



ASIA ENTERPRISES HOLDING LIMITED

2019

ANNUAL REPORT

CORPORATE PROFILE

Asia Enterprises Holding Limited (“Asia Enterprises” or the “Company” and together with its subsidiaries, the “Group”) is a major distributor of a comprehensive range of steel products to industrial end-users in Singapore and the Asia-Pacific region.

With operating history dating back to 1973, Asia Enterprises provides a wide range of products that is complemented by its value-added services to offer ‘one-stop’ solutions and just-in-time delivery to its customers. Today, the Group has a ready inventory consisting of more than 1,200 steel products that it supplies to over 700 active customers involved primarily in marine and offshore, oil and gas, construction, engineering/fabrication and manufacturing industries.

The Group has forged a strong reputation as a reliable distributor of steel products to the marine and offshore industries.

Asia Enterprises presently owns three facilities in Singapore – a multi-storey warehouse, a single-storey warehouse and a steel processing plant-cum-warehouse – with a total combined land area of 45,934 square metres. To complement its steel distribution business, the Group also provides precision steel processing services.

The Group was listed on the Main Board of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 1 September 2005.

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MESSAGE TO SHAREHOLDERS

DEAR SHAREHOLDERS,

Companies operating in Singapore's steel distribution industry continued to face a difficult business environment during 2019. This was due to the muted demand from end-users of steel amid the slow macroeconomic backdrop, which was further exacerbated by intense competition within the industry.

Despite the challenging market conditions, the Group notched up higher sales in the financial year ended 31 December 2019 ("FY2019"). We believe this underlines the concerted efforts of our sales team to strengthen engagement with customers, which helped to lift our sales in Singapore and Indonesia markets last year.

For FY2019, the Group's revenue increased 6% to S\$40.2 million, attributed mainly to an increase in sales volume which more than counter-balanced the impact of lower average selling prices ("ASP"). We continued to adopt a flexible sales strategy of focusing on the steel end-user markets that show greater demand prospects. As such, the Group was able to take advantage of improving demand from customers in the marine and offshore sector and drove up sales to this segment by 22% to S\$24.3 million in FY2019.

This increase in sales to the marine and offshore segment more than offset lower sales derived from the Group's other main end-user markets. Revenue from the engineering/fabrication segment dipped marginally to S\$5.1 million while the construction segment saw revenue decline 9% to S\$3.9 million.

In terms of geographical markets, the Group recorded revenue growth in Singapore and Indonesia. Sales in Singapore which remained as our largest market, increased 9% to S\$26.0 million in FY2019, driven mainly by higher demand from local shipyards.

The Group also benefited from a pick-up in shipbuilding activities of customers in Indonesia which lifted sales to this market by 29% to S\$10.2 million in FY2019. The sales growth achieved in the Singapore and Indonesia markets more than offset lower sales in Malaysia during FY2019.

Gross profit margin in FY2019 softened to 17.4% in FY2019 compared to 20.9% in FY2018 due to lower ASP and higher weighted average cost of inventory sold. This, together with the absence of an income tax income in FY2019, led to a decrease in net profit attributable to shareholders ("PATMI") to S\$0.7 million from S\$1.7 million in FY2018. Excluding interest, income tax and depreciation expenses, the Group recorded earnings attributable to equityholders of S\$2.8 million in FY2019 compared to S\$3.0 million previously.

Notwithstanding the lower PATMI, Asia Enterprises is recommending a final dividend of 0.50 cents per share for FY2019, the same as the final dividend for FY2018. This translates into a dividend payout of 250% of profits. The Group remains committed to rewarding shareholders for their support and has consistently paid dividends representing at least 40% of earnings every year since listing in 2005.

Looking forward, the Group expects the operating environment in FY2020 to stay challenging. Ongoing uncertainties facing the global economy will continue to influence demand from end-users of steel. Keen market competition is also expected to prevail which could depress steel selling prices while fluctuations in international steel prices and the US Dollar versus the Singapore Dollar will continue to affect the Group's weighted average cost of inventory. We are also closely monitoring the impact of the COVID-19 outbreak on the steel industry in China, the world's largest steel producer, as it could potentially lead to a disruption in the global steel supply chain.

Given the numerous uncertainties, the Group intends to stay vigilant on our credit exposure to ensure a sound financial position. As at 31 December 2019, the Group's robust balance sheet was backed by cash of S\$47.4 million and zero debt.

MESSAGE TO SHAREHOLDERS

We will also maintain tight control of expenses as part of our prudent financial management. To maintain our competitiveness, we will keep abreast of demand trends and purchasing patterns of major steel end-users to ensure the Group has sufficient and relevant inventory to provide shorter delivery lead times to customers.

We believe these strategies will ensure the Group has the strength to withstand challenging market conditions and the resources to quickly seize business opportunities when there is a sustained recovery in the major steel consuming industries.

After 47 years at the helm of Asia Enterprises, I am happy to pass the baton to my fellow director, Mr Lee Bon Leong as Independent Non-Executive Chairman of the Board of Directors, even as I remain as Advisor to the Group. I am confident the Management will continue to act prudently and in the long-term interests of the Group. I would like to thank my fellow Directors and colleagues for their commitment, loyalty and contributions. In particular, I wish to convey my heartfelt appreciation to Mr Harmaidy and Mr Teo Keng Thwan for their services and unwavering dedication to the Group over the past decades. Mr Harmaidy and Mr Teo will be stepping down from the Board upon the conclusion of the Company's forthcoming annual general meeting.

On behalf of the Board, I would also like to welcome our new Independent Director Mr Koh Wee Kiang and Executive Director Mr Lim Lian Peng to the Board. They were appointed in April 2020 as part of our board renewal exercise. Last but not least, we wish to express our appreciation to our Shareholders, valued customers, principal banks, business partners and suppliers for their continued support.

LEE CHOON BOK

Executive Chairman



FINANCIAL AND BUSINESS REVIEW

FINANCIAL REVIEW

In spite of muted demand from steel end-users and intense industry competition, the Group recorded higher revenue of S\$40.2 million in FY2019, up 6% from S\$37.8 million in FY2018. This was attributed to increased sales volume which more than counter-balanced the impact of lower ASP in FY2019. The decline in ASP was due mainly to keen industry competition in the Group's primary markets, and also in line with the trend of international steel prices which were generally softer in FY2019 compared to FY2018. Group revenue in FY2019 was lifted mainly by higher sales to customers in the marine and offshore segment.

Gross profit for FY2019 eased 12% to S\$7.0 million from S\$7.9 million in FY2018. Correspondingly, the Group's gross profit margin decreased to 17.4% in FY2019 compared to 20.9% in FY2018. This was due mainly to lower ASP, coupled with higher weighted average cost of inventory sold in FY2019 vis-à-vis FY2018.

