13,000
Interest paid	(467)	(794)
Lease liabilities – principal and interest portion paid	(405)	(467)
Loans and borrowings paid	(4,141)	(11,196)
Purchase of treasury shares	(240)	(638)
Net cash flows from / (used in) financing activities	8,069	(2,459)
Net increase in cash and cash equivalents	17,418	14,892
Effects of exchange rate changes on the balance of cash held in foreign currencies	407	(580)
Cash and cash equivalents, statement of cash flows, beginning balance	57,512	43,200
Cash and cash equivalents, statement of cash flows, ending balance (Note 21)	75,337	57,512

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

1. General

The company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore dollar and they cover the company (referred to as “parent”) and the subsidiaries.

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors. The directors have the power to amend and reissue the financial statements.

The principal activities of the company are those of an investment holding company and providing management and administrative support to its subsidiaries. The company is listed on the Singapore Exchange Securities Trading Limited.

The principal activities of the subsidiaries are described in the notes to the financial statements below.

The registered office is: 2 Tuas Avenue 10, Singapore 639126. The principal place of business is in Singapore.

Uncertainties relating to the Covid-19 pandemic:

The recent increase in crude oil prices has added some market optimism in the sectors the group operates in. However, the labour crunch due to the limited pool of skilled workers in Singapore pose certain pressures on cost.

With the expected recovery of business activities to pre-Covid levels, the group is optimistic with the contract wins secured to date, the prudent cost and risk management initiatives undertaken, the acquisition of Starburst Holdings Limited (Note 30) and opportunities for further M&A, the group will continue to deliver value to shareholders.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and the related Interpretations to SFRS(I) (“SFRS (I) INT”) as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act 1967 and with the International Financial Reporting Standards (IFRSs) issued by the International Accounting Standards Board (IASB).

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements. The accounting policies in the financial reporting standards may not be applied when the effect of applying them is not material. The disclosures required by financial reporting standards may not be provided if the information resulting from that disclosure is not material.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

1. General (cont'd)

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the entity's accounting policies. The areas requiring management's most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at Note 2C, where applicable.

Basis of presentation

The consolidated financial statements include the financial statements made up to the end of the reporting year of the company and all of its subsidiaries. The consolidated financial statements are the financial statements of the group (the parent and its subsidiaries) presented as those of a single economic entity and are prepared using uniform accounting policies for like transactions and other events in similar circumstances. All significant intragroup balances and transactions are eliminated on consolidation. Subsidiaries are consolidated from the date the reporting entity obtains control of the investee and consolidation is ceased when the reporting entity loses control of the investee.

Changes in the group's ownership interest in a subsidiary that do not result in the loss of control are accounted for within equity as transactions with owners in their capacity as owners. The carrying amounts of the group's and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. When the group loses control of a subsidiary it derecognises the assets and liabilities and related equity components of the former subsidiary. Any gain or loss is recognised in profit or loss. Any investment retained in the former subsidiary is measured at fair value at the date when control is lost and is subsequently accounted as equity investments financial assets in accordance with the financial reporting standard on financial instruments.

The company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act 1967, the company's separate statement of profit or loss and other comprehensive income is not presented.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

The financial reporting standard on revenue from contracts with customers establishes a five-step model to account for revenue arising from contracts with customers. Revenue is recognised at an amount that reflects the consideration to which the entity expects to be entitled in exchange for transferring goods or services to a customer (which excludes estimates of variable consideration that are subject to constraints, such as right of return exists, and modifications), net of any related taxes and excluding any amounts collected on behalf of third parties. An asset (goods or services) is transferred when or as the customer obtains control of that asset. As a practical expedient the effects of any significant financing component is not adjusted if the payment for the good or service will be within one year.

Sale of goods – Revenue is recognised at a point in time when the performance obligation is satisfied by transferring a promised good or service to the customer. Control of the goods is transferred to the customer, generally on delivery of the goods (in this respect, incoterms are considered).

Services – Revenue from service orders and term projects is recognised when the entity satisfies the performance obligation at a point in time, generally when the significant acts have been completed and when transfer of control occurs or for services that are not significant transactions, revenue is recognised as the services are provided.

Distinct goods or services in a series – For distinct goods or services in a series such as routine or recurring service contracts where the promise under the contract is for a specified quantity of goods or services that meets the over time criteria or is a stand-ready or single continuous service and if the nature of each good or service is distinct, substantially the same and has the same pattern of transfer or each time increment is distinct, then revenue is recognised at the amount that the entity has the right to bill a fixed amount for each unit of goods or service provided.

Distinct goods or services created over time – For long-term service contracts and projects for constructing, manufacturing or developing an asset the customer value is created over time during the contract period and it is accounted for as a single performance obligation that is satisfied over time. This is because the customer simultaneously receives and consumes the benefits of the entity's performance in processing each transaction as and when each transaction is processed; the performance creates or enhances an asset (for example, work in progress) that the customer controls as the asset is created or enhanced; or the performance does not create an asset with an alternative use to the entity and the entity has an enforceable right to payment for performance completed to date. The revenue is recognised over time by using the input method. For the input method the revenue is recognised on the basis of the efforts or inputs to the satisfaction of a performance obligation such as costs incurred, relative to the total expected inputs to the satisfaction of that performance obligation.

Provisions for losses on contracts – When the current estimates of the total amount of consideration expected to be received in exchange for transferring promised goods or services to the customer, and contract cost indicate a loss, a provision for the entire loss on the contract is made as soon as the loss becomes evident. An adjustment is also made to reflect the effects of the customer's credit risk. The loss on a contract is reported as an additional contract cost (an operating expense), and not as a reduction of revenue or a non-operating expense.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Other income

Interest income is recognised using the effective interest method.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute for the Singapore employees to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). Certain subsidiaries overseas have defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund may or may not be held separately from those of the entity in an independently administered fund. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowings and are recognised as an expense in the period in which they are incurred. Interest expense is calculated using the effective interest rate method.

Foreign currency transactions

The functional currency is the Singapore dollar as it reflects the primary economic environment in which the company operates. Transactions in foreign currencies are recorded in the functional currency at the rates ruling at the dates of the transactions. At each end of the reporting year, recorded monetary balances and balances measured at fair value that are denominated in non-functional currencies are reported at the rates ruling at the end of the reporting year and fair value measurement dates respectively. All realised and unrealised exchange adjustment gains and losses are dealt with in profit or loss except when a gain or loss on a non-monetary item is recognised in other comprehensive income, any exchange component of that gain or loss is recognised in other comprehensive income. The financial statements are presented in the functional currency.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Translation of financial statements of other entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

Income tax

The income taxes are accounted using the asset and liability method that requires the recognition of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequence of events that have been recognised in the financial statements or tax returns. The measurements of current and deferred tax liabilities and assets are based on provisions of the enacted or substantially enacted tax laws; the effects of future changes in tax laws or rates are not anticipated. Tax expense (tax income) is the aggregate amount included in the determination of profit or loss for the reporting year in respect of current tax and deferred tax. Current and deferred income taxes are recognised as income or as an expense in profit or loss unless the tax relates to items that are recognised in the same or a different period outside profit or loss. For such items recognised outside profit or loss the current tax and deferred tax are recognised (a) in other comprehensive income if the tax is related to an item recognised in other comprehensive income and (b) directly in equity if the tax is related to an item recognised directly in equity. Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same income tax authority. The carrying amount of deferred tax assets is reviewed at each end of the reporting year and is reduced, if necessary, by the amount of any tax benefits that, based on available evidence, are not expected to be realised. A deferred tax amount is recognised for all temporary differences, unless the deferred tax amount arises from the initial recognition of an asset or liability in a transaction which (i) is not a business combination; and (ii) at the time of the transaction, affects neither accounting profit nor taxable profit (tax loss). A deferred tax liability or asset is recognised for all taxable temporary differences associated with investments in subsidiaries except where the reporting entity is able to control the timing of the reversal of the taxable temporary difference and it is probable that the taxable temporary difference will not reverse in the foreseeable future or for deductible temporary differences, they will not reverse in the foreseeable future and they cannot be utilised against taxable profits.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Property, plant and equipment

Property, plant and equipment are carried at cost on initial recognition and after initial recognition at cost less any accumulated depreciation and any accumulated impairment losses. Depreciation is provided on a straight-line method to allocate the gross carrying amounts of the assets less their residual values over their estimated useful lives of each part of an item of these assets. The annual rates of depreciation are as follows:

Leasehold properties	–	3%
Plant and equipment	–	6% to 33%

An asset is depreciated when it is available for use until it is derecognised even if during that period the item is idle. Fully depreciated assets still in use are retained in the financial statements.

The gain or loss arising from the derecognition of an item of property, plant and equipment is recognised in profit or loss. The residual value and the useful life of an asset is reviewed at least at each end of the reporting year and, if expectations differ significantly from previous estimates, the changes are accounted for as a change in an accounting estimate, and the depreciation charge for the current and future periods are adjusted.

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management.

Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

Right-of-use assets

The right-of-use assets are accounted and presented as if they were owned such as property, plant and equipment. The annual rate of depreciation is as follows:

Leasehold properties	–	3%
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Leases of lessee

A lease conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A right-of-use asset is capitalised in the statement of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised right-of-use asset is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The right-of-use asset is depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. An interest expense is recognised on the lease liability (included in finance costs). For short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office equipment) where an accounting policy choice exists under the lease standard, the lease payments are expensed to profit or loss as incurred on a straight line basis over the remaining lease term.

Intangible assets

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful life is as follows:

Order backlog – 2 years

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Subsidiaries

A subsidiary is an entity including unincorporated and special purpose entity that is controlled by the reporting entity and the reporting entity is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The existence and effect of substantive potential voting rights that the reporting entity has the practical ability to exercise (that is, substantive rights) are considered when assessing whether the reporting entity controls another entity.

In the reporting entity's separate financial statements, an investment in a subsidiary is accounted for at cost less any allowance for impairment in value. Impairment loss recognised in profit or loss for a subsidiary is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying value and the net book value of the investment in a subsidiary are not necessarily indicative of the amount that would be realised in a current market exchange.

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. Subsequently, they are measured at the higher of the loss allowance determined in accordance with SFRS(I) 9 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with the financial reporting standard on financial instruments. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under the financial reporting standard on business combinations. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Goodwill

Goodwill is an asset representing the future economic benefits arising from other assets acquired in a business combination that are not individually identified and separately recognised. Goodwill is recognised as of the acquisition date measured as the excess of (a) over (b); (a) being the aggregate of: (i) the consideration transferred which generally requires acquisition-date fair value; (ii) the amount of any non-controlling interest in the acquiree measured in accordance with the financial reporting standard on business combinations (measured either at fair value or as the non-controlling interest's proportionate share of the acquiree's net identifiable assets); and (iii) in a business combination achieved in stages, the acquisition-date fair value of the acquirer's previously held equity interest in the acquiree; and (b) being the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed measured in accordance with the financial reporting standard on business combinations.

After initial recognition, goodwill acquired in a business combination is measured at cost less any accumulated impairment losses. Goodwill is not amortised. Irrespective of whether there is any indication of impairment, goodwill and also any intangible asset with an indefinite useful life or any intangible asset not yet available for use are tested for impairment at least annually. Goodwill impairment is not reversed in any circumstances.

For the purpose of impairment testing and since the acquisition date of the business combination, goodwill is allocated to each cash-generating unit, or groups of cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree were assigned to those units or groups of units. Each unit or group of units to which the goodwill is so allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes and is not larger than a segment.

Inventories

Inventories are measured at the lower of cost (weighted average method and first in first out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of overheads based on normal operating capacity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Carrying amounts of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration.

