SHS HOLDINGS LTD.


# ANNUAL REPORT 2020

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# CORPORATE PROFILE

## ABOUT SHS HOLDINGS LTD.

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

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

## ENGINEERING & CONSTRUCTION

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

# CORPORATE PROFILE

## CORROSION PREVENTION

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

# CORPORATE **PROFILE**

## SOLAR ENERGY

The Group diversified into the solar energy sector in 2016, amidst a growing global commitment to renewable energy and environmental sustainability, and the quest for clean and affordable energy-efficient solutions. Through its subsidiary, the Group focuses on solar energy development and EPC works. It has successfully installed various roof-top, ground-mounted photovoltaic systems of all scales for domestic and commercial customers in Singapore. It added a new line of business by going into realm of distribution of solar inverters for the region. In the realm of solar farm, it has successfully completed the construction of a 50MW solar power plant in Bangladesh in the last quarter of 2020 following the signing of the Power Purchase and Implementation Agreements with the Bangladesh Power Development Board, the Government of the People's Republic of Bangladesh, and the Power Grid Company of Bangladesh Ltd.

## STRATEGIC INVESTMENTS

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

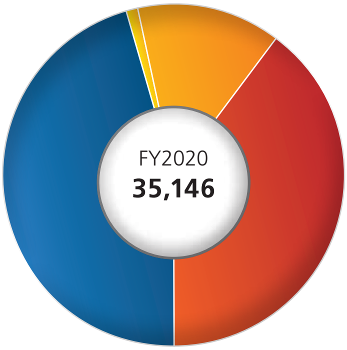
# FINANCIAL HIGHLIGHTS

| PROFIT & LOSS ACCOUNT (S$'000) | FY2020 | FY2019 |
|---|---|---|
| Revenue | 35,146 | 26,390 |
| Gross Profit | 7,003 | 5,813 |
| (Loss) before income tax | (20,296) | (6,927) |
| (Loss) after income tax | | |
| – Continuing Operations | (19,117) | (6,886) |
| – Discontinued Operations | ( 2,556) | (18,505) |
| (Loss) Attributable to Equity holders | | |
| – Continuing Operations | (18,412) | (6,700) |
| – Discontinued Operations | (857) | (15,784) |
| Per Share Data (Cents): | | |
| Earnings Per Share – Basic (Continuing Operations) | (2.69) | (0.98) |
| Net Asset Backing | 20.46 | 24.16 |
| Dividends | – | 0.30 |

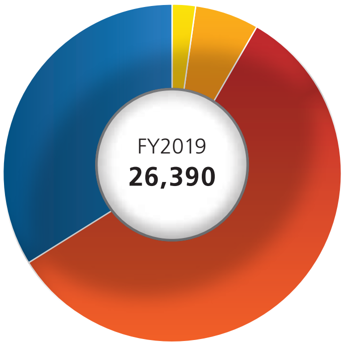
| STATEMENT OF FINANCIAL POSITION (S$'000) | FY2020 | FY2019 |
|---|---|---|
| Total Assets | 265,754 | 231,495 |
| Total Liabilities | 131,963 | 70,659 |
| Shareholders' Equity | 140,178 | 165,531 |
| Non-Controlling Interests | (6,387) | (4,695) |
| Total Equity | 133,791 | 160,836 |

| REVENUE BY BUSINESS SEGMENTS (Continuing Operations) (S$'000) | FY2020 | FY2019 |
|---|---|---|
| Corrosion Prevention | 13,920 | 15,258 |
| Engineering & Construction | 16,086 | 8,884 |
| Solar Energy | 4,750 | 1,593 |
| Others | 390 | 655 |

## REVENUE BY BUSINESS SEGMENT (S$'000)




| FY2020 | Segment | FY2019 |
|---|---|---|
| 16,086 | Engineering & Construction | 8,884 |
| 13,920 | Corrosion Prevention | 15,258 |
| 4,750 | Solar Energy | 1,593 |
| 390 | Others | 655 |



# CHAIRMAN'S STATEMENT

**DEAR SHAREHOLDERS,**

We present to you the annual report of SHS Holdings Ltd. ("**SHS**") for the year ended 31 December 2020 ("**FY 2020**").

**KEY EVENTS**

**The year 2020**, although can be recorded as one of its worst year of economic performance, Singapore closed the year on an optimistic note as the economy shrank less than the expected 6.5 percent to 6 percent forecast in November 2020. Gross domestic product ("GDP") contracted by 5.4 per cent for the whole of 2020 amid the disruption to economic activities caused by the coronavirus pandemic ("COVID-19"), according to the Ministry of Trade and Industry ("MTI").

For the better part of the year 2020, the global transmission of the COVID-19 disease and its inability to control the spread resulted in devastating economic activities around the world. Singapore implemented a circuit breaker ("CB") between 7 Apr and 1 Jun in 2020 to help prevent the spread of the coronavirus in her population. Over the past months, especially the first half of 2020, the COVID-19 pandemic has upended the way we live and work, with businesses and individuals having to deal with unprecedented challenges. With the economy moving into the deepest recession in recent history, the Group's core businesses for the year have not been immune from its adverse impact.

However, from second half of 2020, we evolved and adapted in conjunction with the gradual and measured re-opening of the Singapore economy from phase 1 wef 2 June with the lifting of the CB to phase 3 wef 28 December 2020. Under careful planning, control and execution in compliance with the Authorities' guidelines, we managed our business operations gradually towards closer to normalcy. Thus, our core businesses of Engineering & Construction and Corrosion Prevention saw an uptick in revenue in the last quarter of 2020.

To better prepare for the anticipated impact of the COVID-19 pandemic, we implemented, in July 2020, mitigating steps to significantly reduce our cost structure to better weather the expected disruption of our revenue flow. We implemented pay reductions of 10%-20% (depending on pay level) across the company including the Board of directors and the impact to the books can be seen in 2nd half of the year 2020.

**Moving into 2021**, the pace of border re-opening has slowed amidst the global surge in COVID-19 cases and the emergence of more contagious strains of the virus. Domestically, Singapore's COVID-19 situation remains under control and our vaccination programme is underway as Singapore is riding on the successes of some vaccines being approved for emergency use nearing the end of the year and early 2021.

Against this external and domestic backdrop, the Singapore economy is expected to see a gradual recovery over the course of the year, although the outlook remains uneven across sectors. Taking into account the developments in the global and domestic economic environment, MTI forecast the economy to expand by 4 per cent to 6 per cent in 2021 helped by the low base set in 2020.

Turning to our immediate concerns, the construction and marine & offshore engineering sectors are projected to recover from the low base last year although activity levels at construction worksites and shipyards will continue to be dampened by the requirement for safe management measures. While the overall recovery in output in these two sectors in Singapore is also expected to be slow due to the plunge in contracts awarded for construction works in 2020 and the weakness in the global oil & gas market respectively, your Company has garnered sufficient projects in the Structural Steel and Facade Segment to keep us busy for the next two financial years.

On the whole, while we make the best out of the situation, we must be mindful that the situation is still very fluid. Any sign of the disease gone out of control can trigger rapidly changing government measures that could disrupt business activities.

**In the larger scheme of things**, as shared in the last Annual Report, our review of the business development plans of the Group businesses pointed towards the perspective that we are loaded with inordinate number of ambitious business development activities and complex projects. We initiated large-scale solar farm projects and closely followed by investment into the modular construction industry with a view to extending our regional footprints in Asia Pacific in quick succession. However, when we were presented with teething issues, they were less than satisfactorily addressed as our business development involves joint venture partners where stakeholder management does not measure up. Besides, our competencies to directly manage some of these demands were found lacking.

Thus, in the face of major impediments in the development of these new business pillars, SHS decided to move head on to tackle the challenge by regrouping and right fitting the business strategies vis-à-vis the resources and competencies of the group. I am pleased to share that your Company has divested the two major solar projects in Vietnam and Bangladesh. As for the modular construction business comprising TLC Group, your Company has inked a Sale and Purchase Agreement to divest our entire equity interests in the TLC Group. It is in the consultative phase with SGX-RegCo. With the on-going consolidating efforts in our Solar Energy and Modular Construction businesses bearing fruits, the Board is determined to continue its efforts to regroup before making further capital commitments to these businesses.

# CHAIRMAN'S STATEMENT

**For Solar Energy business segment**, we are mindful that we need to have the appropriate financial capacity or leverage to own and operate large-scale solar farms. Therefore, in line with the Group's ongoing strategic review and objective of streamlining its investment activities in its solar business we initiated the divestment of our rights to the 50MW solar power plant project in Ninh Thuan Province, Vietnam in December 2018 and our Bangladesh 50MW solar power plant project in October 2020. Both are on track as scheduled. The divestments increase the overall financial capacity and flexibility of the Group for further investments in solar and other business units.

On the other hand, despite continued competitive environment, the business volumes for its roof-top projects booked in the 2020 is expected to see some continued improvements in 2021. Going forward, to grow this business segment, we will focus more on engineering, procurement and commission (EPC) for solar contracts in Singapore and in ASEAN which does not requires heavy capital and financial commitments and as a regional distributor for solar inverters and related accessories.

**For Modular Construction business** comprising TLC Group, as earlier reported, we were working towards a comprehensive solution to achieve a reasonable outcome to resolve the differences between the Company and stakeholders of TLC Group over management thereof and other management issues which led to continuing losses. A Term Sheet was signed in February 2020 with an interested party to pave the way for them to undertake due diligence on the TLC Group. I am pleased to share that in spite of the outbreak of the COVID-19 pandemic in the ensuing period, we persevered and a Sale and Purchase Agreement was signed with the interested party to divest, subject to conditions, our entire equity interests in the TLC Group on 9 February 2021. An SGX-ST announcement was made on the same day.

**For Engineering & Construction ("E&C") segment's other business pillar** in structural steel and facade ("SSF") consists of the design, engineering and construction of integrated structures created from steel, aluminium and glass materials business, even though the stainless steel engineering business was impeded by the limiting constraints imposed by the CB and cancellation of the 2020 Singapore Grand Prix due to COVID-19, our E&C team continued to work under strict safety measures to chalk up many billable project works during the circuit breaker ("CB") and subsequent to the re-opening of the economy after the lifting of the CB on 2 June 2020. This proves to be beneficiary as its revenue for 2020 exceeded that for 2019 by 81% to S$16.1 million. Our earlier efforts to secure more contracts for engineering and construction works from the last quarter of 2019 onwards place us in an enviable position to reap further positive results with proper and planned execution of the secured projects for engineering and construction works on hand to keep us busy for the next two financial years, albeit under Ministry of Manpower's safety guidelines.

On the other hand, associated company Yokomori Singapore Pte Ltd, our three-party joint venture with Japan's leading precision staircase manufacturer, Yokomori Mfg. Co., Ltd, and global steel trader Marubeni-Itochu Steel Inc to produce and sell steel staircases turned in a small loss as they were engaged in re-locating its manufacturing facility to Malaysia and its business was also adversely impact by COVID-19.

**For Corrosion Prevention ("CP") segment**, higher business volumes are expected in 2021 as we showed that we can continue to deliver our corrosion prevention services to the marine and offshore sector in the face of the constraints imposed by the authority to control and prevent the spread COVID-19 to fulfil the backlog and fresh work orders from major shipyards. We will continue its cost rationalisation exercise and enhance productivity to maintain an appropriate and efficient cost structure while focussing on diversifying its customer base.

## DIVIDENDS

The Group has a policy which governs how much to pay out to shareholders in dividends. The Group usually declares annual dividend at the rate of approximately 25-40% of the net profit after tax in accordance with the consolidated financial statements. A final dividend of $0.003 Singapore cent per ordinary share was proposed for FY2019 and paid in FY2020 upon the shareholders' approval at the Annual General Meeting. No dividend has been declared for FY2020 as the Group recorded a net loss for the financial year and both the external and domestic economies are still under the existential threat of the COVID-19 which is not going away any time soon.

## ACKNOWLEDGEMENT

FY2020 was a year of grit and perseverance in face of the uncertainties and challenges posed by the COVID-19 pandemic while we stay the course to regrouping. The coming financial year will witness our renewed efforts to reinforcing the platforms for future growth in our core competencies and businesses in engineering, energy-related and corrosion prevention. We will continue to shed the group's remaining non-core assets, including lands in Australia and Malaysia and other investments to augment our cash for the Group's future endeavours in a timely and beneficial manner.

On behalf of the Board, we would like to express our sincere appreciation to our staff for their dedication and commitment in carrying out the Group's consolidation efforts and upholding its functionality and operations amidst the daunting operating environment. We would also like to thank our Board of Directors, customers, business associates and shareholders for their unwavering support and faith in the Group. Together with the management, we remain committed in building a stronger foundation to driving us forward and in striving towards better results in the coming year. We look forward to meeting you again at the upcoming Annual General Meeting on 29 April 2021. Have a wonderful year ahead!

**MR TENG CHOON KIAT**
Executive Chairman

# GROUP CEO'S OPERATIONS AND FINANCIAL REVIEW

**DEAR SHAREHOLDERS,**

For the financial year ended 31 December 2020 ("FY20"), the Group posted a net loss attributable to shareholders from continuing operations of S$18.4 million in FY20 compared with a net loss of S$6.7 million for FY19 mainly due to impairment of goodwill of S$8.8 million, revaluation loss on leasehold building of S$3.5 million, impairment of S$1.1 million for value of land acquired in Malaysia for development and expected credit loss provision for non-trade receivables in relation to other investment of S$3.7 million.

Taking in losses from discontinued operations of S$0.85 million, loss attributable to shareholders of the Group amounted to S$19.3 million, which was a decrease of 14% year-on-year from S$22.5 million in the previous year mainly due to lower loss recorded from discontinued operations by S$14.9 million.

The Group achieved a revenue of S$35.1 million from continuing operations, an improvement of 33% or S$8.7 million over the S$26.4 million a year ago. This was mainly due to more contracts secured and executed in the Group's Engineering and Construction ("E&C") segment despite the absence of the Singapore Grand Prix contribution due to COVID-19 and contribution from the Solar segment in the 2nd half of the year but offset by slight decline in Corrosion Prevention ("CP") business with its operations affected by the lockdown period during the Circuit Breaker between 7 Apr and 1 Jun in 2020 and the subsequent gradual re-opening under the supervision of Ministry of Manpower.

## FINANCIALS

The Group's gross profit increased by 20% to S$7.0 million in FY20 from S$5.8 million in FY19, in tandem with the higher revenue for the year. The increase was mainly due to the significant improvement in revenue by 100% or gross profit from $1.6 million to S$3.1 million in the E&C segment from the steel engineering business offset by lower contribution of S$52k from Solar Energy segment driven by low margin business in trading and distribution of solar inverters and related products and slightly lower contribution of S$3.9 million from CP segment.

| S$'000 | FY20 | FY19 | Change |
|---|---|---|---|
| Revenue | 35,146 | 26,390 | 33% |
| **Net loss attributable to shareholders** | | | |
| – Continuing Operations | (18,412) | (6,700) | 175% |
| – Discontinued Operations | (857) | (15,784) | (95%) |
| | **(19,269)** | **(22,484)** | **(14%)** |

Other income increased by 138% year-on-year to S$5.0 million in FY20 from S$2.1 million in FY19 mainly due to the government's Jobs Support Scheme offset with lower interest income earned due to lower interest rate for surplus cash placed in fixed deposits.

Total operating expenses increased by 115% to S$31.0 million in FY20 from S$14.5 million in FY19 from higher administrative expenses and other operating expenses.

Selling and distribution expenses decreased by 44% to S$500,000 in FY20 from S$350,000 due to more agent commissions given in solar segment for its distribution business.

Administrative expenses increased by 12% to S$6.1 million mainly due to increase in number of staffs in E&C segment in line with the increase in business volume and order books for the year under review.

Other operating expenses increased by 182% in FY20 over the previous year mainly due to one off impairment of goodwill of S$8.8 million, one off impairment charge of S$1.1 million for the value of land acquired in Malaysia, revaluation loss of leasehold building of S$3.5 million in E&C segment and expected credit loss provision for non-trade receivables in relation to other investment of S$3.7 million.

Finance costs for FY20 remained steady at S$1.2 million.

The group recorded a share of loss from associated companies of S$19,000 in FY20 instead of a share of profit from associated companies of S$825,000 in FY19 mainly due to contribution from associated company Yokomori Singapore Pte Ltd turned negative as it was also adversely affected by the low business volume as a result measures put in place to curb the spread of COVID-19.

As a result, the Group reported a 175% increase in the net loss attributable to shareholders from continuing operations of S$18.4 million in FY20 compared to the net loss of S$6.7 million in FY19.

In the year just ended, the Group's financial position remained resilient with net assets at S$133.8 million as at 31 December 2020. This is translated into a net asset per ordinary share of 20.46 Singapore cents.

As at 31 December 2020, its cash and cash equivalents stood at a healthy S$31.7 million. This is mainly due to:

(i) S$3.4 million used to fund operating activities with the changes in working capital of S$2.1 million and the movement mainly came from Solar development projects.

# GROUP CEO'S OPERATIONS AND FINANCIAL REVIEW

(ii) Net cash generated from investing activities amounted to S$4.7 million in FY20 mainly due to the capital expenditures. However, this was partially offset by proceeds from EVIA Korean fund and the disposal of subsidiary.

(iii) Net cash used in financing activities in FY20 was mainly for dividend payment offset by the drawdown of term loan and trust receipts.

## SEGMENTAL RESULTS

### CONTINUING OPERATIONS

#### CORROSION PREVENTION

Revenue from CP segment for the financial year decreased by 9% to S$13.9 million from S$15.3 million, driven by lower fulfillment of orders for plant operations and site operations due to the constraints of number of workers and COVID-19 safety measures imposed in the marine industry. Nonetheless, the last quarter of FY20 was showing signs of a recovery with the quarter-on-quarter improvement of 34% being recorded over the third quarter revenue. This was mainly due to more fulfillment of orders from the marine and offshore sectors undertaken by our site operations and to a lesser extent the plant operations with the gradual and controlled re-opening of the economy after lifting of the Circuit Breaker from 2 June 2020.

As a result of lower revenue, gross profit contracted slightly to S$3.9 million in FY20 from S$4.0 million in FY19. However, the gross profit margin increased to 27.8% for FY20 compared to 26% for FY19 with better utilisation of the factory capacity and equipment arising from continuous cost rationalization efforts carried out during the disruption in normal operations from with the imposition of the Circuit Breaker from 7 Apr to 1 Jun to the subsequent gradual re-opening to curb the spread of COVID-19 in Singapore.

#### ENGINEERING & CONSTRUCTION

Revenue for E&C segment expanded by 81% year-on-year to S$16.1 million from S$8.9 million with a stronger steel engineering segment. This was due to the commencement and continuation of significant projects although the Singapore Grand Prix scheduled in the third quarter of 2020 did not materialise. Barring any unforeseen factors such as worsening of the COVID-19 situation in Singapore, the secured orders on hand are expected to be progressively executed with the usual lead time in 2021.

Gross profit climbed by 100% to S$3.1 million from that of S$1.6 million in FY19, in line with the higher revenue recorded aided by higher gross profit margin achieved.

#### SOLAR ENERGY

Revenue for the Solar Energy segment rose to S$4.7 million in FY20 from S$1.6 million in FY19 as we secured more trading and distribution business in the 2nd half of the year.

As a result of the decrease in gross profit margin driven by low margin business in trading and distribution of solar inverters and related products secured in FY20, Solar Energy segment registered a gross profit of S$52,000 against that of S$86,000 in the previous year.

## OUTLOOK

#### ENGINEERING & CONSTRUCTION

We remained optimistic with our steel engineering business for the next 12 months since we continue the momentum of building our order books in FY2021 following the completion of the redevelopment of our factory. We secured many projects from the end of FY2019 to FY2020, some of them fairly significant.

Meanwhile, as narrated in the previous review, we were working towards resolving the differences between the Company and stakeholders of TLC Group with regard to our modular construction business, which may include divestment as a possible option. We are pleased to report that our subsidiary Hetat Holdings Pte. Ltd. ("Hetat") had on 9 February 2021 entered into a sale and purchase agreement ("SPA") for the sale of its entire shareholding interest in TLC Group to TLC Holdings II Pte. Ltd. ("Buyer"). GS NZ Strategic Holdings Pte. Ltd. ("GSNZS"), is also a party to the SPA, as guarantor for the Buyer in respect of the Buyer's obligations under the SPA, and to receive the benefit of various warranties and indemnities under the SPA.

The Proposed Divestment will not substantially change the Group's scale of operations and/or have a material adverse impact on the Company's financial position. Instead, the Proposed Divestment will provide the Company a clean exit with all cash proceeds upfront and removes any residual risk or liability with respect to any projects and developments, or additional capital required to fund the business of the TLC Group of companies.

The Proposed Divestment is subject to SGX RegCo's vetting and shareholders' approval, if deemed necessary.

| S$'000 | FY20 | FY19 | Change |
|---|---|---|---|
| **Corrosion Prevention ("CP")** | | | |
| – Revenue | 13,920 | 15,258 | (9%) |
| – Gross Profit | 3,869 | 3,983 | (3%) |
| **Engineering & Construction ("E&C")** | | | |
| – Revenue | 16,086 | 8,884 | 81% |
| – Gross Profit | 3,140 | 1,572 | 100% |
| **Solar Energy** | | | |
| – Revenue | 4,750 | 1,593 | 198% |
| – Gross Profit | 52 | 86 | (39%) |

# GROUP CEO'S OPERATIONS AND FINANCIAL REVIEW

## SOLAR ENERGY

The Solar Energy segment focuses on:

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

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

With regard to our solar farm development project in Bangladesh, it was mentioned previously that we were reasonably confident that our appointed EPC Contractor would able to complete the project with the new deadline. We are pleased to report that the solar project was completed as planned and successfully sold to an overseas party in line with our intention to divest. The Sale and Purchase Agreement was completed on 19 January 2021 in accordance with the shareholders' approval at the Extraordinary Meeting ("EGM") held on 30 December 2020.

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

## CORROSION PREVENTION

For our CP segment, under further pressure with the advent of the COVID-19 pandemic in early 2020, the Group is hopeful that it can continue to generate opportunities for its corrosion prevention services as it experienced some upticks in jobs since the last quarter of 2020 from major shipyards in the marine, offshore and oil & gas and construction sectors. At the same time, we will continue with our productivity enhancement exercises in a bid to maintain an appropriate and efficient cost structure while we focus on delivering value to our customers.

The Group has a business continuity and crisis management plan in place that covers not only areas of business operations, but also for staff welfare. Safety is our first priority and we have implemented plans to protect our staff and customers. This is proven to be useful under current uncertainty posed by the COVID-19 pandemic.

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

Best of health to everyone in 2021!

**NG HAN KOK, HENRY**
Group Chief Executive Officer

# BOARD OF DIRECTORS

**MR TENG CHOON KIAT**
EXECUTIVE CHAIRMAN

**Present Directorship**
SHS Holdings Ltd.

**Present Principal Commitments**
Entraco Group of Companies

**Past Directorship held over the preceding five years**
Nil

**Past Principal Commitment held over the preceding five years**
Nil

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

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

**Present Directorship**
SHS Holdings Ltd.

**Present Principal Commitments**
SHS Holdings Ltd.

**Past Directorship held over the preceding five years**
Nil

**Past Principal Commitment held over the preceding five years**
Nil

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

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

**Present Directorship**
SHS Holdings Ltd.

**Present Principal Commitments**
SHS Holdings Ltd.

**Past Directorship held over the preceding five years**
Nil

**Past Principal Commitment held over the preceding five years**
Nil

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

# BOARD OF DIRECTORS

**MR LEE GEE AIK**
INDEPENDENT DIRECTOR

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

**Present Principal Commitments**
Nil

**Past Directorship held over the preceding five years**
OUE Lippo Healthcare Ltd
LHN Limited
Ley Choon Group Holdings Limited

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

Mr Lee Gee Aik was appointed as an Independent Director and Chairman of the Audit Committee of SHS Holdings Ltd. on 24 July 2015. He is also a member of Remuneration Committee. On 1 March 2018, he was appointed as Lead Independent Director and as member of Nominating Committee on 15 March 2019. Mr Lee has over 40 years of extensive and varied experience in accounting, tax and financial matters, having previously worked with one of the Big Four accounting firms both in its Singapore and US offices and as a regional financial controller for about 5 years in the hospitality industry. Mr Lee is a Fellow of Association of Chartered Certified Accountants (UK) and Institute of Singapore Chartered Accountants. He also obtained a Master in Business Administration from The Henley Management College, United Kingdom.

**MR OH ENG BIN, KENNETH**
INDEPENDENT DIRECTOR

**Present Directorship**
SHS Holdings Ltd.
Sapphire Corporation Limited

**Present Principal Commitments**
Dentons Rodyk & Davidson LLP

**Past Directorship held over the preceding five years**
Weiye Holdings Limited
KPM Holdings Limited

**Past Principal Commitment held over the preceding five years**
Nil

Mr Kenneth Oh was appointed as Independent Director of SHS Holdings Ltd. on 14 January 2014. He is currently the Chairman of the Remuneration Committee and members of the Audit and Nominating Committee. Mr Oh is a senior partner in Dentons Rodyk & Davidson LLP's Corporate & Blockchain & Distributed Technology Practices as well as China & Indonesia Practices. He has been in legal practice since 1999 mainly in the areas of corporate finance and M&A – including early/late stage private equity and public equity capital markets transactions in particular IPOs & RTOs on the Singapore Exchange as well as joint ventures, corporate and debt restructurings – and in recent years, on blockchain and distributed ledger technology related initiatives such as token offerings, establishment and licensing of cryptoexchanges, OTCs and cryptofunds. Kenneth is recognised in legal directories Legal 500 for both Capital Markets and M&A and in IFLR1000 for Capital Markets: Equity and M&A as well as Financial & Corporate Law and is ranked Band 1 for Fintech for Singapore by legal directory Chambers & Partners. Mr Oh holds Bachelor of Law degree (Honours) from National University of Singapore and admitted to the Singapore Bar.

**DR LEE KUO CHUEN, DAVID**
INDEPENDENT DIRECTOR

**Present Directorship**
SHS Holdings Ltd.
HLH Group Limited

**Present Principal Commitments**
Nil

**Past Directorship held over the preceding five years**
Nil

**Past Principal Commitment held over the preceding five years**
Nil

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

# GROUP MANAGEMENT AND PERSONNEL

## SHS GROUP

**Mr. Teng Choon Kiat**
*Executive Chairman*

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

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

**Mr. Wong Tat Yang**
*Group Chief Financial Officer*

## ENGINEERING & CONSTRUCTION

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

**Mr. Wang Feng Jung, Willie**
*Contract & Commercial Director*
*(Structural, Steel & Facade)*

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

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

**Ms. Teo Soo Fang, Tracy**
*Group Finance Manager*

**Ms. Khaw Siaw Geit, Grace**
*Finance Manager*

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

**Mr. Mahalingam Kalimuthu Kumar**
*EHS Manager*

## CORROSION PREVENTION

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

**Mr. Lim Peng Chuan, Terence**
*General Manager*

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

**Mr. Lim Peng Cheng**
*Production Manager (Plant Operations)*

**Mr. Goh Sia Teck**
*Commercial Manager (Site)*

**Ms. Teo Soo Fang, Tracy**
*Group Finance Manager*

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

**Mr. Mahalingam Kalimuthu Kumar**
*EHS Manager*

## SOLAR ENERGY

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

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

**Ms. Teo Soo Fang, Tracy**
*Group Finance Manager*

**Ms. Kee Ai Ling, Irene**
*Assistant Finance Manager*

**Ms. Lim Sim Wah, Sharon**
*Assistant Procurement Manager*

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Teng Choon Kiat**
*Executive Chairman*

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

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

**Lee Gee Aik**
*Lead Independent Director*

**Lee Kuo Chuen, David**
*Independent Director*

**Oh Eng Bin, Kenneth**
*Independent Director*

## AUDIT COMMITTEE

**Lee Gee Aik**
*(Chairman)*

**Lee Kuo Chuen, David**

**Oh Eng Bin, Kenneth**

## NOMINATING COMMITTEE

**Lee Kuo Chuen, David**
*(Chairman)*

**Oh Eng Bin, Kenneth**

**Lee Gee Aik**

## REMUNERATION COMMITTEE

**Oh Eng Bin, Kenneth**
*(Chairman)*

**Lee Gee Aik**

**Lee Kuo Chuen, David**

## COMPANY SECRETARY

**Leong Chang Hong, Chester**

## REGISTERED ADDRESS

19 Tuas Avenue 20
Singapore 638830
Tel: +65 6515 6116
Fax: +65 6515 6117

## SHARE REGISTRAR

**Boardroom Corporate & Advisory Services Pte Ltd**

50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623
Tel: +65 6536 5355
Fax: +65 6536 1360

## AUDITORS

**Moore Stephens LLP**

10 Anson Road #29-15
International Plaza
Singapore 079903

## AUDIT PARTNER-IN-CHARGE

**Ng Chiou Gee Willy**
*(appointed during the financial year ended 31 December 2017)*

## PRINCIPAL BANKERS

**United Overseas Bank Limited**

80 Raffles Place
UOB Plaza 1
Singapore 048624

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

# SUSTAINABILITY REPORT

# SUSTAINABILITY REPORT

## BOARD STATEMENT 102-14

**To our stakeholders,**

SHS Holdings Ltd. ("SHS" or the "Group") is pleased to present our fourth Sustainability Report which looks at the Group's sustainability performance for the financial period 1 January 2020 to 31 December 2020.

The report covers the Group's strategies, policies, practices, performance and targets in relation to economic, environmental, social and governance ("EESG") issues, drawing on the framework of the internationally recognized Global Reporting Initiative's ("GRI") Sustainability Reporting Standards to provide a balanced view.

Our sustainability performance is reported based on 12 indicators that have been selected based on key concerns of our business and stakeholders. These material issues are accounted for through the five key pillars of our sustainability strategy – *Business Integrity, Environmental Sustainability, Human Capital, Health & Safety, and Quality.*

### 5 KEY PILLARS OF OUR SUSTAINABILITY STRATEGY

# SUSTAINABILITY REPORT

## BUSINESS INTEGRITY

### WE ARE COMMITTED TO PRACTICE AND MAINTAIN A HIGH STANDARD OF TRANSPARENCY

Corporate governance is an important core value of the Group. We do not tolerate corruption or fraud and have established policies to address business conduct expected of all employees.

## ENVIRONMENT SUSTAINABILITY

### WE RECOGNIZE THE NEED TO ADDRESS THE IMPACT OF CLIMATE CHANGE

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

## HUMAN CAPITAL

### WE ARE COMMITTED TO ATTRACT AND RETAIN TALENTS, AND FOCUS ON THE PERSONAL WELL-BEING OF EMPLOYEES

Our employees contribute to the success of the Group. We adopt merit-based recruitment practices, and our hiring policies ensure that recruitment is based on qualifications, skills and competency of individuals.

## HEALTH & SAFETY

### WE PLACE THE SAFETY OF OUR EMPLOYEES AS OUR FIRST AND FOREMOST PRIORITY

There are health and safety risks involved in running our businesses. For instance, in FY2020, we were hit by the Covid-19 outbreak which put the health of employees at greater risk. SHS is mindful of these threats and prioritises the health and safety of our employees.

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

## QUALITY & SAFETY

### WE ARE DRIVEN BY OUR VISION TO STRIVE TO PROVIDE "PRODUCTS AND SERVICES KNOWN FOR ITS QUALITY"

The Group subscribes to best practices and complies with all relevant legislations and requirements pertaining to the health and safety impacts of products and services.

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

### LOOKING AHEAD

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

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

**MR. TENG CHOON KIAT**
CHAIRMAN, BOARD OF DIRECTORS

# SUSTAINABILITY REPORT

## ABOUT THIS REPORT

### GRI GUIDELINES 102-54 102-56

Our sustainability report is prepared based on the GRI Sustainability Reporting Standards 2016, in accordance with the Core option.

The GRI Sustainability Reporting Standards is a global standard with a framework which aids SHS in presenting a balanced view of the Group's contributions towards sustainable development.

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

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

Our Sustainability Report is published on an annual basis, with this being our fourth Sustainability Report. This report covers Financial Year ("FY") 2020, for the period from 1 January 2020 to 31 December 2020.

Our last sustainability report was released on 9 April 2020, together with the FY2019 Annual Report.