The Group's gross profit margin typically fluctuates across the quarters during a financial year. Underlying factors include differences in selling prices due to seasonal factors and market conditions, sales mix, and changes in its weighted average cost of inventory sold as the Group sells and replaces its inventory across different periods.

Other income increased to S\$1.2 million in FY2019 from S\$1.0 million in FY2018, attributed mainly to higher interest income. This helped to offset a negative swing of around S\$0.2 million resulting from a foreign exchange adjustment loss in FY2019 which was in contrast to a foreign exchange adjustment gain in FY2018.

Marketing and distribution costs of S\$0.3 million in FY2019 were similar to FY2018. Administrative expenses in FY2019 were also relatively unchanged at S\$7.2 million when compared to S\$7.3 million in FY2018.

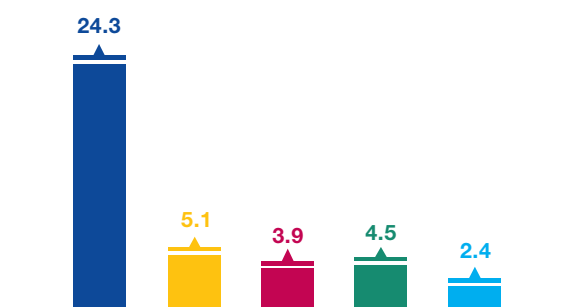
The Group reported PATMI of S\$0.7 million in FY2019 compared to S\$1.7 million in FY2018 due mainly to lower gross profit margin and the absence of an income tax income. Earnings before interest, tax, depreciation and amortisation attributable to equity holders ("EBITDA") amounted to S\$2.8 million in FY2019, compared to S\$3.0 million in FY2018.

The Board of Directors is recommending the payment of a final dividend of 0.5 cents per share with respect to FY2019, which is the same as the final dividend for FY2018.

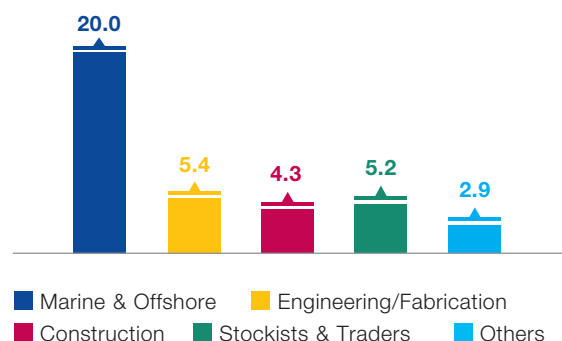
The Group's financial position remained sound with cash and cash equivalents of S\$47.4 million and zero borrowings as at 31 December 2019. Shareholders' equity (excluding treasury shares) increased to S\$95.3

Revenue Breakdown by Customer Segment (S\$ million)

FY2019



FY2018



million from S\$93.4 million as at 31 December 2018 due to profit generated in FY2019 and the acquisition of the remaining 40% stake in a subsidiary, Asia-Beni Steel Industries (Pte) Ltd. As at 31 December 2019, the Group's net asset value per share of 27.9 cents included cash and cash equivalents of 13.9 cents per share and inventory with book value of 4.6 cents per share.

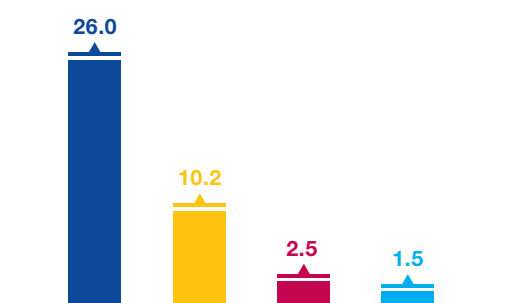
Property, plant and equipment decreased to S\$18.6 million from S\$20.7 million as at 31 December 2018 due to depreciation charges. As a result of the adoption of SFRS(I)16, the present value of the operating lease payment commitments for the Group's warehouse facilities are recognised on its balance sheet as right-of-use assets and lease liabilities. As at 31 December 2019, the Group's right-of-use assets and lease liabilities stood at S\$10.0 million and S\$10.2 million respectively.

Other financial assets as at 31 December 2019 increased to S\$9.8 million from S\$6.7 million as at 31 December 2018 due to higher investments in fixed-income securities.

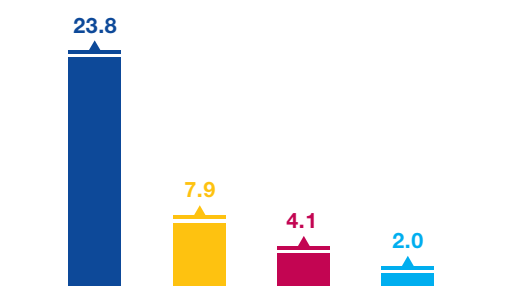
FINANCIAL AND BUSINESS REVIEW

Revenue Breakdown by Geographical Market* (S\$ million)

FY2019



FY2018



■ Singapore ■ Indonesia ■ Malaysia ■ Others

* based on shipment destination

As at 31 December 2019, trade and other receivables decreased to S\$7.4 million from S\$8.7 million at the end of December 2018. Trade and other payables decreased to S\$3.5 million from S\$4.4 million as at 31 December 2018 due to settlement of outstanding trade payables.

BUSINESS REVIEW

Performance by Customer Segment

Asia Enterprises is a leading steel distributor to the marine and offshore sector, and supplies a wide variety of steel products to shipyards in the region for new builds, repairs, conversions and offshore and marine-related activities. The Group also serves customers in the construction, engineering/fabrication and manufacturing industries.

In FY2019, the Group's sales to the marine and offshore segment climbed 22% to S\$24.3 million. This was achieved on the back of improved sales volume driven by increased shipbuilding and ship repair activities during FY2019. As a result, the marine and offshore segment's revenue contribution expanded to 60% in FY2019 from 53% in FY2018.

Sales to the engineering/fabrication segment dipped marginally by 6% to S\$5.1 million due mainly to lower ASP. Sales derived from the construction segment in FY2019 decreased 9% to S\$3.9 million in FY2019 as a result of lower orders and ASP. As a percentage of Group revenue, sales from the engineering/fabrication and construction segments made up 13% and 10% respectively in FY2019, as compared to 14% and 11% previously in FY2018.

Performance by Geographical Market

The Group serves over 700 active customers across the Asia Pacific region. Singapore, Indonesia and Malaysia are its primary geographical markets based on shipment destination.

The Group's sales to Singapore gained 9% to S\$26.0 million in FY2019 and accounted for the largest share of Group revenue with a contribution of 65%. This was driven mainly by higher demand from the local shipyards which offset lower purchases of steel products from customers in the construction segment.

Sales generated from the Indonesia market picked up in FY2019 as it rose 29% to S\$10.2 million from S\$7.9 million in FY2018. The improved demand for steel from this market was underpinned mainly by a higher level of shipbuilding activities during FY2019. As a result, Indonesia market accounted for 25% of Group revenue in FY2019 compared to 21% previously.