When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. 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 measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

Recognition and derecognition of financial instruments:

A financial asset or a financial liability is recognised in the statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised and derecognised, as applicable, using trade date accounting or settlement date accounting. A financial asset is derecognised 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 entity neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. A financial liability is removed from the statement of financial position when, and only when, it is extinguished, that is, when the obligation specified in the contract is discharged or cancelled or expires. At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.
2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): A debt asset instrument is measured at fair value through other comprehensive income (FVTOCI) only if it meets both of the following conditions and is not designated as at FVTPL, that is (a) the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets are not reclassified subsequent to their initial recognition, except when, and only when, the reporting entity changes its business model for managing financial assets (expected to be rare and infrequent events)

The previously recognised gains, losses, or interest cannot be restated. When these financial assets are derecognised, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

3. Financial asset that is an equity investment measured at fair value through other comprehensive income (FVTOCI): On initial recognition of an equity investment that is not held for trading, an irrevocably election may be made to present subsequent changes in fair value in OCI. This election is made on an investment-by-investment basis. Fair value changes are recognised in OCI but dividends are recognised in profit or loss unless the dividend clearly represents a recovery of part of the cost of the investment. The gain or loss that is presented in OCI includes any related foreign exchange component arising on non-monetary investments (eg, equity instruments). On disposal, the cumulative fair value changes are not recycled to profit or loss but remain in reserves within equity. The weighted average or specific identification method is used when determining the cost basis of equities being disposed of.
4. Financial asset classified as measured at fair value through profit or loss (FVTPL): All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Classification and measurement of financial liabilities:

Financial liabilities are classified as at fair value through profit or loss (FVTPL) in either of the following circumstances: (1) the liabilities are managed, evaluated and reported internally on a fair value basis; or (2) the designation eliminates or significantly reduces an accounting mismatch that would otherwise arise. All other financial liabilities are carried at amortised cost using the effective interest method. Reclassification of any financial liability is not permitted.

Cash and cash equivalents

For the statement of cash flows, cash and cash equivalents includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Fair value measurement

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, market observable data to the extent possible is used. If the fair value of an asset or a liability is not directly observable, an estimate is made using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (eg by use of the market comparable approach that reflects recent transaction prices for similar items, discounted cash flow analysis, or option pricing models refined to reflect the issuer's specific circumstances). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account. The entity's intention to hold an asset or to settle or otherwise fulfil a liability is not taken into account as relevant when measuring fair value.

Fair values are categorised into different levels in a fair value hierarchy based on the degree to which the inputs to the measurement are observable and the significance of the inputs to the fair value measurement in its entirety: Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities. Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (ie as prices) or indirectly (ie derived from prices). Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs). Transfers between levels of the fair value hierarchy are recognised at the end of the reporting period during which the change occurred.

The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value. The fair values of non-current financial instruments may not be disclosed separately unless there are significant differences at the end of the reporting year and in the event the fair values are disclosed in the relevant notes to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies and other explanatory information (cont'd)

2B. Other explanatory information

Provisions

A liability or provision is recognised when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. A provision is made using best estimates of the amount required in settlement and where the effect of the time value of money is material, the amount recognised is the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Changes in estimates are reflected in profit or loss in the reporting year they occur.

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria.

Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

Treasury shares

Where the entity reacquires its own equity instruments as treasury shares, the consideration paid, including any directly attributable incremental cost is deducted from equity attributable to the entity's owners until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in equity attributable to the entity's owners and no gain or loss is recognised in profit or loss.

2C. Critical judgements, assumptions and estimation uncertainties

The critical judgements made in the process of applying the accounting policies that have the most significant effect on the amounts recognised in the financial statements and the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities currently or within the next reporting year are discussed below. These estimates and assumptions are periodically monitored to ensure they incorporate all relevant information available at the date when financial statements are prepared. However, this does not prevent actual figures differing from estimates.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties (cont'd)

Assessment of impairment of goodwill:

The amount of goodwill is tested annually for impairment. This annual impairment test is significant and the process is complex and highly judgmental and is based on assumptions that are affected by expected future market or economic conditions. As a result, judgement is required in evaluating the assumptions and methodologies used by management, in particular those relating to the forecasted revenue growth and profit margins. The disclosures about goodwill are included in Note 15. Actual outcomes could vary from these estimates.

Allowance on inventories:

The allowance for impairment of inventories assessment requires estimation and judgement. The level of the loss allowance is assessed by taking into account the recent sales experience, the ageing of inventories, other factors that affect inventory obsolescence and subsequent events. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in Note 18.

3. Related party relationships and transactions

The financial reporting standard on related party disclosures requires the reporting entity to disclose: (a) related party relationships, transactions and outstanding balances, including commitments, including (b) relationships between parents and subsidiaries irrespective of whether there have been transactions between those related parties. A party is related to a party if the party controls, or is controlled by, or can significantly influence or is significantly influenced by the other party.

The ultimate controlling party is Chang Yeh Hong, a director and significant shareholder.

3A. Related party transactions:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

Intragroup transactions and balances that have been eliminated in these consolidated financial statements are not disclosed as related party transactions and balances below.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

3. Related party relationships and transactions (cont'd)

3B. Key management compensation:

	Group	
	2021	2020
	\$' 000	\$'000
Salaries and other short-term employee benefits	2,509	2,096
Contributions to defined contribution plans	105	96
	2,614	2,192

The above amounts are included under employee benefits expense. Included in the above amounts are the following items:

	Group	
	2021	2020
	\$' 000	\$'000
Remuneration of directors of the company	1,334	848
Fees to directors of the company	137	137

Further information about the remuneration of individual directors is provided in the report on corporate governance.

Key management personnel includes the directors and those persons having authority and responsibility for planning, directing and controlling the activities of the group, directly or indirectly.

3C. Other receivables from and other payables to related parties:

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from and other payables to related parties are as follows:

	Subsidiary	
	2021	2020
Company:	\$' 000	\$'000
Other receivables:		
At beginning of the year	-	-
Advances to a subsidiary	17,681	-
At end of the year (Note 19)	17,681	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

4. Financial information by operating segments

4A. Information about reportable segment profit or loss, assets and liabilities

Disclosure of information about operating segments, products and services, the geographical areas, and the major customers are made as required by the financial reporting standard on operating segments. This disclosure standard has no impact on the reported financial performance or financial position of the reporting entity.

For management purposes the reporting entity is organised into the following major strategic operating segments that offer different products and services: (1) Project services, (2) Maintenance services and (3) Others. The results of all other activities, mainly investment holding which are not included within the two primary segments, are included in the "Others" segment. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

The segments and the types of products and services are as follows:

- (1) The Project services segment includes projects that requires engineering, design, procurement, construction, machining, scaffolding works, insulation services and passive fireproofing services.
- (2) The Maintenance services segment includes maintenance and repair services, including trading and supply of material, spare parts and components.
- (3) The Others segment relates to other revenue streams.

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the significant accounting policies. The management reporting system evaluates performances based on a number of factors. However, the primary measurement to evaluate segment's operating results is the earnings from operations before depreciation and amortisation, interests and income taxes (called "EBITDA").

The following tables illustrate the information about the reportable segment profit or loss, assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

4. Financial information by operating segments (cont'd)

4B. Profit or loss from continuing operations and reconciliations

	Project services \$' 000	Maintenance services \$' 000	Others \$' 000	Elimination \$' 000	Group \$' 000
2021					
Revenue by segment					
Total revenue by segment	54,565	55,635	-	(7,135)	103,065
Inter-segment sales	(6,193)	(942)	-	7,135	-
Total revenue	48,372	54,693	-	-	103,065
Recurring EBITDA					
Inter-segment expenses	754	1,212	-	(1,966)	-
Adjusted EBITDA	8,141	9,405	1,425	-	18,971
Finance costs	(84)	(278)	(205)	-	(567)
Amortisation of intangible assets	(23)	(282)	-	-	(305)
	8,034	8,845	1,220	-	18,099
Unallocated:					
Interest income					89
Depreciation of property, plant and equipment					(3,540)
Depreciation of right-of-use assets					(172)
Income tax expenses					(600)
Profit for the year					13,876

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

4. Financial information by operating segments (cont'd)

4B. Profit or loss from continuing operations and reconciliations (cont'd)

	Project services \$' 000	Maintenance services \$' 000	Others \$' 000	Elimination \$' 000	Group \$' 000
2020					
Revenue by segment					
Total revenue by segment	41,990	42,115	–	(3,311)	80,794
Inter-segment sales	(2,647)	(664)	–	3,311	–
Total revenue	<u>39,343</u>	<u>41,451</u>	<u>–</u>	<u>–</u>	<u>80,794</u>
Recurring EBITDA	6,197	3,813	(1,076)	3,082	12,016
Inter-segment expenses	456	2,626	–	(3,082)	–
Adjusted EBITDA	6,653	6,439	(1,076)	–	12,016
Finance costs	(244)	(489)	(288)	–	(1,021)
Amortisation of intangible assets	(32)	(273)	–	–	(305)
	<u>6,377</u>	<u>5,677</u>	<u>(1,364)</u>	<u>–</u>	<u>10,690</u>
Unallocated:					
Interest income					222
Depreciation of property, plant and equipment					(4,825)
Depreciation of right-of-use assets					(189)
Income tax expenses					(416)
Profit for the year					<u>5,482</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

4. Financial information by operating segments (cont'd)

4C. Assets and reconciliations

	Project services \$' 000	Maintenance services \$' 000	Others \$' 000	Group \$' 000
2021				
Reportable segment assets	6,490	3,170	-	9,660
Unallocated:				
Cash and cash equivalents				75,337
Inventories				14,542
Trade and other receivables, and other assets				27,518
Property, plant and equipment				32,099
Other non-current assets				33,110
Total group assets				192,266
2020				
Reportable segment assets	3,887	3,956	-	7,843
Unallocated:				
Cash and cash equivalents				57,512
Inventories				11,195
Trade and other receivables, and other assets				23,505
Property, plant and equipment				34,801
Other non-current assets				33,193
Total group assets				168,049

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

4. Financial information by operating segments (cont'd)

4D. Liabilities and reconciliations

	Project services \$' 000	Maintenance services \$' 000	Others \$' 000	Group \$' 000
2021				
Reportable segment liabilities	711	186	-	897
Unallocated:				
Provisions				2,428
Trade payables				23,830
Loans and borrowings				60,262
Financial liabilities – lease liabilities				3,383
Income tax payable and deferred tax liabilities				3,831
Total group liabilities				94,631
2020				
Reportable segment liabilities	798	106	-	904
Unallocated:				
Provisions				1,954
Trade payables				22,987
Loans and borrowings				45,873
Financial liabilities – lease liabilities				3,688
Income tax payable and deferred tax liabilities				3,807
Total group liabilities				79,213

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

4. Financial information by operating segments (cont'd)

4E. Geographical information

	Revenue		Non-current assets	
	2021	2020	2021	2020
	\$' 000	\$'000	\$' 000	\$'000
Group				
China	24,947	21,153	3,788	3,952
Singapore	78,118	59,641	61,027	64,042
	103,065	80,794	64,815	67,994

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

4F. Other material items and reconciliations

Capital expenditures of \$723,000 (2020: \$876,000) are recognised in respect of property, plant and equipment. Segment information is not available for capital expenditures as the information is not available and the cost to allocate to the segment would be excessive.

4G. Information about major customers

	Group	
	2021	2020
	\$' 000	\$'000
Top 1 customer in more than one segment	13,760	11,021
Top 2 customers in more than one segment	22,401	17,706
Top 3 customers in more than one segment	28,836	21,287

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

5. Revenue

Revenue from contracts with customers

A. Revenue classified by type of good or service:

	Group	
	2021	2020
	\$'000	\$'000
Services	66,963	49,941
Sale of goods	31,652	27,760
Construction contracts	4,450	3,093
Total revenue	103,065	80,794

B. Revenue classified by duration of contract:

	Group	
	2021	2020
	\$'000	\$'000
Short-term contracts – less than 12 months	98,615	77,701
Long-term contracts – more than 12 months	4,450	3,093
Total revenue	103,065	80,794

C. Revenue classified by timing of revenue recognition:

	Group	
	2021	2020
	\$'000	\$'000
Point in time	31,652	27,760
Over time	71,413	53,034
Total revenue	103,065	80,794

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

5. Revenue (cont'd)

D. Other information on revenue:

Distinct goods or services created over time and in a series – For service contracts and projects for constructing, manufacturing or developing an asset include the following:

The group's Scaffolding Services ("SS") division is an established leader in metal scaffold works servicing the process, construction and marine industries, offering a full suite of scaffolding services including design, erection, modification and dismantling, sales and rental.