### REPORTING SCOPE 102-48 102-45

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

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

There are no restatements of information in this report.

### FEEDBACK 102-53

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

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

# SUSTAINABILITY REPORT

## OUR SUSTAINABILITY REPORTING

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


## SUPPLY CHAIN 102-9 102-10

**Corrosion Prevention**

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

**Solar Energy**

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

**Structural Steel and Façade**

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

# SUSTAINABILITY **REPORT**

## OUR APPROACH TO SUSTAINABILITY

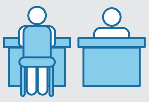
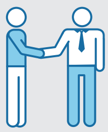
### OUR SUSTAINABILITY STRATEGY

Our five sustainability strategies were formalized by the Sustainability Executive Reporting Committee. SHS places sustainability at the core of our strategy and operations to create sustainable value for all our stakeholders.

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

By engaging and collaborating with our stakeholders, we are better able to address sustainability challenges and opportunities for our business. We engage with our stakeholders regularly and incorporate relevant and appropriate feedback into our planning and actions.

Our various groups of stakeholders are identified based on our respective economic, social and environmental impacts in the context of our value chain.

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

# SUSTAINABILITY REPORT

## MATERIALITY REVIEW PROCESS 102-46 102-47

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

In determining the material topics relevant to FY2020, SHS performed an internal strategy review which included a relook at our business strategy, business model and key stakeholders and processes to identify the Group's significant economic, environmental and social impacts.

We identified the following 12 indicators during the review conducted. The materiality assessment was subsequently endorsed by the Sustainability Executive Reporting Committee.

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

# SUSTAINABILITY REPORT

## BUSINESS INTEGRITY

### ANTI-CORRUPTION 205-2 205-3

SHS is committed to practice and maintain a high standard of transparency in the disclosure of material information. We comply with the 2018 Code of Corporate Governance (the "2018 Code") as we recognise that good corporate governance will allow a company to perform better over the longer term.


FROM THE CORE OF OUR BUSINESS OPERATIONS

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

### WHISTLE BLOWING POLICY

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

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

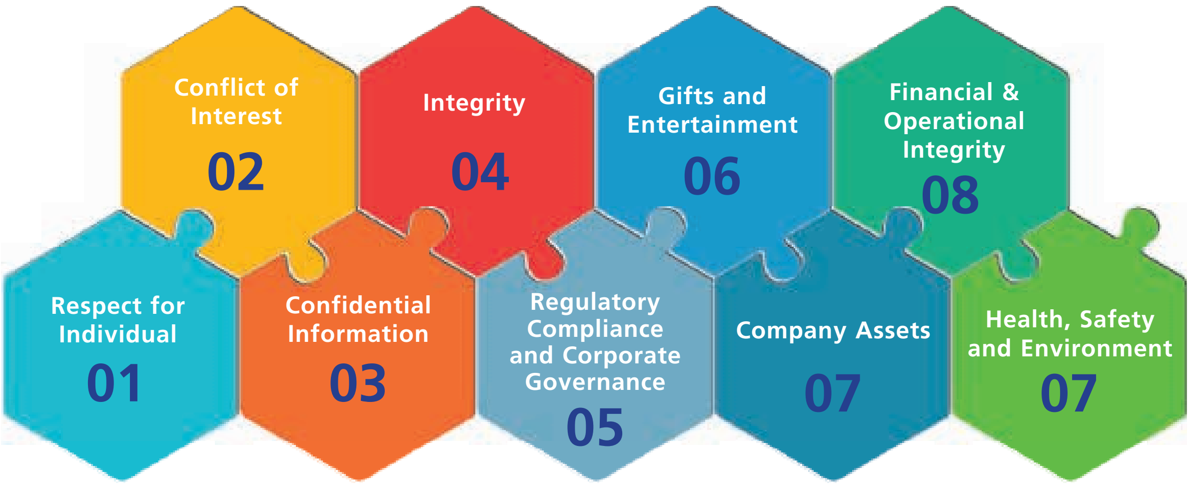
Under the policy, all employees have the right to lodge a complaint with any member of the AC. Employees can raise or report genuine concerns about possible improprieties* related to financial reporting or other operational matters. The AC will then review and investigate the complaints and recommend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

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

# SUSTAINABILITY REPORT

## CODE OF CONDUCT POLICY

The Code of Conduct Policy establishes guidelines on how we should conduct our business responsibly, with integrity and with respect. It also provides guidance on the behaviour expected from all employees in respect of the following areas:




A breach of the Code of Conduct will be grounds for disciplinary action against those involved, including dismissal.

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

The Code of Conduct is reviewed annually with a copy uploaded to the intranet for all employees to read.

| | |
|---|---|
| **FY2020 TARGET** | To have no confirmed incidents of corruption |
| **FY2020 PERFORMANCE** | There were no confirmed incidents of corruption |
| **FY2021 TARGET** | To have no confirmed incidents of corruption |

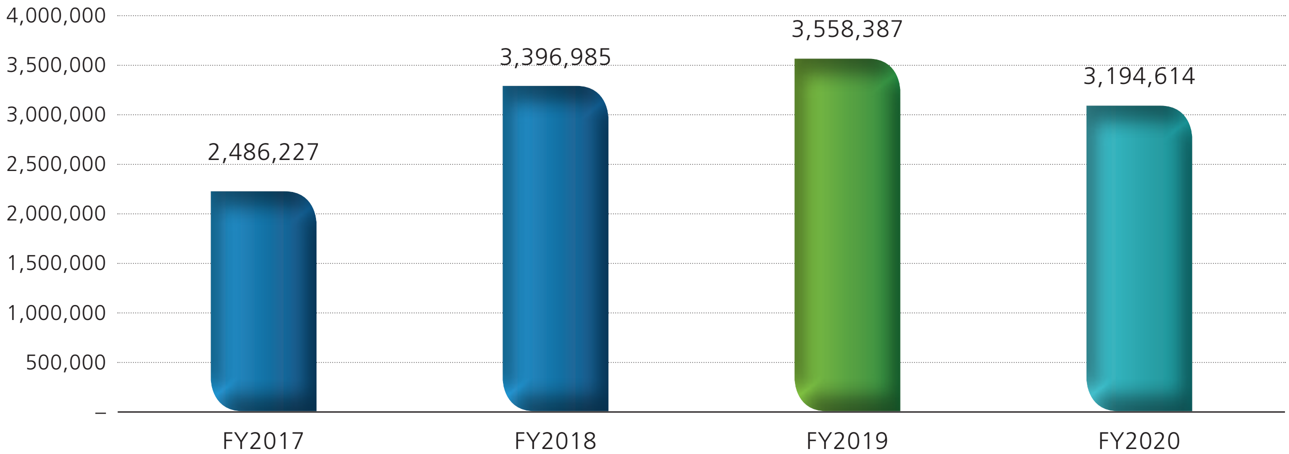
# SUSTAINABILITY REPORT

## ENVIRONMENTAL

### ENERGY CONSUMPTION 302-1

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

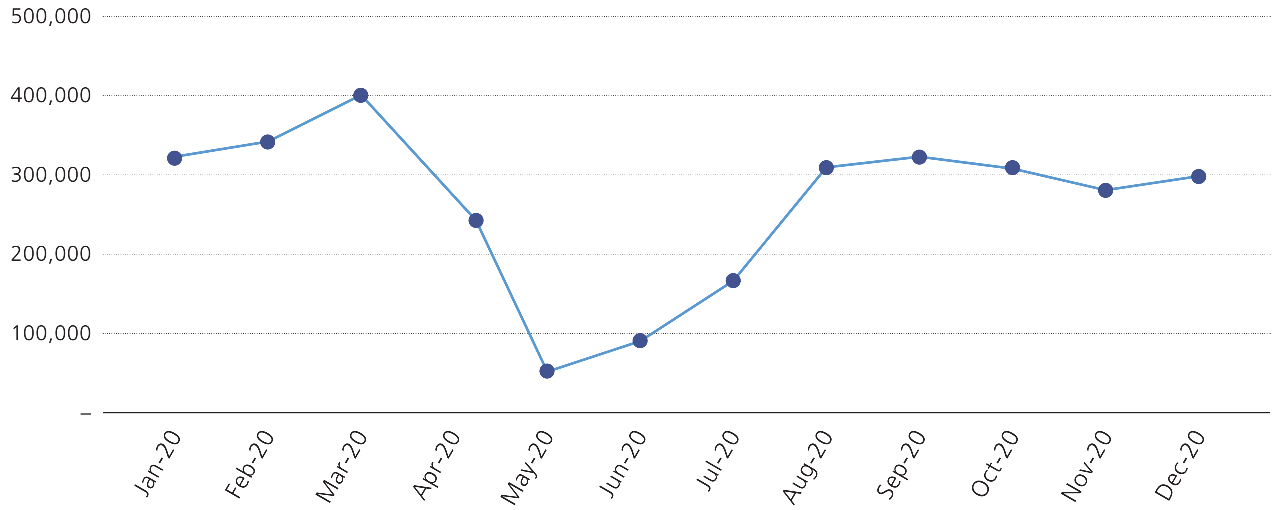
**ANNUAL ELECTRICITY CONSUMPTION** (kWh)




**ELECTRICITY CONSUMPTION DECREASED BY 363,773 KWh**

In FY2020, SHS consumed a total of 3,194,614 kWh of electricity as compared to 3,558,387 kWh in FY2019. This decrease in consumption was due to lower electricity consumption during the Circuit Breaker between April to June 2020, where the business was considered a non-essential service and could not be fully operational.

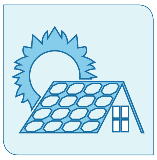
**FY2020 MONTHLY CONSUMPTION (KWH)**



# SUSTAINABILITY REPORT

## REDUCTION OF ENERGY CONSUMPTION 302-4

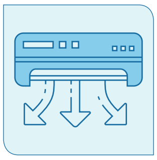
These are the initiatives we have implemented to manage and reduce our energy consumption:



**Solar Roof**

The rooftop of the Hetat office building has been leased out to a 3rd party lessor who has installed a solar rooftop.

The solar rooftop generates an average of 53,709 kWh per month, of which 17,528 kWh is for self-consumption while the remaining is exported to the grid. This enables us to meet our energy requirements at a lower cost per kWh compared to the standard tariff rate.



**Air-conditioning Temperature Setting**

In addition to using solar power, we have set and maintained the air-conditioning temperature at 25 degrees.

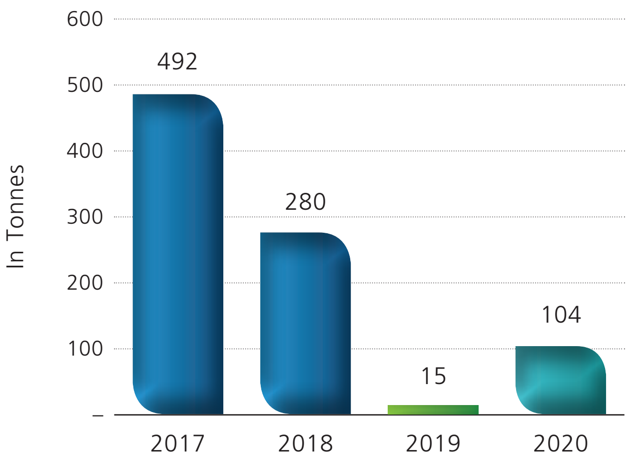
We will continue to inculcate environmental consciousness amongst our people, through constant reminders to save electricity.

## WASTE 306-2

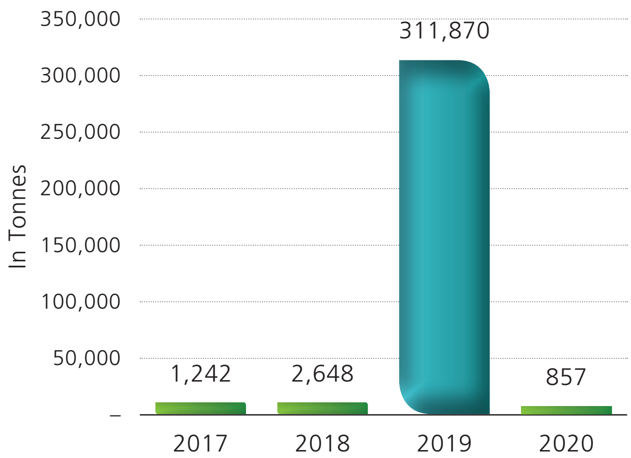
The types of waste generated by the Group includes scrap, copper slag, steel grit and paint and office consumables. Non-hazardous wastes such as steel, aluminium and steel grit are recycled, while hazardous wastes such as copper slag and paint are incinerated.

SHS only works with licensed waste collection vendors to ensure disposal of hazardous wastes are compliant with government regulations.

**WASTE DISPOSED**
(STRUCTURAL STEEL & FAÇADE)




**WASTE DISPOSED**
(CORROSION PREVENTION)



# SUSTAINABILITY REPORT

A total of 961 tonnes of waste was disposed in FY2020, with the Structural Steel and Facade business and the Corrosion Prevention business producing 104 tonnes and 857 tonnes respectively.

For the Structural Steel and Facade business, the increase in the volume of waste disposed by 89 tonnes was due to relatively higher number of projects in FY2020.

For the Corrosion Prevention business, the Company practices disposing grit waste every 3 years. The higher volume of waste disposed in FY2019 was due to include the grit waste accumulated over the past two years. There was lesser waste disposal in FY2020, due to the lower volume of grit and steel dust consumed compared to prior years.

Some of the grit used in the blasting machine is sent for recycling.

**LOCAL COMMUNITIES** 413-2

Our Solar Energy business segment completed the construction of a 50MW solar power plant in Bangladesh occupying a total land area of 170 acres.

Based on the Environmental and Social Impact Assessment ("ESIA") report issued in September 2017, economic opportunities in terms of local employment were assessed as positive. At the same time, potential environmental impacts were noted including impacts on land use, loss of land, loss of cultivable land and homestead land leading to physical displacement.

Some economic benefits that may materialise from the solar power plant include the supply of a stable electricity source for both the locals and the people within the distribution network to power modern electrical appliances and computer products for better connectivity within and outside the country, and to enable students to take part in e-learning.

In managing the environmental impacts, Management appointed local equity partners and seconded our staff to be stationed locally to ensure equitable compensation for the land acquired.

Note: The ESIA was commissioned to predict and evaluate the impact the project could have on the physical, biological, socio-economic and cultural environment. The assessment also identifies measures that the project should take to avoid, minimize, mitigate, offset or compensate for adverse impacts.

**COMPLIANCE** 307-1

SHS is not aware of any violation of laws and regulations pertaining to the non-compliance in the environmental aspect in FY2020.

# SUSTAINABILITY REPORT

## FY2020 TARGET

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

## FY2020 PERFORMANCE

- Zero violation of legal and statutory requirements.
- Zero contamination to ground & underground water or sewage system.
- Zero complains relating to noise & dust.
- We are in the development stages of the Environmental Awareness handbook.

Additional initiatives:

- Installed posters and signs at designated places to increase awareness of the 3Rs (Recycle, Reduce and Reuse) among workforce.
- Installed drinking water filters.

## FY2021 TARGET

- Maintain zero violation of legal and statutory requirements.
- Maintain zero contamination to ground & underground water or sewage system.
- Maintain zero complaints relating to noise & dust.

# SUSTAINABILITY REPORT

## HUMAN CAPITAL

### WORKFORCE 102-8

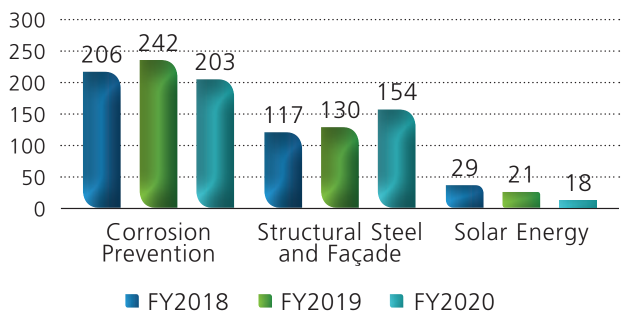
Human capital is a crucial asset that is highly valued as it plays a significant role in ensuring a high level of efficiency and achieving greater output. Our employees play a significant role in our businesses. Their knowledge, skills and dedication to the Group is key to the growth of our businesses.

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

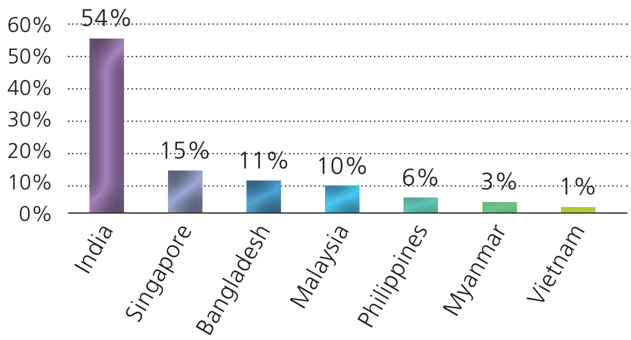
For FY2020, SHS employed a total of 375 full-time employees, a decrease of 18 employees from FY2019 due to reduction in headcount during the Covid-19 pandemic.

Most of our employees are from India (54%), Singapore (15%) and Bangladesh (11%). The breakdown of the employees in our various business units are as follows:

**TOTAL NUMBER OF EMPLOYEES**

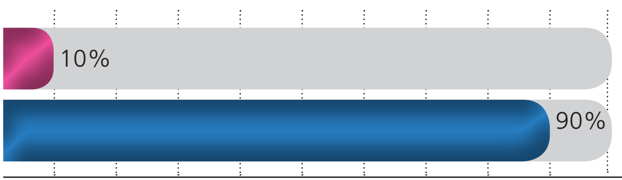



**GROUP'S DISTRIBUTION BY REGION**

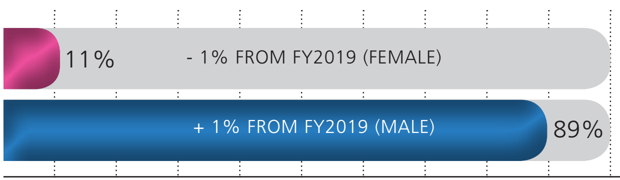



Our employee profile continues to be male dominated, a prevalent characteristic of the engineering and construction industry. There is no change in the gender distribution from FY2019.

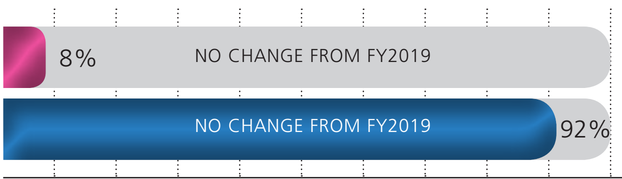
**GROUP'S DISTRIBUTION BY GENDER**



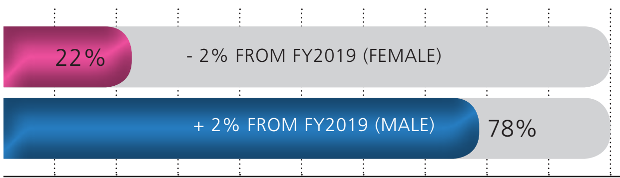

**GENDER DISTRIBUTION BY BUSINESS SEGMENT**
(Structural Steel and Façade)




**GENDER DISTRIBUTION BY BUSINESS SEGMENT**
(Corrosion Prevention)




**GENDER DISTRIBUTION BY BUSINESS SEGMENT**
(Solar Energy)

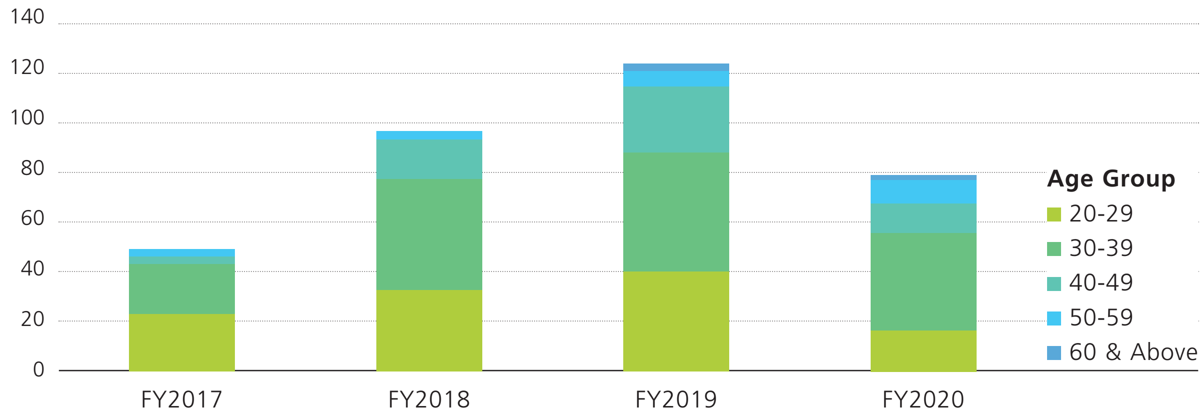



Male Female

# SUSTAINABILITY REPORT

## NEW EMPLOYEE HIRE AND TURNOVER 401-1

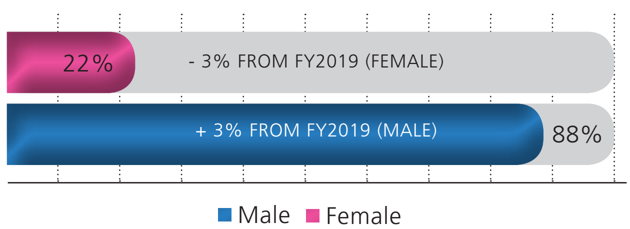
### NEW HIRE BY AGE GROUP




| | Age Group | | | | | Total New Hires |
|---|---|---|---|---|---|---|
| | 20 – 29 | 30 – 39 | 40 – 49 | 50 – 59 | 60 & Above | |
| FY2017 | 22 | 20 | 4 | 1 | 0 | 47 |
| FY2018 | 32 | 45 | 16 | 3 | 0 | 96 |
| FY2019 | 39 | 48 | 27 | 5 | 3 | 122 |
| FY2020 | 16 | 37 | 14 | 10 | 1 | 78 |

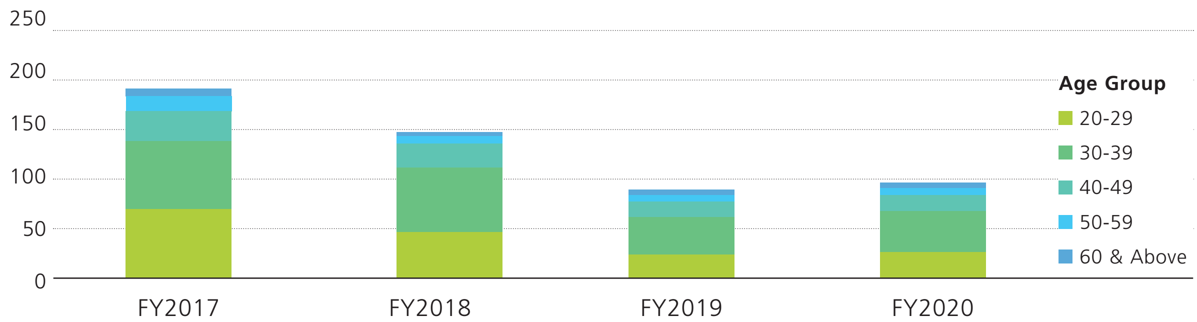
There were lesser new hires in FY2020 resulting in a fall in the number of new hires by 44 compared to the previous financial year where we hired 122 new staff. Many projects could not be executed as scheduled in FY2020 and had to be put on hold for many months. Hence, a reduction in the number of new hires.

### NEW HIRE BY GENDER



# SUSTAINABILITY REPORT

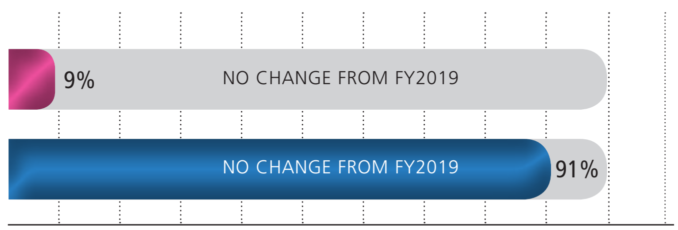
## RESIGNEE BY AGE GROUP




| | Age Group | | | | | Total Resigned |
|---|---|---|---|---|---|---|
| | 20 – 29 | 30 – 39 | 40 – 49 | 50 – 59 | 60 & Above | |
| FY2017 | 69 | 71 | 31 | 15 | 5 | 191 |
| FY2018 | 44 | 68 | 25 | 8 | 3 | 148 |
| FY2019 | 21 | 41 | 14 | 2 | 3 | 81 |
| FY2020 | 17 | 45 | 26 | 6 | 2 | 96 |

The total resigned staff increased by 15 employees. Pay cuts were implemented as part of the Group's cost management measures in the wake of the Covid-19 pandemic, which resulted in higher turnover.

## RESIGNEE BY GENDER



### FY2020 TARGET

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

### FY2020 PERFORMANCE

- Staff and workers were sent for courses to equip themselves with new skills and knowledge. The courses include:
  - WSQ Implement Incident Management training
  - Fire Warden training
  - Construction Safety Course for Project Managers
  - Safe Management Officer ("SMO") Course
- Due to the unforeseen circumstances brought about by the Covid-19 pandemic, the Group had to implement a company-wide pay cut of up to 9 months.
- The turnover rate has increased to 26% as compared to 21% in FY2019, due to the aforementioned cost management measures.

### FY2021 TARGET

- To ensure that trainings are provided to all employees.
- To ensure that the Company's rewarding culture is continuously improved by
  - Aligning salary with market
  - Ensuring that bonus payment is based on individual performance
  - Have appreciation dinners or appreciation awards
- To improve employee retention.

**NON-DISCRIMINATION** 406-1

There were no reported incidences of discrimination raised by our employees in FY2020.

**COMPLIANCE** 419-1

SHS is not aware of any violations of laws and regulations relating to the economic and social areas in FY2020.

# SUSTAINABILITY REPORT

## HEALTH & SAFETY

There are health and safety risks involved in our businesses which is in the engineering and construction sector. In FY2020, we were further confronted with the threat of the novel Covid-19 virus in which links between confirmed cases and the Group were identified.

The Group is aware of these risks and their consequences and strive towards ensuring that we always safeguard the health and safety of our staff. For instance, the Group took swift action and isolated all employees who have had direct contact with the confirmed Covid-19 cases. We also worked closely with the Ministry of Health ("MOH') and the relevant authorities to assist with contact tracing and ensured that the Group adhered with Safe Management Measures and other advisories issued by MOH.

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

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

### INITIATIVES

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

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

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

**Fire Safety**
Firefighting training and fire drills have been conducted for employees.

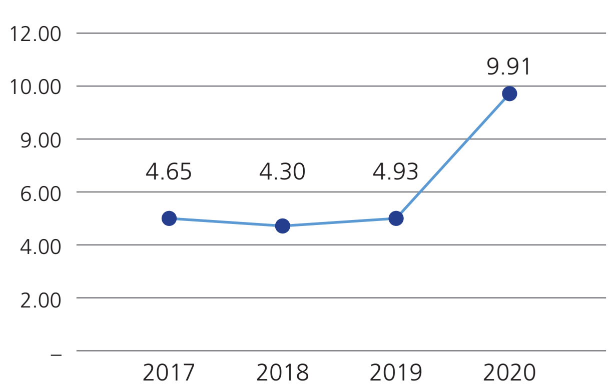
**Weekly Mass Briefings**
Conducted by the HSE manager to share safe work procedures and risk assessments with employees and contractors, as well as share case studies of accidents with the entire workforce.

# SUSTAINABILITY REPORT

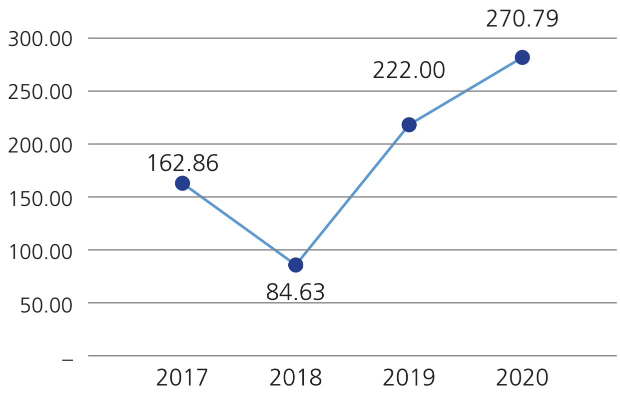
## ACCIDENT FREQUENCY RATE & ACCIDENT SEVERITY RATE 403-2

The graphs below show the average Accident Frequency Rate ("AFR") and Accident Severity Rate ("ASR") from 2017 to 2020.

### ACCIDENT FREQUENCY RATE




### ACCIDENT SEVERITY RATE




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

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

AFR increased from 4.93 in FY2019 to 9.91 in FY2020, the increase was a result of relatively lower man hours worked. Number of reportable accidents in FY2020 remains the same as FY2019.

ASR increased from 222 in FY2019 to 270.79 in FY2020. The increase was mainly due to a thumb injury suffered by an employee while performing tasks at a construction site. The employee was granted a longer period of medical leave for his recovery.

There were no fatal incidents in the year.

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

# SUSTAINABILITY REPORT

| FY2020 TARGET | FY2020 PERFORMANCE | FY2021 TARGET |
|---|---|---|
| To have zero fatal accidents. | There were no fatal accidents. | To have zero fatal accidents. |
| To have minimal reportable accidents. | 3 reportable accidents. | To have minimal reportable accidents. |
| To have zero violation of legal and statutory requirements. | There were no violation of legal and statutory requirement. | To have zero violation of legal and statutory requirements. |

# SUSTAINABILITY REPORT

## QUALITY

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

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

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

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

### INITIATIVES FOR EACH BUSINESS ARM

**Corrosion Prevention**

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

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

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

**Structural Steel and Façade**

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

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

**Solar Energy**

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

## COMPLIANCE 416-2

The Group is not aware of any violations of laws and regulations to the provision, use, health and safety of our products and services in FY2020.

# SUSTAINABILITY REPORT

## FY2020 TARGET

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

## FY2020 PERFORMANCE

- There were no violations of legal and statutory requirements.
- There were no customer complaints.
- Project delivery for steel engineering business is on schedule except for delays that were caused by the Circuit Breaker.