On the other hand, sales to Malaysia declined 39% to S\$2.5 million and accounted for 6% of Group revenue in FY2019.

Inventory Management

The Group's inventories are measured on a weighted average cost basis. Asia Enterprises' inventory procurement decisions are based on its assessment of customers' ongoing needs as well as the demand and supply conditions of the steel industry. Purchases by the Group to replenish inventories generally have a delayed impact on the Group's weighted average cost of inventory due to delivery lead time of the products, which is typically around two to three months.

As at 31 December 2019, the Group's inventories declined to S\$15.8 million from S\$18.4 million at the end of December 2018 in tandem with the Group's sales and inventory replenishment activities. For FY2019, inventory turnover shortened to 173 days from 225 days in FY2018.

FINANCIAL HIGHLIGHTS

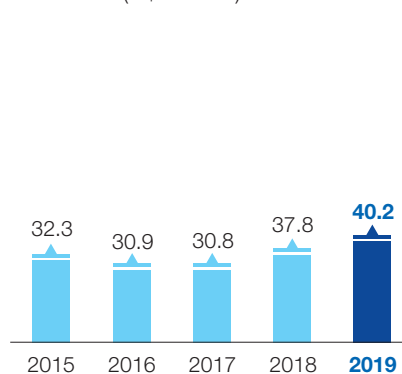
FINANCIAL YEAR ENDED 31 DECEMBER

(S\$ million)	FY2019	FY2018	Change
Revenue	40.2	37.8	6%
Gross Profit Margin	17.4%	20.9%	–
Net Profit Attributable to Shareholders (PATMI)	0.7	1.7	(60%)
PATMI Before Interest, Tax and Depreciation (EBITDA)	2.8	3.0	(7%)
Net Gearing	Zero borrowings	Zero borrowings	–

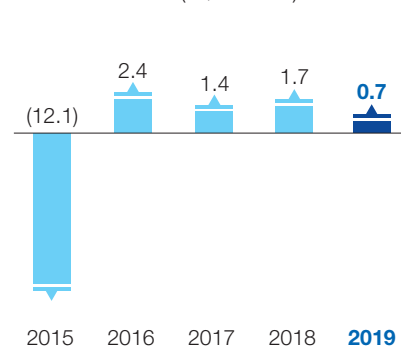
Per Share Data*			
Earnings Per Share (Cents)	0.20	0.50	
Proposed Dividend Per Share (Cents)	0.50	0.50	
Net Asset Value Per Share (Cents)	27.94	27.43	

* Based on issued share capital of 341,128,887 shares (excluding treasury shares and subsidiary holdings)

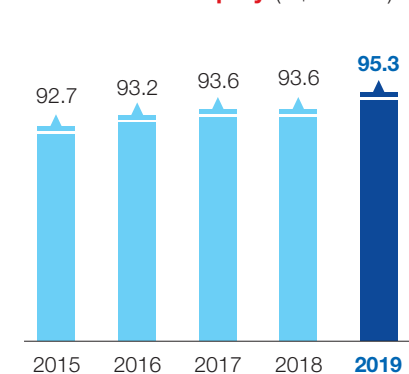
Revenue (S\$ million)



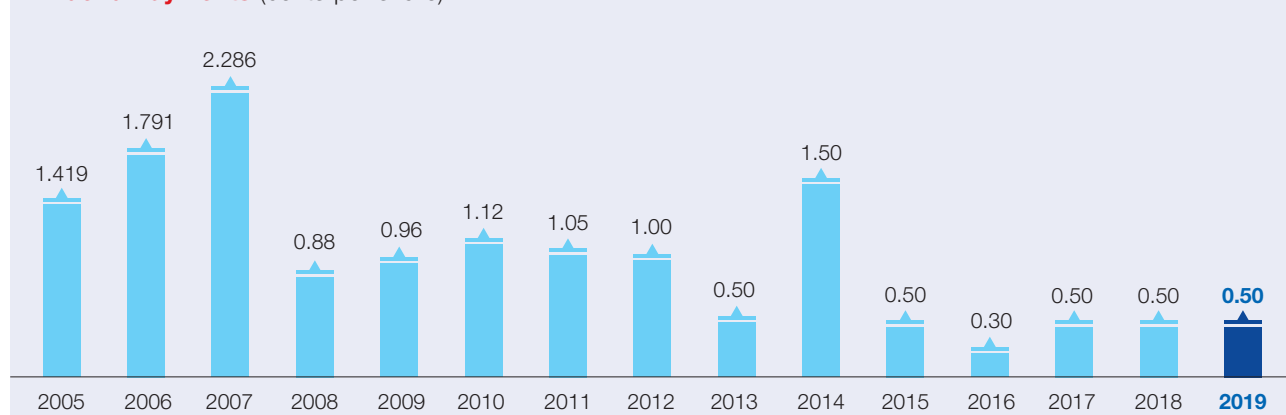
Net Profit/(Loss) Attributable to Shareholders (S\$ million)



Shareholders' Equity (S\$ million)



Dividend Payments (cents per share)



BOARD OF DIRECTORS



LEE CHOON BOK *Executive Chairman*

Mr Lee Choon Bok, 78, was appointed to the Board on 20 January 2005. He was last re-appointed on 19 April 2018. Mr Lee, together with our Managing Director, is responsible for charting our Group's strategic direction. He was invited to join Asia Enterprises (Private) Limited as its Managing Director in 1973 and was instrumental in building its steel distribution business. In 1985, he co-founded and was appointed Managing Director of Asia-Beni Steel Industries (Pte) Ltd and developed it into a profitable steel processing business. Prior to joining our Group, he was a sales executive with Siong Huat Hardware Pte Ltd, where he marketed steel products from 1971 to 1973. Mr Lee is currently the Association Advisor to the Singapore Metal & Machinery Association. He holds a Bachelor of Arts from Nanyang University.



LEE YIH CHYI, YVONNE *Managing Director*

Ms Lee Yih Chyi, Yvonne, 50, was appointed to the Board on 22 July 2005. She was last re-elected on 20 April 2017. Ms Lee is primarily responsible for the overall management and business operations of our Group. She joined our Group on 1 May 2003 as General Manager. Prior to that, Ms Lee was General Manager at Metal Commerz Pte Ltd where she was responsible for trading, operations and office administration. From 1995 to 1999, she was a Senior Manager in charge of steel trading and operations at VSST Far East Pte Ltd. Ms Lee holds a Master of Business Administration from the Charles Sturt University, Australia.