The group's Insulation Services ("IS") division specialises in thermal and cryogenic insulation, thermal spray aluminium and passive fireproofing services in the petrochemical, pharmaceutical, marine, oil and gas industries.

Distinct goods or services created over time and in a series – For service contracts and projects for constructing, manufacturing or developing an asset include the following (cont'd):

The group's Petrochemical and Engineering services division specialises in a wide range of services: pre and post commissioning cleaning, heat exchanger cleaning, tank cleaning, process plant recovery work, temporary intervention activities in process plants, on line cleaning process, turnaround work and support, decontamination services, temporary equipment support services, product filtering services and support in operation of utility plants. We serve the petrochemical, manufacturing, and infrastructure industries.

The Group's Cleanroom, Air and Water Solutions Engineering Services provides holistic suite of services in facilities engineering services, maintenance, engineering, project management and construction for air pollution control system, water and waste treatment system to semiconductor, pharmaceutical, oil and gas, power plant and municipal sectors.

Sale of goods or services in a point in time include the following:

The group's System Integration ("SI") division offers integrated control and management systems for newly built ships as well as ships that require upgrades or conversions. SI division designs, procures, develops and manufactures actuators, valves and other components for assembly and integration into valve remote control systems, tank gauging systems, anti-heeling systems, alarm monitoring and power management systems used by customers in their vessels.

The group's Precision Engineering ("PE") division designs and builds tooling systems, and provides turnkey production solutions to customers in the marine, oil and gas, aerospace, medical and electronic manufacturing services industries.

The group's Maintenance, Repair and Overhaul ("MRO") and Trading division provides customers with after-sales requests for maintenance, repairs and overhauls for the vessels. MRO division includes maintenance and repair services, trading and supply of materials, spare parts and components.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

6. Other income and gains and (other losses)

	Group	
	2021	2020
	\$' 000	\$' 000
Allowance for impairment on trade receivables – reversal / (loss)	122	(35)
Allowance for impairment on other receivables – reversal / (loss)	76	(83)
Foreign exchange adjustment gains	395	311
Gain / (loss) on disposal of plant and equipment	42	(219)
Government grant	673	633
Interest income	89	222
Inventories written down	(287)	(79)
Other payables to ex-shareholders of a subsidiary written back	-	2,240
Other income	226	390
Net	1,336	3,380
Presented in profit or loss as:		
Other income and gains	1,623	3,796
Other losses	(287)	(416)
Net	1,336	3,380

7. Administrative expenses

The major component includes the following:

	Group	
	2021	2020
	\$' 000	\$' 000
Employee benefits expense (Note 9)	7,448	7,065

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

8. Finance costs

	Group	
	2021	2020
	\$' 000	\$' 000
Interest expense	467	904
Interest on lease liabilities	100	117
Total finance costs	567	1,021

9. Employee benefits expense

	Group	
	2021	2020
	\$' 000	\$' 000
Short term employee benefits expense	27,927	23,840
Other benefits	4,311	5,371
Contributions to defined contribution plan	1,403	1,462
Total employee benefits expense	33,641	30,673
Allocation of employee benefits expense:		
Administrative expenses (Note 7)	7,448	7,065
Cost of sales	25,554	23,113
Distribution costs	639	495
Total employee benefits expense	33,641	30,673

Government grants from Job Support Scheme of \$1,592,000 (2020: \$3,177,000) are included in above short term employee benefits expense. The grants are to provide wage support to employers to help them defray some employee related costs during this period of economic uncertainty due to Covid-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

10. Income tax

10A. Components of tax expense recognised in profit or loss include:

	Group	
	2021	2020
	\$'000	\$'000
<u>Current tax expense:</u>		
Current tax expense	1,090	737
Over adjustments in respect of prior periods	(153)	(160)
Subtotal	937	577
<u>Deferred tax income:</u>		
Deferred tax income	(337)	(161)
Subtotal	(337)	(161)
Total income tax expense	600	416

The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (2020: 17.0%) to profit or loss before income tax as a result of the following differences:

	Group	
	2021	2020
	\$'000	\$'000
Profit before tax	14,476	5,898
Income tax expense at the above rate	2,461	1,003
Income not subject to tax	(465)	(737)
Expenses not deductible for tax purposes	208	232
Over adjustments to tax in respect of prior periods	(153)	(160)
Effect of different tax rates in different countries	(57)	23
Stepped income exemption and tax rebate	(119)	(55)
Previously unrecognised tax assets recognised this year	(645)	-
Merger and acquisition allowances	(582)	(104)
Others	(48)	214
Total income tax expense	600	416

There are no income tax consequences of dividends to owners of the company.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

10. Income tax (cont'd)**10B. Deferred tax income recognised in profit or loss includes:**

	Group	
	2021	2020
	\$' 000	\$'000
Excess of tax over book depreciation on plant and equipment	71	–
Excess of book over tax depreciation on plant and equipment	–	(189)
Capital allowances carryforwards	(119)	–
Merger and acquisition allowances	116	104
Provisions	(394)	–
Others	(11)	(76)
Total deferred income tax income recognised in profit or loss	(337)	(161)

10C. Deferred tax balance in the statements of financial position:

	Group		Company	
	2021	2020	2021	2020
	\$' 000	\$'000	\$' 000	\$'000
From deferred tax liabilities recognised <u>in profit or loss:</u>				
Excess of book value of plant and equipment over tax values	(3, 142)	(3,071)	(49)	–
Capital allowances carryforwards	119	–	–	–
Merger and acquisition allowances carryforwards	94	210	–	–
Provisions	394	–	–	–
Others	13	2	–	(37)
Net balance	(2, 522)	(2,859)	(49)	(37)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

10. Income tax (cont'd)

10C. Deferred tax balance in the statements of financial position: (cont'd)

Presented in the statement of financial position as follows:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Deferred tax asset	394	–	–	–
Deferred tax liabilities	(2,916)	(2,859)	(49)	(37)
Net balance	<u>(2,522)</u>	<u>(2,859)</u>	<u>(49)</u>	<u>(37)</u>

Temporary differences arising in connection with interests in subsidiaries are insignificant.

11. Earnings per share

The following table illustrates the numerators and denominators used to calculate basic and diluted earnings per share of no par value:

	Group	
	2021 \$'000	2020 \$'000
Numerators: earnings attributable to equity:		
Profit attributable to equity holders	<u>13,876</u>	<u>5,482</u>
	'000	'000
Denominators: weighted average number of equity shares		
Basic and diluted	<u>388,179</u>	<u>390,301</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

11. Earnings per share (cont'd)

The weighted average number of ordinary shares refers to shares in issue outstanding during the reporting period.

The basic amount per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. It is after the neutralisation by the treasury shares.

Both basic and diluted earnings per share are the same as there are no diluted ordinary share equivalents outstanding during the reporting years.

12. Dividends on equity shares

	Group and Company			
	Rate per share			
	2021	2020	2021	2020
	cents	cents	\$' 000	\$' 000
Final tax exempt (one-tier) dividend paid	0.362	0.419	1,405	1,634
Interim tax exempt (one-tier) dividend paid	0.780	0.187	3,027	730
Special tax exempt (one-tier) dividend paid	0.200	–	776	–
Total dividends paid in the year	1.342	0.606	5,208	2,364

In respect of the current reporting year, the directors have proposed that a final and special dividend of 0.608 cents and 0.152 per share with an approximately total of \$2,949,000 be paid to shareholders after the annual general meeting to be held on 25 April 2022. There are no income tax consequences on the reporting entity. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and including the new qualifying shares issued up to the date the dividend becomes payable.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

13. Property, plant and equipment

Group	Leasehold properties \$' 000	Plant and equipment \$' 000	Total \$' 000
<u>Cost:</u>			
At 1 January 2020	20,168	51,169	71,337
Transfer from assets held for sale	10,546	–	10,546
Foreign exchange adjustments	(1)	525	524
Additions	3	873	876
Disposals	–	(439)	(439)
At 31 December 2020	30,716	52,128	82,844
Foreign exchange adjustments	–	387	387
Additions	–	723	723
Disposals	–	(245)	(245)
At 31 December 2021	30,716	52,993	83,709
<u>Accumulated depreciation:</u>			
At 1 January 2020	3,522	37,091	40,613
Transfer from assets held for sale	2,470	–	2,470
Foreign exchange adjustments	–	327	327
Depreciation for the year	2,605	2,220	4,825
Disposals	–	(192)	(192)
At 31 December 2020	8,597	39,446	48,043
Foreign exchange adjustments	–	255	255
Depreciation for the year	1,426	2,114	3,540
Disposals	–	(228)	(228)
At 31 December 2021	10,023	41,587	51,610
<u>Carrying value:</u>			
At 1 January 2020	16,646	14,078	30,724
At 31 December 2020	22,119	12,682	34,801
At 31 December 2021	20,693	11,404	32,099

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

13. Property, plant and equipment (cont'd)

Allocation of the depreciation expense:

	Group	
	2021	2020
	\$' 000	\$'000
Cost of sales	1,201	1,775
Administrative expenses	2,339	3,050
Total	3,540	4,825

Company	Leasehold properties \$' 000	Plant and equipment \$' 000	Total \$' 000
<u>Cost:</u>			
At 1 January 2020	6,280	423	6,703
Additions	–	3	3
At 31 December 2020	6,280	426	6,706
Additions	–	87	87
At 31 December 2021	6,280	513	6,793
<u>Accumulated depreciation:</u>			
At 1 January 2020	251	49	300
Depreciation for the year	201	45	246
At 31 December 2020	452	94	546
Depreciation for the year	244	12	256
At 31 December 2021	696	106	801
<u>Carrying value:</u>			
At 1 January 2020	6,029	374	6,403
At 31 December 2020	5,828	332	6,160
At 31 December 2021	5,584	407	5,991

Certain plant and equipment with net book value of \$374,000 (2020: \$597,000) are under lease liability agreements (see Note 14).

The leasehold properties are mortgaged or pledged as security for the bank facilities (see Note 25A).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

14. Right-of-use assets and financial liabilities – lease liabilities

The leases are for certain plant and equipment (Note 13) and land use rights for office space and factory space. The lease contracts are usually for fixed periods of 5 to 30 years but may have extension options. Lease terms contain a wide range of different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

The lease liability above does not include the short-term leases and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liability and the right-of-use assets.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liabilities.

The right-of-use assets and lease liabilities are in the statement of financial position. The movements are as follows:

	Group		Company	
	Right-of-use assets	Lease liabilities	Right-of-use assets	Lease liabilities
	\$' 000	\$' 000	\$' 000	\$' 000
<u>Cost:</u>				
At 1 January 2020	3,637	4,038	1,788	1,753
Accretion of interest	–	117	–	52
Lease payment – principal and interest portion paid	–	(467)	–	(89)
At 31 December 2020	3,637	3,688	1,788	1,716
Accretion of interest	–	100	–	50
Lease payment – principal and interest portion paid	–	(405)	–	(85)
At 31 December 2021	3,637	3,383	1,788	1,681
<u>Accumulated depreciation:</u>				
At 1 January 2020	167	–	58	–
Depreciation for the year	189	–	58	–
At 31 December 2020	356	–	116	–
Depreciation for the year	172	–	57	–
At 31 December 2021	528	–	173	–
<u>Carrying value:</u>				
At 1 January 2020	3,470	4,038	1,730	1,753
At 31 December 2020	3,281	3,688	1,672	1,716
At 31 December 2021	3,109	3,383	1,615	1,681

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

14. Right-of-use assets and financial liabilities – lease liabilities (cont'd)

The depreciation is charged to administrative expenses.