## FY2021 TARGET

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

# SUSTAINABILITY REPORT

## GRI INDEX: CORE OPTION 102-55

| GRI Indicator | Disclosure | Report Sections | Page Reference |
|---|---|---|---|
| **GRI 102: GENERAL** | | | |
| **Organisational Profile** | | | |
| GRI 102-1 | Name of the organisation | Reference to 2020 Annual Report (Page 2 – 4, 5, 14) | – |
| GRI 102-2 | Activities, brands, products, and services | | |
| GRI 102-3 | Location of headquarters | | |
| GRI 102-4 | Location of operations | | |
| GRI 102-5 | Ownership and legal form | | |
| GRI 102-6 | Markets served | | |
| GRI 102-7 | Scale of the organisation | | |
| GRI 102-8 | Information on employees and other workers | Human Capital – Workforce | 28 |
| GRI 102-9 | Supply chain | About This Report – Supply Chain | 19 |
| GRI 102-10 | Significant changes to the organisation and its supply chain | | |
| GRI 102-11 | Precautionary Principle or approach | SHS does not specifically utilise the precautionary approach when managing risk; however, our management approach is risk-based, and supported by our Enterprise Risk Management framework. | – |
| GRI 102-12 | External initiatives | Not applicable | – |
| GRI 102-13 | Membership of associations | Not applicable | – |
| **Strategy** | | | |
| GRI 102-14 | Statement from senior decision-maker | Board Statement | 16-17 |
| **Ethics and integrity** | | | |
| GRI 102-16 | Values, principles, standards, and norms of behavior | Reference to Corporate Governance Report (Page 41 – 56) | – |
| **Governance** | | | |
| GRI 102-18 | Governance structure | Reference to Corporate Governance Report (Page 41 – 56) | – |

# SUSTAINABILITY REPORT

| GRI Indicator | Disclosure | Report Sections | Page Reference |
|---|---|---|---|
| **GRI 102: GENERAL** | | | |
| **Stakeholder Engagement** | | | |
| GRI 102-40 | List of stakeholder groups | Our Approach to Sustainability – Stakeholder Engagement | 20 |
| GRI 102-41 | Collective bargaining agreements | Not applicable | – |
| GRI 102-42 | Identifying and selecting stakeholders | Our Approach to Sustainability – Stakeholder Engagement | 20 |
| GRI 102-43 | Approach to stakeholder engagement | | |
| GRI 102-44 | Key topics and concerns raised | | |
| **Reporting Practice** | | | |
| GRI 102-45 | Entities included in the consolidated Financial Statements | Reference to Notes to the Financial Statements (Note 13a, Page 109 – 111) | – |
| GRI 102-46 | Defining report content and topic Boundaries | Our Approach to Sustainability – Materiality Review Process | 21 |
| GRI 102-47 | List of material topics | | |
| GRI 102-48 | Restatements of information | About This Report – Reporting Scope | 18 |
| GRI 102-49 | Changes in reporting | About This Report – Reporting Period | 18 |
| GRI 102-50 | Reporting period | | |
| GRI 102-51 | Date of most recent report | | |
| GRI 102-52 | Reporting cycle | | |
| GRI 102-53 | Contact point for questions regarding the report | About This Report – Feedback | 18 |
| GRI 102-54 | Claims of reporting in accordance with the GRI Standards | About This Report – GRI Guidelines | 18 |
| GRI 102-55 | GRI content index | GRI Index | 37-39 |
| GRI 102-56 | External assurance | About This Report – GRI Guidelines | 18 |
| **GRI 103: MANAGEMENT APPROACH** | | | |
| GRI 103-1 | Explanation of the material topic and its Boundary | Please refer to the respective GRI indicators (Specific Standard Disclosures) in the GRI Content Index for more information | 22-36 |
| GRI 103-2 | The management approach and its components | | |
| GRI 103-3 | Evaluation of the management approach | | |

# SUSTAINABILITY REPORT

| GRI Indicator | Disclosure | Report Sections | Page Reference |
|---|---|---|---|
| **SPECIFIC STANDARD DISCLOSURES** | | | |
| **Economic** | | | |
| GRI 201-1 | Direct economic value generated and distributed | Reference to 2020 Annual Report – Financial Highlights (Page 5) | – |
| GRI 205-2 | Communication and training on anti-corruption policies and procedures | Business Integrity – Anti-corruption | 22-23 |
| GRI 205-3 | Confirmed incidents of corruption and actions taken | | |
| **Environment** | | | |
| GRI 302-1 | Energy consumption within the organization | Environmental Sustainability – Energy Consumption | 24 |
| GRI 302-4 | Reduction of energy consumption | Environmental Sustainability – Reduction of Energy Consumption | 25 |
| GRI 306-2 | Waste by type and disposal method | Environmental Sustainability – Waste | 25 |
| GRI 307-1 | Non-compliance with environmental laws and regulations | Environmental Sustainability – Compliance | 26 |
| **Social** | | | |
| GRI 401-1 | New employee hires and employee turnover | Human Capital – New Employees Hire | 29 |
| GRI 403-2 | Type of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities | Health & Safety – Accident Frequency Rate and Accident Severity Rate | 33 |
| GRI 406-1 | Incidents of discrimination and corrective actions taken | Human Capital – Non-Discrimination | 31 |
| GRI 413-2 | Operations with significant actual and potential negative impacts on local communities | Environmental Sustainability – Local Communities | 26 |
| GRI 416-2 | Incidents of non-compliance concerning the health and safety impacts of products and services | Quality – Compliance | 35 |
| GRI 419-1 | Non-compliance with laws and regulations in the social and economic area | Human Capital – Compliance | 31 |

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# CORPORATE GOVERNANCE **REPORT**

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

The report sets out the Company's corporate governance practices for the financial year ended 31 December 2020, with specific reference to the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore (the "MAS") on 6 August 2018 (the "2018 CG Code"). The Board is pleased to inform that the Company is substantially in compliance with the principles and provisions of the 2018 CG Code and reasons for any deviation are explained below.

## A. BOARD MATTERS

### Principle 1: Board's Conduct of Affairs

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

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

*Board Approval*

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

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

(b) Annual Budget and Capital Expenditure;

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

(d) Material acquisition and disposal of assets;

(e) The Group's half-year and full-year financial results announcement;

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

(g) Convening of shareholders' meeting;

(h) Interested person transactions of material nature;

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

(j) Assumption of corporate governance responsibilities;

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

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

# CORPORATE GOVERNANCE **REPORT**

*Board and Board Committees*

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

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

| Name | Board Committees as chairman or member | Date of first appointment | Date of last re-election | Board Appointment whether executive or non-executive/ independent | Due for re-election/ re-appointment at forthcoming Annual General Meeting |
|---|---|---|---|---|---|
| Teng Choon Kiat | – | 14 February 2018 | 26 June 2020 | Executive Chairman | |
| Ng Han Kok, Henry | – | 3 January 2014 | 29 April 2019 | Executive Director | – |
| Lim Siok Kwee, Thomas | – | 30 December 2015 | 27 April 2018 | Executive Director | 29 April 2021 |
| Lee Gee Aik | Chairman of AC and member of RC and NC | 24 July 2015 | 29 April 2019 | Lead Independent Director | – |
| Lee Kuo Chuen, David | Chairman of NC and member of AC and RC | 1 October 2013 | 27 April 2018 | Independent Director | 29 April 2021 |
| Oh Eng Bin, Kenneth | Chairman of RC and member of NC and AC | 14 January 2014 | 26 June 2020 | Independent Director | |

On 10 March 2020, the Company announced that it will not be performing quarterly reporting of its financial results as it is not required to do so in view of the amendments to the SGX-ST Listing Rules, which came into effect on 7 February 2020. Notwithstanding this, the Board continues to conduct regularly scheduled meetings for the first and third quarters of the financial year to receive key financial and operational updates, significant business activities and the overall business environment, in addition to the half-yearly meetings which coincide with the announcement of the Group's half-year and full-year results respectively.

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

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

# CORPORATE GOVERNANCE REPORT

The number of Board and Board committee meetings held in the financial year ended 31 December 2020 ("FY2020") and the attendance of each Director are as follows:

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

**Note:**
(1) Attendance by invitation

*Induction, Training and Development*

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

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

All Board members are encouraged to receive regular training, particularly on relevant new laws, regulations and changing commercial risks, from time to time. The Board is mindful of the best practice in the 2018 CG Code to initiate programmes for Directors to meet their relevant training needs. In this regard, the Company is supportive of the Directors' participation in industry conferences and seminars, and will fund the Directors' attendance at any course or training programme in connection with their duties as directors.

During the financial year:

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

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

*Access to Information*

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

# CORPORATE GOVERNANCE **REPORT**

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

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

**Principle 2: Board Composition and Guidance**

The Board comprises six Directors of whom three are Non-Executive Independent Directors. Accordingly, more than one-third of the Board is made up of Independent Directors who are free of any material business or financial connection with the Company. There is a strong and independent element on the Board, capable of exercising objective judgement on corporate affairs independently of the Executive Directors. The Board's views and opinions often provide different perspectives to the Group's business. No individuals or small group of individuals dominates the Board's decision-making. There is no alternate Directors appointed during the year.

*Independence*

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

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

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

All Directors are required to disclose any relationships or appointments which would impair their independence to the Board timely. The independence of each Director is reviewed annually by the NC. The process includes the use of a declaration form on independence which each Director is required to complete and submit to the NC for review. The results of the self-assessment are then collated, communicated and reported to the Board. Among the Directors are experienced business leaders, financial and legal professionals.

# CORPORATE GOVERNANCE REPORT

After taking into consideration the views of the NC and the Board's review, which determined that none of the circumstances stated in Rule 210(5)(d)(i) and (ii) of the Listing Rules apply to any of these Directors as well as the guidance under Provision 2.1 of the 2018 CG Code, the Board considers each of Mr Lee Kuo Chuen, David, Mr Oh Eng Bin, Kenneth and Mr Lee Gee Aik to be an Independent Director.

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

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

*Board Diversity*

The Board has put in place a Board Diversity Policy which sets out the approach to diversity of the Board. The Board Diversity Policy would be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments are made on merit, in the context of the gender, age, nationalities, ethnicity, cultural background, educational background, industry and business experience, skills, independence, tenure of service and other distinguishing qualities which the Board as a whole requires to be effective.

In order to maintain or enhance its balance and diversity, the Board would continue to take the following steps:

- annual review by the NC to assess if the existing attributions and core competencies of the Board are complementary and will enhance the efficacy of the Board; and
- annual evaluation by the Directors of the skill sets that the other Directors possess, with a view to understanding the range of expertise which is lacking by the Board.

The NC would consider the results of these exercises in its recommendation for the appointment of new Directors and/or the re-appointment of incumbent Directors.

The current Board comprises of members with the following core competencies:

- Accounting & Finance;
- Strategic Business Decision;
- Strategic Planning; and
- Legal and Regulatory.

The Board is of the view that there is sufficient diversity in skills, experience and knowledge of the Company in its current Board composition to maximise effectiveness after taking into account the scope and nature of the operations of the Group and the objectives set out in the Board Diversity Policy.

*Board Guidance*

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

*Meeting of Independent Directors without Management*

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

# CORPORATE GOVERNANCE **REPORT**

**Principle 3: Chairman and Chief Executive Officer**

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

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

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

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

**Principle 4: Board Membership**

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

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

The NC comprises three members, all of whom are Independent Directors of the Company.

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

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

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

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

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

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

# CORPORATE GOVERNANCE **REPORT**

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

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

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

The NC has recommended the nomination of Mr Lim Siok Kwee, Thomas and Mr Lee Kuo Chuen, David who are retiring pursuant to Article 90 of the Company's Constitution to be re-elected as Directors of the Company at the forthcoming AGM. The Directors had duly abstained from making recommendations on their own nominations. The Board has accepted the NC's recommendation.

Shareholders are provided with relevant information on the candidates for re-election on page 160 of this Annual Report.

*Nomination and Selection of Directors*

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

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

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

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

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

(d) prescribed factors under the Board Diversity Policy.

*Review of Directors' Independence*

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

*Directors' Time Commitment*

The NC has guidelines addressing competing time commitments faced when Directors serve on multiple listed company boards or have other principal commitments. Each Director is required to disclose to the NC his board representation, whenever there are changes to his directorship. In this respect, the Company's current policy stipulates that if a Director is a full-time employee of another listed company or a major corporation; he should not hold more than five other directorships on unrelated listed companies and/or major corporations.

# CORPORATE GOVERNANCE **REPORT**

For the financial year ended 31 December 2020, the NC was of the view that each Director has given sufficient time and attention to the affairs of the Company and has been able to discharge his duties as director of the Company effectively. The NC is satisfied that all the Directors have been able to and had adequately carried out their duties as Directors of the Company for the financial year under review notwithstanding their multiple directorships where applicable and other principal commitments.

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

*Key Information on Directors*

The profiles and key information of the Directors are set out on page 11 and 12 of this Annual Report. Additional information on Directors seeking for re-election as required under Rule 720(6) of the Listing Rules is also appended to the Notice of AGM.

**Principle 5: Board Performance**

*Board Evaluation*

The NC undertakes a process to assess the effective of the Board and its Board Committees. Directors are requested to complete a Board and Board Committees Evaluation Questionnaires to assess the overall effectiveness of the Board and the Board Committees. On an annual basis, the Directors will complete a Board and Board Committees Evaluation Questionnaires of which results are then collated by the Company Secretary in the form of a collective report. The reports will be discussed during the NC meeting to assess and further enhance the effectiveness of the Board and/or the Board Committees.

The NC, having reviewed the performance of the Board in terms of its roles and responsibilities and the conduct of its affairs as a whole, is of the view that the Board and the Board committees have operated efficiently, the Board has met its performance objectives and each Director has contributed to the overall effectiveness of the Board in the financial year under review.

*Board Performance Criteria*

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

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

*Individual Director Evaluation*

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

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

# CORPORATE GOVERNANCE **REPORT**

## B. REMUNERATION MATTERS

**Principle 6: Procedures for Developing Remuneration Policies**

**Principle 7: Level and Mix of Remuneration**

**Principle 8: Disclosure on Remuneration**

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

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

The RC is guided by its terms of reference which is in line with the 2018 CG Code and its responsibilities of the RC include:

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

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

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

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

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

*Remuneration of Executive Director and Top Five Key Management Personnel*

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

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

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

# CORPORATE GOVERNANCE REPORT

The RC from time to time and where necessary seeks advice from external remuneration consultants in framing the remuneration policy and determining the level and mix of remuneration for Executive Directors and key management personnel.

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

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

*Non-Executive Director Remuneration*

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

The remuneration of Directors and the top 5 key management personnel of the Company for the financial year ended 31 December 2020 are set out below:

| Remuneration band and name | Fees | Salary | Bonus | Others[1] | Total |
|---|---|---|---|---|---|
| **Directors – From S$250,000 to S$499,999** | | | | | |
| Teng Choon Kiat | – | 89% | 6% | 5% | 100% |
| Ng Han Kok, Henry | – | 90% | 6% | 4% | 100% |
| Lim Siok Kwee, Thomas | – | 88% | 6% | 6% | 100% |
| **Top 5 Management Personnel – Below S$250,000** | | | | | |
| Alistair William Raglan Sawer | – | 85% | – | 15% | 100% |
| Weng Feng Jung, Willie | – | 84% | 4% | 12% | 100% |
| Nair Vasuder Aravindakshan | – | 86% | – | 14% | 100% |
| Wong Tat Yang | – | 88% | 6% | 6% | 100% |
| Cheng Chee Chai | – | 89% | 4% | 7% | 100% |
| **Directors – Below S$250,000** | | | | | |
| Lee Kuo Chuen, David | 100% | – | – | – | 100% |
| Oh Eng Bin, Kenneth | 100% | – | – | – | 100% |
| Lee Gee Aik | 100% | – | – | – | 100% |

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

The Company has disclosed the remuneration of each Director and top 5 key management personnel in bands of S$250,000. The Board is of the opinion that a full disclosure of the specific remuneration is not in the best interest of the Company or its shareholders. Due to the competitive business environment and the confidential nature of remuneration matters, a full disclosure of the specific remuneration may have a negative impact on the Company in attracting and retaining talent at the Board and top management level on a long term basis. Non-disclosures maintain confidentiality of remuneration, prevent poaching and also prevent internal comparison and maintain morale. The Board is of the view that the current format of disclosure is sufficient indication of the remuneration packages of the Directors and top management. It is imperative for the Company to ensure the stability and continuity of its business led by the top management.

# CORPORATE GOVERNANCE **REPORT**

Other than this, the Company has complied with the rest of the disclosure requirements under Provision 8.1 of the 2018 CG Code.

Remuneration paid to Non-Executive Directors comprised solely director's fees paid quarterly in arrears. These director's fees were approved by the shareholders in the AGM held on 26 June 2020. The Non-Executive Director's fees were reduced by 20% for the last two quarters in support of the Company's efforts to mitigate the uncertainties and adverse impact of the COVID-19 pandemic.

The annual aggregate remuneration paid to Directors and top 5 key management personnel of the Company for the financial year ended 2020 is disclosed under Note 37 of the Notes to Financial Statements.

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

Shareholders' approval will be sought at the forthcoming AGM on 29 April 2021 for the payment of the proposed fees to Non-Executive Directors for the financial year ending 2021, quarterly in arrears.

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

## C. Accountability and Audit

### Principle 9: Risk Management and Internal Controls

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

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

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

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

The Board has received assurance from the Group CEO and CFO that, as at 31 December 2020, the financial records have been properly maintained, and the financial statements give a true and fair view of the Group's operations and finances.

The Board has also received assurance from the Group CEO and key management personnel that the internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective as at 31 December 2020 to address the risks that the Group considers relevant and material to its operations.

# CORPORATE GOVERNANCE **REPORT**

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors and reviews performed by Management, as well as the assurances set out above, the Board, with the concurrence of the AC, is of the view that the Company's system of risk management and internal controls (including financial, operational, compliance and information technology controls) were adequate and effective as at 31 December 2020 to address risks which the Company considers relevant and material to its operations.

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

**Principle 10: Audit Committee**

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

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

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

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

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

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

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

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

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

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

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

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

# CORPORATE GOVERNANCE REPORT

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

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

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

(h) reviews interested person transactions on semi-annually basis;

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

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

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

During the financial year, the AC has carried out the above duties as provided in their terms of reference.

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

The AC members met four times during the financial year ended 31 December 2020. The Group CEO, CFO, Company Secretary, external and internal auditors were invited to attend these meetings.

In the review of the financial statements for the financial year ended 31 December 2020, the AC has discussed with Management on the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements and considered the clarity of key disclosure in the financial statements. The AC reviewed, amongst other matters, the significant matters identified by external auditors as "Key Audit Matters" and have been included in the Independent Auditor's Report to the Shareholders of the Company. Following the review, the AC are satisfied that those matters have been properly addressed and recommended the audited financial statements of the Group for the financial year ended 31 December 2020 to the Board for approval. The Board has on 5 April 2021 approved the financial statements for the financial year ended 31 December 2020.

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

In line with Rule 1207(6) of the Listing Rules, the AC has reviewed the level of non-audit services rendered to the Group by the external auditors during the financial year. The aggregate amount and breakdown of the audit and non-audit fees paid/payable to the external auditors is found in Note 7 in the Financial Statements of this Report.

Being satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors, the AC recommended to the Board that Moore Stephens LLP be nominated for re-appointment as auditors of the following AGM of the Company.

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

**Internal Audit ("IA")**

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

# CORPORATE GOVERNANCE REPORT

The Group's IA function is independent of the external audit. The internal auditor is a corporate member of Singapore chapter of the Institute of Internal Auditors ("IIA"), and staffed with professionals with relevant qualifications and experience. Our engagement with Ernst & Young Advisory Pte. Ltd. stipulates that its work shall comply with the relevant International or local Standards for the Professional Practice of Internal Auditing issued by IIA. The appointment, assessment, and compensation of the internal auditor are approved by AC. On an annual basis, the AC has also reviewed and is satisfied with the adequacy and effectiveness of the Group's IA function and that the IA function has maintained its independence from the activities that they audit.

During the year, the IA function conducted its audit reviews based on a 2-Year Internal Audit Plan ("Audit Plan") which was approved by the AC. The Audit Plan also incorporates the audit of key risk areas identified under the Group Risk Management Framework. The IA function would submit a report to the AC on the key audit findings and actions to be taken by Management on such findings. Key findings are also highlighted at AC meetings for discussion and follow-up actions. AC monitors the timely and proper implementation of the required corrective, preventive or improvement measures to be undertaken by Management.

**Whistle-Blowing Policy**

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

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

There were no whistle-blowing reports received by the AC in the financial year under review.

## D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

**Principle 11: Shareholder Rights and Conduct of General Meetings**

**Principle 12: Engagement with Shareholders**

**Principle 13: Engagement with Stakeholders**

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

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

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

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

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

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

# CORPORATE GOVERNANCE **REPORT**

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

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

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

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

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

Following the amendments to Rule 705(2) of the Listing Rules which came into effect from 7 February 2020, the Company is no longer required to release the Group's unaudited financial statements on a quarterly basis. After due deliberation, the Board decided not to continue with quarterly reporting of the Group's financial results and instead, release financial reports on a half-yearly basis with effect from the financial year ended 31 December 2020. Notwithstanding this, the Company continue to keep shareholders updated on material developments relating to the Company and the Group in compliance with the continuing disclosure obligations, as and when appropriate.

**Dividend Policy**

The Group has a policy which governs how much to pay out to shareholders in dividends. The Group usually declares annual dividend at the rate of approximately 25-40% of the net profit after tax in accordance with the consolidated financial statements. For the financial year ended 31 December 2020, no dividend has been declared or recommended, as the Group recorded net loss in FY2020 which resulted an increase in accumulated losses and the Board of Directors deems it appropriate to conserve funds for the Group's business activities.

## SECURITIES TRANSACTIONS

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

# CORPORATE GOVERNANCE REPORT

During the financial year, the Company's Securities Transactions Code has been amended to be in line with the Listing Rules following the Company's cessation of the quarterly reporting. Under the Company's Securities Transactions Code, the Company, its Directors and officers should not deal in the Company's securities during the following "prohibited dealing" periods:

- the period commencing two weeks before the announcement of the Company's business and financial updates for the first and third quarters of its financial year and ending after the announcement of the announcement of the relevant business and financial updates (in the event that the Company so decides to announce);
- the period commencing two weeks before the AC and/or Board meetings convened for the purposes of reviewing the financial updates for the first and third quarters of its financial year and ending after the conclusion of the AC and/or Board meetings; and
- the period commencing one month before the announcement of the Company's half-year and full year financial statements and ending after the announcement of the relevant financial statements.

Directors and officers are also advised to adhere the following rules at all times:

(a) observe insider trading laws and not to deal in the Company's securities while in possession of any unpublished material price-sensitive information; and

(b) not to deal in the Company's securities on short term considerations.

In addition, Directors are required to notify the Company of any dealings in the Company's securities within two (2) business days whenever they deal in the Company's securities and the Company will make the necessary announcements in accordance with the requirements of the Listing Rules.

The Company has complied with the Securities Transactions Code.

**INTERESTED PERSON TRANSACTIONS**

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

There were three interested person transactions during the year but each individual transactions were less than $100,000.00.

The AC has reviewed the three interested person transactions and is satisfied that the transactions were conducted at arm's length, within the threshold limit set out under Chapter 9 of the Listing Rules and on terms that are fair and reasonable. The AC and the Board are satisfied that the terms of the above transactions are not prejudicial to the interests of the Company or its minority shareholders.

The Company did not have a shareholders' mandate pursuant to Rule 920 of the Listing Rules during the financial year ended 31 December 2020.

**MATERIAL CONTRACTS**

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

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

The directors present their statement to the members of SHS Holdings Ltd. (the "Company") together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the financial year ended 31 December 2020 and the statement of financial position of the Company as at 31 December 2020.

In the opinion of the directors:

(a) the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year then ended; and

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

## 1 Directors

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

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

## 2 Arrangements to Enable Directors to Acquire Shares or Debentures

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

## 3 Directors' Interests in Shares or Debentures

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

| | Direct interest | | | Deemed interest | | |
|---|---|---|---|---|---|---|
| **Name of directors** | **At the beginning of year** | **At the end of year** | **As at 21/1/2021** | **At the beginning of year** | **At the end of year** | **As at 21/1/2021** |
| **The Company** | | | | | | |
| *No. of ordinary shares* | | | | | | |
| Teng Choon Kiat | 1,250,000 | 1,250,000 | 1,250,000 | 193,688,100 | 193,688,100 | 193,688,100 |
| Ng Han Kok, Henry | – | – | – | 120,714,653 | 120,714,653 | 120,714,653 |
| Lim Siok Kwee, Thomas | – | – | – | 6,020,575 | 6,020,575 | 6,020,575 |

By virtue of Section 7 of the Act, Teng Choon Kiat is deemed to be interested in the shares of the subsidiaries held by the Company.

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

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 4 Share Options

Options Granted

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

Options Exercised

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

Options Outstanding

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

## 5 Audit Committee

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

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

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

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

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

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

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

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

(e) review legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programs and any reports received from regulators;

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

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

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

# DIRECTORS' STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**5 Audit Committee** (Continued)

The duties of the AC, amongst other things, include: (Continued)

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

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

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

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

Further details regarding the ARC are disclosed in the Report on Corporate Governance included in the Company's Annual Report.

**6 Independent Auditors**

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

On behalf of the Board of Directors,

| | |
|---|---|
| ................................................................... | ................................................................... |
| Teng Choon Kiat | Ng Han Kok, Henry |
| Director | Director |

Singapore
5 April 2021

# INDEPENDENT AUDITOR'S **REPORT**

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

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of SHS Holdings Ltd. (the "Company") and its subsidiaries (collectively the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

### Basis for Opinion

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

### Key Audit Matters

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

# INDEPENDENT AUDITOR'S **REPORT**

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

**Report on the Audit of the Financial Statements** (Continued)

**Key Audit Matters** (Continued)

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

# INDEPENDENT AUDITOR'S **REPORT**

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

**Report on the Audit of the Financial Statements** (Continued)

**Key Audit Matters** (Continued)

| Key Audit Matter | How our audit addressed the key audit matter |
|---|---|
| **Revenue from construction contracts** (Continued) | **Our response** (Continued)<br><br>• reviewed the contracts for any penalty and liquidated damages clauses and discussed with management on the progress of significant projects to determine if there are any changes such as delays, penalties, overruns where it is probable that total contract costs will exceed total contract revenue and require the recognition of a loss allowance on such projects.<br><br>In addition, we reviewed the adequacy of the disclosures in relation to the areas of judgements and estimation uncertainties involving recognition of revenue from construction contracts in Note 4(b) to the financial statements and the disclosures in relation to revenue from construction contracts and related contract balances in Note 5 to the financial statements.<br><br>**Our findings**<br><br>We found the areas of judgements and estimates applied by management in the recognition of revenue from construction contracts to be appropriate. |
| **Valuation of unquoted equity investments**<br><br>As at 31 December 2020, the Group's other financial assets comprised unquoted equity investments, which are measured at fair value through other comprehensive income ("FVOCI"), with a carrying amount of S$13.9 million as disclosed in Note 15 to the financial statements.<br><br>These unquoted equity investments, comprising mainly equity securities held in various investee companies, are measured at fair value using valuation techniques that applied inputs for which there is limited market information. The valuation techniques used include adjusted net asset value based on external brokers' quotes or reference to recent transaction prices between knowledgeable, willing parties.<br><br>The valuation of these unquoted equity investments is categorised as Level 3 in the Fair Value Hierarchy as disclosed in Note 41(a) to the financial statements. A significant degree of subjectivity and management judgement are therefore involved in selecting the appropriate valuation techniques to be used and the application of the unobservable inputs given the lack of market priced data. Accordingly, we determined this as a key audit matter. | **Our response**<br><br>Our audit procedures included, amongst others, an assessment of the appropriateness of the valuation techniques applied and the inputs used to value the equity securities held in the relevant investee companies.<br><br>We assessed the reasonability of the inputs used in the valuation and tested the source data, to the extent possible, to independent sources and externally available market data to evaluate the data's relevance based on the nature of the investee companies' business and the industry in which the investee companies operate. We also evaluated management's assessment whether other evidence exists that could affect the valuation of the individual equity investments.<br><br>In addition, we reviewed the adequacy of the disclosures in relation to the valuation of unquoted equity investments, in particular, the degree of subjectivity and key assumptions used in the estimates, which also include the relationship between the key unobservable inputs and fair value in Note 41(a) to the financial statements. |

# INDEPENDENT AUDITOR'S **REPORT**

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

**Report on the Audit of the Financial Statements** (Continued)

**Key Audit Matters** (Continued)

| **Key Audit Matter** | **How our audit addressed the key audit matter** |
|---|---|
| **Valuation of unquoted equity investments** (Continued) | **Our findings**<br><br>We found the valuation techniques applied by management were in line with generally accepted market practices and the key unobservable inputs used in deriving the fair value of the unquoted equity investments to be within a reasonable range. |
| **Impairment of goodwill**<br><br>As at 31 December 2020, the Group has goodwill that arose from various past business acquisitions with an aggregate carrying amount of S$8.0 million. The goodwill has been allocated to the relevant cash-generating unit ("CGU") under the respective operating segments as disclosed in Note 16 to the financial statements.<br><br>As part of the goodwill annual impairment testing, management prepares value in use calculations ("VIU") to determine the recoverable amount of the CGU. Following the impairment testing, an impairment of goodwill of S$8.85 million was recognised.<br><br>The VIU is based on discounted cash flow forecasts of the CGU, the preparation of which requires management to use assumptions and estimates relating to revenue growth rate, budgeted gross margin, terminal growth rate and discount rate of the CGU, which are inherently subjective, and may be affected by uncertainties around future market or economic conditions. Accordingly, we determined this as a key audit matter. | **Our response**<br><br>Our audit procedures included, amongst others, evaluating management's assumptions applied in the cash flow forecasts taking into consideration our knowledge of the CGU's operations, financial performance and industry benchmarks. We also obtained an understanding of management's planned strategies on revenue growth and cost initiatives for the CGU, including management's consideration of the potential impact that COVID-19 pandemic has on the CGU's operations. We tested the robustness of management's forecasts by comparing previous forecasts to actual results. In addition, we also validated key inputs used in the discounted cash flow forecasts, such as growth rates and discount rate, to historical data and external market data to assess the reasonableness of management's forecasts. We tested management's sensitivity analysis of the recoverable amount of the CGU based on reasonable changes to the key assumptions used in the cash flow forecasts. We also checked the mathematical accuracy of the underlying calculations.<br><br>In addition, we reviewed the adequacy of the disclosures in relation to the impairment testing of goodwill, including management's sensitivity analysis, in Note 16 to the financial statements.<br><br>**Our findings**<br><br>We found the assumptions and estimates used by management in the VIU to determine the recoverable amount of the relevant CGU to be within a reasonable range, and the resulting impairment loss of goodwill recognised to be appropriate. |

# INDEPENDENT AUDITOR'S REPORT

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

**Report on the Audit of the Financial Statements** (Continued)

**Other Information**

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

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

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

**Responsibilities of Management and Directors for the Financial Statements**

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

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

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

**Auditor's Responsibilities for the Audit of the Financial Statements**

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

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

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

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

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

# INDEPENDENT AUDITOR'S REPORT

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

**Report on the Audit of the Financial Statements** (Continued)

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

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

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

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

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

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

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

**Report on Other Legal and Regulatory Requirements**

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

The engagement partner on the audit resulting in this independent auditor's report is Mr Ng Chiou Gee Willy.