LIM LIAN PENG *Executive Director*

Mr Lim Lian Peng, 47, was appointed to the Board on 8 April 2020. He joined our Group in 2013 as Group Financial Controller and is responsible for our Group's financial management, accounting and taxation functions. Prior to joining Asia Enterprises, he was Group Financial Controller of Health Management International Ltd and also served as its Joint Company Secretary. His previous appointments include Financial Controller (SEA) of AGI Logistics Pte Ltd, Group Finance & Human Resource Manager of Dovechem Stolthaven Limited and Audit Senior at Rohan.Mah & Partners and N F Lee & Co. He is a Chartered Accountant of Singapore and a member of the Institute of Singapore Chartered Accountants. Mr Lim holds a Bachelor of Accountancy degree from the Nanyang Technological University.



HARMAIDY *Non-Executive Director*

Mr Harmaid, 67, was appointed to the Board on 22 July 2005 and was last re-elected on 18 April 2019. He is a member of the Remuneration Committee. He has been a director of Asia Enterprises (Private) Limited since 1984 and is also a director of Asia-Beni Steel Industries (Pte) Ltd. He is currently a director of Sin Hock Chong Company Private Limited, an investment holding company dealing mainly with property investments, and is responsible for its operations and management. Mr Harmaid holds a Diploma in Electronic Engineering from Ngee Ann Polytechnic.

BOARD OF DIRECTORS



TAN KEH YAN, PETER *Lead Independent Director*

Mr Tan Keh Yan, Peter, 71, was appointed as an Independent Director on 22 July 2005. He was last re-elected on 20 April 2017. Mr Tan has been the Lead Independent Director since 28 January 2014. He is Chairman of the Audit and Nominating Committees and a member of the Remuneration Committee. From 2001 to 2003, Mr Tan was a Managing Director of the Enterprise Banking department in DBS Bank Ltd, where he was responsible for business development of banking solutions to small and medium sized enterprises. Prior to that, Mr Tan was the Executive Director of DBS Finance Ltd from 1998 to 2001. He is currently the Lead Independent Director of Maxi-Cash Financial Services Ltd. He holds a Master of Business Administration from the University of California, Los Angeles.



LEE BON LEONG, PBM, BBM, JP *(Retired) Independent Director*

Mr Lee Bon Leong, 73, was appointed as an Independent Director on 3 May 2012 and was last re-elected on 18 April 2019. He is Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. Mr Lee is the Founding Consultant in Lee Bon Leong & Co (Advocates & Solicitors). Appointed as a Justice of the Peace in Singapore since November 1998, Mr Lee previously served as a member of the Board of Visiting Justices and the Board of Inspection. Mr Lee is the Chairman of the Home Detention Advisory Committee. He is also the Chairman of the Board of Visitors for the SCDF and the SPF Detention Barracks. He has been appointed as an Independent and Non-executive Chairman of Megachem Limited with effect from 1 March 2020. Mr Lee holds a Master of Laws degree from the University of Singapore.



TEO KENG THWAN *Independent Director*

Mr Teo Keng Thwan, 75, appointed as a Non-Executive Director on 20 January 2005, was last re-appointed on 19 April 2018. He was re-designated from Non-Executive Director to Independent Director on 7 July 2019. He is a member of the Audit and Nominating Committees. Mr Teo was a director of Asia Enterprises (Private) Limited from 1986 to 2014. In addition, he has been a director of Minh-Chieh Investments Pte Ltd, an investment holding company, since 1989. From the late 1980s to 1995, he was a Vice President and Regional Manager at United Overseas Bank Ltd in Singapore. Mr Teo holds a Bachelor of Arts (Hons) from the University of Singapore.



KOH WEE KIANG *Independent Director*

Mr Koh Wee Kiang, 66, was appointed as an Independent Director on 8 April 2020. Mr. Koh has over 30 years' experience in the financial industry and has served in senior positions in subsidiaries of DBS group, including as CEO of DBS Trading Pte. Ltd from 1995 to 2002 and a Senior Director of DBS Securities Pte Ltd. He is currently an Independent Director of Shanghai Turbo Enterprise Ltd. and is the founding director of Candoer Pte Ltd, a consulting company. He holds a Bachelor of Accountancy from the University of Singapore, and a Diploma in Financial Management from the Graduate School of Business Administration at New York University/National Productivity Board.

EXECUTIVE OFFICERS

LEE YIH LIN *General Manager*

Mr Lee Yih Lin joined Asia Enterprises (Private) Limited as its General Manager in 2006. Mr Lee is responsible for our Group's business development, as well as sales and marketing functions. He is also responsible for the identification and negotiations for viable projects and businesses that are in line with our Group's directives. Prior to joining our Group, Mr Lee was the Deputy General Manager of an aircraft component repair facility in Chengdu, China since 2004 where he was in charge of business development, and partnerships with US and European OEMs. He obtained his Master of Science in Business and Manufacturing Management from the University of Hertfordshire, England.

TEO KAH KHENG *General Manager (Head of Sales)*

Mr Teo Kah Kheng is General Manager (Head of Sales) for Asia Enterprises (Private) Limited with the responsibility for formulating the sales strategies and sales targets of our steel distribution business. Mr Teo started his career with us in 1978 as a shipping clerk and was promoted to sales manager in 1986. From 1987 to May 1988, 1994 to 1996, and 2007 to 2016, Mr Teo temporarily left the Group to pursue his own business ventures. In May 2016, we invited Mr Teo to return to the Group in the capacity of General Manager (Head of Sales).

LEE CHOON YAM *Head of Production*

Mr Lee Choon Yam joined our Group since 1979. He is currently our Head of Production and is in charge of production and facilities maintenance. Mr Lee was formerly our factory manager and has more than 30 years of experience in steel processing production and factory administration.

HAJI RAZEMAN BIN HAJI HAMZAH *Head of Logistics*

Mr Haji Razeman bin Haji Hamzah joined our Group in 1989. As Head of Logistics, he is responsible for the quality control of our steel products at two critical junctures of our distribution process – upon receipt of materials from suppliers and before delivery of products to customers. His role involves the management of day-to-day operations for import and export, as well as storage and logistics management of steel materials.



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CORPORATE GOVERNANCE

INTRODUCTION

The Board of Directors of Asia Enterprises Holding Limited (“the Company” or “Asia Enterprises” and together with its subsidiaries, “the Group”) is committed to upholding high standards of corporate governance, accountability and transparency to protect and enhance the interests of shareholders.

This report describes Asia Enterprises’ corporate governance policies and practices in accordance with the principles and provisions of the Code of Corporate Governance 2018 (“the Code”). This report also includes disclosure requirements under the Best Practices Guide and the Interested Person Transactions in the Singapore Exchange Securities Trading Limited (“SGX-ST”) Listing Manual.

The Company is required under Rule 710 of the Listing Manual of the SGX-ST to describe its corporate governance practices with specific reference to the principles of the Code in this Annual Report and disclose any deviation from the provisions of the Code together with an appropriate explanation for such deviation in this Annual Report.