The right-of-use assets are for the land use rights for the land in 1 Tuas Avenue and 2 Tuas Avenue (Singapore) for office and factory space. The land use rights are amortised over the period of the lease term on the straight-line method and expire in August 2035 and December 2049 respectively. They are not transferable.

Lease liabilities include amounts of \$140,000 (2020: \$301,000) for items classified as property, plant and equipment (Note 13).

Lease liabilities are presented in the statement of financial position as follows:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Lease liabilities, current	226	319	37	37
Lease liabilities, non-current	3,157	3,369	1,644	1,679
	3,383	3,688	1,681	1,716

A summary of the maturity analysis of lease liabilities is disclosed in Note 28E. Total cash outflows from leases are shown in the statement of cash flows.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

There were no future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities above.

The weighted average incremental borrowing rate applied to lease liabilities recognised is 3% (2020: 3%) per year.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

14. Right-of-use assets and financial liabilities – lease liabilities (cont'd)

Other disclosures on leases:

Apart from the disclosures made in other notes to the financial statements, amounts relating to leases include the following:

	Group	
	2021	2020
	\$'000	\$'000
Expense relating to short-term leases included in other expenses	2,322	2,547
Total commitments on short-term leases at year end date	1,293	1,390

15. Goodwill

	Group	
	2021	2020
	\$'000	\$'000
Cost:		
At beginning and end of the year	29,552	29,552

Goodwill is allocated to cash-generating units for the purpose of impairment testing. Each of those cash-generating units represents the group's investment by each subsidiary as follows:

	Group	
	2021	2020
	\$'000	\$'000
<u>Name of subsidiary:</u>		
Multiheight Scaffolding Pte Ltd	12,292	12,292
Austin Energy (Asia) Pte Ltd	10,159	10,159
Ensure Engineering Pte Ltd	7,101	7,101
Net book value at end of the year	29,552	29,552

The goodwill was tested for impairment at the end of the reporting year. No impairment allowance was required because the carrying amounts of all cash-generating units were lower than their estimated recoverable amounts. The recoverable amounts of cash-generating units have been measured based on the value in use method.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

15. Goodwill (cont'd)

The value in use was measured by management. The key assumptions for the value in use calculations are disclosed below. The value in use is a recurring fair value measurement (Level 3).

The quantitative information about the value in use measurement using significant unobservable inputs for the cash-generating unit ("CGU") are consistent with those used for the measurement last performed and are as follows:

	Group	
	2021	2020
<u>Valuation technique and Unobservable inputs</u>		
<u>Discounted cash flow method:</u>		
1. Estimated discount rates using pre-tax rates that reflect current market assessments at the risks specific to the CGUs.		
Multiheight Scaffolding Pte Ltd	13%	13%
Austin Energy (Asia) Pte Ltd	13%	15%
Ensure Engineering Pte Ltd	13%	13%
2. Cash flow forecasts derived from the most recent financial budgets and plans approved by management.	5 years	5 years
3. Growth rates based on industry growth forecasts and not exceeding the average long-term growth rate for the relevant markets.	1.4%	1.4%

Actual outcomes could vary from these estimates. If the revised estimated revenue had been 10% less favourable than management's estimates, if the revised estimated gross margin had been 10% less favourable than management's estimates or if the revised estimated pre-tax discount rate applied to the discounted cash flows had been 1 percent point higher than management's estimates, there would not be a need to impair the carrying amount of goodwill.

Management's calculation of value in use took into account projects on hand and the effect of the projects that were delayed due to Covid-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

16. Intangible assets

Group	Order backlog \$' 000
<u>Cost:</u>	
At 1 January 2020, 31 December 2020 and 31 December 2021	<u>720</u>
<u>Accumulated amortisation:</u>	
At 1 January 2020	55
Amortisation for the year	<u>305</u>
At 31 December 2020	360
Amortisation for the year	<u>305</u>
At 31 December 2021	<u>665</u>
<u>Carrying value:</u>	
At 1 January 2020	<u>665</u>
At 31 December 2020	<u>360</u>
At 31 December 2021	<u>55</u>

The amortisation is charged to administrative expenses.

17. Investments in subsidiaries

	Company	
	2021	2020
	\$' 000	\$' 000
Movements during the year. At cost:		
At beginning and end of the year	<u>1,350</u>	<u>1,350</u>
Total cost comprising:		
Unquoted equity shares at cost	<u>1,350</u>	<u>1,350</u>

The listing of and information on the subsidiaries are given below.

All the subsidiaries are wholly owned by the group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

17. Investments in subsidiaries (cont'd)

<u>Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)</u>	Cost of books in group	
	2021	2020
	\$' 000	\$'000
Nordic Flow Control Pte. Ltd. ^(a) Singapore Integration, assembly, trading, importing and exporting of hydraulic systems and marine components <i>Held by Nordic Flow Control Pte. Ltd.:</i>	1,350	1,350
Avitools (Suzhou) Co., Ltd ^(b) The People's Republic of China Engineering works and manufacturing of aircraft components and hydraulic actuators for the marine, oil and gas industry (Suzhou Allpro Certified Public Accountants Co., Ltd.)	3,500	3,500
Nordic Flow Control (Suzhou) Co., Ltd ^(b) The People's Republic of China Integration, assembly, trading, importing and exporting of hydraulic systems and marine components (Suzhou Allpro Certified Public Accountants Co., Ltd.)	1,347	1,347
Austin Energy (Asia) Pte Ltd ^(a) Singapore Provision of construction, scaffolding, insulation, painting and fireproofing services	25,747	25,747
Multiheight Scaffolding Pte Ltd ^(a) Singapore Scaffolding works for refinery, marine and construction industries and sales and rental of tubular frames and aluminium scaffolds	28,945	28,945
Envipure Pte. Ltd. ^(a) Singapore Providers of facilities engineering services, undertaking projects for air pollution control systems, water and waste water treatment systems	14,800	14,800

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

17. Investments in subsidiaries (cont'd)

<u>Name of subsidiaries, country of incorporation, place of operations and principal activities (and independent auditor)</u>	Cost of books in group	
	2021	2020
	\$'000	\$'000
<i>Held by Nordic Flow Control Pte. Ltd.:</i>		
Avitools Singapore Pte Ltd ^(a) Singapore Manufacture of precision components and electro-mechanical assembly business. Incorporated on 14 October 2021.	10	–
<i>Held by Austin Energy (Asia) Pte Ltd:</i>		
Austin Energy Offshore Pte Ltd ^(a) Singapore Building construction specialist (insulation and fireproofing) contractor in process plan construction and general wholesale trade	1,350	1,350
<i>Held by Multiheight Scaffolding Pte Ltd:</i>		
Multiheight Marine Pte Ltd ^(a) Singapore Repairing ships, tankers and other ocean going vessels and providing scaffolding works	204	204
Ensure Engineering Pte Ltd ^(a) Singapore Chemical and engineering activities for marine, manufacturing refineries, utilities and petrochemical industries	16,325	16,325
<i>Held by Envipure Pte. Ltd.:</i>		
Envipure Sdn Bhd ^(b) Malaysia Integration, assembly, trading, importing and exporting of hydraulic systems and marine components (Mazars LLP) 49% is held in trust by an employee	2,781	2,781
Pollution Control Pte Ltd ^(c) Singapore	143	143

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

17. Investments in subsidiaries (cont'd)

- (a) Audited by RSM Chio Lim LLP in Singapore.
- (b) Other independent auditors. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member. Their names are indicated above.
- (c) Dormant during the reporting year.

As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited, the audit committee and the board of directors of the company have satisfied themselves that the appointment of different auditors for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the group.

18. Inventories

	Group	
	2021	2020
	\$' 000	\$'000
Raw material, consumables and supplies	9,020	6,933
Work in progress	3,754	2,327
Finished goods	1,768	1,935
	14,542	11,195
Inventories are stated after allowance.		
Movements in allowance:		
At beginning of the year	1,623	1,680
Charged to profit or loss included in other losses	287	79
Charged to profit or loss included in cost of sales	-	104
Used	(150)	(245)
Foreign exchange adjustments	(3)	(5)
At end of the year	1,757	1,623
Raw materials, consumables and supplies used	29,067	18,089

There are no inventories pledged as security for liabilities.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

19. Trade and other receivables

	Group		Company	
	2021 \$' 000	2020 \$' 000	2021 \$' 000	2020 \$' 000
<u>Trade receivables:</u>				
Outside parties	23,399	21,219	-	-
Less allowance for impairment	(195)	(368)	-	-
Subsidiaries (Note 3)	-	-	21,619	16,054
Retention receivables	1,085	459	-	-
Net trade receivables – subtotal	24,289	21,310	21,619	16,054
<u>Other receivables:</u>				
Outside parties	81	137	-	-
Less allowance for impairment	(7)	(83)	-	-
Subsidiary (Note 3)	-	-	17,681	-
Grant receivable	56	-	-	-
Net other receivables – subtotal	130	54	17,681	-
Total trade and other receivables	24,419	21,364	39,300	16,054
Movements in above allowance on trade receivables:				
At beginning of the year	368	3,339	-	-
(Reversed) / charge for trade receivables to profit or loss included in other losses	(122)	35	-	-
Reversed for trade receivables to profit or loss included in cost of sales	-	(1,096)	-	-
Foreign exchange adjustments	(3)	(4)	-	-
Used	(48)	(1,906)	-	-
At end of the year	195	368	-	-
Movements in above allowance on other receivables:				
At beginning of the year	83	-	-	-
(Reversed) / charge for other receivables to profit or loss included in other losses	(76)	83	-	-
At end of the year	7	83	-	-

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

19. Trade and other receivables (cont'd)

The expected credit losses (ECL) on the above trade receivables are based on the simplified approach to measuring expected credit losses (ECL) which uses a lifetime ECL allowance approach for all trade receivables recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on the historical observed default rates (over a period of 36 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates including the impact of the Covid-19 pandemic. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The ageing of the assets is as follows:

	Gross amount		Loss allowance	
	2021	2020	2021	2020
	\$' 000	\$'000	\$' 000	\$'000
<u>Group</u>				
Trade receivables:				
Within due date	17,328	10,870	-	-
1 to 30 days	3,758	3,433	-	-
31 to 60 days	1,169	1,147	-	-
61 to 90 days	172	893	-	-
Over 90 days	2,057	5,335	195	368
Total	24,484	21,678	195	368
<u>Company</u>				
Trade receivables:				
Within due date	1,086	42	-	-
1 to 30 days	-	-	-	-
31 to 60 days	673	-	-	-
61 to 90 days	197	897	-	-
Over 90 days	19,663	15,115	-	-
Total	21,619	16,054	-	-

The loss allowance disclosed above totalling \$195,000 (2020: \$368,000) is based on individual accounts that are determined to be impaired at the end of the reporting year.

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

19. Trade and other receivables (cont'd)

There are no collateral held as security and other credit enhancements for the trade receivables.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivable customers is about 30 to 90 days (2020: 30 to 90 days). But some customers take a longer period to settle the amounts.

Concentration of trade receivable customers as at the end of reporting year:

	Group	
	2021	2020
	\$'000	\$'000
Top 1 customer	3,247	3,055
Top 2 customers	4,997	5,045
Top 3 customers	6,430	6,091

The other receivables shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. The other receivables can be graded for credit risk individually. At inception they are recorded net of expected 12 month credit losses. At each reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk. At the end of the reporting year a loss allowance is recognised at an amount equal to the lifetime expected credit losses if there has been a significant increase in credit risk since initial recognition including the impact of the Covid-19 pandemic. A loss allowance was recognised.