**Moore Stephens LLP**
Public Accountants and
Chartered Accountants

Singapore
5 April 2021

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | Note | Group 2020 S$'000 | Group 2019 S$'000 |
|---|---|---|---|
| **Continuing operations** | | | |
| **Revenue** | 5 | **35,146** | 26,390 |
| Cost of sales and services | | **(28,143)** | (20,577) |
| Gross profit | | **7,003** | 5,813 |
| Other income | | **5,034** | 2,117 |
| Selling and distribution expenses | | **(503)** | (350) |
| Administrative expenses | | **(6,122)** | (5,443) |
| Other operating expenses | | **(19,670)** | (5,134) |
| Impairment losses of financial assets, net | | **(4,866)** | (3,532) |
| Finance costs | | **(1,153)** | (1,223) |
| Share of (losses)/profits of associates, net of tax | | **(19)** | 825 |
| (Loss) before income tax | | **(20,296)** | (6,927) |
| Income tax | 6 | **1,179** | 41 |
| **(Loss) for the year from continuing operations** | 7 | **(19,117)** | (6,886) |
| **Discontinued operations** | | | |
| (Loss) for the year from discontinued operations | 8 | **(2,556)** | (18,505) |
| **Total (loss) for the year** | | **(21,673)** | (25,391) |
| **Other comprehensive (loss)/income, net of tax:** | | | |
| *Items that will not be reclassified subsequently to profit or loss:* | | | |
| Revaluation gain of property, plant and equipment | 10(b) | **5,315** | – |
| Net loss on fair value changes of unquoted equity instruments at fair value through other comprehensive income | 15 | **(8,571)** | (145) |
| *Items that will be reclassified subsequently to profit or loss:* | | | |
| Exchange differences on translation | | **(282)** | (215) |
| Cumulative exchange differences reclassified from equity on loss of control of subsidiaries | 13(g) | **229** | – |
| **Other comprehensive (loss) for the year** | | **(3,309)** | (360) |
| **Total comprehensive (loss) for the year** | | **(24,982)** | (25,751) |
| **Total (loss) for the year attributable to:** | | | |
| Equity holders of the Company | | **(19,269)** | (22,484) |
| Non-controlling interests | | **(2,404)** | (2,907) |
| | | **(21,673)** | (25,391) |
| **Total comprehensive (loss) for the year attributable to:** | | | |
| Equity holders of the Company | | **(22,663)** | (22,816) |
| Non-controlling interests | | **(2,319)** | (2,935) |
| | | **(24,982)** | (25,751) |
| **(Loss) per share from continuing and discontinued operations attributable to equity holders of the Company:** | | | |
| – Basic and Diluted (cents per share) | 9 | **(2.81)** | (3.28) |
| **(Loss) per share from continuing operations attributable to equity holders of the Company:** | | | |
| – Basic and Diluted (cents per share) | 9 | **(2.69)** | (0.98) |
| **(Loss) per share from discontinued operations attributable to equity holders of the Company:** | | | |
| – Basic and Diluted (cents per share) | 9 | **(0.12)** | (2.30) |

The accompanying notes form an integral part of the financial statements

# STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2020

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2020** | 2019 | **2020** | 2019 |
| | | **S$'000** | S$'000 | **S$'000** | S$'000 |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 10 | **47,302** | 48,373 | **50** | 74 |
| Right-of-use assets | 11 | **4,608** | 4,847 | **1,520** | 1,686 |
| Investment property | 12 | **–** | – | **10,885** | 12,056 |
| Investment in subsidiaries | 13 | **–** | – | **34,847** | 43,747 |
| Investment in associates | 14 | **1,838** | 1,857 | **–** | – |
| Other financial assets | 15 | **13,947** | 23,563 | **13,892** | 22,463 |
| Goodwill | 16 | **8,000** | 16,850 | **–** | – |
| Other receivables and prepayments | 22 | **2,710** | 6,593 | **2,710** | 6,593 |
| | | **78,405** | 102,083 | **63,904** | 86,619 |
| **Current assets** | | | | | |
| Inventories | 18 | **2,955** | 3,009 | **–** | – |
| Land held for development | 19 | **4,566** | 4,760 | **–** | – |
| Trade receivables | 20 | **11,482** | 10,305 | **–** | 86 |
| Contract assets | 5 | **9,624** | 7,523 | **–** | – |
| Other receivables and prepayments | 22 | **5,568** | 4,713 | **27** | 66 |
| Amount due from subsidiaries | 21 | **–** | – | **49,627** | 70,966 |
| Amount due from associates | 27 | **–** | 7 | **–** | – |
| Cash and bank balances | 23 | **31,716** | 31,092 | **22,949** | 25,120 |
| | | **65,911** | 61,409 | **72,603** | 96,238 |
| Assets classified as held for sale | 24 | **121,438** | 68,003 | **19,300** | 1,000 |
| | | **187,349** | 129,412 | **91,903** | 97,238 |
| **Total assets** | | **265,754** | 231,495 | **155,807** | 183,857 |

The accompanying notes form an integral part of the financial statements

# STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2020

| | Note | Group | | Company | |
|---|---|---|---|---|---|
| | | **2020** | 2019 | **2020** | 2019 |
| | | **S$'000** | S$'000 | **S$'000** | S$'000 |
| **LIABILITIES AND EQUITY** | | | | | |
| **Current liabilities** | | | | | |
| Trade payables and accruals | 25 | **6,353** | 5,466 | **425** | 331 |
| Contract liabilities | 5 | **794** | 1,028 | **–** | – |
| Other payables | 26 | **1,711** | 1,517 | **120** | 176 |
| Amount due to subsidiaries | 21 | **–** | – | **21** | 39 |
| Amount due to associates | 27 | **455** | – | **–** | – |
| Term loans | 28 | **6,059** | 5,862 | **–** | – |
| Other amounts due to bankers | 29 | **3,496** | 1,775 | **–** | – |
| Lease liabilities | 35 | **381** | 254 | **131** | 123 |
| Provision for income tax | | **424** | 565 | **83** | – |
| | | **19,673** | 16,467 | **780** | 669 |
| Liabilities directly associated with assets classified as held for sale | 24 | **94,327** | 34,729 | **–** | – |
| | | **114,000** | 51,196 | **780** | 669 |
| **Non-current liabilities** | | | | | |
| Term loans | 28 | **11,772** | 11,751 | **–** | – |
| Lease liabilities | 35 | **4,454** | 4,720 | **1,474** | 1,609 |
| Deferred tax liabilities | 31 | **1,737** | 2,992 | **1,577** | 1,802 |
| | | **17,963** | 19,463 | **3,051** | 3,411 |
| **Total liabilities** | | **131,963** | 70,659 | **3,831** | 4,080 |
| **Equity** | | | | | |
| Share capital | 32 | **160,640** | 160,640 | **160,640** | 160,640 |
| Treasury shares | 33 | **(5,011)** | (5,003) | **(5,011)** | (5,003) |
| Asset revaluation reserve | 34(a) | **12,771** | 7,456 | **8,582** | 8,582 |
| Fair value adjustment | 34(b) | **(9,861)** | (1,290) | **(10,247)** | (1,676) |
| Foreign currency translation reserve | 34(c) | **(878)** | (740) | **–** | – |
| Other reserve | 34(d) | **–** | – | **3,297** | 3,297 |
| (Accumulated losses)/Retained earnings | | **(17,483)** | 4,468 | **(5,285)** | 13,937 |
| **Equity attributable to owners of the Company** | | **140,178** | 165,531 | **151,976** | 179,777 |
| Non-controlling interests | 13(h) | **(6,387)** | (4,695) | **–** | – |
| **Total equity** | | **133,791** | 160,836 | **151,976** | 179,777 |
| **Total liabilities and equity** | | **265,754** | 231,495 | **155,807** | 183,857 |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | Attributable to equity holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital S$'000 | Treasury shares S$'000 | Asset revaluation reserve S$'000 | Fair value adjustment S$'000 | Foreign currency translation reserve S$'000 | (Accumulated losses)/ Retained earnings S$'000 | Total S$'000 | Non-controlling interests S$'000 | Total equity S$'000 |
| **Group** | | | | | | | | | |
| **At 1 January 2020** | 160,640 | (5,003) | 7,456 | (1,290) | (740) | 4,468 | 165,531 | (4,695) | 160,836 |
| (Loss) for the year | – | – | – | – | – | (19,269) | (19,269) | (2,404) | (21,673) |
| Other comprehensive (loss)/ income for the year, net of tax (Note 34) | – | – | 5,315 | (8,571) | (138) | – | (3,394) | 85 | (3,309) |
| Total comprehensive (loss) for the year | – | – | 5,315 | (8,571) | (138) | (19,269) | (22,663) | (2,319) | (24,982) |
| Shares buy-back (Note 33) | – | (8) | – | – | – | – | (8) | – | (8) |
| Dividends paid (Note 38) | – | – | – | – | – | (2,055) | (2,055) | – | (2,055) |
| Acquisition of non-controlling interests (Note 13(f)) | – | – | – | – | – | (627) | (627) | 627 | – |
| **At 31 December 2020** | 160,640 | (5,011) | 12,771 | (9,861) | (878) | (17,483) | 140,178 | (6,387) | 133,791 |

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | Attributable to equity holders of the Company | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Share capital S$'000 | Treasury shares S$'000 | Asset revaluation reserve S$'000 | Fair value adjustment S$'000 | Foreign currency translation reserve S$'000 | Retained earnings S$'000 | Total S$'000 | Non-controlling interests S$'000 | Total equity S$'000 |
| **Group** | | | | | | | | | |
| **At 1 January 2019** | 160,637 | (5,003) | 7,456 | (1,145) | (553) | 26,910 | 188,302 | (1,708) | 186,594 |
| (Loss) for the year | – | – | – | – | – | (22,484) | (22,484) | (2,907) | (25,391) |
| Other comprehensive (loss) for the year, net of tax | – | – | – | (145) | (187) | – | (332) | (28) | (360) |
| Total comprehensive (loss) for the year | – | – | – | (145) | (187) | (22,484) | (22,816) | (2,935) | (25,751) |
| Shares issued pursuant to exercise of warrants | 3 | – | – | – | – | – | 3 | – | 3 |
| Additional investment in subsidiary | – | – | – | – | – | – | – | 30 | 30 |
| Acquisition of non-controlling interests | – | – | – | – | – | 42 | 42 | (82) | (40) |
| **At 31 December 2019** | 160,640 | (5,003) | 7,456 | (1,290) | (740) | 4,468 | 165,531 | (4,695) | 160,836 |

The accompanying notes form an integral part of the financial statements

# CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| **Cash Flows from Operating Activities** | | |
| (Loss) before income tax | **(21,673)** | (25,391) |
| Adjustments for: | | |
| Income tax expense recognised in profit or loss | **(1,179)** | (41) |
| Depreciation of property, plant and equipment | **4,604** | 4,580 |
| Depreciation of right-of-use assets | **647** | 515 |
| Amortisation of prepaid land leases | **184** | 178 |
| Loss/(Gain) on disposal of property, plant and equipment | **23** | (275) |
| Property, plant and equipment written-off | **5** | – |
| Revaluation loss of property, plant and equipment | **3,497** | – |
| Impairment of property, plant and equipment | **1,108** | 7,906 |
| Impairment of goodwill | **8,850** | – |
| Allowance for inventory obsolescence | **422** | 19 |
| (Write back)/Impairment of inventories | **(878)** | 1,768 |
| Written down of land held for development | **194** | – |
| Allowance for impairment of trade receivables | **1,139** | 184 |
| Allowance for impairment of contract assets | **96** | 40 |
| Allowance for impairment of other receivables | **4,302** | 3,312 |
| Bad debts written-off (trade) | **2** | – |
| Net gain on associate struck off | **–** | (150) |
| Gain on disposal of subsidiaries | **(1,884)** | – |
| Reversal of impairment of assets classified as held for sale | **(1,346)** | – |
| Provision for liquidation damages | **–** | 1,231 |
| Dividend income | **–** | (36) |
| Interest income | **(168)** | (258) |
| Interest expense | **1,246** | 1,500 |
| Share of losses/(profits) of associates, net of tax | **19** | (825) |
| Unrealised foreign exchange gain – net | **415** | 300 |
| Operating cash flows before working capital changes | **(375)** | (5,443) |
| Changes in working capital: | | |
| Inventories | **6,755** | (6,184) |
| Contract assets, receivables and prepayments | **3,219** | (9,391) |
| Contract liabilities and payables | **(12,067)** | 12,839 |
| Cash used in operations | **(2,468)** | (8,179) |
| Interest received | **168** | 258 |
| Interest paid | **(848)** | (1,142) |
| Income tax paid | **(224)** | (73) |
| **Net cash used in operating activities** | **(3,372)** | (9,136) |

# CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| **Cash Flows from Investing Activities** | | |
| Payment for purchase of property, plant and equipment (Note A) | **(3,895)** | (4,156) |
| Decrease in construction in progress – returns | **–** | 16,586 |
| Proceeds from disposal of property, plant and equipment | **–** | 246 |
| Proceeds from disposal of subsidiaries | **6,960** | – |
| Proceeds from capital reduction in other financial assets | **1,045** | 132 |
| Dividend received from other financial assets | **–** | 36 |
| Proceeds from capital reduction in associates | **–** | 270 |
| Increase in prepaid development costs | **637** | (3,529) |
| Acquisition of non-controlling interests | **–** | (40) |
| **Net cash generated from investing activities** | **4,747** | 9,545 |
| | | |
| **Cash Flows from Financing Activities** | | |
| Proceeds from exercise of warrants/issuance of shares | **–** | 3 |
| Dividends paid on ordinary shares | **(2,055)** | – |
| Purchase of treasury shares | **(8)** | – |
| Proceeds from term loans | **5,000** | 1,000 |
| Repayment of term loans | **(4,782)** | (1,328) |
| Drawdown of trust receipts | **8,100** | 2,483 |
| Repayment of trust receipts | **(6,363)** | (3,147) |
| Net increase in amount due to associates | **462** | 388 |
| Payment of lease liabilities | **(870)** | (718) |
| Repayment of finance leases | **–** | (108) |
| Capital contribution by non-controlling interest | **–** | 30 |
| Decrease in amount due from non-controlling interests | **–** | 151 |
| Increase in amount due to non-controlling interests | **–** | 2,174 |
| **Net cash (used in)/generated from financing activities** | **(516)** | 928 |
| | | |
| **Net increase in cash and cash equivalents** | **859** | 1,337 |
| **Cash and cash equivalents at the beginning of year** | **31,092** | 29,890 |
| Effects of exchange rate changes on the balances of cash held in foreign currencies | **(235)** | (135) |
| **Cash and cash equivalents at the end of year (Note 23)** | **31,716** | 31,092 |

(Note A)

*Additions in property, plant and equipment*

| | | |
|---|---|---|
| Additions in property, plant and equipment | **(76,536)** | – |
| Increase in payables for property, plant and equipment | **72,641** | – |
| Net cash for additions in property, plant and equipment | **(3,895)** | – |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

## 1 General Information

SHS Holdings Ltd. (the "Company") is a public limited liability company incorporated and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Company's registered address and principal place of business is at 19 Tuas Avenue 20, Singapore 638830.

The principal activities of the Company are investment holding and those of grit blasting and painting. The principal activities of the subsidiaries and associates are set out in Note 13 and Note 14, respectively.

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

### (a) Adoption of New and Revised Standards

The accounting policies adopted are consistent with those of the previous financial year except that on 1 January 2020, the Group has adopted the following new and revised standards that are relevant to the Group and are mandatory for application for the current financial year:

| Description |
|---|
| Amendments to References to Conceptual Framework in SFRS(I) Standards |
| Amendments to SFRS(I) 3 *Definition of a Business* |
| Amendments to SFRS(I) 7, SFRS(I) 9 and SFRS(I) 1-39 *Interest Rate Benchmark Reform* |
| Amendments to SFRS(I) 1-1 and SFRS(I) 1-8 *Definition of Material* |

The adoption of these new and revised standards above did not result in substantial changes to the Group's accounting policies and had no material effect on the disclosures or amounts reported in these financial statements.

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

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

| Description | Effective for annual periods beginning on or after |
|---|---|
| Amendments to SFRS(I) 16 COVID-19 *Related Rent Concessions* | 1 June 2020 |
| Amendments to SFRS(I) 3 *Business Combinations – Reference to the Conceptual Framework* | 1 January 2022 |
| Amendments to SFRS(I) 1-16 *Property, Plant and Equipment – Proceeds before Intended Use* | 1 January 2022 |
| Amendments to SFRS(I) 1-37 *Provisions – Onerous Contracts – Cost of Fulfilling a Contract* | 1 January 2022 |
| Annual Improvements to SFRS(I)s Standards 2018-2020 Cycle | 1 January 2022 |
| Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current* | 1 January 2023 |
| Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture* | Date to be determined |

The Group does not expect that the adoption of these new and revised standards above will have a material impact on the financial statements in the period of initial application.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3 Significant Accounting Policies

### (a) Basis of Preparation

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

### (b) Group Accounting

Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

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

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

The Group applies the acquisition method to account for business combinations when the acquired set of activities and assets meets the definition of a business and control is transferred to the Group. In determining whether an integrated set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input and substantive process that together significantly contribute to the ability to create output. A business can exist without including all of the inputs and processes needed to create output. The Group has an option to apply a 'fair value concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test can be applied on a transaction-by-transaction basis. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. If the test is met, the set of activities and assets is determined not to be a business and no further assessment is needed. If the test is not met, or if the Group elects not to apply the test, a detailed assessment must be performed applying the normal requirements in SFRS(I) 3.

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

**3 Significant Accounting Policies** (Continued)

**(b) Group Accounting** (Continued)

Subsidiaries (Continued)

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

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

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

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment indicator of the transferred assets. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals of interests in subsidiaries to non-controlling interests without loss of control are also recorded in equity.

When the Group loses control of a subsidiary, it:

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3 Significant Accounting Policies (Continued)

### (b) Group Accounting (Continued)

Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights.

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

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

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

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

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

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

### (c) Investments in Subsidiaries and Associates

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3 Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

### (e) Revenue Recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when it transfers control of a product or service to a customer.

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

<u>Construction</u>

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3 Significant Accounting Policies (Continued)

### (e) Revenue Recognition (Continued)

Construction (Continued)

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

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

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

Services rendered – grit blasting and painting and solar power installation

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

Sale of goods – including blasting equipment goods, modular goods and solar power equipment goods

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

### (f) Government Grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately under other income in profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3 Significant Accounting Policies (Continued)

### (g) Foreign Currencies

Functional and presentation currency

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

The Company's functional currency is Singapore Dollar ("S$"), which reflects the economic substance of the underlying events and circumstances of the Company. For the purposes of the consolidated financial statements, the results and financial position of each entity in the Group are expressed in S$, which is the presentation currency for the consolidated financial statements.

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

Transactions and balances

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

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

Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the reporting date are recognised in profit or loss. However, in consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

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

Translation of Group entities' financial statements

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the reporting date;
- income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve.

## 3 Significant Accounting Policies (Continued)

### (g) Foreign Currencies (Continued)

Translation of Group entities' financial statements (Continued)

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

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

### (h) Borrowing Costs

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

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

### (i) Employee Benefits

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

Defined contribution plans

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

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered service entitling them to the contributions.

Employee leave entitlement

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3 Significant Accounting Policies (Continued)

### (j) Income Tax

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

Current tax

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by reporting date. The Group periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred tax

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

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3 Significant Accounting Policies (Continued)

### (j) Income Tax (Continued)

Current and deferred tax for the period

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

### (k) Property, Plant and Equipment

Measurement

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

Leasehold properties are revalued by independent professional valuers on a triennial basis and whenever their carrying amounts are likely to differ materially from their revalued amounts. When an asset is revalued, any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

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

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

The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3 Significant Accounting Policies (Continued)

### (k) Property, Plant and Equipment (Continued)

Depreciation

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

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

The following useful lives are used in the calculation of depreciation:

| | | |
|---|---|---|
| Leasehold buildings | – | over the land lease term |
| Renovation/Leasehold improvements | – | 5 – 10 years |
| Machinery and yard equipment | – | 5 – 10 years |
| Motor vehicles | – | 5 – 10 years |
| Office, computer equipment, furniture & fittings | – | 2 – 10 years |

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

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

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

Subsequent expenditure

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

Disposal

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3 Significant Accounting Policies (Continued)

### (l) Investment Properties

Investment property held for long-term rental yields and/or for capital appreciation, is initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

Depreciation is calculated using a straight-line method to allocate the depreciable amount over the estimated useful life of 11.33 years. The residual value, useful life and depreciation method of investment property is reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are included in profit or loss when the changes arise.

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

### (m) Prepaid Land Leases

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

### (n) Land Held for Development

Development properties are held as inventories and are measured at the lower of cost and net realisable value. Net realisable value of development properties represents the estimated selling price for the properties less all estimated costs of completion and costs necessary to make the sale.

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

### (o) Goodwill

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3 Significant Accounting Policies (Continued)

### (o) Goodwill (Continued)

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

### (p) Impairment of Non-financial Assets Excluding Goodwill

Non-financial assets other than goodwill are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

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

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

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset (or CGU) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or CGU) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also credited to profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3 Significant Accounting Policies (Continued)

### (q) Inventories

Inventories are stated at the lower of cost or net realisable value. Cost is determined on a weighted average basis.

The cost of finished goods and work-in-progress comprises raw materials, direct labour, other direct costs and related production overheads but excludes borrowing costs.

Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Allowance is made for obsolete, slow moving and defective inventories.

### (r) Cash and Cash Equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash at bank and on hand, and short-term deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value. These also include bank overdrafts that form an integral part of the Group's cash management.

### (s) Financial Assets

Classification

i. Debt instruments

Financial assets that are debt instruments are classified into categories based on the Group's business model for managing them and their contractual cash flow characteristics.

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

ii. Equity instruments

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

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**3 Significant Accounting Policies** (Continued)

**(s) Financial Assets** (Continued)

Classification (Continued)

ii. Equity instruments (Continued)

A financial asset is held for trading if:

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

Initial measurement

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

Subsequent measurement

i. Debt instruments

*Amortised Cost*

These assets are subsequently measured at amortised cost using the effective interest method unless they are part of a designated hedging relationship. Impairment losses and reversals, interest income, and foreign exchange gains and losses (except where designated as a hedging instrument) on such assets are recognised in profit and loss. Interest income is based on the effective interest method which allocates interest income over the life of the financial asset based on an effective interest rate that discounts estimated future cash receipts to its gross carrying amount.

*FVOCI*

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

*FVPL*

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

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3 **Significant Accounting Policies** (Continued)

(s) **Financial Assets** (Continued)

Subsequent measurement (Continued)

ii. Equity instruments

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

Impairment

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

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

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

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

*Simplified approach – Trade receivables and contract assets*

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

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

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

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**3 Significant Accounting Policies** (Continued)

**(s) Financial Assets** (Continued)

Impairment (Continued)

*General approach – All other financial instruments on which ECL assessment is required* (Continued)

The Group regards the following as events of default:

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

*Credit-impaired financial instruments*

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

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

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

*Write-off policy*

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

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3 Significant Accounting Policies (Continued)

### (s) Financial Assets (Continued)

Recognition and derecognition

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

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

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

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

### (t) Financial Liabilities

Financial liabilities

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

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

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least twelve months after the reporting period.

Derecognition of financial liabilities

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

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3 Significant Accounting Policies (Continued)

### (u) Offsetting of Financial Assets and Financial Liabilities

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

### (v) Leases

When the Group is a lessee

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3 Significant Accounting Policies (Continued)

### (v) Leases (Continued)

When the Group is a lessee (Continued)

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

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

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

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

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

*Short-term leases and leases of low-value assets*

The Group applies the exemption for all short-term leases (up to 12 months) and low-value assets on a lease-by-lease basis. All lease payments associated with these leases are recognised as an expense on a straight-line basis over the lease term.

When the Group is a lessor

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

*Lessor – operating leases*

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3 Significant Accounting Policies (Continued)

### (w) Provisions

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

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

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

### (x) Financial Guarantees

Financial guarantees in the separate financial statements

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of the bank borrowings. Intra-group transactions are eliminated on consolidation.

Financial guarantees are measured initially at their fair values plus transaction costs and subsequently measured at the higher of:

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

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

### (y) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are charged to equity.

### (z) Treasury Shares

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 3 Significant Accounting Policies (Continued)

### (aa) Dividends to Company's Shareholders

Dividends to the Company's shareholders are recognised when the dividends are approved for payment.

### (bb) Segment Reporting

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

### (cc) Related Parties

A related party is defined as follows:

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

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

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

   ii. has significant influence over the reporting entity; or

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

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

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

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

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

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

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

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 4 Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in Note 3 above, the management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

### (a) Critical judgements in applying the accounting policies

Management is of the opinion that in the preparation of the financial statements there are no critical judgements made in the process of applying the Group's accounting policies that have a significant effect on the amounts recognised in the financial statements.

### (b) Key sources of estimation uncertainty

Revenue from construction contracts

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

During the financial year, the Group's construction revenue from engineering & construction services were subject to the estimation of progress towards completion using the input method. A 5% difference in the estimated total contract costs of on-going contracts from management's estimation would result in an approximately 5.9% (2019: 11.1%) variance to the Group's revenue for engineering & construction services recognised and the Group's results for the financial year.

Impairment of property, plant and equipment

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

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

Impairment of investment in subsidiaries and associates

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

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

### (b) Key sources of estimation uncertainty (Continued)

Valuation of unquoted equity investments

The Group's other financial assets comprised unquoted equity investments which are measured at fair value through other comprehensive income ("FVOCI"). These unquoted equity investments, comprising mainly equity securities held in various investee companies, are measured at fair value using valuation techniques that applied inputs for which there is limited market information. The valuation techniques used include adjusted net asset value based on external brokers' quotes or reference to recent transaction prices between knowledgeable, willing parties.

The information about the valuation techniques and key unobservable inputs used in deriving the fair value of the unquoted equity investments is disclosed in Note 41(a).

Impairment of goodwill

Goodwill is tested for impairment annually and whenever there is an indication that the goodwill may be impaired. The recoverable amount of the cash-generating unit ("CGU") to which the goodwill is allocated is determined based on value in use calculation ("VIU"). The VIU is based on discounted cash flow forecasts of the CGU, the preparation of which requires management to use assumptions and estimates relating to revenue growth rate, budgeted gross margin, terminal growth rate and discount rate of the CGU. The assumptions and estimates used are inherently subjective, and may be affected by uncertainties around future market or economic conditions.

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

Allowance for expected credit losses of trade receivables and contract assets

The Group uses a provision matrix to calculate allowance for expected credit losses ("ECL") for trade receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates in the recent past two years. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 40(a). The carrying amount of the Group's trade receivables and contract assets and their related allowances for impairment losses are disclosed in Note 20 and Note 5(b), respectively.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 5 Revenue from Contracts with Customers

### (a) Disaggregation of revenue from contracts with customers

The Group's revenue is disaggregated by principal geographical areas, major products and service lines and timing of revenue recognition as follows:

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Principal geographical market | | |
| *Singapore* | | |
| – Engineering & construction services | **16,086** | 8,884 |
| – Services rendered – grit blasting and painting | **11,014** | 11,174 |
| – Solar power installation service | **591** | 1,109 |
| – Sale of blasting equipment goods | **1,869** | 2,391 |
| – Sale of solar power equipment goods | **3,879** | 199 |
| – Storage and leasing income | **390** | 655 |
| | **33,829** | 24,412 |
| *Rest of South East Asia*[i] | | |
| – Sale of solar power equipment goods | **279** | 285 |
| – Sale of blasting equipment goods | **1,038** | 1,642 |
| | **1,317** | 1,927 |
| *Others*[ii] | | |
| – Sale of blasting equipment goods | **–** | 51 |
| | **35,146** | 26,390 |

(i) Rest of South East Asia includes Malaysia, Indonesia and Vietnam.

(ii) Others include New Zealand, Australia and Bangladesh.

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Major products or service lines and time of revenue recognition | | |
| *At a point in time* | | |
| – Sale of blasting equipment goods | **2,907** | 4,084 |
| – Sale of solar power equipment goods | **4,158** | 484 |
| | **7,065** | 4,568 |
| *Over time* | | |
| – Engineering & construction services | **16,086** | 8,884 |
| – Services rendered – grit blasting and painting | **11,014** | 11,174 |
| – Solar power installation service | **591** | 1,109 |
| – Storage and leasing income | **390** | 655 |
| | **28,081** | 21,822 |
| | **35,146** | 26,390 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 5 Revenue from Contracts with Customers (Continued)

### (b) Contract balances

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Contract assets – current | | | | |
| Contracts work in progress[(i)] | **6,358** | 1,122 | **–** | – |
| Amount due from customers[(ii)] | **3,266** | 6,401 | **–** | – |
| | **9,624** | 7,523 | **–** | – |
| Contract liabilities – current | | | | |
| Amount due to customers | **794** | 1,028 | **–** | – |

(i) Contracts work in progress represents costs recognised that relate to future activity and have not been used in contract performance at the reporting date.

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Contract assets | | | | |
| Contract assets reclassified to trade receivables | **(7,523)** | (6,469) | **–** | 86 |
| Additional work completed but not billed | **9,844** | 7,647 | **–** | – |
| Impairment loss on contract assets | **(220)** | (124) | **–** | – |
| Contract liabilities | | | | |
| Increase due to cash received, excluding amounts recognised as revenue during the year | **794** | 5,987 | **–** | – |

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

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 5 Revenue from Contracts with Customers (Continued)

### (b) Contract balances (Continued)

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Expected credit loss rate | **2.23%** | 1.62% | **0%** | 0% |
| Contract assets – gross carrying amount (not past due) | **9,844** | 7,647 | **–** | – |
| Loss allowance – lifetime ECL | **(220)** | (124) | **–** | – |
| | **9,624** | 7,523 | **–** | – |

The movements in the loss allowance – lifetime ECL that have been recognised for the Group's and the Company's contract assets are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| At 1 January | **124** | 84 | **–** | 2 |
| Net increase/(decrease) in loss allowance arising from new amounts recognised in current year, net of those derecognised upon billing | **96** | 40 | **–** | (2) |
| At 31 December | **220** | 124 | **–** | – |

## 6 Income Tax

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Current income tax: | | |
| – Current year | **102** | 45 |
| – Overprovision in respect of prior year | **(26)** | (15) |
| | **76** | 30 |
| Deferred tax: | | |
| – Deferred tax relating to the reversal of temporary differences (Note 31) | **(1,221)** | (71) |
| – Overprovision in respect of prior year | **(34)** | – |
| | **(1,255)** | (71) |
| | **(1,179)** | (41) |

The corporate income tax applicable to the Company and other Singapore incorporated entities of the Group is 17% (2019: 17%). The entities of the Group in Vietnam are subject to a corporate income tax rate of 20% (2019: 20%). The remaining entities of the Group operating in other jurisdictions are considered not material.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 6 Income Tax (Continued)

A reconciliation between income tax and the product of accounting loss multiplied by the Singapore statutory income tax rate of 17% (2019: 17%) for the financial year is as follows:

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| (Loss) before income tax | **(20,296)** | (6,927) |
| Tax at statutory tax rate | **(3,450)** | (1,178) |
| Non-deductible expenses | **2,253** | 523 |
| Non-taxable items | **(223)** | (162) |
| Effect of different tax rates of subsidiaries operating in other jurisdictions | **(107)** | (31) |
| Share of losses of associates, net of tax | **3** | 140 |
| Tax allowances and incentives | **-** | (3) |
| Singapore statutory tax exemption | **(31)** | (16) |
| Corporate income tax rebate | **–** | (1) |
| Deferred tax assets not recognised* | **436** | 702 |
| Overprovision of current income tax in prior years | **(26)** | (15) |
| Overprovision of deferred tax in prior years | **(34)** | – |
| | **(1,179)** | (41) |

* Deferred tax assets not recognised mainly relates to unutilised tax losses and capital allowances carried forward as disclosed in Note 31.

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

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Except as disclosed elsewhere in the notes to the financial statements, (loss) before income tax is arrived at after (charging)/crediting the following: | | |
| <u>Included in cost of sales</u> | | |
| Cost of inventories sold | **(10,123)** | (7,527) |
| Sub-contract fees | **(6,204)** | (669) |
| Expenses relating to short-term leases | **(756)** | (586) |
| Depreciation of property, plant and equipment | **(2,715)** | (3,119) |
| Staff costs: | | |
| – Salaries and wages | **(4,716)** | (4,754) |
| – Defined contribution plans | **(101)** | (58) |
| – Foreign workers levy | **(607)** | (1,154) |
| | **(5,424)** | (5,966) |
| <u>Included in other income</u> | | |
| Interest income | **168** | 258 |
| Government grants* | **3,171** | – |
| (Loss)/Gain on disposal of property, plant and equipment | **(8)** | 275 |
| Dividend income from other financial assets | **–** | 36 |
| Scrap sales and service income | **284** | 408 |
| Rental income – operating leases | **731** | 668 |
| Net gain on associate struck off | **–** | 150 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Except as disclosed elsewhere in the notes to the financial statements, (loss) before income tax is arrived at after (charging)/crediting the following: (Continued) | | |
| Included in administrative expenses | | |
| Directors' fees | **(244)** | (236) |
| Directors' remuneration: | | |
| – Salaries and bonus | **(865)** | (1,029) |
| – Defined contribution plans | **(27)** | (37) |
| | **(892)** | (1,066) |
| Staff costs: | | |
| – Salaries and bonus | **(3,986)** | (3,069) |
| – Defined contribution plans | **(351)** | (331) |
| – Staff welfare | **(23)** | (121) |
| | **(4,360)** | (3,521) |
| Included in other operating expenses | | |
| Audit fees paid/payable to: | | |
| – Auditors of the Company | **(255)** | (244) |
| – Auditors of the subsidiaries | **–** | – |
| Non-audit fees paid/payable to: | | |
| – Auditors of the Company | **–** | (12) |
| Depreciation of property, plant and equipment | **(1,080)** | (1,093) |
| Amortisation of right-of-use assets | **(437)** | (331) |
| Revaluation loss on leasehold building | **(3,497)** | – |
| Impairment of freehold land | **(1,108)** | – |
| Impairment of goodwill | **(8,850)** | – |
| Impairment of land held for development | **(194)** | – |
| Allowance for inventory obsolescence | **(124)** | (20) |
| Expenses relating to short-term leases | **(274)** | (106) |
| Foreign exchange (loss)/gain – net | **(623)** | 364 |
| Included in net impairment losses on financial assets | | |
| Allowance for impairment of contract assets | **(96)** | (40) |
| Allowance for impairment of trade receivables | **(540)** | (180) |
| Allowance for impairment of other receivables | **(4,230)** | (3,312) |
| | **(4,866)** | (3,532) |
| Included in finance costs | | |
| Term loans | **(804)** | (861) |
| Trust receipts | **(48)** | (33) |
| Finance leases | **–** | (11) |
| Lease liabilities | **(301)** | (315) |

* Included in government grants were cash grants of S$1,581,000 and S$1,213,000 from the Job Support Scheme (JSS) and Foreign Worker Levy waiver and rebate, respectively.