BOARD MATTERS

THE BOARD’S CONDUCT OF AFFAIRS

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

The Company is headed by an effective Board who oversees the business affairs of Asia Enterprises and sets the strategic direction and performance objectives of the Group as well as considers sustainability issues as part of its strategic formulation and ensures that the necessary financial and human resources are in place for the Company to meet its objectives. In addition, the Board ensures that obligations to shareholders and other stakeholders are understood and met, as well as identifies the key stakeholder groups and recognises that their perceptions affect the Company’s reputation.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the best interests of the Company and hold Management accountable for performance. In addition, the Board sets the Company’s values and standards (including code of conduct and ethical standards), sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the Company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

The Board regularly reviews and approves quarterly, half yearly and annual results announcements, annual audited financial statements for the Group and the Directors’ Statement thereto, and other corporate announcements via SGXNet. It also assumes responsibility for approving the Group’s financial plans and annual budget, material acquisitions and disposals of assets, corporate or financial restructuring, risk management and internal control systems, corporate governance practices and any investments or expenditures exceeding set material limits to meet its objectives.

Four (4) scheduled Board meetings are conducted in a year to review the Group’s financial performance and to update the Board on significant business activities and the overall business environment. In addition to the scheduled meetings, the Board also hold ad hoc meetings as and when required to address any significant issues that may arise. The Company’s Constitution provides for the Directors to participate in Board and Board Committees meetings by means of telephonic conference, video conferencing or other similar communications equipment.

CORPORATE GOVERNANCE

The attendance of Directors at the Board and Board Committees meetings for the financial year ended 31 December 2019 ("FY2019") is as follows:

Name of Director	Board Meeting		Audit Committee		Remuneration Committee		Nominating Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Lee Choon Bok	4	4	4*	4*	1*	1*	1*	1*
Lee Yih Chyi, Yvonne	4	4	4*	4*	1*	1*	1*	1*
Harmaidy	4	4	4*	4*	1	1	1*	1*
Tan Keh Yan, Peter	4	4	4	4	1	1	1	1
Lee Bon Leong	4	4	4	4	1	1	1	1
Teo Keng Thwan	4	3	4	3	1*	1*	1	1

Note:

* By invitation

(a) Mr Koh Wee Kiang, Independent Director, was appointed to the Board on 8 April 2020

(b) Mr Lim Lian Peng, Executive Director, was appointed to the Board on 8 April 2020

The Board is supported by three (3) Board Committees to assist the Board in discharging its responsibilities and to enhance the Group's corporate governance framework. The Board Committees include the Audit Committee ("AC"), the Remuneration Committee ("RC") and the Nominating Committee ("NC"). Each Board Committee is chaired by an Independent Director. Each Board Committee has its own defined terms of reference which sets out the respective Board Committee's compositions, authorities and duties.

There was no new director appointed in FY2019. The Board recognises the importance of appropriate training for its Directors. Newly appointed directors are provided with a company orientation and are fully briefed on the Group's business activities, strategic direction and performance objectives. First-time directors are provided training opportunities in areas such as accounting, legal and industry-specific knowledge as appropriate, as well as to arrange for first-time directors to attend Mandatory Training conducted by Singapore Institute of Directors in accordance to Rule 201(5) of the SGX-ST Listing Manual, at the expense of the Company. New incoming directors will receive a formal letter explaining their statutory duties and responsibilities as a director.

Directors are updated in a timely manner on regulatory changes which have a bearing on the Company and the Directors' obligations towards the Company. The Company also encourages Directors to attend continuing education each financial year by circulating, on a regular basis, information on seminars, courses and other programs relating to the discharge of their duties as Directors. The Company is prepared to undertake funding for such continuing education.

Directors are provided with the agendas, complete and adequate meeting materials such as budgets, forecasts and monthly internal financial statements, background or explanatory information in a timely manner in advance of Board and Board Committees meetings to facilitate the effective discharge of their duties. Directors have separate and independent access to the Company Secretaries, Internal and External Auditors, and Management. Directors are entitled to request for information from the Management and are provided with such additional information as needed to make informed decisions in a timely manner on the matters pertaining to but not limited to Company's business, financial and corporate matters. The Board is informed of all material events and transactions as and when they occur.

Where decisions to be taken by the Board require specialised knowledge or expert opinion, the Directors, either individually or as a group, are encouraged to engage independent professional advice in the furtherance of their duties, if necessary and at the Company's expense.

The Company Secretaries and/or their representatives attend and minute all the Board and Board Committees meetings and assist the respective Chairmen in ensuring that proper board procedures are followed and relevant regulations and rules are complied with.

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

CORPORATE GOVERNANCE

BOARD COMPOSITION AND GUIDANCE

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

As at the date of this Report, the Board comprises four (4) Independent Directors, one (1) Non-Executive Director and three (3) Executive Directors.

The Board considers an “Independent Director” as one who has no relationship with the Company, its related corporations, its 5% shareholders or its officers who could interfere, or be reasonably perceived to interfere, with the exercise of the Director’s independent business judgement with a view to the best interests of the Company.

The independence of each Director is reviewed annually by the NC in accordance with the Code’s definition of independence. Each Director is required to complete a ‘Confirmation of Independence’ form to confirm his independence. The said form, which was drawn up based on the definitions and guidelines set forth in Provision 2.1 in the Code and the Guidebook for Audit Committees in Singapore (Second Edition) (“Guidebook”), requires each Director to assess whether he considers himself independent despite not having any of the relationships identified in the Code.

The independence of Mr Tan Keh Yan, Peter and Mr Teo Keng Thwan who have served on the Board beyond nine (9) years from the date of their first appointments, were subject to particularly rigorous review on their independence by members of the Board. The relevant factors that were taken into consideration in assessing the independence of Mr Tan Keh Yan, Peter and Mr Teo Keng Thwan are set out under Principle 4. The NC with the concurrence of the Board is satisfied that Mr Tan Keh Yan, Peter and Mr Teo Keng Thwan, having served on the Board for more than nine (9) years, continued to be considered independent. Mr Tan Keh Yan, Peter and Mr Teo Keng Thwan abstained from the rigorous review pertaining to the review of their respective independence.

Mr Teo Keng Thwan has indicated his desire to retire at the forthcoming annual general meeting (“forthcoming AGM”).

The Board notes that there should be a strong and independent element on the Board to exercise objective judgement on corporate affairs independently. The Independent Directors should make up a majority of the Board where the Chairman of the Board (“Chairman”) is not an independent director. Mr Lee Choon Bok has indicated his desire to retire at the forthcoming AGM. Mr Lee Bon Leong will succeed him as Independent Non-Executive Chairman of the Board.

The Non-Executive Directors make up a majority of the Board.