Other receivables are normally with no fixed terms and therefore there is no maturity.

20. Other assets

	Group		Company	
	2021	2020	2021	2020
	\$'000	\$'000	\$'000	\$'000
Contract assets (Note 20A)	1,915	534	-	-
Unbilled revenue	7,745	7,268	1,000	2,339
Prepayments	436	347	10	35
Advances to suppliers	1,951	1,248	-	-
Deposits to secure services	712	587	9	11
	12,759	9,984	1,019	2,385

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

20. Other assets (cont'd)

20A. Contract assets

	Group	
	2021 \$' 000	2020 \$' 000
The amount is made up of:		
Consideration for work completed but not billed at the reporting date	1,915	534
The movements in contract assets are as follows:		
At beginning of the year	534	–
Consideration received or receivable	(3,069)	(2,559)
Performance obligation satisfied – revenue recognised	4,450	3,093
At end of the year	1,915	534

The contract assets are for: entity's rights to consideration for work completed but not billed at the reporting date on the contracts; costs incurred to obtain or fulfil a contract with a customer; costs to obtain contracts with customers; pre-contract costs and setup costs; and the amount of amortisation and any impairment losses recognised in the reporting year. The contract assets are transferred to the receivables when the rights become unconditional.

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at the end of the reporting year is \$2,734,000 (2020: \$5,208,000). This will be recognised as revenue by reference to percentage of completion, which is expected to complete over the next 1 year (2020: 2 years). The amount disclosed above does not include any estimated amounts of variable consideration that is constrained.

21. Cash and cash equivalents

	Group		Company	
	2021 \$' 000	2020 \$' 000	2021 \$' 000	2020 \$' 000
Not restricted in use	75,337	57,512	5,043	31,795

The interest earning balances are not significant.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

21. Cash and cash equivalents (cont'd)

21A. Reconciliation of movement of liabilities to cash flows arising from financing activities:

Group	2021 \$' 000	Cash flows \$' 000	Non-cash changes \$' 000	2021 \$' 000
Lease liabilities	3,688	(405)	100^(a)	3,383
Loans and borrowings	45,873	14,389*	-	60,262
Total liabilities from financing activities	49,561	13,984	100	63,645

* Reflected in consolidated statement of cash flows as increase in loans and borrowings \$18,530,000 and loans and borrowings paid \$4,141,000.

Group	2019 \$' 000	Cash flows \$' 000	Non-cash changes \$' 000	2020 \$' 000
Lease liabilities	4,038	(467)	117 ^(a)	3,688
Liabilities associated with assets classified as held for sale	3,000	-	(3,000) ^(b)	-
Loans and borrowings	41,069	1,804*	3,000 ^(b)	45,873
Total liabilities from financing activities	48,107	1,337	117	49,561

* Reflected in consolidated statement of cash flows as increase in loans and borrowings \$13,000,000 and loans and borrowings paid \$11,196,000.

(a) Interest charged.

(b) Reclassification from liability classified as held for sale to loans and borrowings.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

22. Share capital

Group and Company	Number of shares issued ' 000	Share capital \$' 000	Treasury shares \$' 000	Total \$' 000
Ordinary shares of no par value:				
At beginning of the year 1 January 2020	391,904	22,439	(1,736)	20,703
Treasury shares purchased (a)	(3,004)	–	(638)	(638)
At end of the year 31 December 2020	388,900	22,439	(2,374)	20,065
Treasury shares purchased (a)	(900)	–	(240)	(240)
At end of the year 31 December 2021	388,000	22,439	(2,614)	19,825

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income. The company is not subject to any externally imposed capital requirements.

- (a) Pursuant to the share purchase mandate approved at the extraordinary general meeting on 29 April 2015 and renewed at the annual general meeting on 26 April 2021. During the reporting year, the company acquired 900,000 ordinary shares (2020: 3,003,500 ordinary shares) on the Singapore Stock Exchange and held as treasury shares. The total is 12,000,000 (2020: 11,100,000) treasury shares.

Capital management:

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

In order to maintain its listing on the Singapore Stock Exchange it has to have share capital with a free float of at least 10% of the shares. The company met the capital requirement on its initial listing and the rules limiting treasury share purchases mean it will continue to satisfy that requirement, as it did throughout the reporting year. Management receives a report from the share registrars frequently on substantial share interests showing the non-free float to ensure continuing compliance with the 10% limit throughout the reporting year.

The management does not set a target level of gearing but uses capital opportunistically to support its business and to add value for shareholders. The key discipline adopted is to widen the margin between the return on capital employed and the cost of that capital.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

22. Share capital (cont'd)

Capital management (cont'd):

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt / adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

	Group	
	2021	2020
	\$' 000	\$'000
Net debt:		
All current and non-current borrowings excluding lease liabilities	60,262	45,873
Less cash and cash equivalents	(75,337)	(57,512)
Net cash	(15,075)	(11,639)
Adjusted capital (less goodwill and intangible assets)	68,028	58,924
Debt-to-adjusted capital ratio	N.M.	N.M.

N.M.: Not meaningful

23. Other reserves

	Group	
	2021	2020
	\$' 000	\$'000
Foreign currency translation reserve (Note 23A)	581	210
Statutory reserve (Note 23B)	235	235
Total at the end of the year	816	445

All the reserves classified on the face of the statements of financial position as retained earnings represents past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

23. Other reserves (cont'd)

23A. Foreign currency translation reserve

	Group	
	2021	2020
	\$' 000	\$'000
At beginning of the year	210	(248)
Exchange differences on translating foreign operations	371	458
At end of the year	581	210

The currency translation reserve accumulates all foreign exchange differences on translating foreign operations.

23B. Statutory reserve

	Group	
	2021	2020
	\$' 000	\$'000
At beginning and end of the year	235	235

The subsidiaries in the People's Republic of China are required by local regulation to appropriate 10% of the profits each year to a non-distributable statutory reserve. Contribution to this reserve is no longer mandatory when the reserve reaches 50% of the registered share capital. The use of the funds in the non-distributable statutory reserve is subject to approval by the relevant authorities in the People's Republic of China.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

24. Provisions

	Group	
	2021	2020
	\$' 000	\$' 000
<hr/>		
<u>Non-current:</u>		
Warranties	51	123
Total non-current portion	51	123
<u>Current:</u>		
Warranties	2,377	1,831
Total current portion	2,377	1,831
Total non-current and current	2,428	1,954
<hr/>		
Movements in above provisions:		
At beginning of the year	1,954	2,276
Charge to profit or loss included in cost of sales	633	277
Reversed to profit or loss included in cost of sales	(158)	(473)
Used	(1)	(126)
At end of the year	2,428	1,954

Certain products are covered by product warranty plans of varying periods. If the customer has the option to purchase a warranty separately or is negotiated separately, the warranty is accounted as a performance obligation and a portion of the transaction price is allocated to that performance obligation and recognised as revenue over the period the warranty services are provided. The warranty obligations are affected by actual product failure rates and by material usage and service delivery costs incurred in correcting a product failure.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

25. Loans and borrowings

	Group		Company	
	2021 \$' 000	2020 \$' 000	2021 \$' 000	2020 \$' 000
<u>Non-current:</u>				
<u>Financial instruments with floating interest rates:</u>				
Bank loans (secured) (Note 25A)	2,575	4,575	-	-
<u>Financial instruments with fixed interest rates:</u>				
Bank loan (secured) (Note 25A)	-	1,261	-	1,261
Total non-current portion	2,575	5,836	-	1,261
<u>Current:</u>				
<u>Financial instruments with floating interest rates:</u>				
Bank loans (secured) (Note 25A)	23,250	23,000	13,250	12,000
Bank loans (Note 25B)	24,880	11,600	-	-
Invoice financing and trust receipts (Note 25B)	8,296	2,937	-	-
<u>Financial instruments with fixed interest rates:</u>				
Bank loans (secured) (Note 25A)	1,261	2,500	1,261	2,500
Total current portion	57,687	40,037	14,511	14,500
Total non-current and current	60,262	45,873	14,511	15,761

The non-current portion is repayable as follows:

	Group		Company	
	2021 \$' 000	2020 \$' 000	2021 \$' 000	2020 \$' 000
Due within 2 to 5 years	2,575	5,836	-	1,261

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

25. Loans and borrowings (cont'd)

The range of floating interest rates paid was as follows:

	Group		Company	
	2021	2020	2021	2020
Bank loans, invoice financing and trust receipts	1% to 1.75%	1% to 3.2%	1% to 1.35%	1% to 2.6%

The range of fixed interest rates paid was as follows:

	Group		Company	
	2021	2020	2021	2020
Bank loans	1.20%	1.20%	1.20%	1.20%

25A. Bank loans (secured)

The bank agreements for certain of the bank loans and other credit facilities provide among other matters for the following:

1. Corporate guarantee from the company.
2. Legal mortgage over the leasehold properties (Note 13).
3. Subject to certain financial covenants.
4. The bank loans comprise:
 - a. Short term borrowings with an average maturity period of 1 to 3 months and are settled at the end of maturity period.
 - b. Loan repayable in 16 semi-annual instalments of \$1,000,000 from June 2017.
 - c. Loan repayable in 30 quarterly instalments of \$200,000 from June 2018. Although the loan is for a period of 7.5 years from June 2018, it has been classified as "current" because the entity does not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting year.
 - d. Loan repayable over 2 years from September 2020 with quarterly instalments of \$633,467. The weighted average interest rate is 1.35% per annum.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

25. Loans and borrowings (cont'd)

25B. Bank loans, invoice financing and trust receipts

The bank agreements for certain of the bank loans and other credit facilities provide among other matters for the following:

1. Corporate guarantee from the company.
2. Subject to certain financial covenants.
3. Short term borrowings (invoice financing, trust receipts and money market loans) with an average maturity period of 1 to 3 months and are settled at the end of maturity period.

26. Trade payables

	Group		Company	
	2021	2020	2021	2020
	\$' 000	\$'000	\$' 000	\$'000
Outside parties and accrued liabilities	23,830	22,987	2,371	1,492

27. Other non-financial liabilities

	Group	
	2021	2020
	\$' 000	\$'000
Deferred revenue	897	904

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

28 Financial instruments: information on financial risks

28A. Categories of financial assets and liabilities

The following table categorises the carrying amount of financial assets and liabilities recorded at the end of the reporting year:

	Group		Company	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
<u>Financial assets:</u>				
Financial assets at amortised cost	99,756	78,876	44,343	47,849
At end of the year	99,756	78,876	44,343	47,849
<u>Financial liabilities:</u>				
Financial liabilities at amortised cost	87,475	72,548	18,563	18,969
At end of the year	87,475	72,548	18,563	18,969

Further quantitative disclosures are included throughout these financial statements.

28B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. However these are not formally documented in written form. The guidelines include the following:

1. Minimise interest rate, currency, credit and market risks for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance (if necessary). The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior staff.
4. All financial risk management activities are carried out following acceptable market practices.