## 8 **Discontinued Operations**

### **Vietnam solar energy development business**

On 26 December 2018, the Group entered into a Sale & Purchase Agreement ("SPA") for the sale of the solar power plant project in Vietnam to a third party for a sale consideration of US$5.5 million (approximately S$7.6 million) plus certain costs reimbursements to be determined on disposal.

During the current financial year, the disposal was completed, and consequently, the Vietnam solar energy development business entities ceased to be subsidiaries of the Group. Further details on the completion of the disposal are disclosed in Note 13(g).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**8 Discontinued Operations** (Continued)

**Bangladesh solar energy development business**

As at the end of the previous financial year, the Board of Directors of the Company was exploring all options, including to diversify the Group's solar power plant project in Bangladesh.

During the current financial year, the Company entered into a Sale & Purchase Agreement for the sale of the solar power plant project in Bangladesh to a third party for a total consideration of US$17.0 million (approximately S$24.6 million).

Subsequent to the financial year end, the Company announced that the disposal was completed, and consequently, the Bangladesh solar energy development business entities ceased to be subsidiaries of the Group. Further details on the completion of the disposal are disclosed in Note 43(a).

**Modular construction business**

As at the end of the previous financial year, the Board of Directors of the Company was exploring all options, including to diversify certain of the Group's entities which are involved in modular construction businesses in Singapore, Vietnam, and New Zealand (collectively the "TLC Group").

Subsequent to the financial year end, the Company announced that the Group, through its wholly owned subsidiary, Hetat Holdings Pte. Ltd., entered into a Sale & Purchase Agreement for divestment of TLC Group to a third party for a total consideration of US$11.5 million (approximately S$15.2 million) as disclosed in Note 43(b).

***Discontinued Operations***

As the solar energy development business and modular construction business represent a separate major line of business or geographical area of operations of the Group (collectively, the "Discontinued Operations"), the assets and liabilities related to the Discontinued Operations has been reclassified under assets classified as held for sale and liabilities directly associated with assets classified as held for sale, respectively, on the consolidated statement of financial position of the Group as disclosed in Note 24. The combined results of the Discontinued Operations included in the consolidated statement of comprehensive income for the financial years ended 31 December 2020 and 2019 are set out below.

| | **Group** | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| **Discontinued operations** | | |
| **Revenue** | **16,936** | 7,290 |
| Cost of sales | **(16,971)** | (7,393) |
| Gross loss | **(35)** | (103) |
| Other income | **74** | 77 |
| Gain on disposal of subsidiaries (Note 13(g)) | **1,884** | – |
| Expenses | **(4,478)** | (18,505) |
| **Loss before income tax** | **(2,555)** | (18,531) |
| Income tax | **(1)** | 26 |
| **Loss for the year from discontinued operations** | **(2,556)** | (18,505) |
| **Attributable to:** | | |
| Equity holders of the Company | **(857)** | (15,784) |
| Non-controlling interests | **(1,669)** | (2,721) |
| | **(2,556)** | (18,505) |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 8 **Discontinued Operations** (Continued)

***Discontinued Operations*** *(Continued)*

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| **Cash flows from discontinued operations** | | |
| Cash flow (used in)/generated from operating activities | **(6,083)** | 22,119 |
| Cash flow generated from/(used in) investing activities | **6,014** | (34,519) |
| Cash flow (used in)/generated from financing activities | **(211)** | 16,235 |
| Net cash (outflow)/inflow from discontinued operations | **(280)** | 3,835 |

## 9 **(Loss) Per Share, Basic and Diluted**

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

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| (Loss) for the year attributable to equity holders of the Company | **(19,269)** | (22,484) |
| (Loss) used in the calculation of basic (loss) per share | **(19,269)** | (22,484) |
| (Loss) for the year from discontinued operation used in the calculation of basic (loss) per share from discontinued operation | **(857)** | (15,784) |
| (Loss) used in the calculation of basic (loss) per share from continuing operations | **(18,412)** | (6,700) |
| Weighted average number of ordinary shares used in the calculation of basic (loss) per share | **685,090,029** | 685,129,100 |

There is no dilutive (loss) per share as there were no potential dilutive ordinary shares outstanding at the end of the financial years ended 31 December 2020 and 2019.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 10 Property, Plant and Equipment

| | Land & leasehold buildings S$'000 | Renovation/ Leasehold improvements S$'000 | Machinery & yard equipment S$'000 | Motor vehicles S$'000 | Office, computer equipment, furniture & fittings S$'000 | Construction in progress S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|---|
| **Group** | | | | | | | |
| 2020 | | | | | | | |
| Cost or Valuation | | | | | | | |
| At 1 January | 63,219 | 726 | 14,932 | 1,678 | 3,096 | – | 83,651 |
| Additions | – | 205 | 1,704 | 196 | 207 | – | 2,312 |
| Disposals/Written off | – | – | (123) | (130) | (4) | – | (257) |
| Revaluation (b) | (19,072) | – | – | – | – | – | (19,072) |
| Impairment (c) | (1,108) | – | – | – | – | – | (1,108) |
| Currency alignment | (5) | – | – | – | 2 | – | (3) |
| At 31 December | 43,034 | 931 | 16,513 | 1,744 | 3,301 | – | 65,523 |
| Cost | 3,834 | 931 | 16,513 | 1,744 | 3,301 | – | 26,323 |
| Valuation | 39,200 | – | – | – | – | – | 39,200 |
| Total | 43,034 | 931 | 16,513 | 1,744 | 3,301 | – | 65,523 |
| Accumulated depreciation | | | | | | | |
| At 1 January | 18,328 | 669 | 12,271 | 1,244 | 2,766 | – | 35,278 |
| Depreciation charge | 2,699 | 103 | 952 | 131 | 190 | – | 4,075 |
| Disposals/Written off | – | – | (123) | (117) | (4) | – | (244) |
| Revaluation (b) | (20,890) | – | – | – | – | – | (20,890) |
| Currency alignment | 1 | – | – | – | 1 | – | 2 |
| At 31 December | 138 | 772 | 13,100 | 1,258 | 2,953 | – | 18,221 |
| Net book value | | | | | | | |
| At 31 December 2020 | 42,896 | 159 | 3,413 | 486 | 348 | – | 47,302 |
| 2019 | | | | | | | |
| Cost or Valuation | | | | | | | |
| At 1 January | 79,490 | 899 | 18,018 | 2,674 | 3,633 | 20,340 | 125,054 |
| Additions | 57 | 15 | 228 | 225 | 186 | 3,445 | 4,156 |
| Disposals/Written off | – | – | (933) | (768) | (21) | – | (1,722) |
| Returns (f) | – | – | – | – | – | (16,586) | (16,586) |
| Reclassification | 15 | – | – | – | – | (15) | – |
| Reclassified to assets classified as held for sale | (15,990) | (186) | (2,355) | (447) | (693) | (7,145) | (26,816) |
| Currency alignment | (353) | (2) | (26) | (6) | (9) | (39) | (435) |
| At 31 December | 63,219 | 726 | 14,932 | 1,678 | 3,096 | – | 83,651 |
| Cost | 4,592 | 726 | 14,932 | 1,678 | 3,096 | – | 25,024 |
| Valuation | 58,627 | – | – | – | – | – | 58,627 |
| Total | 63,219 | 726 | 14,932 | 1,678 | 3,096 | – | 83,651 |
| Accumulated depreciation | | | | | | | |
| At 1 January | 15,884 | 689 | 12,230 | 1,804 | 2,917 | – | 33,524 |
| Depreciation charge | 2,850 | 63 | 1,620 | 329 | 253 | – | 5,115 |
| Disposals/Written off | – | – | (283) | (624) | (21) | – | (928) |
| Reclassified to assets classified as held for sale | (403) | (82) | (1,287) | (263) | (378) | – | (2,413) |
| Currency alignment | (3) | (1) | (9) | (2) | (5) | – | (20) |
| At 31 December | 18,328 | 669 | 12,271 | 1,244 | 2,766 | – | 35,278 |
| Net book value | | | | | | | |
| At 31 December 2019 | 44,891 | 57 | 2,661 | 434 | 330 | – | 48,373 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 10 Property, Plant and Equipment (Continued)

| | Renovation/ Leasehold improvements S$'000 | Motor vehicles S$'000 | Furniture & fittings S$'000 | Office & computer equipment S$'000 | Total S$'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| 2020 | | | | | |
| Cost or Valuation | | | | | |
| At 1 January | 404 | 356 | 1,021 | 487 | 2,268 |
| Additions | – | 12 | – | – | 12 |
| At 31 December | 404 | 368 | 1,021 | 487 | 2,280 |
| Accumulated depreciation | | | | | |
| At 1 January | 389 | 304 | 1,019 | 482 | 2,194 |
| Depreciation charge | 10 | 23 | 1 | 2 | 36 |
| At 31 December | 399 | 327 | 1,020 | 484 | 2,230 |
| Net book value | | | | | |
| At 31 December 2020 | 5 | 41 | 1 | 3 | 50 |
| 2019 | | | | | |
| Cost or Valuation | | | | | |
| At 1 January and 31 December | 404 | 356 | 1,021 | 487 | 2,268 |
| Accumulated depreciation | | | | | |
| At 1 January | 367 | 269 | 1,019 | 479 | 2,134 |
| Depreciation charge | 22 | 35 | – | 3 | 60 |
| At 31 December | 389 | 304 | 1,019 | 482 | 2,194 |
| Net book value | | | | | |
| At 31 December 2019 | 15 | 52 | 2 | 5 | 74 |

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

| Property Address | Description | Tenure |
|---|---|---|
| 81 Tuas South Street 5, Singapore 637651[(i)] | Single story detached factory with ancillary 2-storey warehouse, and a 3-storey annexe office block | 30 years leasehold from 1999 with an option to renew for an additional 1 year |
| 19 Tuas Avenue 20, Singapore 638830 | Single-story factory block with mezzanine office and a 3-storey ancillary office block | 20 years leasehold from 2019 |
| Ward 10, Vung Tau City, Ba Ria-Vung Tau Province, Vietnam[(ii)] | A single-story detached factory building with side/rear extension | 42 years leasehold from 2004 |

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

(ii) The Group's leasehold building in Vietnam has been reclassified under assets classified as held for sale.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 10 Property, Plant and Equipment (Continued)

### (b) Leasehold buildings carried at revaluation amounts

The Group's leasehold buildings at 81 Tuas South Street 5 and 19 Tuas Avenue 20 were revalued by an independent professional valuer based on open market value at the end of the reporting period. In determining the fair value, the valuer has used the direct comparison method by referring to market evidence of recent transactions for similar properties.

Following the valuation, a revaluation gain of S$5,315,000 (Note 34(a)) was recognised in other comprehensive income on the leasehold building at 81 Tuas South Street 5 and a revaluation loss of S$3,497,000 (Note 7) was recognised in profit or loss of the Group on the leasehold building at 19 Tuas Avenue 20 for the financial year.

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Leasehold buildings | **27,903** | 28,996 | **–** | – |

### (c) Freehold land

Included in land and leasehold buildings of the Group is a freehold land, which is located in Malaysia ("Malaysia Land"), with carrying amount of S$3,527,000 (2019: S$4,639,000) as at 31 December 2020.

Management carried out an impairment assessment with reference to a valuation by an independent professional valuer based on open market value at the end of the reporting period. In determining the fair value, the valuer has used the direct comparison method by referring to market evidence of recent transactions for similar properties.

Following the valuation, an impairment loss of S$1,108,000 (Note 7) was recognised in profit or loss of the Group on the Malaysia Land for the financial year.

### (d) Depreciation charge

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

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Continuing operations | **3,795** | 4,212 |
| Contract assets – continuing operations | **280** | 18 |
| Discontinued operations | **809** | 368 |
| Contract assets – assets held for sale | **342** | 517 |
| | **5,226** | 5,115 |

### (e) Assets pledged as a security

As at 31 December 2020, land and leasehold buildings of the Group with carrying amounts of S$42,896,000 (2019: S$44,891,000) are mortgaged to secure the credit facilities of the Group (Note 28).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 10 Property, Plant and Equipment (Continued)

### (f) Return of assets

During the previous financial year, the return of assets amounted to approximately S$16.6 million in cash was received by the Group for returning the solar panels to the supplier consequent to the appointment of an EPC contractor who would undertake the supply of solar panels for the solar power plant project in Bangladesh. There was no material loss arising from the return of assets.

## 11 Right-of-Use Assets

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| **Leasehold buildings** | | | | |
| Cost | | | | |
| At 1 January | **5,180** | 5,164 | **1,848** | 1,848 |
| Additions | **271** | 697 | **–** | – |
| Remeasurement | **(74)** | – | **(3)** | – |
| Reclassified to asset classified as held for sale | **–** | (673) | **–** | – |
| Currency alignment | **1** | (8) | **–** | – |
| At 31 December | **5,378** | 5,180 | **1,845** | 1,848 |
| Accumulated amortisation | | | | |
| At 1 January | **333** | – | **162** | – |
| Amortisation expense | **437** | 515 | **163** | 162 |
| Reclassified to asset classified as held for sale | **–** | (181) | **–** | – |
| Currency alignment | **–** | (1) | **–** | – |
| At 31 December | **770** | 333 | **325** | 162 |
| Net book value | | | | |
| At 31 December | **4,608** | 4,847 | **1,520** | 1,686 |

## 12 Investment Property

| | Company | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| At cost | | |
| At 1 January and 31 December | **14,400** | 14,400 |
| Accumulated depreciation | | |
| At 1 January | **2,344** | 1,172 |
| Depreciation charge | **1,171** | 1,172 |
| At 31 December | **3,515** | 2,344 |
| Net book value | | |
| At 31 December | **10,885** | 12,056 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 12 Investment Property (Continued)

Leasing income recognised for the financial year ended 31 December 2020 amounted to S$1,087,900 (2019: S$1,218,000). Direct operating expenses arising from the investment property that generated the leasing income during the financial year were considered not material.

As at 31 December 2020 and 2019, the investment property of the Company is mortgaged to secure the credit facilities of the Group (Note 28).

The fair value of the investment property disclosed below is measured using valuation inputs categorised as Level 3 in the Fair Value Hierarchy (Note 41(a)) as follows:

| | Level 1 S$'000 | Level 2 S$'000 | Level 3 S$'000 | Total S$'000 |
|---|---|---|---|---|
| 2020 | | | | |
| Investment property | **–** | **–** | **16,200** | **16,200** |
| 2019 | | | | |
| Investment property | – | – | 16,200 | 16,200 |

2020

The fair value of the investment property is determined based on a valuation by an independent professional valuer at the end of the reporting period. In determining the fair value, the valuer has used the direct comparison method by referring to market evidence of recent transactions for similar properties.

2019

The fair value of the investment property was based on management's judgement on the comparable market transactions that considered sales of similar properties that had been transacted in the open market at the end of the reporting period.

## 13 Investment in Subsidiaries

| | Company | |
|---|---|---|
| | **2020 S$'000** | 2019 S$'000 |
| Unquoted equity shares, at cost | | |
| Hetat Holdings Pte. Ltd. | **45,300** | 45,300 |
| See Hup Seng CP Pte. Ltd. | **8,047** | 8,047 |
| Eastern Tankstore (S) Pte. Ltd. | **4,080** | 4,080 |
| SHS Capital Pte. Ltd. | **–*** | –* |
| Sinenergy International Power Pte. Ltd. | **100** | – |
| | **57,527** | 57,427 |
| Less: Allowance for impairment loss | | |
| At 1 January | **(13,680)** | (13,680) |
| Impairment loss recognised for the year | **(9,000)** | – |
| At 31 December | **(22,680)** | (13,680) |
| | **34,847** | 43,747 |

* Amount is less than S$1,000.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 13 Investment in Subsidiaries (Continued)

### (a) Composition of the Group

| | Name of Company (Country of incorporation and place of business) | Principal activities | Effective equity interest held by the Group 2020 | 2019 |
|---|---|---|---|---|
| | | | % | % |
| | **Held by the Company:** | | | |
| * | Hetat Holdings Pte. Ltd.<br>Singapore | Investment holding | **100** | 100 |
| * | See Hup Seng CP Pte. Ltd.<br>Singapore | Provision of corrosion prevention services | **100** | 100 |
| * | Eastern Tankstore (S) Pte. Ltd.<br>Singapore | Warehousing and storage handling services | **51** | 51 |
| * | SHS Capital Pte. Ltd.<br>Singapore | Investment holding | **100** | 100 |
| * | Sinenergy International Power Pte. Ltd.[(1)]<br>Singapore | Investment holding | **100** | – |
| * | Sinenergy Holdings Pte. Ltd.[(2)]<br>Singapore | Investment holding | **100** | 100 |
| | **Held by subsidiary companies:**<br>Hetat Holdings Pte. Ltd. | | | |
| * | Hetat Pte. Ltd.<br>Singapore | Engineering and project management for steel, glass and aluminum contracts | **100** | 100 |
| * | Hetat Construction Pte. Ltd.<br>Singapore | General contractors (building construction including major upgrading works) | **100** | 100 |
| ** | Xiang Tong (Shanghai) International Trading Co., Ltd<br>The People's Republic of China | Import and export of construction materials | **100** | 100 |
| * | TLC Modular Pte. Ltd.[(2)]<br>Singapore | Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts | **60** | 60 |
| ** | TLC Modular Sdn. Bhd.[(3)]<br>Malaysia | Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts | **100** | 60 |
| **** | TLC Modular Construction Joint Stock Company[(2)]<br>Vietnam | Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts | **60** | 60 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 13 Investment in Subsidiaries (Continued)

### (a) Composition of the Group (Continued)

| | Name of Company (Country of incorporation and place of business) | Principal activities | Effective equity interest held by the Group 2020 | 2019 |
|---|---|---|---|---|
| | | | % | % |
| | **Held by subsidiary companies:** | | | |
| | Hetat Pte. Ltd. | | | |
| ** | Sinenergy Engineering & Construction Sdn Bhd (formerly known as Hetat Engineering & Construction Sdn. Bhd.) Malaysia | Engineering and project management for steel, glass and aluminium contracts | **100** | 100 |
| | TLC Modular Pte. Ltd. | | | |
| **** | TLC Modular Manufacturing (Vietnam) Co Ltd.(2) Vietnam | Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts | **60** | 60 |
| ** | TLC Modular & Construction (NZ) Pty Limited(2) New Zealand | Modular construction, manufacturing, engineering and project management for steel, glass and aluminium contracts | **60** | 60 |
| | See Hup Seng CP Pte. Ltd. | | | |
| * | SHS Special Coating Pte Ltd Singapore | Grit blasting and painting | **100** | 100 |
| * | SHS System Pte Ltd Singapore | Tank coating, grit blasting and painting | **100** | 100 |
| * | Gardella Singapore Coating Pte Ltd Singapore | Dormant | **100** | 100 |
| * | Lesoon Equipment Pte. Ltd. Singapore | Trading and manufacturing of blasting and painting equipment | **96.4** | 96.4 |
| * | Speedo Corrosion Control Pte Ltd Singapore | Tank coating, grit blasting and painting | **100** | 100 |
| | Lesoon Equipment Pte. Ltd. | | | |
| ** | Speedlock Equipment Sdn. Bhd. Malaysia | Trading and manufacturing of blasting and painting equipment | **96.4** | 96.4 |
| | Gardella Singapore Coating Pte Ltd | | | |
| ** | Gardella Coating Philippines, Inc.(4) Philippines | Dormant | **–** | 99.9 |
| | SHS Capital Pte. Ltd. | | | |
| *** | SHS Ferny Pty Ltd Australia | Investment holdings | **100** | 100 |
| * | Bellfield Property Pte. Ltd.(1) Singapore | Investment holdings | **100** | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 13 Investment in Subsidiaries (Continued)

### (a) Composition of the Group (Continued)

| | Name of Company (Country of incorporation and place of business) | Principal activities | Effective equity interest held by the Group 2020 | 2019 |
|---|---|---|---|---|
| | | | % | % |
| | **Held by subsidiary companies:** | | | |
| | Sinenergy Holdings Pte. Ltd. | | | |
| * | Sinenergy Pte. Ltd.[6] Singapore | Engineering and project management for electrical works | **–** | 85 |
| ** | HDFC SinPower Ltd.[2] Bangladesh | Built, develop, install, setup, and operate Power Plants in Bangladesh | **75** | 75 |
| * | Hua Sheng Energy Pte. Ltd.[6] Singapore | Trading of electrical and wiring accessories | **–** | 100 |
| **** | Sinenergy TL Energy Joint Stock Company[6] Vietnam | Develop and install solar power projects, distribution of electric power equipment | **–** | 65 |
| **** | Sinenergy Ninh Thuan Power LLC[5] Vietnam | Securing power purchase agreement to sell solar power | **–** | 100 |
| * | Solar NT Holdings Pte Ltd[5] Singapore | Investment holdings | **–** | 100 |
| | Sinenergy International Power Pte. Ltd. | | | |
| * | Sinenergy Pte. Ltd.[6] Singapore | Engineering and project management for electrical works | **85** | – |
| * | Hua Sheng Energy Pte. Ltd.[6] Singapore | Trading of electrical and wiring accessories | **100** | – |
| **** | Sinenergy TL Energy Joint Stock Company[6] Vietnam | Develop and install solar power projects, distribution of electric power equipment | **65** | – |
| | Hua Sheng Energy Pte. Ltd. | | | |
| *** | PT Hua Sheng Energy[1] Indonesia | Trading of electrical and wiring accessories | **67** | – |

* Audited by Moore Stephens LLP, Singapore.

** Audited by member firms of Moore Global Network Limited.

*** Exempted from audit under the laws of the country of incorporation. Reviewed by Moore Stephens LLP, Singapore for group consolidation purposes.

**** Audited by other firms of certified public accountants for statutory purposes.

(1) Incorporated during the financial year.

(2) Entities related to discontinued operations.

(3) Step acquisition during the financial year.

(4) Strike off/Liquidation during the financial year.

(5) Subsidiary disposed during the financial year.

(6) The subsidiaries were transferred from Sinenergy Holdings Pte. Ltd. to Sinenergy International Power Pte. Ltd. during the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 13 Investment in Subsidiaries (Continued)

### (b) Impairment of subsidiaries

2020

In conjunction with the impairment testing of goodwill that was allocated to Hetat Holdings Pte. Ltd., the Company recognised an additional allowance for impairment loss of S$9,000,000 on the cost of investment in Hetat Holdings Pte. Ltd., as the recoverable amount of the allocated group of cash-generating units, to which the investment relates to, was assessed to be lower than its carrying amount.

2019

During the previous financial year, no allowance for impairment loss in respect of the Company's investment in subsidiaries was recognised.

### (c) Incorporation of/Investment in subsidiaries

2020

During the current financial year,

(i) The Company incorporated a new wholly owned subsidiary, Sinenergy International Power Pte. Ltd., in Singapore with an issued and paid-up capital of S$100,000 comprising 100,000 ordinary shares, fully paid in cash. The principal activity of the subsidiary is investment holding.

(ii) The Group through its wholly owned subsidiary, SHS Capital Pte. Ltd., incorporated a wholly owned subsidiary, Bellfield Property Pte. Ltd., in Singapore with an issued and paid-up capital of S$2 comprising 2 ordinary shares, fully paid in cash. The principal activity of the subsidiary is investment holding.

(iii) The Group through its wholly owned subsidiary, Hua Sheng Energy Pte. Ltd., invested in a 67% equity interest in PT Hua Sheng Energy, a newly incorporated company in Indonesia. The issued and paid-up capital of PT Hua Sheng Energy is IDR2,500,000,000 (equivalent to S$237,000), which the Group's 67% equity contribution amounted to S$159,000, fully paid in cash.

### (d) Additional investment in subsidiaries

2020

During the current financial year, the Company increased its equivalent share of capital investment in its wholly owned subsidiary, Sinenergy Holdings Pte. Ltd., by subscribing to an additional 18,300,000 ordinary shares for a total consideration of S$18,300,000 fully paid via the capitalisation of the same amounts due from the subsidiary. The total cost of investment in the subsidiary has been classified under assets classified as held for sale.

2019

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

### (e) Strike off/Liquidation of a subsidiaries

2020

During the current financial year, a 99% owned subsidiary of the Group, Gardella Coating Philippines, Inc., has been voluntarily struck off. There was no material gain or loss recognised in profit or loss of the Group.

2019

During the previous financial year, certain subsidiaries of the Group, SHS Offshore Pte. Ltd., SHS Trading Pte. Ltd., and Sinenergy Engineering Pte. Ltd., had been liquidated/voluntarily struck off. There were no material gains or losses recognised in profit or loss of the Group.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**13 Investment in Subsidiaries** (Continued)

**(f) Step acquisition of subsidiaries**

2020

During the current financial year, the Group acquired an additional 40% equity interest in TLC Modular Sdn. Bhd. from its non-controlling interests for a total cash consideration of approximately S$1. The effect of the change in the Group's effective equity interest in TLC Modular Sdn. Bhd. from 60% to 100% on the equity attributable to equity holders of the Company is summarised below.

| | Group 2020 S$'000 |
|---|---|
| Consideration paid for acquisition of non-controlling interests | **–*** |
| Increase in equity attributable to non-controlling interests | **627** |
| Decrease in equity attributable to equity holders of the Company | **(627)** |

* Amount is less than S$1,000.

2019

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

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

**(g) Disposal of subsidiaries**

2020

As disclosed in Note 8, the Group through its subsidiary, Sinenergy Holdings Pte. Ltd., disposed of its entire equity interest in its wholly owned subsidiaries, Sinenergy Ninh Thuan Power LLC and Solar NT Holdings Pte Ltd (collectively the "Vietnam solar energy development business entities") to a third party for a total consideration of US$6,847,000 (equivalent to S$9,330,000), comprising the sale consideration of US$5,500,000 (equivalent to S$7,600,000 plus certain costs reimbursement of US$1,347,000 (equivalent to S$1,730,000).

i. Analysis of assets and liabilities over which control was lost

| | Group 2020 S$'000 |
|---|---|
| Prepaid development costs related to solar project | **4,948** |
| Property, plant and equipment | **1,030** |
| Other receivables and prepayments | **1,150** |
| Cash and bank balances | **25** |
| Other payables | **(2)** |
| Net assets disposed of | **7,151** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 13 Investment in Subsidiaries (Continued)

### (g) Disposal of subsidiaries (Continued)

ii. Gain on disposal of subsidiaries

| | Group 2020 S$'000 |
|---|---|
| Total consideration | **9,330** |
| Less: Selling costs on disposal | **(524)** |
| Net consideration proceeds | **8,806** |
| Net assets disposed of | **(7,151)** |
| Cumulative exchange differences reclassified from equity on loss of control of subsidiaries | **229** |
| Gain on disposal of subsidiaries | **1,884** |

The net gain on disposal of subsidiaries is included as part of the discontinued operations in the consolidated statement of comprehensive income (Note 8).

iii. The aggregate cash inflow arising from disposal of subsidiaries

| | Group 2020 S$'000 |
|---|---|
| Net consideration proceeds in cash | **8,806** |
| Less: Cash and cash equivalents disposed of | **(25)** |
| Net consideration proceeds receivable, net of cash disposed of | **8,781** |

An amount of S$1,821,000, representing the net consideration proceeds receivable, remained outstanding as at 31 December 2020 (Note 22(a)).

### (h) Non-controlling interests

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

| Name of subsidiary (Place of incorporation and principal place of business) | Proportion of ownership interests and voting rights held by non-controlling interests | | Profit/(Loss) allocated to non-controlling interests | | Accumulated non-controlling interests | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020 S$'000** | 2019 S$'000 | **2020 S$'000** | 2019 S$'000 |
| HDFC SinPower Ltd.<br>Bangladesh | **25%** | 25% | 550 | (43) | **1,951** | 1,433 |
| TLC Modular Construction Joint Stock Company<br>Vietnam | **40%** | 40% | **(898)** | (1,035) | **(4,115)** | (2,987) |
| TLC Modular & Construction (NZ) Pty Limited<br>New Zealand | **40%** | 40% | **(1,023)** | (579) | **(2,475)** | (1,334) |
| TLC Modular Pte. Ltd.<br>Singapore | **40%** | 40% | **(129)** | (524) | **(1,319)** | (1,190) |
| Individually immaterial subsidiaries with non-controlling interests | | | | | **(429)** | (617) |
| | | | | | **(6,387)** | (4,695) |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 13 Investment in Subsidiaries (Continued)

### (h) Non-controlling interests (Continued)

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

| | 2020 S$'000 | 2019 S$'000 |
|---|---|---|
| *HDFC SinPower Ltd.* | | |
| Current assets | **5,369** | 2,001 |
| Non-current assets | **88,865** | 16,497 |
| Current liabilities | **(86,326)** | (12,679) |
| Non-current liabilities | **–** | – |
| Equity attributable to equity holders of the Company | **5,957** | 4,386 |
| Non-controlling interests | **1,951** | 1,433 |
| Revenue | **3,312** | – |
| Cost of sales and expenses | **(1,114)** | (170) |
| Profit/(Loss) for the year | **2,198** | (170) |
| Profit/(Loss) attributable to owners of the Company | **1,648** | (127) |
| Profit/(Loss) attributable to the non-controlling interests | **550** | (43) |
| Profit/(Loss) for the year | **2,198** | (170) |
| Total comprehensive income/(loss) attributable to equity holders of the Company | **1,648** | (127) |
| Total comprehensive income/(loss) attributable to the non-controlling interests | **550** | (43) |
| Total comprehensive income/(loss) for the year | **2,198** | (170) |
| Net cash flows (used in)/generated from operating activities | **(83)** | 69 |
| Net cash flows used in investing activities | **(1,251)** | (3,244) |
| Net cash flows generated from financing activities | **1,011** | 2,559 |
| Net cash outflow | **(323)** | (616) |
| Dividends paid to non-controlling interests | **–** | – |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 13 **Investment in Subsidiaries** (Continued)

### (h) **Non-controlling interests** (Continued)

| | **2020** **S$'000** | 2019 S$'000 |
|---|---|---|
| *TLC Modular Construction Joint Stock Company* | | |
| Current assets | **6,520** | 11,677 |
| Non-current assets | **6,359** | 5,941 |
| Current liabilities | **(17,687)** | (24,155) |
| Non-current liabilities | **(5,480)** | (932) |
| Equity attributable to owners of the Company | **(6,173)** | (4,482) |
| Non-controlling interests | **(4,115)** | (2,987) |
| | | |
| Revenue | **1,344** | 7,235 |
| Cost of sales and expenses | **(3,568)** | (9,822) |
| (Loss) for the year | **(2,224)** | (2,587) |
| | | |
| (Loss) attributable to equity holders of the Company | **(1,326)** | (1,552) |
| (Loss) attributable to the non-controlling interests | **(898)** | (1,035) |
| (Loss) for the year | **(2,224)** | (2,587) |
| | | |
| Total comprehensive (loss) attributable to equity holders of the Company | **(1,326)** | (1,552) |
| Total comprehensive (loss) attributable to the non-controlling interests | **(898)** | (1,035) |
| Total comprehensive (loss) for the year | **(2,224)** | (2,587) |
| | | |
| Net cash flows used in operating activities | **(40)** | (1,727) |
| Net cash flows used in investing activities | **(8)** | (183) |
| Net cash flows generated from financing activities | **221** | 1,765 |
| Net cash inflow/(outflow) | **173** | (145) |
| | | |
| Dividends paid to non-controlling interests | **–** | – |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

13 **Investment in Subsidiaries** (Continued)

(h) **Non-controlling interests** (Continued)

| | **2020** **S$'000** | 2019 S$'000 |
|---|---|---|
| *TLC Modular & Construction (NZ) Pty Limited* | | |
| Current assets | **9,174** | 14,337 |
| Non-current assets | **27** | 77 |
| Current liabilities | **(15,389)** | (17,749) |
| Non-current liabilities | **–** | – |
| Equity attributable to owners of the Company | **(3,713)** | (2,001) |
| Non-controlling interests | **(2,475)** | (1,334) |
| | | |
| Revenue | **5,746** | 908 |
| Cost of sales and expenses | **(8,304)** | (2,355) |
| (Loss) for the year | **(2,558)** | (1,447) |
| | | |
| (Loss) attributable to equity holders of the Company | **(1,535)** | (868) |
| (Loss) attributable to the non-controlling interests | **(1,023)** | (579) |
| (Loss) for the year | **(2,558)** | (1,447) |
| | | |
| Total comprehensive (loss) attributable to equity holders of the Company | **(1,535)** | (868) |
| Total comprehensive (loss) attributable to the non-controlling interests | **(1,023)** | (579) |
| Total comprehensive (loss) for the year | **(2,558)** | (1,447) |
| | | |
| Net cash flows generated from/(used in) operating activities | **1,583** | (2,765) |
| Net cash flows used in investing activities | **(247)** | (61) |
| Net cash flows (used in)/generated from financing activities | **(1,332)** | 2,779 |
| Net cash inflow/(outflow) | **4** | (47) |
| | | |
| Dividends paid to non-controlling interests | **–** | – |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 13 Investment in Subsidiaries (Continued)

### (h) Non-controlling interests (Continued)

| | **2020 S$'000** | 2019 S$'000 |
|---|---|---|
| *TLC Modular Pte. Ltd.* | | |
| Current assets | **18,973** | 25,414 |
| Non-current assets | **3,118** | 3,140 |
| Current liabilities | **(25,391)** | (33,416) |
| Non-current liabilities | **–** | – |
| Equity attributable to owners of the Company | **(1,981)** | (3,672) |
| Non-controlling interests | **(1,319)** | (1,190) |
| | | |
| Revenue | **6,712** | 169 |
| Cost of sales and expenses | **(7,034)** | (1,481) |
| (Loss) for the year | **(322)** | (1,312) |
| | | |
| (Loss) attributable to equity holders of the Company | **(193)** | (788) |
| (Loss) attributable to the non-controlling interests | **(129)** | (524) |
| (Loss) for the year | **(322)** | (1,312) |
| | | |
| Total comprehensive (loss) attributable to equity holders of the Company | **(193)** | (788) |
| Total comprehensive (loss) attributable to the non-controlling interests | **(129)** | (524) |
| Total comprehensive (loss) for the year | **(322)** | (1,312) |
| | | |
| Net cash flows generated from operating activities | **552** | 6,238 |
| Net cash flows used in investing activities | **(1,327)** | (12,454) |
| Net cash flows generated from financing activities | **756** | 5,926 |
| Net cash outflow | **(19)** | (290) |
| | | |
| Dividends paid to non-controlling interests | **–** | – |

## 14 Investment in Associates

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2020 S$'000** | 2019 S$'000 | **2020 S$'000** | 2019 S$'000 |
| Unquoted equity shares, at cost | | | | |
| At 1 January | **1,989** | 2,259 | **849** | 849 |
| Capital reduction | **–** | (270) | **–** | – |
| Written-off | **(849)** | – | **(849)** | – |
| At 31 December | **1,140** | 1,989 | **–** | 849 |
| Less: Allowance for impairment loss | **–** | – | **–** | (849) |
| Share of net post acquisition reserves | **698** | (132) | **–** | – |
| | **1,838** | 1,857 | **–** | – |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**14 Investment in Associates** (Continued)

Details of the Group's associates are as follows:

| | Name of Company (Country of incorporation and place of business) | Principal activities | Cost 2020 S$'000 | Cost 2019 S$'000 | Effective equity interest held by the Group 2020 % | Effective equity interest held by the Group 2019 % |
|---|---|---|---|---|---|---|
| | Held by the Company | | | | | |
| | Guangzhou City South Special Coating Company Limited(1) The People's Republic of China | Grit blasting, tank cleaning and painting | **–** | 849 | **–** | 47 |
| | Held by Hetat Holdings Pte. Ltd. | | | | | |
| * | Yokomori Singapore Pte. Ltd. Singapore | Manufacturing of steel structural components | **1,110** | 1,110 | **30** | 30 |
| | Held by SHS Capital Pte. Ltd. | | | | | |
| ** | Serangoon EC Pte. Ltd. Singapore | Real estate development | **30** | 30 | **30** | 30 |
| | | | **1,140** | 1,989 | | |

* Audited by NACN International PAC.
** Audited by Philip Liew & Co.
(1) Struck off during the financial year.