Currently, four (4) out of the eight (8) Directors of the Board are non-independent. They are Mr Lee Choon Bok (Executive Chairman), Ms Lee Yih Chyi, Yvonne (Managing Director), Mr Harmaid and Mr Lim Lian Peng. Mr Lee Choon Bok, Ms Lee Yih Chyi, Yvonne and Mr Lim Lian Peng are Executive Directors; Mr Harmaid is a Non-Executive Director.

Mr Lee Choon Bok has indicated his desire to retire at the forthcoming AGM. Mr Lee Bon Leong will succeed him as Independent Non-Executive Chairman of the Board. The Board intends to appoint Mr Lee Choon Bok as Advisor of the Company thereafter in view of his wealth of experience and knowledge of the steel industry.

Mr Harmaid has indicated his desire to retire at the forthcoming AGM.

The NC has reviewed and is satisfied that the independence of the other Independent Directors, Mr Lee Bon Leong and Mr Koh Wee Kiang are in accordance with Provision 2.1 of the Code and Rule 210(5)(d) of the Listing Rules of SGX-ST.

CORPORATE GOVERNANCE

The NC is of the view that the Board and Board Committees are of an appropriate size, and comprises Directors who have the appropriate balance and diversity of skills, gender, knowledge of the Company, expertise and experience such as banking, accounting and legal to function effectively and make informed decisions overseeing the Group's business.

To ensure greater accountability to shareholders, the Group has established the AC, RC and NC. Membership in each of the Board Committees comprises Independent and Non-Executive Directors, who are not related to Mr Lee Choon Bok and Ms Lee Yih Chyi, Yvonne.

Throughout the years, the Independent Directors and Non-Executive Director constructively challenge and assist to develop proposals on the Group's short term and long-term strategies and monitor closely the implementation of the same by the Management. The Independent Directors also review the performance of Management in meeting agreed goals and objectives, and monitor the reporting of performance.

The Independent Directors and Non-Executive Director have met without the presence of the Executive Directors and Management at least once annually so as to facilitate a more effective check on Management. The Chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The Company has a separate Chairman and Managing Director to ensure an appropriate balance of power, increased accountability and greater capacity of the Board in terms of independent decision making.

Mr Lee Choon Bok was appointed as the Executive Chairman of the Board of Directors and the Managing Director on 4 March 2005. Ms Lee Yih Chyi, Yvonne, the daughter of Mr Lee Choon Bok, was appointed as an Executive Director on 22 July 2005. On 1 January 2010, Mr Lee Choon Bok relinquished his position as Managing Director and the Company appointed Ms Lee Yih Chyi, Yvonne as the Managing Director. The separation of the roles of Chairman and Managing Director is part of the Group's continuing efforts to enhance the standards of its corporate governance.

As the Executive Chairman of the Company, Mr Lee Choon Bok assumes responsibility for:

- (a) leading the Board to ensure its effectiveness in all aspects of its role;
- (b) charting the strategic direction of the Group;
- (c) ensuring Board meetings are held when necessary to enable the Board to perform its duties and facilitate the Company's operations;
- (d) setting Board meeting agendas, reviewing all Board papers and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;
- (e) promoting a culture of openness and debate at the Board and encouraging constructive relations within the Board and between the Board and Management;
- (f) ensuring there is adequate, timely and relevant materials and Board papers to Board members to improve flow of information between Management and the Board; and
- (g) ensuring compliance with the Company's guidelines on corporate governance.

As Managing Director of the Group, Ms Lee Yih Chyi, Yvonne oversees the management and business operations of the Group and is responsible for executing strategies and policies adopted by the Board. She also updates the Board on strategic business issues and involves the Board in the business planning processes. To ensure a sound system of internal control to safeguard shareholders' investment and the Company's assets, the Group has appointed an independent internal auditor who reports directly to the AC to review the effectiveness of the Group's internal control.

CORPORATE GOVERNANCE

The Board noted that in line with Provision 3.3 of the Code, a Lead Independent Director should be available to shareholders where they have concerns and for which contact through the normal channels of the Chairman, Managing Director or Group Financial Controller has failed to resolve or is inappropriate. As recommended by the Code, Mr Tan Keh Yan, Peter was appointed by the Board as the Lead Independent Director with effect from 28 January 2014. Led by the Lead Independent Director, the Independent Directors are encouraged to meet periodically without the presence of the other Directors, and the Lead Independent Director provides feedback to the Chairman after such meetings.

BOARD MEMBERSHIP

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

Nominating Committee

The NC comprises three (3) members, all of whom are Independent Directors (including the Chairman). The members of the NC are:

Mr Tan Keh Yan, Peter (Chairman)	Lead Independent Director
Mr Lee Bon Leong	Independent Director
Mr Teo Keng Thwan	Independent Director (Re-designated from Non-Executive Director to Independent Director with effect from 7 July 2019)

Following the retirement of Mr Teo Keng Thwan at the forthcoming AGM, the Company will reconstitute the composition of the NC within 2 months.

The NC makes recommendations to the Board on all nominations for appointment and re-election of Directors to the Board. It ascertains the independence of Directors and evaluates the performance of the Board and individual Directors.

The NC's major responsibilities under its written terms of reference include the following:

- (a) reviewing Board succession plans for Directors, including selection, appointment, re-election, re-appointment and termination of Directors, in particular, for the Chairman and the Managing Director;
- (b) assessing and determining the independence of Directors on an annual basis;
- (c) developing a process for evaluation of the performance of the Board, its Board Committees and individual Directors and making recommendations on matters arising from the results of the Board's performance evaluation;
- (d) reviewing the structure, size and composition of the Board;
- (e) assessing whether any Director, who has multiple listed company board representation, is able to and has been adequately carrying out his duties; and
- (f) reviewing of training and professional development programs for the Board.

In reviewing the independence of an Independent Director who has served on the Board for more than nine (9) years from the date of his first appointment, the Board has taken into consideration the following factors:-

- (a) the considerable amount of experience, required expertise in the relevant industry and wealth of knowledge that the Independent Director brings to the Company;
- (b) the attendance and participation of the Independent Director in the proceedings and decision making process of the Board and Board Committees meetings;
- (c) the qualification and expertise of the Independent Director to provide reasonable checks and balances for the Management to act as safeguard for the protection of the Company's assets and shareholders' interests;
- (d) the Independent Director has provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company; and
- (e) the Independent Director is able to act independently and provides overall guidance to the Management.

CORPORATE GOVERNANCE

The NC assesses the independence of Directors, based on the guidelines set out in the Code, the Guidebook and any other salient factors as mentioned above. Following its annual review, the NC affirmed the independence of Mr Tan Keh Yan, Peter, Mr Lee Bon Leong, Mr Teo Keng Thwan and Mr Koh Wee Kiang.