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

28 Financial instruments: information on financial risks (cont'd)

28C. Fair values of financial instruments

The analyses of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 are disclosed in the relevant notes to the financial statements. These include the significant financial instruments stated at amortised cost and at fair value in the statement of financial position. The carrying values of current financial instruments approximate their fair values due to the short-term maturity of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

28D. Credit risk on financial assets

Financial assets that are potentially subject to concentrations of credit risk and failures by counterparties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents and receivables. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For expected credit losses (ECL) on financial assets, the general approach (three-stage approach) in the financial reporting standard on financial instruments is applied to measure the impairment allowance. Under this general approach the financial assets move through the three stages as their credit quality changes. On initial recognition, a day-1 loss is recorded equal to the 12 month ECL unless the assets are considered credit impaired. However, the simplified approach (that is, to measure the loss allowance at an amount equal to lifetime ECL at initial recognition and throughout its life) permitted by the financial reporting standards on financial instruments is applied for financial assets that do not have a significant financing component, such as trade receivables and contract assets. For credit risk on trade receivables, contract assets and other financial assets an ongoing credit evaluation is performed on the financial condition of the debtors and an impairment loss is recognised in profit or loss. Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 21 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

28 Financial instruments: information on financial risks (cont'd)

28E. Liquidity risk – financial liabilities maturity analysis

The following table analyses the non-derivative financial liabilities by remaining contractual maturity (contractual undiscounted cash flows):

	Less than 1 year \$' 000	2 to 5 years \$' 000	More than 5 years \$' 000	Total \$' 000
<u>Group</u>				
Non-derivative financial liabilities:				
<u>2021:</u>				
Gross loans and borrowings	58,697	2,620	–	61,317
Gross lease liabilities	328	1,182	2,997	4,507
Trade payables	23,830	–	–	23,830
At end of the year	82,855	3,802	2,997	89,654
Non-derivative financial liabilities:				
<u>2020:</u>				
Gross loans and borrowings	40,557	5,912	–	46,469
Gross lease liabilities	429	1,275	3,225	4,929
Trade payables	22,987	–	–	22,987
At end of the year	63,973	7,187	3,225	74,385
<u>Company</u>				
Non-derivative financial liabilities:				
<u>2021:</u>				
Gross loans and borrowings	14,764	–	–	14,764
Gross lease liabilities	89	443	1,944	2,476
Trade payables	2,371	–	–	2,371
At end of the year	17,224	443	1,944	19,611
Non-derivative financial liabilities:				
<u>2020:</u>				
Gross loans and borrowings	14,688	1,277	–	15,965
Gross lease liabilities	89	443	2,032	2,564
Trade payables	1,492	–	–	1,492
At end of the year	16,269	1,720	2,032	20,021

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

28 Financial instruments: information on financial risks (cont'd)

28E. Liquidity risk – financial liabilities maturity analysis (cont'd)

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. The average credit period taken to settle current trade payables is about 30 to 60 days (2020: 30 to 60 days). The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statement of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

For issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called, i.e. within 1 year. During the year, the company provided financial guarantees to various banks in connection with the bank loans and other banking facilities granted to its subsidiaries. At the end of the reporting year no claims on the financial guarantees are expected to be payable.

	Company	
	2021	2020
	\$'000	\$'000
Corporate guarantee in favour of subsidiaries	46,553	30,504
At end of the year	46,553	30,504
Bank facilities:		
	Group	
	2021	2020
	\$'000	\$'000
Undrawn borrowings and trade lines	46,407	59,209
Undrawn foreign exchange lines and interest rate swap	34,900	27,900
Total undrawn borrowing facilities	81,307	87,109

The undrawn borrowing facilities are available for operating activities and to settle other commitments. Borrowing facilities are maintained to ensure funds are available for the operations. A schedule showing the maturity of financial liabilities and unused bank facilities is provided regularly to management to assist in monitoring the liquidity risk.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

28 Financial instruments: information on financial risks (cont'd)

28F. Interest rate risk

Interest rate risk arises on interest-bearing financial instruments recognised in the statement of financial position and on some financial instruments not recognised in the statement of financial position. The following table analyses the breakdown of the significant financial instruments by type of interest rate:

	Group		Company	
	2021 \$' 000	2020 \$' 000	2021 \$' 000	2020 \$' 000
Financial liabilities with interest:				
Fixed rates	4,644	7,449	2,942	5,477
Floating rates	59,001	42,112	13,250	12,000
Total at end of the year	63,645	49,561	16,192	17,477

The floating rate debt asset instruments are with interest rates that are re-set at regular intervals. The interest rates are disclosed in the respective notes.

Sensitivity analysis: The effect on pre-tax profit is not significant.

28G. Foreign currency risk

Foreign exchange risk arises on financial instruments that are denominated in a foreign currency, i.e. in a currency other than the functional currency in which they are measured. For the purpose of this financial reporting standard on financial instruments: disclosures, currency risk does not arise from financial instruments that are non-monetary items or from financial instruments denominated in the functional currency.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

28 Financial instruments: information on financial risks (cont'd)

28G. Foreign currency risk (cont'd)

Analysis of amounts denominated in non-functional currency:

	United States Dollar \$' 000	Euro \$' 000	Total \$' 000
<u>Group</u>			
<u>2021:</u>			
<u>Financial assets:</u>			
Cash	25,786	-	25,786
Loans and receivables	4,487	-	4,487
Total financial assets	30,273	-	30,273
<u>Financial liabilities:</u>			
Trade payables	(142)	-	(142)
Total financial liabilities	(142)	-	(142)
Net financial assets at end of the year	30,131	-	30,131
<u>2020:</u>			
<u>Financial assets:</u>			
Cash	19,505	-	19,505
Loans and receivables	4,826	-	4,826
Total financial assets	24,331	-	24,331
<u>Financial liabilities:</u>			
Trade payables	(533)	(136)	(669)
Total financial liabilities	(533)	(136)	(669)
Net financial assets (liabilities) at end of the year	23,798	(136)	23,662

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

28 Financial instruments: information on financial risks (cont'd)

28G. Foreign currency risk (cont'd)

	United States Dollar \$' 000	Total \$' 000
<u>Company</u>		
<u>2021:</u>		
<u>Financial assets:</u>		
Cash	1,962	1,962
Total financial assets at end of the year	<u>1,962</u>	<u>1,962</u>
<u>2020:</u>		
<u>Financial assets:</u>		
Cash	14,003	14,003
Total financial assets at end of the year	<u>14,003</u>	<u>14,003</u>

There is exposure to foreign currency risk as part of normal business.

Sensitivity analysis:

	Group		Company	
	2021	2020	2021	2020
	\$' 000	\$' 000	\$' 000	\$' 000
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the US\$ with all other variables held constant would have an adverse effect on pre-tax profit of	(2,739)	(2,163)	(178)	(1,273)
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the Euro with all other variables held constant would have a favourable effect on pre-tax profit of	<u>-</u>	<u>12</u>	<u>-</u>	<u>-</u>

The above table shows sensitivity to the hypothetical percentage variations in the functional currency against the relevant non-functional foreign currencies. The sensitivity rate used is the reasonably possible change in foreign exchange rates. For similar rate weakening of the functional currency against the relevant foreign currencies above, there would be comparable impacts in the opposite direction.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

28 Financial instruments: information on financial risks (cont'd)

28G. Foreign currency risk (cont'd)

In management's opinion, the above sensitivity analysis is unrepresentative of the foreign currency risks as the historical exposure does not reflect the exposure in future.

The hypothetical changes in exchange rates are not based on observable market data (unobservable inputs). The sensitivity analysis is disclosed for each non-functional currency to which the entity has significant exposure at end of the reporting year. The analysis above has been carried out on the basis that there are no hedged transactions.

29. Items in profit or loss

In addition to the profit and loss line items disclosed elsewhere in the notes to the financial statements, this item includes the following expenses:

	Group	
	2021	2020
	\$'000	\$'000
Audit fees to the independent auditor of the company	208	194
Audit fees to the other independent auditors	37	37
Other fees to the independent auditor of the company	36	42

30. Events after the end of the reporting year

The group made a voluntary conditional offer to acquire all the issued and paid-up ordinary shares of Starburst Holdings Limited ("Starburst") at a consideration of S\$0.238 for each share. On 24 January 2022, the group received valid acceptances in respect of 173,061,556 shares, constituting 69.70% of the total number of issued shares (excluding treasury shares) of Starburst, and the offer was declared unconditional in all respects. As such, the group obtained controlling interest in Starburst through a wholly owned subsidiary. Accordingly, the acquisition date of Starburst is 24 January 2022 and any subsequent valid acceptances will be treated as acquisition of non-controlling interests without a change in control.

As at the close of the offer at 5.30 pm (Singapore time) on 7 March 2022, the group had received valid acceptances in respect of an aggregate of 234,102,199 shares, constituting 94.28% of the total number of issued shares (excluding treasury shares) of Starburst.

The group intends to exercise its right of compulsory acquisition under Section 215(1) of the Act to compulsorily acquire all the shares of Starburst held by shareholders who have not accepted the offer. The group also intends to privatise Starburst and does not intend to preserve the listing status of Starburst.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

30. Events after the end of the reporting year (cont'd)

At the date of the issue of these financial statements, the accounting purchase price allocation process for Starburst is not yet completed. However, it is expected that at the end of the process the group will recognise goodwill and intangible asset as a result of cost benefits that the group will obtain from combining the activities of Starburst with those of the group. The group foresees that this acquisition will also give the opportunity to expand into new sectors.

	Provisional fair value as at acquisition date \$' 000
<hr/>	
Starburst Holdings Limited and its subsidiaries:	
Current assets	32,951
Non-current assets	26,919
Current liabilities	(6,008)
Non-current liabilities	(12,993)
Net assets	<u>40,869</u>

The provisional goodwill arising on acquisition is as follows:

	2021 \$' 000
<hr/>	
Purchase consideration as at acquisition date	41,189
Provisional fair value of identifiable net assets acquired	<u>(28,486)</u>
Provisional goodwill and intangibles arising on acquisition	<u>12,703</u>

There are no other known subsequent events which have led to adjustments to this set of consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2021

31. Changes and adoption of financial reporting standards

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. These applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

SFRS (I) No.	Title
SFRS (I) 1-39; 7 and 9	Interest Rate Benchmark Reform – Amendments to The Conceptual Framework for Financial Reporting
SFRS (I) 16	Covid-19 Related Rent Concessions - Amendment to The 2021 amendment extends the limit from 30 June 2021 to 30 June 2022

32. New or amended standards in issue but not yet effective

For the future reporting years certain new or revised financial reporting standards were issued by the Singapore Accounting Standards Council and these will only be effective for future reporting years. Those applicable to the reporting entity for future reporting years are listed below. The transfer to the applicable new or revised standards from the effective dates is not expected to result in any significant modification of the measurement methods or the presentation in the financial statements for the following year from the known or reasonably estimable information relevant to assessing the possible impact that application of the new or revised standards may have on the entity's financial statements in the period of initial application.

SFRS (I) No.	Title	Effective date for periods beginning on or after
SFRS (I) 1-1	Presentation of Financial Statements – amendment relating to Classification of Liabilities as Current or Non-current	1 January 2023
SFRS (I) 1-8	Definition of Accounting Estimates – Amendments to	1 January 2023
SFRS (I) 3	Definition of a Business – Reference to the Conceptual Framework – Amendments to	1 January 2022
SFRS (I) 1-16	Property, Plant and Equipment: Proceeds before Intended Use – Amendments to	1 January 2022
SFRS (I) 1-37	Onerous Contracts – Costs of Fulfilling a Contract – Amendments to	1 January 2022
SFRS (I) 9	Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities (Annual Improvement Project)	1 January 2022
SFRS (I) 1-12, SFRS (I) 1	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Various	Amendments to SFRS (I) 1-1 and SFRS (I) Practice Statement 2 : Disclosure of Accounting Policies	1 January 2023
Various	Annual Improvements to SFRS(I)s 2018-2020	1 January 2022

SHAREHOLDINGS STATISTICS

AS AT 15 MARCH 2022

Number of Issued Shares	400,000,000
Number of Issued Shares (excluding treasury shares and subsidiary holdings)	388,000,000
Number of Subsidiary holdings	Nil
Class of Shares	Ordinary Shares
Voting Rights (excluding Treasury Shares)	1 vote per share

As at 15 March 2022, the total number of ordinary shares held in treasury is 12,000,000^(a). The percentage of such holding against the total number of issued ordinary shares (excluding treasury shares and subsidiary holdings) is 3.09%.