**Strike off of associate**

2019
During the previous financial year, an associate of the Group, Guangzhou City South Special Coating Company Limited, had applied to be struck off. The formalities for the strike off process was completed during the current financial year.

The movements in the allowance for impairment loss on the investment in associates during the financial year are as follows:

| | Group 2020 S$'000 | Group 2019 S$'000 | Company 2020 S$'000 | Company 2019 S$'000 |
|---|---|---|---|---|
| At 1 January | **–** | – | **849** | 849 |
| Written off | **–** | – | **(849)** | – |
| As 31 December | **–** | – | **–** | 849 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 14 **Investment in Associates** (Continued)

**Strike off of associate** (Continued)

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

| | **2020 S$'000** | 2019 S$'000 |
|---|---|---|
| *Yokomori Singapore Pte. Ltd.* | | |
| Current assets | **4,628** | 4,602 |
| Non-current assets | **1,167** | 2,351 |
| Current liabilities | **(138)** | (1,247) |
| Non-current liabilities | **–** | – |
| Revenue | **1,975** | 8,208 |
| (Loss)/Profit for the year | **(157)** | 2,796 |
| Total comprehensive (loss)/income for the year | **(157)** | 2,796 |
| Dividends received from the associate | **–** | – |

| | **2020 S$'000** | 2019 S$'000 |
|---|---|---|
| *Serangoon EC Pte. Ltd.* | | |
| Current assets | **433** | 772 |
| Non-current assets | **–** | – |
| Current liabilities | **(1)** | (289) |
| Non-current liabilities | **–** | – |
| Revenue | **–** | – |
| (Loss)/Profit for the year | **(22)** | 46 |
| Total comprehensive (loss)/income for the year | **(22)** | 46 |
| Dividends received from the associate | **–** | – |

Reconciliation of the above summarised financial information to the carrying amounts of the interests in Group's material associates recognised in the consolidated financial statements is as follows:

| | **2020 S$'000** | 2019 S$'000 |
|---|---|---|
| *Yokomori Singapore Pte. Ltd.* | | |
| Net assets of the associate | **5,657** | 5,706 |
| Proportion of the Group's ownership in Yokomori Singapore Pte. Ltd. | **30%** | 30% |
| Carrying amount of the Group's interest in Yokomori Singapore Pte. Ltd. | **1,703** | 1,712 |

| | **2020 S$'000** | 2019 S$'000 |
|---|---|---|
| *Serangoon EC Pte. Ltd.* | | |
| Net assets of the associate | **432** | 483 |
| Proportion of the Group's ownership in Serangoon EC Pte. Ltd. | **30%** | 30% |
| Carrying amount of the Group's interest in Serangoon EC Pte. Ltd. | **135** | 145 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 15 Other Financial Assets

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Unquoted equity investments measured at fair value through other comprehensive income ("FVOCI"): | | | | |
| – Equity securities in investee companies | **13,947** | 23,563 | **13,892** | 22,463 |

As per the Group's investment policy, these investments in equity securities are not held for trading. Instead, they are held mainly for long-term strategic purposes. Accordingly, these equity investments are designated at FVOCI as management believes that recognising short-term fluctuations in these equity investments' fair value through profit or loss would not be consistent with the Group's strategy of holding these equity investments for long-term purposes.

Information about the fair value measurement of the unquoted equity investments is disclosed in Note 41(a).

Movements in the other financial assets during the financial year are as follows:

| | Group | Company |
|---|---|---|
| | Financial assets at FVOCI | |
| | S$'000 | S$'000 |
| 2020 | | |
| At 1 January | **23,563** | **22,463** |
| Capital reduction | **(1,045)** | **–** |
| Total (losses) in other comprehensive income recognised in fair value adjustment (Note 34(b)) | **(8,571)** | **(8,571)** |
| At 31 December | **13,947** | **13,892** |
| 2019 | | |
| At 1 January | 23,840 | 22,686 |
| Capital reduction | (132) | – |
| Total (losses) in other comprehensive income recognised in fair value adjustment | (145) | (223) |
| At 31 December | 23,563 | 22,463 |

## 16 Goodwill

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| At 1 January | **16,850** | 16,850 |
| Impairment loss recognised for the year | **(8,850)** | – |
| At 31 December | **8,000** | 16,850 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**16 Goodwill** (Continued)

Impairment testing for goodwill

For the purpose of impairment testing, goodwill has been allocated to the respective cash-generating unit (CGU) under the relevant operating segments as follows:

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Corrosion Prevention | | |
| – Speedo Corrosion Control Pte Ltd ("Speedo") | – | 1,008 |
| Engineering & Construction | | |
| – Hetat Holdings Pte. Ltd. ("Hetat") | **8,000** | 15,842 |
| | **8,000** | 16,850 |

The recoverable amounts of the CGUs have been determined based on value in use calculations using cash flow forecasts covering a five-year period. The discount rate applied to the cash flow projections, forecasted growth rates, budgeted gross margins, and the terminal growth rates used to extrapolate cash flow forecasts beyond the five-year period, are discussed below.

(a) Speedo CGU

As at 31 December 2020, the Group recognised an impairment loss on the entire amount of goodwill allocated to the Speedo CGU of S$1,008,000 (2019: Nil). The impairment was attributed to the limited revenue stream growth and future market development given the challenging environment for Speedo's corrosion prevention services in the marine sector. Management is also of the opinion that the benefit of expected synergies that arose from the business acquisition of Speedo in the past had already been fully consumed by the Group. The impairment loss is aggregated and included under "other operating expenses" line item in profit or loss of the Group for the financial year.

(b) Hetat CGU

(i) Revenue and budgeted margins for the five-year period are projected based on contracts secured with customers along with order books on hand for the first three years and thereafter with a forecasted revenue growth rate of Nil (2019: negative revenue growth rate of 2%).

(ii) Inflation rate of 3.5% (2019: 2%) has been used to project overhead and other general expenses.

(iii) Terminal growth rate of Nil (2019: Nil) has been used for terminal value.

(iv) Discount rate of 11.45% (2019: 11.42%) which represents the current market assessment of the risks specific to the CGU.

Following the impairment testing, the Group recognised an impairment loss of S$7,842,000 (2019: Nil) in relation to goodwill attributable to the Hetat CGU as the recoverable amount of the CGU determined, based on the value in use calculation, was lower than its carrying amount. The impairment was attributed to the challenging environment of the construction sector in which the CGU operates. Notwithstanding this, management believes the current economic environment will recover over time and the construction sector in Singapore will pick up and should gradually turn around in the next two years. The impairment loss has been aggregated and included under "other operating expenses" line item in profit or loss of the Group for the financial year.

*Sensitivity analysis*

If management's estimated discount rate applied in the value in use calculation for the Hetat CGU is increased by 5%, the goodwill impairment loss for the current financial year will be increased by approximately S$4,133,000.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 17 Prepaid Land Leases

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Cost | | |
| At 1 January | – | 6,711 |
| Reclassified to assets classified as held for sale | – | (6,630) |
| Currency alignment | – | (81) |
| At 31 December | – | – |
| Accumulated amortisation | | |
| At 1 January | – | 221 |
| Amortisation expense | – | 178 |
| Reclassified to assets classified as held for sale | – | (396) |
| Currency alignment | – | (3) |
| At 31 December | – | – |
| Net book value | | |
| At 31 December | – | – |

Prepaid land leases, which represent land use rights, relates to 2 parcels of state-owned land located in Vietnam, where the manufacturing facilities of TLC Modular Construction Joint Stock Company and TLC Modular Manufacturing (Vietnam) Co., Ltd reside. These prepaid land leases have been reclassified under assets classified as held for sale.

Details of the Group's prepaid land leases are as follows:

| **Land address** | **Land area (sqm)** | **Tenure** |
|---|---|---|
| Prepaid land leases | | |
| Ward 10, Vung Tau City, Ba Ria-Vung Tau Province, Vietnam | 15,939 | 29.9 years |
| Phu My II Industrial Zone, Tan Thanh District, Vietnam | 69,993 | 37.5 years |

## 18 Inventories

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Finished goods, at cost or net realisable value | **2,955** | 3,009 |

Allowance for inventory obsolescence amounted to approximately S$124,000 (2019: S$20,000) was recognised in the Group's continuing operations for the financial year.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 19 Land Held for Development

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Land, at net realisable value | **4,566** | 4,760 |
| Land, at cost | **–** | 831 |
| Reclassified to assets classified as held for sale | **–** | (831) |
| | **4,566** | 4,760 |

The details of the Group's land held for development are as follows:

| Land address | Land area (sqm) | Tenure |
|---|---|---|
| 180, 182 and 184 Ferny Avenue, Surfers Paradise, Australia | 1,055 | Freehold |
| Lots 27 & 28, Walter Merton Road, Hobsonville Point, New Zealand* | 450 | Freehold |

* The Group's land held for development in New Zealand has been reclassified under assets classified as held for sale.

As at 31 December 2020, the net realisable value of the land in Australia was assessed by management to be lower than its cost. The net realisable value was assessed based on directors' valuation which relied on market evidence of most recent transactions for land prices in the same vicinity. Accordingly, management has exercised their judgement to write down the land in Australia to its net realisable value of S$4,566,000, resulting in an impairment loss of S$194,000 recognised at the reporting date. The impairment loss has been included under "other operating expenses" line item in profit or loss of the Group.

## 20 Trade Receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Trade receivables: | | | | |
| – third parties | **11,960** | 13,576 | **–** | 86 |
| – retention sums on construction contracts | **1,916** | 1,977 | **–** | – |
| | **13,876** | 15,553 | **–** | 86 |
| Less: Loss allowance | **(2,394)** | (5,248) | **–** | – |
| | **11,482** | 10,305 | **–** | 86 |

The credit period for trade receivables ranges from 30 to 90 days (2019: 30 to 90 days). No interest is charged on the outstanding balances of trade receivables.

Loss allowance for trade receivables is measured at an amount equal to lifetime expected credit losses (ECL). The Group has recognised a loss allowance of 100% against all trade receivables over 1 year and 9 months past due (credit-impaired) because historical experience has indicated that these trade receivables are generally not recoverable. There has been no change in the estimation techniques or significant assumptions made during the current reporting period. None of the trade receivables that have been written off is subject to enforcement activities.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 20 Trade Receivables (Continued)

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

| | | ← Trade receivables past due (days) → | | | | |
|---|---|---|---|---|---|---|
| | Current S$'000 | 1 to 90 days S$'000 | 91 to 270 days S$'000 | 271 days to 1 year & 9 months S$'000 | Over 1 year & 9 months S$'000 | Total S$'000 |
| 2020 | | | | | | |
| **Group** | | | | | | |
| Expected credit loss rate | 1.82% | 4.00% | 4.58% | 24.92% | 100% | |
| Trade receivables – gross carrying amount at default | 9,100 | 826 | 829 | 1,284 | 1,837 | 13,876 |
| Loss allowance – lifetime ECL | (166) | (33) | (38) | (320) | (1,837) | (2,394) |
| | | | | | | 11,482 |
| **Company** | | | | | | |
| Expected credit loss rate | 0% | 0% | 0% | 0% | 100.00% | |
| Trade receivables – gross carrying amount at default | – | – | – | – | – | – |
| Loss allowance – lifetime ECL | – | – | – | – | – | – |
| | | | | | | – |
| 2019 | | | | | | |
| **Group** | | | | | | |
| Expected credit loss rate | 0.72% | 2.57% | 6.00% | 13.97% | 100.00% | |
| Trade receivables – gross carrying amount at default | 5,088 | 1,200 | 2,470 | 2,049 | 4,746 | 15,553 |
| Loss allowance – lifetime ECL | (37) | (31) | (148) | (286) | (4,746) | (5,248) |
| | | | | | | 10,305 |
| **Company** | | | | | | |
| Expected credit loss rate | 0% | 0% | 0% | 0% | 100.00% | |
| Trade receivables – gross carrying amount at default | – | – | 86 | – | – | 86 |
| Loss allowance – lifetime ECL | – | – | – | – | – | – |
| | | | | | | 86 |

The movements in expected credit losses of trade receivables during the financial year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020 S$'000** | 2019 S$'000 | **2020 S$'000** | 2019 S$'000 |
| At 1 January | **5,248** | 5,398 | **–** | 418 |
| Written off | **(3,394)** | (330) | **–** | (327) |
| Reversal of impairment loss during the year | **(83)** | – | **–** | (91) |
| Impairment loss recognised during the year | **623** | 180 | **–** | – |
| As 31 December | **2,394** | 5,248 | **–** | – |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 21 Amounts Due from/(to) Subsidiaries

| | Company | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Amounts due from subsidiaries – non-trade | **76,969** | 95,022 |
| Less: Allowance for impairment loss | **(27,342)** | (24,056) |
| Current amounts due from subsidiaries | **49,627** | 70,966 |
| Amounts due (to) subsidiaries – trade | **(21)** | (39) |
| Current amounts due (to) subsidiaries | **(21)** | (39) |

The non-trade balances due from/(to) subsidiaries are unsecured and repayable on demand and in cash. The credit period for trade payables ranges from 30 to 90 days (2019: 30 to 90 days). These outstanding trade and non-trade balances are interest-free except for certain amounts due from subsidiaries totalling S$4.1 million (2019: S$6.9 million), which incurs interest of 2% (2019: 2%) per annum.

The Group regularly purchases materials and pays expenses on behalf of related companies within the Group. The Group have an inter-company balances arrangement to settle the net amount due to or from each other on a quarterly term basis. The following inter-company balances are subject to offsetting arrangements:

| | Gross carrying amounts (net impairment) S$'000 | Gross amounts offset in the statement of financial position S$'000 | Net amounts in the statement of financial position S$'000 |
|---|---|---|---|
| **Company** | | | |
| 2020 | | | |
| Amounts due from subsidiaries – non-trade | 49,632 | (5) | 49,627 |
| Amounts due to subsidiaries – trade | (26) | 5 | (21) |
| 2019 | | | |
| Amounts due from subsidiaries – non-trade | 70,992 | (26) | 70,966 |
| Amounts due to subsidiaries | | | |
| – trade | (64) | 25 | (39) |
| – non-trade | (1) | 1 | – |
| | (65) | 26 | (39) |

The movements in expected credit losses of amounts due from subsidiaries during the financial year are as follows:

| | Company | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| At 1 January | **24,056** | 8,771 |
| Written off | **(660)** | – |
| Impairment loss recognised during the year | **3,946** | 15,285 |
| At 31 December | **27,342** | 24,056 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 22 Other Receivables and Prepayments

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Other receivables: | | | | |
| – Interest receivable | **4** | 18 | **4** | 18 |
| – Sundry debtors (a) | **3,113** | 228 | **–** | – |
| – Equity loan (b) | **1,993** | 1,993 | **–** | – |
| – Loans to an investee company (c) | **7,737** | 7,912 | **7,737** | 7,912 |
| – Amount due from non-controlling interests (d) | **178** | 2,840 | **–** | – |
| – Deposit for acquisition of land | **1,827** | – | **–** | – |
| – Deposits (others) | **309** | 124 | **3** | 3 |
| | **15,161** | 13,115 | **7,744** | 7,933 |
| Less: Allowance for impairment loss | **(7,614)** | (3,312) | **(5,027)** | (1,319) |
| | **7,547** | 9,803 | **2,717** | 6,614 |
| Advances to sub-contractors | **239** | 1,047 | **–** | – |
| Advances to staff | **87** | 68 | **–** | – |
| Prepayments | **304** | 253 | **20** | 45 |
| GST/VAT recoverable | **101** | 135 | **–** | – |
| | **8,278** | 11,306 | **2,737** | 6,659 |
| *Presented as:* | | | | |
| Current | **5,568** | 4,713 | **27** | 66 |
| Non-current | **2,710** | 6,593 | **2,710** | 6,593 |
| | **8,278** | 11,306 | **2,737** | 6,659 |

For the purpose of impairment assessment for other receivables, the loss allowance is measured at an amount equal to 12-month ECL which reflects the low credit risk of the exposures. There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for other receivables.

(a) Included in the sundry debtors is an amount of S$1,821,000 (2019: Nil) that relates to the remaining outstanding net consideration proceeds receivable from a third party on the disposal of the Vietnam solar energy development business entities (Note 13(g)).

(b) The equity loan amount of AUD2.09 million (equivalent to S$1.993 million) (2019: AUD2.09 million) relates to the Group's advance for future equity participation and share issue in a company (the "investee company"), incorporated in Australia, involved in a development property project in Australia. In the previous financial year, the Group had recognised an impairment loss on the entire amount of S$1.993 million as the investee company had been put into receivership in Australia.

(c) The loans were previously extended by the Company to an investee company, incorporated in Singapore, for the investee company's investment in certain unlisted equity securities in Singapore with no fixed terms of repayment. At the current reporting date, the loans are not expected to be repaid within the next twelve months. The loans are unsecured and interest-free. As at 31 December 2020, the Group has recognised an additional allowance for expected credit loss of S$3,737,000 (2019: S$1,319,000) based on management's assessment on the financial standing of the investee company.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 22 Other Receivables and Prepayments (Continued)

(d) This amount relates to the non-controlling interests' share of shareholder loans, invested on behalf by the Group, to the relevant investee company. The amounts due are unsecured, interest-free and repayable on demand. Included in the amounts due from non-controlling interests was an amount of S$2.2 million that has been reclassified to assets classified as held for sale as at 31 December 2020 as part of the discontinued modular construction business, as disclosed in Note 8.

The movements in expected credit losses for other receivables during the financial year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| At 1 January | **3,312** | – | **1,319** | – |
| Impairment loss recognised during the year | **4,230** | 3,312 | **3,737** | 1,319 |
| Currency alignment | **72** | – | **(29)** | – |
| At 31 December | **7,614** | 3,312 | **5,027** | 1,319 |

## 23 Cash and Bank Balances

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Cash at bank and on hand | **16,095** | 12,800 | **7,328** | 6,828 |
| Short-term bank deposits | **15,621** | 18,292 | **15,621** | 18,292 |
| Cash and cash equivalents per consolidated statement of cash flows | **31,716** | 31,092 | **22,949** | 25,120 |

Short-term bank deposits of the Company bear average effective interest rates of 0.15% to 1.68% (2019: 1.65% to 2.16%) per annum and have tenures of approximately 90 to 92 days (2019: 30 to 92 days).

## 24 Assets Classified as Held for Sale

As disclosed in Note 8, the Group is diversifying certain of its businesses that represent a separate major line of business or geographical area of operations of the Group (collectively, the "Discontinued Operations"). Accordingly, the assets and liabilities related to the Discontinued Operations have been reclassified under assets classified as held for sale and liabilities directly associated with assets classified as held for sale, respectively, on the consolidated statement of financial position of the Group.

Assets classified as held for sale are measured at the lower of their carrying amount and fair value less cost to sell. Accordingly, management has remeasured the carrying amount of the Discontinued Operations at the reporting date, resulting in impairment losses of S$654,000 (2019: Nil) recognised for the Bangladesh solar energy development business and reversal of impairment losses of S$2,000,000 (2019: impairment losses of S$7,906,000) recognised for the modular construction business, as disclosed in Note 39(a).

The above is a non-recurring fair value measurement, which is derived using observable inputs, being the relevant purchase considerations stated in the respective Sale & Purchase Agreements for the proposed disposals, and is categorised as Level 2 in the Fair Value Hierarchy as defined in Note 41(a).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 24 Assets Classified as Held for Sale (Continued)

The combined major classes of assets and liabilities of the Discontinued Operations at the end of the reporting period are as follows:

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Assets classified as held for sale | | |
| Property, plant and equipment[1] | **90,901** | 16,497 |
| Prepaid development costs related to solar projects | **4,122** | 9,707 |
| Prepaid land leases | **5,817** | 6,234 |
| Right-of-use assets | **282** | 492 |
| Land held for development | **831** | 831 |
| Inventories[2] | **1,217** | 7,462 |
| Trade receivables | **3,931** | 4,938 |
| Contract assets | **6,778** | 14,157 |
| Other receivables and prepayments | **6,811** | 6,657 |
| Cash and bank balances | **748** | 1,028 |
| | **121,438** | 68,003 |
| Liabilities directly associated with assets classified as held for sale | | |
| Trade payables and accruals | **77,273** | 2,794 |
| Contract liabilities | **3,138** | 9,906 |
| Other payables | **11,158** | 19,144 |
| Provision of liquidated damages | **1,231** | 1,231 |
| Other amounts due to bankers | **792** | 721 |
| Lease liabilities | **305** | 496 |
| Deferred tax liabilities | **430** | 437 |
| | **94,327** | 34,729 |

(1) Net of impairment loss of S$6,560,000 (2019: S$7,906,000).

(2) Net of impairment loss of S$1,768,000 (2019: S$1,768,000).

| | Company | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Assets classified as held for sale | | |
| Investment in subsidiaries | | |
| – Sinenergy Holdings Pte. Ltd. | **19,300*** | 1,000 |

* The increase is due to the additional investment made by the Company as disclosed in Note 13(d).

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 25 Trade Payables and Accruals

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Trade payables – third parties (a) | **3,704** | 3,438 | **52** | 60 |
| Accrued operating expenses | **2,176** | 1,555 | **373** | 271 |
| | **5,880** | 4,993 | **425** | 331 |
| Provision for cost of demolition (b) | **473** | 473 | **–** | – |
| | **6,353** | 5,466 | **425** | 331 |

(a) The credit period for trade payables ranges from 30 to 90 days (2019: 30 to 90 days). No interest is charged on the outstanding balances of trade payables.

(b) The land lease in relation to the leasehold building of the Group located at 1 Penjuru Lane had expired during the previous financial year and a provision had been included for the estimated cost for demolition of the property upon the call back of the land by the relevant land authorities. At the date of these financial statements, the land authorities has yet to call back the land.

## 26 Other Payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Other payables: | | | | |
| – Rental deposits from customers | **95** | – | **–** | – |
| – Retention sums payable | **656** | 504 | **–** | – |
| – Sundry payables | **614** | 720 | **6** | 50 |
| | **1,365** | 1,224 | **6** | 50 |
| Foreign workers' tax withheld | **75** | 74 | **72** | 73 |
| GST/VAT payable | **271** | 219 | **42** | 53 |
| | **1,711** | 1,517 | **120** | 176 |

## 27 Amount Due from/(to) Associates

The amounts due from/(to) associates are non-trade in nature, unsecured, interest-free and repayable on demand and in cash.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 28 Term Loans

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Current | | |
| Term loan I | **1,150** | 1,150 |
| Term loan II | **1,000** | 4,513 |
| Term loan III | **3,482** | 199 |
| Term loan IV | **427** | – |
| | **6,059** | 5,862 |
| Non-current | | |
| Term loan I | **7,189** | 8,339 |
| Term loan III | **–** | 3,412 |
| Term loan IV | **4,583** | – |
| | **11,772** | 11,751 |

Term loan I with a principal amount of S$11,500,000 is repayable over 59 fixed monthly principal installments and a final fixed monthly principal installment amounting S$5.85 million (2019: S$5.85 million), commencing in April 2018. The loan bears interest of 6.25% (2019: 2.89% to 6.25%) per annum. The term loan was used to finance the building construction of the Group.

Term loan II with a principal amount of S$4,500,000 was repayable in full during the financial year ended 31 December 2020 and bore interest of 1.75% to 3.28% (2019: 3.19% to 3.21%) per annum. The Group had repaid S$3,500,000 of the total principal amount of S$4,500,000 and rollover the remaining balance of S$1,000,000 on a monthly basis. The rollover loan bears interest of 1.76% per annum. The term loan was for working capital purposes.

Term loan III with a principal amount of S$3,998,625 is repayable over 41 fixed monthly principal installments and a final fixed monthly principle installment amounting S$3.35 million (2019: S$3.35 million), commencing in December 2017. The loan bears interest of 2.40% to 3.92% (2019: 3.16% to 4.03%) per annum. The term loan was used to finance the purchase of the freehold land in Malaysia by a subsidiary of the Group.

Term loan IV with a principal amount of S$5,000,000 is repayable over 60 fixed monthly principal installments, commencing in twelve months after the first draw down, on September 2020. The loan bears interest of 2.5% per annum. The term loan was for working capital purposes.

The credit facilities (including trust receipts (Note 29)) of the Group are secured by the following:

- first legal mortgage over 81 Tuas South Street 5, Singapore 637651;
- first legal mortgage over 19 Tuas Avenue 20, Singapore 638830;
- first legal mortgage over industrial land together with a factory building to be erected held under title GM2485, Lot 1979, Mukim Jeram Batu, Daerah Pontian, Johor, Malaysia;
- first legal mortgage over industrial land together with a factory building to be erected held under title Ward 10, Vung Tau City, Ba Ria-Vung Tau Province, Vietnam;
- first deed of debenture duly executed, incorporating a fixed and floating charge over the present and future undertaking, assets, revenues and rights of a subsidiary of the Group; and
- corporate guarantee from the Company for a total of S$57.50 million (2019: S$61.8 million).

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 29 Other Amounts due to Bankers

| | Group 2020 S$'000 | Group 2019 S$'000 |
|---|---|---|
| Current | | |
| Trust receipts (secured – Note 28) | **3,496** | 1,775 |

The trust receipts incur interest rates of 1.58% to 3.17% (2019: 2.95% to 3.29%) per annum.

## 30 Changes in Liabilities Arising from Financing Activities

The table below details the reconciliation of movements of the Group's liabilities to cash flows arising from financing activities.

| | 1 January S$'000 | Cash Flow: Proceeds S$'000 | Cash Flow: Repayments S$'000 | Non-cash Flow: Other changes* S$'000 | 31 December S$'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| 2020 | | | | | |
| Term loan I | **9,489** | **–** | **(1,150)** | **–** | **8,339** |
| Term loan II | **4,513** | **–** | **(3,500)** | **(13)** | **1,000** |
| Term loan III | **3,611** | **–** | **(132)** | **3** | **3,482** |
| Term loan IV | **–** | **5,000** | **–** | **10** | **5,010** |
| Amount due to associates | **(7)** | **296** | **(9)** | **175** | **455** |
| Other amounts due to bankers | **1,775** | **8,100** | **(6,363)** | **(16)** | **3,496** |
| Lease liabilities | **4,974** | **–** | **(870)** | **731** | **4,835** |
| | **24,355** | **13,396** | **(12,024)** | **890** | **26,617** |
| 2019 | | | | | |
| Term loan I | 10,638 | – | (1,150) | 1 | 9,489 |
| Term loan II | 3,503 | 1,000 | – | 10 | 4,513 |
| Term loan III | 3,799 | – | (178) | (10) | 3,611 |
| Amount due to associates | 801 | 388 | – | (1,196) | (7) |
| Amount due to director of the subsidiaries | 201 | – | – | (201) | – |
| Amount due from non-controlling interests | (2,799) | 151 | – | (192) | (2,840) |
| Amount due to non-controlling interests | 5,276 | 2,174 | – | (7,450) | – |
| Other amounts due to bankers | 3,147 | 2,483 | (3,147) | (708) | 1,775 |
| Lease liabilities | 5,164 | – | (718) | 528 | 4,974 |
| Finance leases | 108 | – | (108) | – | – |
| | 29,838 | 6,196 | (5,301) | (9,218) | 21,515 |

* Other changes include interest accrued, currency alignment, expenses paid on behalf, service income, remeasurement and reclassification to assets and liabilities held for sale.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 31 Deferred Tax Liabilities

| | Fair value adjustment S$'000 | Temporary differences on property, plant and equipment S$'000 | Total S$'000 |
|---|---|---|---|
| **Group** | | | |
| 2020 | | | |
| At 1 January | 2,970 | 22 | 2,992 |
| Reversal of temporary differences | (626) | – | (626) |
| Revaluation of leasehold property | (595) | – | (595) |
| Credited to profit or loss | (1,221) | – | (1,221) |
| Overprovision in respect of prior year | (34) | – | (34) |
| At 31 December | 1,715 | 22 | 1,737 |
| 2019 | | | |
| At 1 January | 3,485 | 22 | 3,507 |
| Credited to profit or loss | (71) | – | (71) |
| Reclassified to liabilities held for sale | (437) | – | (437) |
| Currency alignment | (7) | – | (7) |
| At 31 December | 2,970 | 22 | 2,992 |
| **Company** | | | |
| 2020 | | | |
| At 1 January | 1,780 | 22 | 1,802 |
| Credited to profit or loss | (225) | – | (225) |
| At 31 December | 1,555 | 22 | 1,577 |
| 2019 | | | |
| Balance at 1 January and 31 December | 1,780 | 22 | 1,802 |

Deferred tax liabilities relate to temporary differences arising from the revaluation of leasehold buildings and the excess of net book value over tax written down value of property, plant and equipment.