The NC ensures that all recommendations for the appointment and re-election of Directors are formal and transparent. To identify and select candidates for the Board (whether for a vacancy or as an addition to the Board), the NC has set selection criteria based on the desired skill set (such as managerial, technical, financial, legal etc.), expertise and experience (in related or similar industries) that will enhance the effectiveness of the Board. The NC has access to internal and external sources to draw up a list of potential candidates. Internal sources include the Company's Directors and Management while external sources include the Company's Auditors, Secretarial Services Providers, the Singapore Institute of Directors etc. The NC conducts interviews with potential candidates and recommends short-listed candidates to the Board for consideration. There is no Alternate Director on the Board.

Pursuant to Regulation 104 of the Company's Constitution, one-third of the Directors is required to retire from office by rotation every year and each Director shall retire from office at least once every three (3) years, and subject themselves to re-election by shareholders at the Company's annual general meeting. In addition, Regulation 108 of the Company's Constitution stipulates that a director newly appointed by the Board shall only hold office until the next annual general meeting. All Directors to be re-elected have to be assessed and recommended by the NC before submission to the Board for approval.

Directors are assessed based on their respective attendance, adequacy of preparation and contributions during Board and Board Committees meetings. In addition, the NC requires all Directors to declare their representations on the Boards of other companies and principal commitments. The Board does not limit the maximum number of listed company board representations and principal commitments its Directors may hold as long as each Director is able to commit sufficient time and attention to the affairs of the Company. The NC is satisfied that Directors who have multiple listed company board representations and principal commitments have devoted sufficient time and attention to the affairs of the Company and are able to effectively carry out their duties as a Director of the Company.

Each member of the NC is also required to abstain from voting on resolutions, making recommendations and/or participating in matters in which he is interested.

The NC has reviewed and recommended the re-election of Mr Tan Keh Yan, Peter, Ms Lee Yih Chyi, Yvonne, Mr Koh Wee Kiang and Mr Lim Lian Peng who are retiring at the forthcoming AGM. The Board has accepted the recommendations and the retiring Directors will be offering themselves for re-election at the forthcoming AGM.

Mr Lee Choon Bok, Mr Harmaidly and Mr Teo Keng Thwan, have indicated their desire to retire at the forthcoming AGM. Mr Lee Bon Leong, Independent Director, will succeed Mr Lee Choon Bok as Independent Non-Executive Chairman of the Board.

Please refer to the "Board of Directors" section in the Annual Report for key information on the Directors.

To provide the information as set out in Appendix 7.4.1 of the Listing Manual relating to the candidate who is proposed to be appointed for the first time or re-elected to the board at a general meeting, in the notice of meeting, annual report or relevant circular distributed to shareholders prior to the general meeting pursuant to Rule 720(6) of the SGX-ST. The Directors named below are retiring and being eligible, offer themselves for re-election at the upcoming AGM:-

Name of Director	Tan Keh Yan, Peter	Lee Yih Chyi, Yvonne	Koh Wee Kiang	Lim Lian Peng
Date of appointment	22 July 2005	22 July 2005	8 April 2020	8 April 2020
Date of last re-appointment	20 April 2017	20 April 2017	N.A.	N.A.

CORPORATE GOVERNANCE

Name of Director	Tan Keh Yan, Peter	Lee Yih Chyi, Yvonne	Koh Wee Kiang	Lim Lian Peng
Age	71	50	66	47
Country of principal residence	Singapore	Singapore	Singapore	Singapore
The Board's comments on the NC's recommendation for re-election	The Board has accepted the NC's recommendation, who has reviewed and considered Mr Tan Keh Yan, Peter's performance as an Independent Director of the Company	The Board has accepted the NC's recommendation, who has reviewed and considered Ms Lee Yih Chyi, Yvonne's performance as the Managing Director of the Company	The Board has accepted the NC's recommendation, to re-elect Mr Koh Wee Kiang as an Independent Director of the Company based on his qualifications and work experience	The Board has accepted the NC's recommendation, to re-elect Mr Lim Lian Peng as an Executive Director of the Company based on his qualifications and work experience
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive	Non-Executive	Executive
Job title	Lead Independent Director, Chairman of Audit and Nominating Committees, Member of Remuneration Committee	Managing Director	Independent Director	Executive Director
Professional qualifications	Master of Business Administration from the University of California, Los Angeles	Master of Business Administration from Charles Sturt University, Australia	Diploma in Financial Management, from New York University / National Productivity Board Bachelor of Accountancy from University of Singapore	Bachelor of Accountancy from Nanyang Technological University

CORPORATE GOVERNANCE

Name of Director	Tan Keh Yan, Peter	Lee Yih Chyi, Yvonne	Koh Wee Kiang	Lim Lian Peng
Working experience and occupation(s) during the past 10 years	Director of the Company since 22 July 2005	Director of the Company since 22 July 2005	Director of Candoer Pte Ltd since 2007 Company Secretary of Candoer Services Pte Ltd since 2015 Director of CIMB Securities Singapore Pte Ltd from 2011 to 2012 Consultant to CIMB Securities Singapore Pte Ltd from June to December 2010	Group Financial Controller of the Company since 2013 Group Financial Controller (2012 – 2013) Group Senior Finance Manager (2010 – 2012) Joint Company Secretary (2009 – 2013) of Health Management International Ltd
Shareholding interest in the listed issuer and its subsidiaries	Mr Tan Keh Yan, Peter holds 125,000 shares of the Company	Ms Lee Yih Chyi, Yvonne holds 70,000 shares of the Company, and is deemed to have an interest in the 127,377,350 shares held by Shenton Investment Pte Ltd and 3,816,216 shares held by Mr Lee Choon Bok.	Mr Koh Wee Kiang holds 125,000 shares of the Company.	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	Daughter of Mr Lee Choon Bok, sister of Mr Lee Yih Lin and niece of Mr Lee Choon Yam	None	None

CORPORATE GOVERNANCE

Name of Director	Tan Keh Yan, Peter	Lee Yih Chyi, Yvonne	Koh Wee Kiang	Lim Lian Peng
Conflict of interest (including any competing business)	None	None	None	None
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 720(1))	Yes	Yes	Yes	Yes
Other Principal Commitments Including Directorships	Other Principal Commitment: Nil	Other Principal Commitment: Nil	Other Principal Commitment: Nil	Other Principal Commitment: Nil
	Present Directorship: Director of Maxi-Cash Financial Services Corporation Ltd	Present Directorship: Director of Asia Enterprises (Private) Limited Director of Asia-Beni Steel Industries (Pte) Ltd Director of Shenton Investment Pte Ltd	Present Directorship: Director of Candoer Pte Ltd Director of Shanghai Turbo Enterprises Limited	Present Directorship: Nil
	Past Directorship (for the past 5 years): Director of Sin Heng Heavy Machinery Limited	Past Directorship (for the past 5 years): Nil	Past Directorship (for the past 5 years): Nil	Past Directorship (for the past 5 years): Nil
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes	Yes	No

CORPORATE GOVERNANCE

Name of Director	Tan Keh Yan, Peter	Lee Yih Chyi, Yvonne	Koh Wee Kiang	Lim Lian Peng
If yes, please provide details of prior experience.	Director of the Company since 22 July 2005 and Director of Maxi-Cash Financial Services Corporation Ltd	She has been a Director of the Company since 22 July 2005	He is an Independent Director of Shanghai Turbo Enterprises Ltd	NA
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a listed issuer as prescribed by the Exchange.	N.A.	N.A.	N.A.	Company will arrange for Mr Lim Lian Peng to attend Mandatory Training conducted by Singapore Institute of Directors in accordance to Rule 201(5) of the SGX-ST Listing Manual
Please provide details of relevant experience and the NC's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.	N.A.	N.A.