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 15 MARCH 2022

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	% ^(a)
1 – 99	0	0.00	0	0.00
100 – 1000	82	9.37	55,475	0.02
1,001 – 10,000	327	37.37	1,956,300	0.50
10,001 – 1,000,000	450	51.43	35,737,400	9.21
1,000,001 and above	16	1.83	350,250,825	90.27
Total	875	100.00	388,000,000	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 15 MARCH 2022

NO.	NAME	NO. OF SHARES	%
1	CHANG YEH HONG	218,017,325	56.19
2	LIN CHOON HIN	44,050,000	11.35
3	DBS NOMINEES PTE LTD	36,333,300	9.36
4	OCBC SECURITIES PRIVATE LTD	12,399,000	3.20
5	CITIBANK NOMINEES SINGAPORE PTE LTD	10,730,800	2.77
6	CHOU CHEE FATT	4,877,000	1.26
7	CHANG HUI MIN MARISSA	4,618,800	1.19
8	CHANG YEH FUNG	3,099,300	0.80
9	PHILLIP SECURITIES PTE LTD	2,898,200	0.75
10	QUEK HUILING JOANNE	2,437,800	0.63
11	PANG HENG KWEE	2,300,000	0.59
12	CHIA MENG RU	1,871,600	0.48
13	OCBC NOMINEES SINGAPORE PTE LTD	1,852,900	0.48
14	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,713,700	0.44
15	TAN HEE SENG	1,603,100	0.41
16	RAFFLES NOMINEES (PTE) LIMITED	1,448,000	0.37
17	LEE HENG SWEE	903,000	0.23
18	MAYBANK SECURITIES PTE. LTD.	901,200	0.23
19	LIM WEE CHOON	820,000	0.21
20	TAN KOK CHING	800,000	0.21
	TOTAL:	353,675,025	91.15

^(a) Percentage is calculated based on 388,000,000 shares (excluding shares held as treasury shares and subsidiary holdings) as at 15 March 2022.

SHAREHOLDINGS STATISTICS

AS AT 15 MARCH 2022

SUBSTANTIAL SHAREHOLDERS AS AT 15 MARCH 2022

as recorded in the Register of Substantial Shareholders

Name of Substantial Shareholder	Number of Ordinary Shares			
	Direct Interest	%	Deemed Interest	%
Chang Yeh Hong	218,017,325	56.19	–	–
Lin Choon Hin	44,050,000	11.35	–	–
Teo Ling Ling ⁽¹⁾	32,319,500	8.33	–	–

⁽¹⁾ 32,084,500 shares are held under DBS Nominees Pte Ltd and they are treated as direct interest.

SHAREHOLDING HELD IN HANDS OF PUBLIC

As at 15 March 2022, approximately 21.82% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NORDIC GROUP LIMITED (INCORPORATED IN SINGAPORE) REGISTRATION NO. 201007399N

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Nordic Group Limited (the “**Company**”) will be convened and held by electronic means on Monday, 25 April 2022 at 10.00 a.m. (Singapore time) to transact the following business:

AS ORDINARY BUSINESS

- | | | |
|----|---|---------------------|
| 1. | To receive and consider the Directors’ Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2021 together with the Auditor’s Report thereon. | Resolution 1 |
| 2. | To declare a final one-tier tax exempt dividend of 0.608 Singapore cent per ordinary share and a special one-tier tax exempt dividend of 0.152 Singapore cent per ordinary share for the financial year ended 31 December 2021. | Resolution 2 |
| 3. | To re-elect Mr Chang Yeh Hong, who is retiring pursuant to Regulation 106 of the Constitution of the Company, as a Director of the Company.
[See Explanatory Note (i)] | Resolution 3 |
| 4. | To re-elect Mr Lee Kok Keng Andrew, who is retiring pursuant to Regulation 106 of the Constitution of the Company, as a Director of the Company.
[See Explanatory Note (ii)] | Resolution 4 |
| 5. | To approve Directors’ fees of S\$152,000 for the financial year ending 31 December 2022, payable half-yearly in arrears. | Resolution 5 |
| 6. | To re-appoint Messrs RSM Chio Lim LLP as Auditor of the Company and to authorise the Directors to fix their remuneration. | Resolution 6 |

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without amendments:

- | | | |
|----|--|---------------------|
| 7. | Authority to allot and issue shares | Resolution 7 |
|----|--|---------------------|

That pursuant to Section 161 of the Companies Act 1967 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the Directors of the Company be authorised and empowered to:

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

NOTICE OF ANNUAL GENERAL MEETING

NORDIC GROUP LIMITED (INCORPORATED IN SINGAPORE) REGISTRATION NO. 201007399N

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

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

provided that:

- (1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the percentage of the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new Shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which were issued and are outstanding or subsisting at the time this Resolution is passed; and
 - (b) any subsequent bonus issue, consolidation or subdivision of Shares;

and, in sub-paragraph (1) above and this sub-paragraph (2), "subsidiary holdings" has the meaning given to it in the Listing Manual of SGX-ST;

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

NORDIC GROUP LIMITED (INCORPORATED IN SINGAPORE) REGISTRATION NO. 201007399N

- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)]

8. Renewal of Share Purchase Mandate

Resolution 8

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act 1967 (the "**Companies Act**"), the Directors of the Company be and are hereby authorised to exercise all the powers of the Company to purchase or otherwise acquire ordinary Shares in the capital of the Company not exceeding in aggregate the Maximum Limit (as hereinafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
- (i) on-market purchases (each a "**Market Purchase**") transacted through the SGX-ST's trading system, through one or more duly licensed stock brokers appointed by the Company for that purpose; and/or
 - (ii) off-market purchases (each an "**Off-Market Purchase**") pursuant to an equal access scheme(s) as may be determined or formulated by the Directors in their discretion, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and otherwise be in accordance with all other laws and other regulations and rules of the SGX-ST (the "**Share Purchase Mandate**");
- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Purchase Mandate shall, at the discretion of the Directors of the Company, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;
- (c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Resolution and expiring on the earlier of:
- (i) the date on which the next Annual General Meeting of the Company is held or is required by law to be held;

NOTICE OF ANNUAL GENERAL MEETING

NORDIC GROUP LIMITED (INCORPORATED IN SINGAPORE) REGISTRATION NO. 201007399N

- (ii) the date on which the share purchase is carried out to the full extent mandated; or
 - (iii) the date on which the authority contained in the Share Purchase Mandate is varied or revoked;
- (d) for purposes of this Resolution:

“Maximum Limit” means 10% of the total number of issued Shares of the Company as at the date of passing of this Resolution (excluding treasury shares and subsidiary holdings (as defined in the Listing Manual of SGX-ST));

“Maximum Price” in relation to a Share to be purchased, means the purchase price (excluding brokerage, commission, applicable goods and services tax and other related expenses) not exceeding:-

- (i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Average Closing Price of the Shares, where:

“Average Closing Price” means the average of the closing market prices of a Share over the last five Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the day of the Market Purchase by the Company or, as the case may be, the day of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs during the relevant five-day period and the day on which the Market Purchase or, as the case may be, the day of the making of the offer pursuant to an Off-Market Purchase; and

“day of the making of the offer” means the day on which the Company makes an offer for the purchase or acquisition of Shares from holder of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase; and

- (e) any of the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including without limitation, to execute all such documents as may be required and to approve any amendments, alterations or modifications to any documents), as they or he may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution.

[See Explanatory Note (iv)]

9. To transact any other business which may be properly transacted at an Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

NORDIC GROUP LIMITED (INCORPORATED IN SINGAPORE) REGISTRATION NO. 201007399N

Explanatory Notes:

- (i) Mr Chang Yeh Hong, will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee. Mr Chang is the Executive Chairman of the Company. Information on Mr Chang can be found under the section entitled "Additional Information on Directors Seeking Re-election at the Annual General Meeting" in the Company's Annual Report 2021.
- (ii) Mr Lee Kok Keng Andrew will, upon re-election as a Director of the Company, remain as Chairman of the Remuneration Committee and as a member of the Audit Committee and Nominating Committee. Mr Lee will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST. Information on Mr Lee can be found under the section entitled "Additional Information on Directors Seeking Re-election at the Annual General Meeting" in the Company's Annual Report 2021.
- (iii) The proposed Resolution 7, if passed, will empower the Directors of the Company, from the date of the Annual General Meeting until the date the next Annual General Meeting is held or is required by law to be held, whichever is the earlier, to allot and issue Shares and convertible securities in the Company. The number of Shares and convertible securities, which the Directors may allot and issue under this Resolution shall not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company at the time of passing this Resolution. For allotment and issue of Shares and convertible securities other than on a pro-rata basis to all shareholders of the Company, the aggregate number of Shares and convertible securities to be allotted and issued shall not exceed 20% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting.
- (iv) The proposed Resolution 8, if passed, will empower the Directors of the Company, from the date of the Annual General Meeting until the date the next Annual General Meeting is to be held or is required by law to be held, whichever is the earlier, to repurchase (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) from time to time of up to 10% of the total number of issued Shares excluding treasury shares and subsidiary holdings at prices up to but not exceeding the Maximum Price.

NOTICE OF RECORD DATE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 10 May 2022 for the purpose of determining members' entitlements to the final one-tier tax exempt dividend and special one-tier tax exempt dividend (the "Final and Special Dividends") to be proposed at the Annual General Meeting of the Company to be held on 25 April 2022.

Duly completed registrable transfers in respect of the shares in the Company received up to the close of business at 5:00 p.m. on 9 May 2022 by the Company's Share Registrar, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte Ltd), 80 Robinson Road #02-00 Singapore 068898 will be registered to determine members' entitlements to the proposed Final and Special Dividends. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares in the Company as at 5:00 p.m. on 9 May 2022 will be entitled to such proposed Final and Special Dividends.

The proposed Final and Special Dividends, if approved at the Annual General Meeting will be paid on 17 May 2022.

By Order Of the Board

Chia Meng Ru
Company Secretary

Date: 9 April 2022

NOTICE OF ANNUAL GENERAL MEETING

NORDIC GROUP LIMITED (INCORPORATED IN SINGAPORE) REGISTRATION NO. 201007399N

Notes:

1. The Annual General Meeting ("AGM") is being convened, and will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. This Notice of AGM, the Annual Report 2021 and the Proxy Form may be accessed at the Company's website at www.nordicgrouplimited.com and SGXNET.
3. Due to the current COVID-19 situation and the related safe distancing measures in Singapore, a member will not be able to attend the AGM in person. Instead, alternative arrangements have been put in place to allow shareholders to participate at the AGM by:
 - (a) observing and/or listening to the AGM proceeding via "live" audio-visual webcast or "live" audio-only stream;
 - (b) submitting questions in advance of the AGM; and
 - (c) appointing the Chairman of the Meeting as proxy to attend, to speak and to vote on their behalf at the AGM

Please refer to the **Appendix** to the Notice of this AGM for the details of the steps for pre-registration, pre-submission of questions and voting at the AGM.

4. Persons who hold shares through relevant intermediaries (as defined in section 181 of the Companies Act 1967), including CPF and SRS investors, and who wish to participate in the AGM by:
 - (a) observing and/or listening to the AGM proceedings via "live" audio-visual webcast or "live" audio-only stream;
 - (b) submitting questions in advance of the AGM; and/or
 - (c) appointing the Chairman of the Meeting as proxy to attend, to speak and to vote on their behalf at the AGM,

should contact the relevant intermediary (which would include, in the case of CPF and SRS investors, their respective CPF Agent Banks or SRS Operators) through which they hold such shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM.

CPF and SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS operators to submit their votes not less than seven (7) working days before the AGM (i.e. by 6.00p.m. on 13 April 2022).

5. A member who wishes to submit an instrument of proxy appointing the Chairman of the Meeting as proxy must first download, complete and sign the proxy form, before scanning and sending it by email to ir@nordicgrouplimited.com or submitting it by post to the address of the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898, not less than 72 hours before the time appointed for holding the AGM (i.e. by 10.00 a.m., 22 April 2022)

Members are strongly encouraged to submit completed proxy forms electronically via email to ir@nordicgrouplimited.com to ensure that they are received by the Company by the stipulated deadline.