Unrecognised tax losses and capital allowances

Deferred tax assets are recognised for unutilised tax losses and capital allowances carried forward to the extent that the realisation of the related tax benefits through future taxable profit is probable. As at 31 December 2020, the Group has unutilised tax losses of approximately S$8,820,000 (2019: S$6,257,000) and capital allowances of S$3,189,000 (2019: S$3,189,000) which can be carried forward and used to offset against future taxable income of those entities in the Group in which the losses and capital allowances arose, subject to the agreement of the tax authorities and compliance with the relevant provisions of the tax legislation of the respective countries in which they operate. The unutilised tax losses have no expiry date.

The deferred tax assets arising from these unutilised tax losses and capital allowances of approximately S$2,042,000 (2019: S$1,606,000) have not been recognised in accordance with the Group's accounting policy as disclosed in Note 3(j).

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 32 Share Capital

| | Group and Company | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Issued and fully paid, with no par value: | | |
| At 1 January | | |
| 710,639,212 (2019: 710,620,712) ordinary shares | **160,640** | 160,637 |
| Issuance of shares during the year | | |
| Nil (2019: 18,500) ordinary shares | **–** | 3 |
| At 31 December | | |
| 710,639,212 (2019: 710,639,212) ordinary shares | **160,640** | 160,640 |

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction, except for treasury shares, at general meetings of the Company and rank equally with regards to the Company's residual assets.

## 33 Treasury Shares

| | Group and Company | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| At 1 January | | |
| 25,490,900 (2019: 25,490,900) treasury shares | **(5,003)** | (5,003) |
| Shares buy-back during the year | | |
| 50,000 (2019: Nil) ordinary shares | **(8)** | – |
| At 31 December | | |
| 25,540,900 (2019: 25,490,900) treasury shares | **(5,011)** | (5,003) |

During the current financial year, the Company acquired 50,000 ordinary shares in the Company through purchases for a total consideration of approximately S$8,000. These shares buy-back are presented under treasury shares as a component within equity.

## 34 Reserves

### (a) Asset revaluation reserve

The asset revaluation reserve represents the revaluation surplus in respect of leasehold buildings of the Group and the Company as disclosed in Note 10.

The movements in the asset revaluation reserve during the financial year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| At 1 January | **7,456** | 7,456 | **8,582** | 8,582 |
| Increase arising on revaluation of leasehold property (Note 10(b)) | **5,315** | – | **–** | – |
| At 31 December | **12,771** | 7,456 | **8,582** | 8,582 |

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**34 Reserves** (Continued)

**(b) Fair value adjustment**

The fair value adjustment represents cumulative gains and losses arising on the revaluation of equity investments at FVOCI that have been recognised in other comprehensive income.

The movements in fair value adjustments during the financial year are as follows:

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| At 1 January | **(1,290)** | (1,145) | (1,676) | (1,453) |
| Net loss on fair value changes of unquoted equity investments FVOCI (Note 15) | **(8,571)** | (145) | (8,571) | (223) |
| At 31 December | **(9,861)** | (1,290) | (10,247) | (1,676) |

**(c) Foreign currency translation reserve**

The foreign currency translation reserve represents the accumulated exchange differences arising from the translation of the financial statements of the Group's foreign operations whose functional currencies are different from that of the Group's presentation currency.

The movements in the foreign currency translation reserve during the financial year are as follows:

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| At 1 January | **(740)** | (553) |
| Exchange differences on translation | **91** | (187) |
| Cumulative exchange differences reclassified from equity on loss of control of a subsidiary (Note 13(g)) | **(229)** | – |
| At 31 December | **(878)** | (740) |

**(d) Other reserve**

The other reserve of the Company arose from an internal restructuring of certain group entities transferred from the Company to be held by a wholly owned subsidiary of the Company in 2015. The amount represented the difference between the carrying amount of the net assets of the transferred group of entities and the consideration transferred.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 35 Lease Liabilities

| | Group | | Company | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Lease liabilities: | | | | |
| – Leasehold buildings | **4,835** | 4,974 | **1,605** | 1,732 |
| *Presented as:* | | | | |
| Current | **381** | 254 | **131** | 123 |
| Non-current | **4,454** | 4,720 | **1,474** | 1,609 |
| | **4,835** | 4,974 | **1,605** | 1,732 |

Nature of the Group's leasing activities

*The Group as a lessee*

The Group has entered into leases of buildings in respect of its offices. The Group is prohibited from selling, pledging or sub-leasing the underlying assets, and is required to maintain the assets in good conditions.

(a) Carrying amount of right-of-use assets

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Leasehold buildings | **4,608** | 4,847 |

(b) Amounts recognised in profit or loss

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Amortisation charged for the year: | | |
| – Leasehold buildings | **437** | 515 |
| Interest on lease liabilities | **301** | 334 |
| Expenses relating to short-term leases | **1,030** | 692 |

(c) Other disclosures

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Total cash outflow for leases | **639** | 718 |

*The Group as a lessor*

The Group/Company leases a portion of one of its leasehold buildings/investment property under non-cancellable operating lease agreements. These leases are negotiated for terms ranging from 1 to 15 years.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**35 Lease Liabilities** (Continued)

Nature of the Group's leasing activities (Continued)

*The Group as a lessor* (Continued)

During the current financial year, the land of the Group's leasehold building is pending the call back by the relevant authorities as disclosed in Note 25(b). Accordingly, all pre-existing lease agreements entered by the Group with third parties have been terminated as at 31 December 2020.

The future minimum lease receivable under non-cancellable operating leases contracted for at the reporting date are as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Less than one year | **–** | 975 | **1,218** | 1,218 |
| One to two years | **–** | 581 | **1,218** | 1,218 |
| Two to three years | **–** | – | **1,218** | 1,218 |
| Three to four years | **–** | – | **1,218** | 1,218 |
| Four to five year | **–** | – | **1,218** | 1,218 |
| More than five years | **–** | – | **5,227** | 6,445 |
| | **–** | 1,556 | **11,317** | 12,535 |

**36 Commitments**

Capital commitments

(a) The Group and the Company has uncalled capital commitments amounting to S$2.0 million (2019: S$2.0 million) in relation to the uncalled capital of certain equity investments (classified under other financial assets) and of a former associate at the reporting date.

(b) The Group had capital commitments in relation to the solar projects in Bangladesh and Vietnam. The outstanding capital commitments at the reporting date was as follows:

| | **Group** | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Contracted | **–** | 85,993 |
| Not contracted | **–** | 9,998 |
| | **–** | 95,991 |

During the current financial year, the Group has disposed its entire equity interest in the Vietnam solar project entities as disclosed in Note 13(g). Subsequent to the financial year, the Group is also in the process of disposing its entire equity interest in the Bangladesh solar project entities as disclosed in Note 43(a).

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**36 Commitments** (Continued)

Other commitments

(a) The Company has given an undertaking to provide continued financial support to certain subsidiaries for the next twelve months from the date of authorisation of these subsidiaries' financial statements.

(b) In the previous financial year, the Group through its wholly owned subsidiary, TLC Modular & Construction (NZ) Pty Ltd ("TLC NZ"), had entered into a contract for the acquisition of land located in New Zealand for a purchase consideration of NZD9,593,000 (equivalent to S$9,133,000). A deposit of NZD1,919,000 (equivalent to S$1,827,000) had been paid.

During the current financial year, the contractual obligations of TLC NZ and the ownership of the deposit paid on the land purchase had been transferred to another wholly owned subsidiary of the Group, Bellfield Properties Pte Ltd, through a novation agreement signed between both subsidiaries.

Corporate guarantees

The corporate guarantees executed by the Company for certain subsidiaries of the Group for the credit facilities granted as set out in Note 28 have not been recorded at fair value, as in the view of the management, the difference in the interest rates, by comparing the actual rates charged by the banks with these corporate guarantees made available, with the estimated rates that the banks would have charged had those corporate guarantees not been made available, is not material.

The Company has also executed a corporate guarantee of US$1,296,000 (equivalent to S$1,718,000) (2019: US$1,296,000 (equivalent to S$1,718,000)) for credit facilities granted to an investee company in which the Group holds certain equity interest.

The corporate guarantees are subject to impairment assessment. The Company has assessed that its subsidiaries and the investee company have strong financial capacity to meet the contractual cash flow obligations in the near future and henceforth does not expect significant credit losses arising from these corporate guarantees.

Bank guarantees

At the reporting date, there are unsecured bank guarantees provided by certain subsidiaries for/to:

| | **Group** | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Suppliers of subsidiaries | **88** | 1,335 |
| Customers of subsidiaries | **3,561** | – |
| | **3,649** | 1,335 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 37 Related Party Transactions

In addition to the related party information disclosed elsewhere in the financial statements, the Group entered into transactions with related parties during the financial year, on terms agreed between the parties, as shown below.

| | | Group | |
|---|---|---|---|
| | | **2020** | 2019 |
| | | **S$'000** | S$'000 |
| (a) | Key management personnel compensation | | |
| | The remuneration of executive directors and key management is as follows: | | |
| | Salaries and other short-term employee benefits | **1,744** | 1,961 |
| | Defined contribution plans | **67** | 80 |
| | | **1,811** | 2,041 |
| | Directors' fees to non-executive directors | **221** | 229 |
| | | **2,032** | 2,270 |
| | Comprised amounts paid/payable to: | | |
| | Directors of the Company | **1,136** | 1,291 |
| | Key management personnel | **896** | 979 |
| | | **2,032** | 2,270 |
| (b) | Professional fees paid to a firm in which a director is a partner of the firm | **405** | 556 |
| (c) | Sales to a related party | **7** | 5 |
| (d) | Purchases from a related party | **5** | – |
| (e) | Service income received from an associate | **220** | 323 |
| (f) | Manpower supply to an associate | **–** | 70 |
| (g) | Sales of property, plant and equipment to an associate | **–** | 813 |
| (h) | Purchase of property, plant and equipment from an associate | **96** | – |
| (i) | Rental of machinery from an associate | **285** | – |

## 38 Dividends

| | Group and Company | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Declared and paid: | | |
| Final dividend of 0.30 cents per ordinary share, tax-exempt one-tier, paid in respect of the financial year ended 31 December 2019 | **2,055** | – |

No dividends had been declared and/or paid in respect of the financial year ended 31 December 2020.

### Tax consequences of dividends paid

The above-mentioned dividends paid to the shareholders by the Company have no income tax consequences.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 39 Segment Information

Segment information reported externally was analysed on the basis of the types of goods supplied and services provided by the Group's operating divisions. Information reported to the Group's chief operating decision maker for the purposes of resource allocation and assessment of segment performance of the Group. The Group's reportable operating segments are as follows:

- Engineering & construction
- Corrosion prevention
- Solar energy
- Others

The engineering & construction segment is in the business of designing, engineering and construction of steel, aluminium and glass structures, and the design, construction and manufacturing services in modular construction projects.

The corrosion prevention segment provides coating services to marine, oil and gas, construction and infrastructure industries.

The solar energy segment specialises in solar energy development and engineering and project management for electrical works.

Others segment consists of property development business, warehousing, storage handling services, corporate head office and strategic investments.

**Discontinued Operations**

As disclosed in Note 8, the Group is diversifying certain of its businesses that represent a separate major line of business or geographical area of operations of the Group (collectively, the "Discontinued Operations"). Accordingly, segment information related to the Discontinued Operations have been presented separately.

## 39 Segment Information (Continued)

(a) Segment revenues and results

The following is an analysis of the Group's revenue and results from continuing operations and discontinued operations by reportable operating segments:

**Continuing operations**

| | Engineering & construction | | Corrosion prevention | | Solar energy | | Others | | Total | |
|---|---|---|---|---|---|---|---|---|---|---|
| | **2020 S$'000** | 2019 S$'000 | **2020 S$'000** | 2019 S$'000 | **2020 S$'000** | 2019 S$'000 | **2020 S$'000** | 2019 S$'000 | **2020 S$'000** | 2019 S$'000 |
| Segment revenue | **16,086** | 8,884 | **13,920** | 15,258 | **4,750** | 1,593 | **390** | 655 | **35,146** | 26,390 |
| Segment results | **(213)** | (360) | **830** | 1,046 | **347** | (213) | **(361)** | (124) | **603** | 349 |
| Impairment losses of financial assets, net | **(132)** | (1,993) | **(71)** | (109) | **(926)** | (111) | **(3,737)** | (1,319) | **(4,866)** | (3,532) |
| Revaluation loss of leasehold building | **(3,497)** | – | **–** | – | **–** | – | **–** | – | **(3,497)** | – |
| Impairment of freehold land | **(1,108)** | – | **–** | – | **–** | – | **–** | – | **(1,108)** | – |
| Impairment of goodwill | **(7,842)** | – | **(1,008)** | – | **–** | – | **–** | – | **(8,850)** | – |
| Impairment of land held for development | **–** | – | **–** | – | **–** | – | **(194)** | – | **(194)** | – |
| Allowance for inventory obsolescence | **–** | – | **(8)** | (20) | **(116)** | – | **–** | – | **(124)** | (20) |
| Finance costs | **(1,050)** | (1,109) | **(103)** | (114) | **–** | – | **–** | – | **(1,153)** | (1,223) |
| Share of (losses)/profits of associates, net of tax | | | | | | | | | **(19)** | 825 |
| Central administration costs and directors' remuneration | | | | | | | | | **(6,122)** | (5,443) |
| Other income | | | | | | | | | **5,034** | 2,117 |
| (Loss) before income tax | | | | | | | | | **(20,296)** | (6,927) |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**39 Segment Information** (Continued)

(a) Segment revenues and results (Continued)

**Discontinued operations**

| | Solar energy development business | | Modular construction business | | Total | |
|---|---|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Segment revenue | **3,312** | – | **13,624** | 7,290 | **16,936** | 7,290 |
| Segment results | **2,027** | (854) | **(4,541)** | (3,169) | **(2,514)** | (4,023) |
| Provision of liquidated damages | **–** | (1,231) | **–** | – | **–** | (1,231) |
| Allowance for inventory obsolescence | **–** | – | **–** | (1,768) | **–** | (1,768) |
| (Impairment)/Reversal of property, plant & equipment | **(654)** | – | **2,000** | (7,906) | **1,346** | (7,906) |
| Gain on disposal of subsidiaries | **1,884** | – | **–** | – | **1,884** | – |
| Finance costs | **(5)** | – | **(403)** | (278) | **(408)** | (278) |
| Central administration costs and directors' remuneration | | | | | **(2,937)** | (3,402) |
| Other income | | | | | **74** | 77 |
| (Loss) before income tax | | | | | **(2,555)** | (18,531) |

Solar energy development business and modular construction business are part of the solar energy segment and engineering & construction segment, respectively.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 39 Segment Information (Continued)

(a) Segment revenues and results (Continued)

Revenue reported above represents revenue generated from external customers. Inter-segment sales for the current financial year were S$3,150,000 (2019: S$3,308,000). The accounting policies of the reportable segments are the same as the Group's accounting policies set out in Note 3. Segment profit/(loss) represents the profit/(loss) earned by each segment without allocation of central administration costs and directors' remuneration, share of (losses)/profits of associates and other income. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

(b) Segment assets and liabilities

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Segment assets | | |
| Engineering & construction | **55,722** | 71,549 |
| Corrosion prevention | **36,011** | 31,453 |
| Solar energy | **5,467** | 4,500 |
| Others | **47,116** | 55,990 |
| Total segment assets | **144,316** | 163,492 |
| Assets classified as held for sale: | | |
| – Solar energy development business | **97,939** | 31,710 |
| – Modular construction business | **23,499** | 36,293 |
| Consolidated assets | **265,754** | 231,495 |
| | | |
| Segment liabilities | | |
| Engineering & construction | **28,904** | 25,439 |
| Corrosion prevention | **5,281** | 5,450 |
| Solar energy | **692** | 908 |
| Others | **598** | 576 |
| Total segment liabilities | **35,475** | 32,373 |
| Liabilities relating to classified as held for sale: | | |
| – Solar energy development business | **75,689** | 10,489 |
| – Modular construction business | **18,638** | 24,240 |
| | | |
| Unallocated liabilities: | | |
| – Provision for income tax | **424** | 565 |
| – Deferred tax liabilities | **1,737** | 2,992 |
| Consolidated liabilities | **131,963** | 70,659 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 39 Segment Information (Continued)

### (c) Other segment information

| | Group | | | |
|---|---|---|---|---|
| | **Depreciation and amortisation** | | **Additions to non-current assets[(i)]** | |
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Engineering & construction | **2,328** | 2,441 | **2,164** | 208 |
| Corrosion prevention | **1,878** | 2,073 | **411** | 268 |
| Solar energy | **26** | 29 | **8** | 18 |
| Others | **–** | – | **–** | – |
| Assets classified as held for sale: | | | | |
| – Solar energy development business | **652** | 12 | **72,641** | 2,546 |
| – Modular construction business | **551** | 718 | **1,583** | 1,813 |
| | **5,435** | 5,273 | **76,807** | 4,853 |

### (d) Geographical information

The Group's continuing operations is primarily carried out in Singapore. The Group's revenue from continuing operations from external customers and information about its non-current assets by geographical locations are detailed below.

| | **Group's revenue from external customers** | | **Group' non-current assets[(i)]** | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| Singapore | **33,829** | 24,412 | **60,428** | 73,559 |
| Rest of South East Asia[(ii)] | **1,317** | 1,927 | **4,026** | 4,956 |
| People's Republic of China | **–** | – | **4** | 5 |
| Others[(iii)] | **–** | 51 | **–** | – |
| | **35,146** | 26,390 | **64,458** | 78,520 |

(i) Non-current assets exclude other financial assets

(ii) Rest of South East Asia includes Malaysia, Vietnam and Indonesia

(iii) Others include New Zealand, Australia and Bangladesh

### (e) Information about major customers

There was no single individual customer which contributed significantly to the Group's revenue.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 40 Financial Instruments

### Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. These risks include credit risk, foreign currency risk, interest rate risk and liquidity risk. The Group does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks. The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. In order to minimise credit risk, the Group has adopted a policy of only dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults. The Group generally do not require collateral. The Group reviews the recoverable amount of each trade receivable and debt investment on an individual basis at the end of the reporting period to ensure that adequate loss allowance is made for irrecoverable amounts.

At the reporting date, the Group does not have significant credit risk exposure to any individual customer's balance of trade receivables. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings. The Group's maximum exposure to credit risk arises from the carrying amount of the respective recognised financial assets as present on the consolidated statement of financial position. In addition, the Company is exposed to credit risk in relation to financial guarantees given to banks provided by the Company. The Company's maximum exposure in this respect is the maximum amount the Company is liable to pay if the guarantees are called on as disclosed in Note 40(d).

The credit risk for financial assets (excluding cash and bank balances) based on geographical information provided by key management is as follows:

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2020** | 2019 | **2020** | 2019 |
| | **S$'000** | S$'000 | **S$'000** | S$'000 |
| By geographical areas | | | | |
| Singapore | **26,412** | 26,590 | **52,344** | 77,666 |
| People's Republic of China | **6** | 14 | **–** | – |
| Rest of South East Asia | **408** | 957 | **–** | – |
| Others* | **1,827** | 77 | **–** | – |
| | **28,653** | 27,638 | **52,344** | 77,666 |

* Others include New Zealand, Australia and Bangladesh.

# NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**40 Financial Instruments** (Continued)

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

(a) Credit risk (Continued)

i. Trade receivables and contract assets

The Group uses a provision matrix to measure the lifetime expected credit loss allowance for trade receivables and contract assets. In measuring the expected credit losses, trade receivables and contract assets are grouped based on their shared credit risk characteristics and numbers of days past due. The contract assets have substantially the same risk characteristics as the trade receivables from the same type of customers. Therefore, the Group has concluded that the expected credit loss rates for trade receivables are a reasonable approximation of the loss rates for the contract assets. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

Further details on the loss allowance of the Group's and the Company's credit risk exposure in relation to contract assets and trade receivables are disclosed in Notes 5(b) and 20, respectively.

ii. Cash and bank balances and other financial assets

The cash and bank balances are entered into with banks and financial institutions that have high credit-ratings.

Impairment on cash and bank balances and other financial assets has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and bank balances and other financial assets have low credit risk based on the external credit ratings of the counterparties. The amount of the allowances on cash and bank balances and other financial assets were immaterial.

*Credit risk grading guideline*

Management has established the Group's internal credit risk grading to the different exposures according to their degree of default risk. The internal credit risk grading which is used to report the Group's credit risk exposure to key management for credit risk management purposes are as follows:

| Internal rating grades | Definition | Basis of recognition of expected credit loss (ECL) |
|---|---|---|
| i. Performing | The counterparty has a low risk of default and does not have any past-due amounts. | 12-month ECL |
| ii. Under-performing | There has been a significant increase in credit risk since initial recognition. | Lifetime ECL (not credit-impaired) |
| iii. Non-performing | There is evidence indicating that the asset is credit-impaired. | Lifetime ECL (credit impaired) |
| iv. Write-off | There is evidence indicating that there is no reasonable expectation of recovery as the debtor is in severe financial difficulty. | Asset is written off |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**40 Financial Instruments** (Continued)

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

(a) Credit risk (Continued)

*Credit risk exposure*

The credit quality of the Group's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows:

| | Internal credit rating | ECL | Gross carrying amount S$'000 | Loss allowance S$'000 | Net carrying amount S$'000 |
|---|---|---|---|---|---|
| **Group** | | | | | |
| 2020 | | | | | |
| Trade receivables | **Note 1** | **Lifetime ECL (simplified)** | **13,876** | **(2,394)** | **11,482** |
| Contract assets | **Note 1** | **Lifetime ECL (simplified)** | **9,844** | **(220)** | **9,624** |
| Other receivables | **Under-performing** | **Lifetime ECL (not credit-impaired)** | **7,737** | **(5,027)** | **2,710** |
| Other receivables | **Non-performing** | **Lifetime ECL (credit impaired)** | **2,587** | **(2,587)** | **–** |
| Other receivables | **Performing** | **12-month ECL** | **4,837** | **–** | **4,837** |
| 2019 | | | | | |
| Trade receivables | Note 1 | Lifetime ECL (simplified) | 15,553 | (5,248) | 10,305 |
| Contract assets | Note 1 | Lifetime ECL (simplified) | 7,647 | (124) | 7,523 |
| Other receivables | Under-performing | Lifetime ECL (not credit-impaired) | 7,912 | (1,319) | 6,593 |
| Other receivables | Non-performing | Lifetime ECL (credit impaired) | 1,993 | (1,993) | – |
| Other receivables | Performing | 12-month ECL | 3,210 | – | 3,210 |

Note 1 – The Group has applied the simplified approach to measure the loss allowance based on lifetime ECL. The details of the loss allowance for these financial assets are disclosed in Notes 5(b) and 20.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**40 Financial Instruments** (Continued)

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

(a) Credit risk (Continued)

*Credit risk exposure* (Continued)

The credit quality of the Company's financial assets, as well as maximum exposure to credit risk by credit risk rating grades is presented as follows: (Continued)

| | Internal credit rating | ECL | Gross carrying amount S$'000 | Loss allowance S$'000 | Net carrying amount S$'000 |
|---|---|---|---|---|---|
| **Company** | | | | | |
| 2020 | | | | | |
| Other receivables | **Under-performing** | **Lifetime ECL (not credit-impaired)** | **7,737** | **(5,027)** | **2,710** |
| Other receivables | **Performing** | **12-month ECL** | **7** | **–** | **7** |
| Amount due from subsidiaries | **Performing** | **12-month ECL** | **20,580** | **–** | **20,580** |
| Amount due from subsidiaries | **Non-performing** | **Lifetime ECL (credit impaired)** | **56,389** | **(27,342)** | **29,047** |
| 2019 | | | | | |
| Trade receivables | Note 1 | Lifetime ECL (simplified) | 86 | – | 86 |
| Other receivables | Under-performing | Lifetime ECL (not credit-impaired) | 7,912 | (1,319) | 6,593 |
| Other receivables | Performing | 12-month ECL | 21 | – | 21 |
| Amount due from subsidiaries | Performing | 12-month ECL | 16,598 | – | 16,598 |
| Amount due from subsidiaries | Non-performing | Lifetime ECL (credit impaired) | 78,424 | (24,056) | 54,368 |

Note 1 – The Company has applied the simplified approach to measure the loss allowance based on lifetime ECL. The details of the loss allowance for these financial assets are disclosed in Notes 5(b) and 20.

*Loss allowance of financial guarantees*

The Company has issued financial guarantees to banks for borrowings of its subsidiaries and an investee company. These financial guarantees are subject to the impairment requirements under SFRS(I) 9. The Company has assessed that its subsidiaries and the investee company have strong financial capacity to meet the contractual cash flow obligations in the near future and henceforth does not expect significant credit losses arising from these financial guarantees.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**40 Financial Instruments** (Continued)

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

(b) Foreign currency risk

The Group has transactional currency exposure arising from sales or purchases that are denominated in foreign currencies. The foreign currency which these transactions are denominated is mainly the United States Dollar ("USD").

The Group does not hedge foreign currency exposure using derivative financial instruments. The Group manages foreign currency risks by close monitoring of the timing of inception and settlement of the foreign currency transactions.

In relation to its overseas investments in foreign subsidiaries whose net assets are exposed to currency translation risks and which are held for long term investment purposes, the differences arising from such translation are recorded under other comprehensive income and foreign currency translation reserve. These translation differences are reviewed and monitored on a regular basis.

Management considers the Company has no significant exposure to foreign currency risk.

The Group's significant exposure to foreign currency risk in relation to USD based on the information provided to key management at the end of the reporting period is as follows:

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Financial assets | | |
| Cash and bank balances | **12,629** | 12,272 |
| Trade and other receivables* | **5,832** | 2,378 |
| | **18,461** | 14,650 |
| Financial liabilities | | |
| Trade payables and accruals | **(421)** | (416) |
| Other payables* | **–** | – |
| | **(421)** | (416) |
| Net financial assets | **18,040** | 14,234 |
| Less: Net financial assets denominated in the respective entities' functional currency | **–** | – |
| Currency exposure | **18,040** | 14,234 |

* Financial assets exclude advances to sub-contractors and staff, prepayments, prepaid development costs, and GST/VAT recoverable and financial liabilities exclude provision for cost of demolition, foreign workers' tax withheld and GST/VAT payable.

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**40 Financial Instruments** (Continued)

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

(b) Foreign currency risk (Continued)

*Sensitivity analysis*

If the S$ strengthens by 5% against the USD at the reporting date and assuming that all other variables including tax remain constant, the loss before tax of the Group will decrease by:

| | Group | |
|---|---|---|
| | **2020** | 2019 |
| | **S$'000** | S$'000 |
| Loss before tax | **902** | 712 |

If the S$ weakens by 5% against the USD at the reporting date and assuming that all other variables including tax remain constant, there would be a comparable increase on the loss before tax of the Group.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

The Group is exposed to interest rate risk because they obtain credit facilities from banks and financial institutions. The Group's policy is to obtain the most favourable interest rates available. The risk is also managed by maintaining an appropriate mix of fixed and floating rate borrowings. Surplus funds are placed with reputable banks.

The Company does not have any significant interest-bearing borrowings or interest-earning assets that may expose the Company to interest rate risk on variable interest rates.

The table below sets out the Group's exposure to interest rate risk. Included in the table are the assets and liabilities at their carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

| | **Fixed rates** | | **Variable rates** | | **Non-interest bearing** | **Total** |
|---|---|---|---|---|---|---|
| | **Less than 1 year** | **1 to 5 years** | **Less than 1 year** | **1 to 5 years** | | |
| | **S$'000** | **S$'000** | **S$'000** | **S$'000** | **S$'000** | **S$'000** |
| **Group** | | | | | | |
| 2020 | | | | | | |
| Financial assets | | | | | | |
| Cash and bank balances | **15,621** | **–** | **–** | **–** | **16,095** | **31,716** |
| Trade receivables | **–** | **–** | **–** | **–** | **11,482** | **11,482** |
| Contract assets | **–** | **–** | **–** | **–** | **9,624** | **9,624** |
| Other receivables* | **–** | **–** | **–** | **–** | **7,547** | **7,547** |
| Total financial assets | **15,621** | **–** | **–** | **–** | **44,748** | **60,369** |
| | | | | | | |
| Financial liabilities | | | | | | |
| Trade payables and accruals* | **–** | **–** | **–** | **–** | **5,880** | **5,880** |
| Other payables* | **–** | **–** | **–** | **–** | **1,365** | **1,365** |
| Term loans | **–** | **–** | **6,059** | **11,772** | **–** | **17,831** |
| Lease liabilities | **–** | **4,835** | **–** | **–** | **–** | **4,835** |
| Other amounts due to bankers | **–** | **–** | **3,496** | **–** | **–** | **3,496** |
| Total financial liabilities | **–** | **4,835** | **9,555** | **11,772** | **7,245** | **33,407** |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**40 Financial Instruments** (Continued)

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

(c) Interest rate risk (Continued)

| | Fixed Rates Less than 1 year S$'000 | Fixed Rates 1 to 5 years S$'000 | Variable rates Less than 1 year S$'000 | Variable rates 1 to 5 years S$'000 | Non-interest bearing S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| 2019 | | | | | | |
| Financial assets | | | | | | |
| Cash and bank balances | 18,292 | – | – | – | 12,800 | 31,092 |
| Trade receivables | – | – | – | – | 10,305 | 10,305 |
| Contract assets | – | – | – | – | 7,523 | 7,523 |
| Other receivables* | – | – | – | – | 9,803 | 9,803 |
| Total financial assets | 18,292 | – | – | – | 40,431 | 58,723 |
| Financial liabilities | | | | | | |
| Trade payables and accruals* | – | – | – | – | 4,993 | 4,993 |
| Other payables* | – | – | – | – | 1,224 | 1,224 |
| Term loans | – | – | 5,862 | 11,751 | – | 17,613 |
| Lease liabilities | – | 4,974 | – | – | – | 4,974 |
| Other amounts due to bankers | – | – | 1,775 | – | – | 1,775 |
| Total financial liabilities | – | 4,974 | 7,637 | 11,751 | 6,217 | 30,579 |

* Financial assets exclude advances to sub-contractors and staff, prepayments, prepaid development costs, and GST/VAT recoverable and financial liabilities exclude provision for cost of demolition, foreign workers' tax withheld and GST/VAT payable.