Shareholders should refer to the **Appendix** for further details on the appointment of the Chairman of the Meeting as proxy.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representatives to attend, speak and vote at the Annual General Meeting of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

NOTICE OF ANNUAL GENERAL MEETING

NORDIC GROUP LIMITED (INCORPORATED IN SINGAPORE) REGISTRATION NO. 201007399N

APPENDIX

Steps for pre-registration, pre-submission of questions and voting at the AGM

No.	Steps	Details
1.	Pre-registration	<p>Shareholders must pre-register at ir@nordicgrouplimited.com from 9 April 2022 at 9.00 a.m. till 22 April 2022 at 10.00 a.m. to enable the Company to verify their status as shareholders.</p> <p>Shareholders will be required to fill in their name, NRIC/Passport/Company Registration number, shareholding type, mobile number and email address during the pre-registration.</p> <p>Authenticated registrants will receive an email by 12:00pm on 22 April 2022 which will contain a unique user ID and password, the link to access the "live" audio-visual webcast and a toll-free telephone number to access the "live" audio-only stream of the AGM proceeding (Confirmation Email).</p> <p>Registrants who do not receive the Confirmation Email by 12:00 p.m. on 22 April 2022 should contact Ms Chia Meng Ru at +65 9438 3828 during office hours from 9.00 a.m. to 4.00 p.m., Monday to Friday.</p>
2.	Submit questions for AGM in advance	<p>Shareholders will not be able to ask questions at the AGM during the "live" audio-visual webcast or "live" audio-only stream, and therefore it is important for shareholders to submit their questions in advance of the AGM.</p> <p>Submission of questions. Shareholders can submit questions related to the resolutions to be tabled for approval at the AGM to the Chairman of the Meeting, in advance of the AGM, in the following manner:</p> <p>(a) by email to ir@nordicgrouplimited.com; or</p> <p>(b) by post to the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898.</p> <p>To ensure that questions are received by the Company by the stipulated deadline, shareholders are strongly encouraged to submit questions by email.</p> <p>When sending questions, shareholders should also provide their full name and NRIC/Passport/Company Registration No. for verification. Mobile phone numbers provided will help the Company to reach out more easily if clarification is required.</p> <p>Deadline to submit questions for AGM. All questions must be submitted by 6.00pm on 16 April 2022.</p>

NOTICE OF ANNUAL GENERAL MEETING

NORDIC GROUP LIMITED (INCORPORATED IN SINGAPORE) REGISTRATION NO. 201007399N

No.	Steps	Details
		<p>Addressing questions. The Company will endeavor to address substantial and relevant questions received from Shareholders. Answers to substantial and relevant questions will be published on SGXNET and the Company's website, www.nordicgrouplimited.com by 20 April 2022.</p> <p>Minutes of AGM. The Company will publish the Minutes of the AGM on the Company's website and on SGXNET within one month from the conclusion of the AGM.</p>
3.	<p>Submit proxy forms to vote</p>	<p>Appointment of Chairman of the Meeting as proxy. Due to the current COVID-19 situation and related safe distancing measures in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.</p> <p>Specific voting instructions to be given. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.</p> <p>Submission of proxy forms. A member who wishes to submit an instrument of proxy appointing the Chairman of the Meeting as proxy must first download, complete and sign the proxy form, before scanning and sending it by email to ir@nordicgrouplimited.com or submitting it by post to the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898, not less than 72 hours before the time appointed for holding the AGM (i.e. by 10.00 a.m. on 22 April 2022).</p> <p>Members are strongly encouraged to submit completed proxy forms electronically via email to ir@nordicgrouplimited.com to ensure that they are received by the Company by the stipulated deadline.</p> <p>CPF and SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS operators to submit their votes by 6.00 p.m. on 13 April 2022.</p>
4.	<p>"Live" audio-visual webcast at the AGM</p>	<p>AGM</p> <ul style="list-style-type: none"> ● The telephone line to access the audio only stream will be open from 9:30 a.m. on 25 April 2022 onwards. Shareholders will be put on hold until the AGM commences at 10:00a.m. on 25 April 2022. ● The "live" audio-visual webcast will start when the AGM commences at 10.00 a.m. on 25 April 2022.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING

Details	Name of Director	
	Chang Yeh Hong	Lee Kok Keng Andrew
Date of Appointment	8 April 2010	29 April 2019
Date of last re-appointment (if applicable)	27 April 2020	27 April 2020
Age	62	69
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board had considered the Nominating Committee's recommendation and assessment on Mr Chang's background, experience and commitment in the discharge of his duties as a Director of Nordic Group Limited, and is satisfied that he will continue to contribute to the Board.	The Board had considered the Nominating Committee's recommendation and assessment on Mr Lee's background, experience, independence and commitment in the discharge of his duties as a Director of Nordic Group Limited, and is satisfied that he will continue to contribute to the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive appointment. Mr Chang is responsible for the working of the Board; the reviewing of business plans, strategic positioning and business expansion of the Group.	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman and member of the Nominating Committee	Independent Director, Chairman of the Remuneration Committee and member of the Audit Committee and Nominating Committee
Professional qualifications	Bachelor of Arts degree majoring in Economics from National University of Singapore	Bachelor of Social Science (Honours in Economics) from the National University of Singapore

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING

Details	Name of Director	
	Chang Yeh Hong	Lee Kok Keng Andrew
Working experience and occupation(s) during the past 10 years	<p>1999 to 2000, Mr Chang was the regional managing director of Asia Pacific with Citibank.</p> <p>2000 to 2002, Mr Chang was the global head of a product group with Standard Chartered Bank.</p> <p>From 2004, Mr Chang took an executive role with Nordic Group Limited and he has played a pivotal role in the growth and development of our Group.</p>	<p>2005 to 2017, Mr Lee was the senior executive vice president, head, global consumer financial services of OCBC Bank</p> <p>2010, Mr Lee was the executive chairman, BCS (Bank Clearing System) Information System Pte Ltd</p> <p>2010 to 2017, Mr Lee was the Group Chief Marketing Officer, Great Eastern Life Assurance Co Ltd</p> <p>On 29 April 2019, Mr Lee was appointed as Nordic Group Limited's independent director</p>
Shareholding interest in the listed issuer and its subsidiaries	Yes – 218,017,325 ordinary shares in Nordic Group Limited	Yes – 467,000 ordinary shares in Nordic Group Limited and deemed interest 594,800 ordinary shares in Nordic Group Limited held through his spouse
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7 under Rule 720(1)) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments Including Directorships	Nil	Mr Lee also serves as an Independent Director at OCBC Al-Amin Bank Berhad in Malaysia and OCBC Bank Ltd in Singapore.

ADDITIONAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION AT THE ANNUAL GENERAL MEETING

Details	Name of Director	
	Chang Yeh Hong	Lee Kok Keng Andrew
Information required under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual	There is no change to the responses previously disclosed by Mr Chang under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual which were all "No". The Appendix 7.4.1 information in respect of Mr Chang's appointment as Director was announced in 2010.	There is no change to the responses previously disclosed by Mr Lee under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual which were all "No". The Appendix 7.4.1 information in respect of Mr Lee's appointment as Director was announced on 29 April 2019.

NORDIC GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration No.: 201007399N)

ANNUAL GENERAL MEETING PROXY FORM

Important:

- Alternative arrangements relating to, amongst others, attendance, submission of questions in advance and voting by proxy at the AGM are set out in the Company's announcement dated 9 April 2022 which, together with the Notice of AGM dated 9 April 2022, have been uploaded on SGXNET on the same day. The announcement and the Notice of AGM can also be accessed at the Company's corporate website www.nordicgrouplimited.com.
- Due to the current COVID-19 situation and the related safe distancing measure in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.
- By submitting an instrument appointing a proxy, a member accepts and agrees to the personal data privacy terms set out in the Notes to this Proxy Form.

I/We _____ (Name), _____ NRIC/Passport/Co. Reg. No.
of _____ (Address)

being a member/members of Nordic Group Limited (the "**Company**"), hereby appoint the Chairman of the Meeting as my/our proxy, to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting ("**AGM**") of members of the Company to be convened and held by electronic means on Monday, 25 April 2022 at 10.00 a.m. (Singapore time) and at any adjournment thereof.

I/We direct the Chairman of the Meeting to vote for, against and/or to abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder.

No.	ORDINARY RESOLUTIONS	Number of Votes For ⁽¹⁾	Number of Votes Against ⁽¹⁾	Number of Votes Abstain ⁽¹⁾
ROUTINE BUSINESS				
1.	To receive and consider the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2021 together with the Auditor's Report thereon.			
2.	To declare a final one-tier tax exempt dividend of 0.608 Singapore cent per ordinary share and a special one-tier tax exempt dividend of 0.152 Singapore cent per ordinary share for the financial year ended 31 December 2021.			
3.	To re-elect Mr Chang Yeh Hong as a Director of the Company.			
4.	To re-elect Mr Lee Kok Keng Andrew, as a Director of the Company.			
5.	To approve Directors' fees of S\$152,000 for the financial year ending 31 December 2022, payable half-yearly in arrears.			
6.	To re-appoint RSM Chio Lim LLP as Auditor of the Company.			
SPECIAL BUSINESS				
7.	To authorise the Directors to allot and issue shares			
8.	To approve the renewal of Share Purchase Mandate.			

⁽¹⁾ Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against" or to abstain from voting on the resolution in respect of all your votes, please tick "✓" in the relevant box provided. Alternatively, please indicate the number of votes "For", "Against" or "Abstain" in the relevant boxes provided. **In the absence of specific voting instructions in respect of a resolution, the appointment of Chairman of the Meeting as your proxy for that resolution will be treated as invalid.**

Dated this _____ day of _____ 2022

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature (s) of Member(s)
or, Common Seal of Corporate Member(s)



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. Due to the current COVID-19 situation and the related safe distancing measures in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. This proxy form may be accessed at the Company's website at www.nordicgrouplimited.com and will also be made available on the SGX website at www.sgx.com/securities/company-announcements. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.
3. A member who is a relevant intermediary entitled to vote at the AGM must appoint the Chairman of the AGM to vote at the AGM instead of the member.

*Relevant Intermediary means:

- (a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy should approach their respective CPF Agent Banks or SRS Operators to submit their votes not less than seven (7) working days before the AGM (i.e. by 6.00 p.m. on 13 April 2022).

4. The Chairman of the Meeting, as proxy, need not be a member of the Company.
5. A member who wishes to submit an instrument of proxy appointing the Chairman of the Meeting as proxy must first download, complete and sign the proxy form, before scanning and sending it by email to ir@nordicgrouplimited.com or submitting it by post to Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road #11-02 Singapore 068898 not less than 72 hours before the time appointed for holding the AGM. (i.e. by 10:00 a.m. on 22 April 2022).

Members are strongly encouraged to submit completed proxy forms electronically via email to ir@nordicgrouplimited.com to ensure that they are received by the Company by the stipulated deadline.

6. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointer or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where an instrument appointing the Chairman of the Meeting as proxy is signed on behalf of the appointer by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company), if the instrument appointing the Chairman of the Meeting as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the Meeting as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.
7. Any alteration made in this instrument appointing the Chairman of the Meeting as proxy, must be initialed by the person who signs it.

General:

The Company shall be entitled to reject an instrument appointing the Chairman of the Meeting as proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified in the instrument (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject an instrument appointing the Chairman of the Meeting as proxy if the member, being the appointer, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy, the members accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 April 2022.



NORDIC
Group Limited

(INCORPORATED IN THE REPUBLIC
OF SINGAPORE ON 8 APRIL 2010)
(COMPANY REGISTRATION
NUMBER: 201007399N)