*Sensitivity analysis*

If a 100 basis point increase/decrease in the underlying borrowings at variable interest rates at the reporting date and assuming all other variables including tax remain constant, the loss before tax of the Group would increase/decrease by the following amounts:

| | Group 2020 S$'000 | Group 2019 S$'000 |
|---|---|---|
| Loss before tax | **213** | 194 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**40 Financial Instruments** (Continued)

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

(d) Liquidity risk

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

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

| | Carrying amount S$'000 | Less than 1 year S$'000 | Between 1 and 2 years S$'000 | Between 2 and 5 years S$'000 | Over 5 years S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|
| **Group** | | | | | | |
| 2020 | | | | | | |
| Trade and other payables* | **7,245** | **7,245** | **–** | **–** | **–** | **7,245** |
| Term loans | **17,831** | **6,147** | **7,936** | **5,125** | **–** | **19,208** |
| Other amounts due to bankers | **3,496** | **3,496** | **–** | **–** | **–** | **3,496** |
| Lease liabilities | **4,835** | **380** | **268** | **792** | **3,395** | **4,835** |
| | **33,407** | **17,268** | **8,204** | **5,917** | **3,395** | **34,784** |
| 2019 | | | | | | |
| Trade and other payables* | 6,217 | 6,217 | – | – | – | 6,217 |
| Term loans | 17,613 | 6,559 | 6,618 | 6,132 | – | 19,309 |
| Other amounts due to bankers | 1,775 | 1,775 | – | – | – | 1,775 |
| Lease liabilities | 4,974 | 225 | 239 | 497 | 4,013 | 4,974 |
| | 30,579 | 14,776 | 6,857 | 6,629 | 4,013 | 32,275 |
| **Company** | | | | | | |
| 2020 | | | | | | |
| Trade and other payables* | **431** | **431** | **–** | **–** | **–** | **431** |
| Amount due to subsidiaries | **21** | **21** | **–** | **–** | **–** | **21** |
| Lease liabilities | **1,605** | **131** | **139** | **474** | **861** | **1,605** |
| | **2,057** | **583** | **139** | **474** | **861** | **2,057** |
| 2019 | | | | | | |
| Trade and other payables* | 381 | 381 | – | – | – | 381 |
| Amount due to subsidiaries | 39 | 39 | – | – | – | 39 |
| Lease liabilities | 1,732 | 123 | 131 | 288 | 1,190 | 1,732 |
| | 2,152 | 543 | 131 | 288 | 1,190 | 2,152 |

* Financial liabilities exclude provision for cost of demolition, foreign workers' tax withheld and GST/VAT payable.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**40 Financial Instruments** (Continued)

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

(d) Liquidity risk (Continued)

The table below shows the maximum amount of the financial guarantees that are allocated to the earliest period in which these financial guarantees could be called.

| | Carrying amount S$'000 | Less than 1 year S$'000 | Between 1 and 2 years S$'000 | Between 2 and 5 years S$'000 | Over 5 years S$'000 | Total S$'000 |
|---|---|---|---|---|---|---|
| **Company** | | | | | | |
| 2020 | | | | | | |
| Financial guarantees | | | | | | |
| – subsidiaries | **–** | **57,482** | **–** | **–** | **–** | **57,482** |
| – investee company | **–** | **1,718** | **–** | **–** | **–** | **1,718** |
| | **–** | **59,200** | **–** | **–** | **–** | **59,200** |
| 2019 | | | | | | |
| Financial guarantees | | | | | | |
| – subsidiaries | – | 61,826 | – | – | – | 61,826 |
| – investee company | – | 1,718 | – | – | – | 1,718 |
| | – | 63,544 | – | — | – | 63,544 |

The amount included for financial guarantee contracts is the maximum amount the Company could be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparties to the guarantees based on the earliest date on which the Company may be required to pay. Based on management's expectation at the reporting date, the Company consider that it is unlikely that such an amount will be payable under the arrangement.

**Capital risk management**

The primary objective of the Group's capital management is to ensure it maintains healthy capital ratios in order to continue as going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from 2019.

The Group is not subject to any significant externally imposed capital requirements.

Management reviews the capital structure of the Group and makes adjustment to it, in light of changes in economic conditions. Management considers the cost of capital and the risks associated with each class of capital. The Group monitors capital using the net debt-to-equity ratio. The Group's debt includes all liabilities (excluding provision for income tax and deferred tax liabilities) less cash and bank balances. Equity includes all capital and reserves of the Group that are managed as capital.

| | **Group** | |
|---|---|---|
| | **2020 S$'000** | 2019 S$'000 |
| Net debt | **98,086** | 36,010 |
| Equity | **133,791** | 160,836 |
| Net debt-to-equity ratio | **0.73** | 0.22 |

# NOTES TO THE **FINANCIAL STATEMENTS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 41 Fair Value Measurement

### (a) Fair value of financial assets and liabilities that are measured at fair value on a recurring basis

*Fair Value Hierarchy*

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

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

The following table gives information about how the fair values of these financial assets are determined:

| | Level 1<br>S$'000 | Level 2<br>S$'000 | Level 3<br>S$'000 | Total<br>S$'000 |
|---|---|---|---|---|
| **Group** | | | | |
| 2020 | | | | |
| Leasehold buildings (Note 10) | **–** | **–** | **39,200** | **39,200** |
| Other financial assets (Note 15) | **–** | **–** | **13,947** | **13,947** |
| 2019 | | | | |
| Leasehold buildings (Note 10) | – | – | 46,348 | 46,348 |
| Other financial assets (Note 15) | – | – | 23,563 | 23,563 |
| **Company** | | | | |
| 2020 | | | | |
| Other financial assets (Note 15) | **–** | **–** | **13,892** | **13,892** |
| 2019 | | | | |
| Other financial assets (Note 15) | – | – | 22,463 | 22,463 |

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

## 41 Fair Value Measurement (Continued)

### (a) Fair value of financial assets and liabilities that are measured at fair value on a recurring basis (Continued)

*Level 3 fair value measurements*

| Financial Assets | Valuation technique | Significant unobservable input | Relationship of unobservable input to fair value |
|---|---|---|---|
| Leasehold buildings[1] | Direct comparison method | Selling price per square meter | The lower the selling price per square meter of the compared properties, the lower the valuation. |
| Other financial assets – unquoted equity investments[2] | Directors' valuation | Adjusted net asset value or recent transaction prices between knowledgeable, willing parties | The lower the net asset value or transaction prices, the lower the valuation |

(1) If the above unobservable input was 5% higher/lower while all the other variables were held constant, the fair value of the above leasehold buildings would increase/decrease by S$1,960,000 (2019: S$2,317,000).

(2) If the above unobservable input was 5% higher/lower while all the other variables were held constant, the fair value of the above other financial assets would increase/decrease by S$697,000 (2019: S$1,178,000).

There were no transfers between level 1, 2 and 3 during the financial years ended 31 December 2020 and 2019.

*Valuation Policies and Procedures*

The Group has an established control framework with respect to the measurement of fair values. This framework includes the finance team that reports directly to the Chief Financial Officer, and has overall responsibility for all significant fair value measurements, including Level 3 fair values.

The finance team regularly reviews significant unobservable inputs and valuation adjustments. If third party information is used as a reference to measure fair value, then the finance team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of SFRS(I), including the level in the fair value hierarchy the resulting fair value estimate should be classified.

For all significant financial reporting valuations using valuation models with significant unobservable inputs, the Group will engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 *Fair Value Measurement* guidance to perform the valuation. For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed by the finance team along with the appropriateness and reliability of the inputs.

Significant valuation issues are reported to the Audit Committee.

# NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**41 Fair Value Measurement** (Continued)

**(b) Fair value of financial assets and liabilities that are not measured at fair value on a recurring basis**

The carrying amounts of the Group's long-term term loans and lease liabilities approximate their carrying amounts based on discounted cash flow analysis at market incremental lending rates for similar types of lending or leasing arrangements at the end of the reporting period, with the most significant inputs being the discount rate that reflects the credit risk of counterparties.

The carrying amounts of the Group's and the Company's current financial assets and current financial liabilities approximate their fair values due to their short-term maturity.

**42 Impact of COVID-19**

In March 2020, the World Health Organisation had declared COVID-19 outbreak a pandemic. The spread of COVID-19 has created a high level of uncertainty to the near-term global economic prospect and caused disruptions to various businesses. The Group has taken precautionary measures to deal with the COVID-19 outbreak in accordance with guidelines provided by the authorities in the respective countries which the Group operates in.

Management is of the opinion that the COVID-19 pandemic has, to a certain extent, an impact on the Group's operations and financial performance for 2020. Management is closely monitoring the Group's businesses and has taken certain measures to deal with the impact including managing the Group's liquidity and/or to conserve cash flow. As the global COVID-19 situation remains very fluid at the date of these financial statements, the Group is currently unable to estimate the financial impact to the Group's financial performance for 2021. Notwithstanding this, management has determined that the COVID-19 pandemic has not created a material uncertainty that casts doubt on the Group's ability to continue as a going concern.

**43 Subsequent Events**

(a) In January 2021, the Company announced the completion of the sale of the solar power plant project in Bangladesh to a third party for a total consideration of US$17.0 million (approximately S$24.6 million), and consequently, the Bangladesh solar energy development business entities ceased to be subsidiaries of the Group. The provisional gain after including all selling costs on disposal as determined by management is approximately S$973,000.

(b) In February 2021, the Company announced that the Group, through its wholly owned subsidiary, Hetat Holdings Pte. Ltd., entered into a Sale & Purchase Agreement for the divestment of the TLC Group to a third party for a total consideration of US$11.5 million (approximately S$15.2 million). At the date of these financial statements, the disposal has not been completed.

**44 Authorisation of Financial Statements for Issue**

The financial statements for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the Board of Directors of the Company on 5 April 2021.

# STATISTICS OF SHAREHOLDINGS

AS AT 26 MARCH 2021

*[RULE 1207 (9)]*

| | | |
|---|---|---|
| Number of Issued Shares (excluding Treasury Shares) | : | 685,098,312 |
| Number/Percentage of Treasury Shares against total number of Issued Shares (excluding Treasury Shares) | : | 25,540,900 (3.73%) |
| Class of Shares | : | Ordinary Shares |
| Voting Rights | : | 1 vote per share |

As at 26 March 2021, the Company did not hold any subsidiary holdings.

## DISTRIBUTION OF SHAREHOLDINGS

| SIZE OF SHAREHOLDINGS | SHAREHOLDERS | % | NO. OF SHARES | % |
|---|---|---|---|---|
| 1 – 99 | 380 | 15.65 | 4,268 | 0.00 |
| 100 – 1,000 | 137 | 5.64 | 92,151 | 0.01 |
| 1,001 – 10,000 | 660 | 27.18 | 4,832,179 | 0.71 |
| 10,001 – 1,000,000 | 1,212 | 49.92 | 90,798,682 | 13.25 |
| 1,000,001 AND ABOVE | 39 | 1.61 | 589,371,032 | 86.03 |
| **TOTAL** | **2,428** | **100.00** | **685,098,312** | **100.00** |

## TWENTY LARGEST SHAREHOLDERS

| NO. | NAME | NO. OF SHARES | % |
|---|---|---|---|
| 1 | CGS-CIMB SECURITIES (SINGAPORE) PTE. LTD. | 247,240,534 | 36.09 |
| 2 | CITIBANK NOMINEES SINGAPORE PTE LTD | 52,353,375 | 7.64 |
| 3 | OCBC SECURITIES PRIVATE LIMITED | 47,769,200 | 6.97 |
| 4 | NG HAN KOK | 43,067,700 | 6.29 |
| 5 | SBS NOMINEES PRIVATE LIMITED | 38,042,526 | 5.55 |
| 6 | PHILLIP SECURITIES PTE LTD | 21,083,910 | 3.08 |
| 7 | MAYBANK KIM ENG SECURITIES PTE. LTD. | 17,712,041 | 2.59 |
| 8 | STONE ROBERT ALEXANDER | 17,552,300 | 2.56 |
| 9 | ONG ENG LOKE | 11,740,000 | 1.71 |
| 10 | HSBC (SINGAPORE) NOMINEES PTE LTD | 11,320,000 | 1.65 |
| 11 | KHOO THOMAS CLIVE | 11,302,900 | 1.65 |
| 12 | DBS NOMINEES (PRIVATE) LIMITED | 8,792,120 | 1.28 |
| 13 | ELIZABETH OOI HEAN GIN | 8,700,000 | 1.27 |
| 14 | VICTOR ENTERPRISES PTE LTD | 4,893,000 | 0.71 |
| 15 | ENTRACO VENTURE CORPORATION PTE LTD | 3,970,500 | 0.58 |
| 16 | KHOO SIN HOCK VICTOR | 3,727,700 | 0.54 |
| 17 | TANG SEE CHANG @ TAN SAY CHAN | 3,200,000 | 0.47 |
| 18 | SEOW CHUAN BIN | 3,082,800 | 0.45 |
| 19 | SIAH SIEW GEOK | 2,943,600 | 0.43 |
| 20 | UOB KAY HIAN PRIVATE LIMITED | 2,631,000 | 0.38 |
| | **TOTAL** | **561,125,206** | **81.89** |

# STATISTICS OF SHAREHOLDINGS

AS AT 26 MARCH 2021

*[RULE 1207 (9)]*

## SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 26 March 2021)

| | Direct Interest | % | Deemed Interest | % |
|---|---|---|---|---|
| Teng Choon Kiat | 1,250,000 | 0.18 | 193,688,100[(1)] | 28.27 |
| Ng Han Kok | 43,067,700 | 6.29 | 77,646,953[(2)] | 11.33 |
| Stone Robert Alexander | 17,552,300 | 2.56 | 26,537,700[(3)] | 3.87 |

**Notes:**

(1) Teng Choon Kiat is deemed to be interested in (i) 3,970,500 shares held by a corporation wholly owned by him; and (ii) 189,717,600 shares registered under CGS-CIMB Securities (Singapore) Pte. Ltd.

(2) Ng Han Kok is deemed to be interested in (i) 250,000 shares held by his spouse; (ii) 38,042,526 shares registered under SBS Nominees Private Limited; (iii) 36,259,527 shares registered under CGS-CIMB Securities Pte. Ltd.; and (iv) 3,094,900 shares registered under Maybank Kim Eng Securities Pte. Ltd.

(3) Held through OCBC Securities Private Limited.

Note: The above percentage is calculated based on the Company's number of issued shares (excluding 25,540,900 treasury shares) of 685,098,312.

## PERCENTAGE OF SHAREHOLDINGS IN HANDS OF THE PUBLIC

Approximately 42.1% of the Company's shares (excluding treasury shares) are held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

# ADDITIONAL INFORMATION FOR DIRECTORS SEEKING FOR RE-ELECTION

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

**Additional Information required pursuant to Rule 720(6) of the Listing Manual of the SGX-ST on Directors seeking for re-election**

Mr Lim Siok Kwee, Thomas and Dr Lee Kuo Chuen, David are the retiring Directors who are seeking re-election at the forthcoming Annual General Meeting to be convened on 29 April 2021 under Ordinary Resolutions 2 and 3. Pursuant to Rule 720(6) of the Listing Manual of SGX-ST, the information relating to the Directors, in accordance with Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below

| | **Lim Siok Kwee, Thomas** | **Lee Kuo Chuen, David** |
|---|---|---|
| Date of Appointment | 30 December 2015 | 1 October 2013 |
| Date of last re-appointment (if applicable) | 27 April 2018 | 27 April 2018 |
| Age | 73 | 59 |
| Country of principal residence | Singapore | Singapore |
| The Board's comments on this re-appointment | The Board has considered the Nominating Committee's recommendation and assessment of Mr Lim Siok Kwee, Thomas's commitment in the discharge of his duties as a Director, inter alia and is satisfied that he will continue to contribute to the Board | The Board has considered the Nominating Committee's recommendation and assessment of Mr Lee Kuo Chuen's independence and commitment in the discharge of his duties as a Director, inter alia and is satisfied that he will continue to contribute to the Board |
| Whether appointment is executive, and if so, the area of responsibility | Yes, CEO Corrosion Prevention Services | Non-Executive |
| Job Title (e.g. Lead ID, AC Chairman, AC Member etc.) | Executive Director | Independent Director/Chairman of Nominating Committee/Member of Audit and Remuneration Committees |
| Professional qualifications | Please refer to the section of the Company's Annual Report titled "Board of Directors" for further details. | |
| Working experience and occupation(s) during the past 10 years | | |
| Shareholding interest in the listed issuer and its subsidiaries | Mr Lim Siok Kwee, Thomas is deemed to be interested in (i) 3,470,575 ordinary shares held by Bank of Singapore; and (ii) 2,550,000 ordinary shares held by Maybank Kim Eng Securities Pte Ltd. | Nil |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries | Father of Mr Terence Lim Peng Chuan, General Manager for CP Segment of SHS Holdings Ltd. | Nil |
| Conflict of interest (including any competing business) | Nil | Nil |
| Undertaking (in the format set out in Appendix 7.7 under Rule 720(1) has been submitted to the listed issuer – Yes/No | Yes | Yes |
| Other Principal Commitments including Directorships<br>Past (for the last 5 years)<br>Present | Please refer to the section of the Company's Annual Report titled "Board of Directors" for further details. | |
| Responses to questions (a) to (k) under Appendix 7.4.1 of the SGX Listing Manual | Negative confirmation for each of Mr Lim Siok Kwee, Thomas and Dr Lee Kuo Chuen, David | |

# NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**" or the "**Meeting**") of SHS Holdings Ltd. (the "**Company**") will be convened and held by way of electronic means on Thursday, 29 April 2021 at 10.00 a.m. (Singapore time, via "live" audio-visual webcast or "live" audio-only feed) for the following purposes:

**AS ORDINARY BUSINESS**

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the year ended 31 December 2020 together with the Independent Auditors' Report thereon.
**(Resolution 1)**

2. To re-elect the following Directors retiring pursuant to Article 90 of the Constitution of the Company:

| | | |
|---|---|---|
| Mr Lim Siok Kwee, Thomas | [Retiring under Article 90] | **(Resolution 2)** |
| Dr Lee Kuo Chuen, David | [Retiring under Article 90] | **(Resolution 3)** |
| [See Explanatory Note (i)] | | |

3. To approve the payment of Directors' fees of up to S$229,200 for the financial year ending 31 December 2021, to be paid quarterly in arrears. (2020: S$229,200)
**(Resolution 4)**

4. To re-appoint Moore Stephens LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration.
**(Resolution 5)**

5. To transact any other ordinary business which may properly be transacted at an AGM.

**AS SPECIAL BUSINESS**

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

6. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore ("**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; 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,

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,

# NOTICE OF ANNUAL GENERAL MEETING

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 Singapore Exchange Securities Trading Limited) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, 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;

(b) new shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with the Listing Manual of the SGX-ST; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

provided such adjustments in sub-paragraphs (2)(a) and (b) above are made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

(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

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

[See Explanatory Note (ii)] **(Resolution 6)**

7. **Proposed Renewal of the Share Buyback Mandate**

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 of Singapore ("**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price or prices 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) market purchases (each a "**Market Purchase**") transacted on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"); and/or

(ii) off-market purchases (each an "**Off-Market Purchase**") effected otherwise than on the SGX-ST in accordance with any equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all conditions prescribed by the Companies Act,

# NOTICE OF ANNUAL GENERAL MEETING

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and the listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally ("**Share Buyback Mandate**");

(b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of 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 required by law to be held; and

(ii) the date on which purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out in full to the Prescribed Limit mandated;

(c) in this Resolution:

"**Prescribed Limit**" means that number of issued Shares representing ten per centum (10%) of the total number of issued Shares as at the date of the passing of this Resolution unless the Company has effected a reduction of its issued share capital in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period (as hereinafter defined), in which event the total number of issued Shares shall be taken to be the total number of issued Shares as altered. Any Shares which are held as treasury shares and subsidiary holdings will be disregarded for purposes of computing the ten per centum (10%) limit;

"**Relevant Period**" means the period commencing from the date of the AGM on which the ordinary resolution relating to the proposed renewal of the Share Buyback Mandate is passed and expiring on the date on which the next annual general meeting of the Company is held or required by law to be held, whichever is earlier; and

"**Maximum Price**", in relation to a Share to be purchased or acquired pursuant to the Share Buyback Mandate, means an amount (excluding brokerage, commission, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, one hundred and five per centum (105%) of the Average Closing Price (as hereinafter defined) of the Shares; and

(ii) in the case of an Off-Market Purchase, one hundred and fifteen per centum (115%) of the Average Closing Price (as hereinafter defined) of the Shares,

where:

"**Average Closing Price**" means the average of the closing market prices of a Share traded on the SGX-ST over the last five (5) market days on which transactions in the Shares were recorded immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer (as hereinafter defined) pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action which occurs during the relevant five-day period and the date of the Market Purchase or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

# NOTICE OF **ANNUAL GENERAL MEETING**

(d) the Directors of the Company and/or any of them be and are hereby authorised to deal with the Shares purchased or acquired by the Company, pursuant to the Share Buyback Mandate, in any manner as they think fit, which is permissible under the Companies Act; and

(e) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

[See Explanatory Note (iii)] **(Resolution 7)**

By Order of the Board

Chester Leong
Company Secretary

Singapore, 14 April 2021

**Explanatory Notes:**

(i) Resolution 2 and 3 – Detailed information about the Directors of the Company can be found in the "Board of Directors" section of the Company's Annual Report, including their current directorships in other listed companies and other principal commitments held. Please also refer to the section titled "Additional Information on Directors Seeking Election/Re-Election" appended to this Notice of Annual General Meeting for additional information on the retiring Directors.

Mr Lim Siok Kwee will, upon re-election as a Director of the Company, remains as Executive Director.

Dr Lee Kuo Chuen, David will, upon re-election as a Director of the Company, remains as Chairman of the Nominating Committee and a member of the Audit and Compensation Committees, and will be considered independent.

(ii) Resolution 6, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from (a) the conversion or exercise of any convertible securities; (b) share options or vesting of share awards, provided the options and awards were granted in compliance with the Listing Manual of the SGX-ST; and (c) any subsequent bonus issue, consolidation or subdivision of shares, provided such adjustments in sub-paragraphs (a) and (b) above are made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Ordinary Resolution.

(iii) Resolution 7, if passed, will empower the Directors of the Company to buyback issued Shares from time to time (whether by way of Market Purchases or Off-Market Purchases on an equal access scheme) of up to ten per centum (10%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the prices of up to but not exceeding the Maximum Price, in accordance with the terms and subject to the conditions set out in the appendix to shareholders dated 14 April 2021 ("**Appendix**"), the Companies Act and the Listing Manual of the SGX-ST. This authority will, unless revoked or varied at general meeting, continue in force until the earlier of (i) the date that the next annual general meeting of the Company is held or required by law to be held and (ii) the date on which the purchases or acquisitions of Shares are carried out in full to the Prescribed Limit mandated.

The Company intends to use internal sources of funds to finance the purchases or acquisitions of its Shares pursuant to the Share Buyback Mandate. The amount of financing (if any) required for the Company to purchase or acquire its Shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice of AGM as these will depend on the number of Shares purchased or acquired, whether the purchase or acquisition of Shares is made out of capital or profits, the price at which such Shares were purchased or acquired and whether the Shares purchased or acquired are cancelled or held as treasury shares. Purely for illustrative purposes only, the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate on the audited consolidated financial statements of the Company for the financial year ended 31 December 2020, based on certain assumptions, are set out in paragraph 2.8 of the Appendix. Please refer to the Appendix for more details.

# NOTICE OF **ANNUAL GENERAL MEETING**

**Important Notes:**

1. **Pre-Registration:**

The 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. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM are set out in the Company's announcement dated 14 April 2021 which has been uploaded together with this Notice of AGM on SGXNet and the Company's website on the same day. The announcement and this Notice of AGM may also be accessed at the URL http://shsholdings.listedcompany.com.

A member will be able to participate at the AGM by watching the AGM proceedings via a "live" audio-visual webcast via mobile phones, tablets or computers or listening to the proceedings through a "live" audio-only feed via telephone. In order to do so, a member must pre-register by **10.00 a.m. on 26 April 2021** ("**Pre-Registration Deadline**"), at the URL https://zoom.us/webinar/register/WN_d8kimcS8RgKeZ2Nphfy_nw for the Company to authenticate his/her/its status as members. Authenticated members will receive email instructions on how to access the "live" audio-visual webcast and "live" audio-only feed of the proceedings of the AGM ("**Confirmation Email**") by **12.00 p.m. (noon) on 28 April 2021**.

Members who do not receive the Confirmation Email by **12.00 p.m. (noon) on 28 April 2021**, but have registered by Pre-Registration Deadline, should contact the Company at +65 6515 6116.

Investors who hold Shares through depository agents (as defined in Section 81SF of the Securities and Futures Act, Chapter 289) and wish to watch the "live" audio-visual webcast or listen to the "live" audio-only feed of the AGM must approach their respective depository agents to pre-register **by 5.00 p.m. on 19 April 2021** in order to allow sufficient time for their respective depository agents to in turn pre-register their interest with the Company.

2. **Submission of Questions:**

A member who pre-registers to watch the "live" audio-visual webcast or listen to the "live" audio-only feed may also submit questions related to the resolutions to be tabled for approval at the AGM. To do so, all questions must be submitted by Pre-Registration Deadline:

(a) via the pre-registration website at the URL https://zoom.us/webinar/register/WN_d8kimcS8RgKeZ2Nphfy_nw;

(b) in hard copy by post to the registered office of the Company at 19 Tuas Avenue 20, Singapore 638830; or

(c) by email to the Company at agm2020@shsholdings.com.sg.

The Company will endeavour to address all substantial and relevant questions received from shareholders prior to the AGM via SGXNet and on the Company's website or during the AGM through the "live" audio-visual webcast or "live" audio-only feed.

3. **Submission of Proxy Form:**

**A member will not be able to vote through the "live" audio-visual webcast or "live" audio-only feed and voting is only through submission of proxy form. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM.** The proxy form for the AGM can be accessed at the Company's website at the URL http://shsholdings.listedcompany.com, and is made available with this Notice of AGM on SGXNet on the same day.

Investors who hold their Shares through relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 (including CPF investors, SRS investors and holders under depository agents) and who wish to participate in the AGM by (a) observing and/or listening to the AGM proceedings through "live" audio-visual webcast or "live" audio-only feed; (b) submitting questions in advance of the AGM; and/or (c) appointing the Chairman of the Meeting as proxy to attend, speak and vote on their behalf at the AGM, should approach their respective relevant intermediaries (including their respective CPF agent banks, SRS approved banks or depository agents) as soon as possible in order to make the necessary arrangements for them to participate in the AGM, including the submission of their voting instructions by **5.00 p.m. on 19 April 2021** in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the Meeting to vote on their behalf by **10.00 a.m. on 27 April 2021**.

In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the proxy form, failing which the appointment of the Chairman of Meeting as proxy for that resolution will be treated as invalid.

The Chairman of the Meeting, as proxy, need not be a member of the Company.

The instrument appointing the Chairman of the Meeting as proxy ("**Proxy Form**") must be submitted to the Company in the following manner:

(a) if in hard copy and by post, be lodged at the registered office of the Company at 19 Tuas Avenue 20, Singapore 638830; or

(b) if by email, be received by the Company at proxyform@shsholdings.com.sg,

in either case, no later than **10.00 a.m. on 27 April 2021** (the "**Proxy Deadline**").

# NOTICE OF **ANNUAL GENERAL MEETING**

A member who wishes to submit a Proxy Form must first **download, complete and sign the Proxy Form**, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

**In view of the current COVID-19 situation and the related safe distancing measures, members are strongly encouraged to submit completed Proxy Forms electronically via email.**

The Proxy Form must be signed by the appointor or his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

The Company shall be entitled to reject the Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the Proxy Form (including any related attachment) (such as in the case where the appointor submits more than one Proxy Form).

In the case of a member whose Shares are entered against his/her/its name in the depository register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if such member is not shown to have Shares entered against his/her/its name in the depository register as at 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.

4. **Annual Report and other documents**

The Annual Report for the financial year ended 31 December 2020 (the "**FY2020 Annual Report**") made available on 14 April 2021 can be accessed via SGXNet and the Company's website at the URL http://shsholdings.com.sg/ir_ar.html.

The following documents are also made available to the members on 14 April 2021 together with this Notice of AGM via SGXNet and the Company's website at the URL http://shsholdings.listedcompany.com:

(a) Appendix dated 14 April 2021 in relation the proposed renewal of the share buyback mandate; and

(b) AGM Proxy Form.

**Personal data privacy:**

By submitting an instrument appointing the Chairman of the Meeting as proxy to attend, speak and vote at the Meeting and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of the appointment of the Chairman of the Meeting as proxy for the Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Meeting (including any adjournment thereof), and in order for the Company (or its agents or service provider) to comply with any applicable laws, listing rules, regulations and/or guidelines.

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## SHS HOLDINGS LTD.

Company Registration No. 197502208Z
(Incorporated in the Republic of Singapore)

### PROXY FORM
### ANNUAL GENERAL MEETING

This form of proxy has been made available on SGXNet and the Company's website.

A printed copy of this form of proxy will NOT be despatched to members.

**IMPORTANT**

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. Alternative arrangements relating to, among others, attendance, submission of questions in advance and/or voting by proxy at the AGM are set out in the Notice of AGM and the Company's announcement dated 14 April 2021 which has been uploaded together with Notice of AGM on SGXNet and Company's website on the same day. This announcement may also be accessed at the URL http://shsholdings.listedcompany.com.
3. A member will not be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM. In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, 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.
4. Members who hold shares through the relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 (including CPF or SRS investors) and who wish to appoint the Chairman of the Meeting as proxy should approach their respective relevant intermediary (including CPF Agent Banks or SRS Operators) to submit their votes by **5.00 p.m. on 19 April 2021**.
5. By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 14 April 2021.
6. **Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to vote on his/her/its behalf at the AGM.**

I/We, ______________________________ NRIC/Passport/Co. Reg. No. ____________________

of ____________________________________________________________ (Address)
being a member/members of **SHS Holdings Ltd.** (the "**Company**"), hereby appoint the **Chairman of the Meeting**, as my/our proxy to vote for me/us on my/our behalf at the AGM (the "**Meeting**") of the Company to be held by way of electronic means on **Thursday, 29 April 2021 at 10.00 a.m.** (Singapore time, via live audio-visual webcast or live audio-only feed) and at any adjournment thereof.

(Voting will be conducted by poll. If you wish the Chairman of the Meeting as your proxy to cast all your votes for or against a resolution to be proposed at the AGM, please indicate with a "√" in the space provided under "For" or "Against". If you wish the Chairman of the Meeting as your proxy to abstain from voting on a resolution to be proposed at the AGM, please indicate with a "√" in the space provided under "Abstain". Alternatively, please indicate the number of shares that the Chairman of the Meeting as your proxy is directed to vote "For" or "Against" or to abstain from voting. **In the absence of specific directions, the appointment of the Chairman of the Meeting as your proxy will be treated as invalid**)

| No. | Resolutions relating to: | For | Against | Abstain |
|---|---|---|---|---|
| 1 | Directors' Statement and Audited Financial Statements for the year ended 31 December 2020 | | | |
| 2 | Re-election of Mr Lim Siok Kwee, Thomas as Director | | | |
| 3 | Re-election of Dr Lee Kuo Chuen, David as Director | | | |
| 4 | Approval of Directors' fees of up to S$229,200 for the financial year ending 31 December 2021 | | | |
| 5 | Re-appointment of Moore Stephens LLP as Auditors | | | |
| 6 | Authority to issue shares | | | |
| 7 | Proposed Renewal of the Share Buyback Mandate | | | |

Dated this ____________ day of ________________ 2021

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

______________________________

*Signature of Shareholder(s) or*
*Common Seal of Corporate Shareholder*

**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. **A member will not be able to vote through the "live" audio-visual webcast or "live" audio-only stream, and voting is only through submission of proxy form. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the AGM.** In appointing the Chairman of the Meeting as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, 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. The Chairman of the Meeting, as a proxy, need not be a member of the Company.

4. The instrument appointing the Chairman of the Meeting as proxy ("**Proxy Form**") must be submitted to the Company in the following manner:

   (a) if in hard copy by post, be lodged at the registered office of the Company at 19 Tuas Avenue 20, Singapore 638830; or

   (b) if by email, be received by the Company at proxyform@shsholdings.com.sg,

   in either case, no later than **10.00 a.m. on 27 April 2021** (the "**Proxy Deadline**").

   A member who wishes to submit a Proxy Form must first **download, complete and sign the Proxy Form**, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   **In view of the current COVID-19 situation and the related safe distancing measure, members are strongly encouraged to submit completed Proxy Forms electronically via email.**

5. The Proxy Form must be signed by the appointor or his attorney duly authorised in writing. Where the Proxy Form is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

   Where the Proxy Form is submitted by email, it must be authorised in the following manner:

   (a) by way of the affixation of an electronic signature by the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation; or

   (b) by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the Proxy Form under hand and submitting a scanned copy of the signed Proxy Form by email.

   Where a Proxy Form is signed or, as the case may be, authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the Proxy Form, failing which the Proxy Form may be treated as invalid.

6. The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form (including any related attachment) (such as in the case where the appointor submits more than one Proxy Form). In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any Proxy Form lodged if such members are not shown to have shares entered against their names in the Depository Register as at 72 hours before the time appointed for the AGM, as certified by The Central Depository (Pte) Limited to the Company.

**PERSONAL DATA PRIVACY:**

By submitting an instrument appointing the Chairman of the Meeting as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2021.

**SHS HOLDINGS LTD.**
19 Tuas Avenue 20
Singapore 638830
Tel: (65) 6515 6116 | Fax: (65) 6515 6117
www.shsholdings.com.sg