The Directors had responded negative to items (a) to (k) listed in Appendix 7.4.1 of the Listing Manual.

BOARD PERFORMANCE

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

The NC recommends objective performance criteria and the process for approval by the Board to assess the performance and effectiveness of the Board as a whole and the contribution by each Director to the effectiveness of the Board. The evaluation is carried out on an annual basis without engagement of an external facilitator.

The Board Committees have not been evaluated separately but together with the Board as a whole. For assessing the effectiveness of the Board as a whole, each Director is required to complete a questionnaire which will be submitted to the NC. The NC reviews and assesses the Board's performance based on the Board's composition, structure and independence, conduct at meetings, advisory and oversight functions, adequacy of risk and crisis management protocols, accountability and knowledge of the Company's business and long-term prospects, and sufficient discharge of the Directors' respective duties. The completed assessment is compiled into a consolidated report on a no-name basis and is tabled along with any recommendations to the Board for discussion. This process is designed to obtain constructive feedback and initiate dialogue among Directors with a view to enhance shareholders' value.

CORPORATE GOVERNANCE

For evaluating the performance of each Director, a self-assessment of the Directors is conducted annually in areas including director's duties, knowledge of financial, business, industry and the Company as well as interaction with internal and external parties. The compiled results of the assessment were reviewed by the NC. The performance of each individual director is taken into account in their re-election.

The results of the assessment of the effectiveness of the Board as a whole and of each individual Director were considered by the NC which would then make recommendations to the Board aimed at helping the Board to discharge its duties effectively.

No external facilitator was used in FY2019. However, if the need arises, the NC has full authority to engage an external facilitator to assist the NC to carry out the evaluation process at the Company's expense.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

LEVEL AND MIX OF REMUNERATION

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

DISCLOSURE ON REMUNERATION

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

Remuneration Committee

The Remuneration Committee ("RC") comprises three (3) members, two (2) of whom are Independent Directors (including the Chairman) and one (1) is a Non-Executive Director. The members are:

Mr Lee Bon Leong (Chairman)	Independent Director
Mr Tan Keh Yan, Peter	Lead Independent Director
Mr Harmaid	Non-Executive Director

Following the retirement of Mr Harmaid at the forthcoming AGM, the Company will reconstitute the composition of the RC within 2 months.

The RC's major responsibilities under its written terms of reference include:

- (a) reviewing and recommending to the Board for approval a framework of remuneration and the specific remuneration packages which cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind for all Directors and key management personnel, such that a significant proportion of Executive Directors' and key management personnel's remuneration is structured to link rewards to corporate and individual performance;
- (b) reviewing the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous; and
- (c) reviewing the remuneration packages of employees who are related to any Director(s) and/or substantial shareholder(s).

CORPORATE GOVERNANCE

The Company's remuneration package for employees, including Executive Directors, is made up of both fixed and variable components. The fixed component is the basic salary while the variable component is linked to the Group's and the individual's performance.

The RC reviews the remuneration packages, including Directors' fees and salaries, allowances, bonuses, profit sharing incentives, and benefits-in-kind for the Executive Directors and key management personnel on an annual basis. In its review, the RC takes into consideration the pay and employment conditions within the industry and comparable companies, as well as the Company's relative performance and the performance of the individual directors/key management personnel when setting remuneration packages so as to attract, retain and motivate them to run the Group successfully while seeking to align with the long-term interest and risk policies of the Company. A proportion of each of the Executive Director's remuneration is linked to performance and achievement of financial targets approved by the Board. The remuneration of Independent Directors and Non-Executive Director will be appropriate to the level of contribution, taking into consideration the effort, time spent and responsibilities, the prevailing market conditions and referencing Directors' fees against comparable benchmarks, such that Independent Directors are not overly-compensated to the extent that their independence may be compromised.

The RC's recommendations are submitted to the Board. Each member of the RC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his remuneration package.

The RC has not sought external advice nor appointed any remuneration consultants in considering the remuneration of the Directors and key management personnel. However, the RC is encouraged to engage independent professional advice, if necessary, at the Company's expense.

The RC will review the Company's obligations in relation to the service agreements of the Executive Directors and key management personnel that would arise in the event of termination of these service agreements. This is to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

The RC may recommend the Company to consider the use of contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

Remuneration Report

A breakdown showing the level and mix of remuneration of each Director and key management personnel for FY2019 is as follows: -

Name of Director	Base Salary	Variable Payments	Other Benefits	Fees	Total
\$500,000 to \$749,999					
Lee Choon Bok	90%	7%	1%	2%	100%
\$250,000 to \$499,999					
Lee Yih Chyi, Yvonne	87%	8%	2%	3%	100%
Below \$250,000					
Harmaidy	-	-	-	100%	100%
Tan Keh Yan, Peter	-	-	-	100%	100%
Lee Bon Leong	-	-	-	100%	100%
Teo Keng Thwan	-	-	-	100%	100%

Note:

- (a) Mr Koh Wee Kiang, Independent Director, was appointed to the Board on 8 April 2020
- (b) Mr Lim Lian Peng, Executive Director, was appointed to the Board on 8 April 2020

CORPORATE GOVERNANCE

The Company supports and is aware of the need for transparency. However, taking into consideration the relative size of the Company, the competitive business environment in which it operates and the sensitive nature of such disclosure, the Board is of the opinion that a full disclosure may have a negative impact on the Company. Nevertheless, the aggregate remuneration paid and fees payable to Directors of the Company is S\$913,000 and S\$179,000 respectively for FY2019.

Name of Key Management Personnel	Designation
Below S\$250,000	
Lim Lian Peng *	Group Financial Controller
Teo Kah Kheng	General Manager (Head of Sales)
Lee Yih Lin	General Manager
Eng Jiat Cheng **	Group Administrative Manager
Haji Razeman bin Haji Hamzah	Head of Logistics
Lee Choon Yam	Head of Production

Note:

* Appointed to the Board on 8 April 2020

** Retired with effect from 12 April 2019

Based on the bands established above, the remuneration of each key management personnel who is not a Director or CEO is below S\$250,000. However, due to the competitive nature of the industry that the Group operates in, the Board believes it is unwise to disclose the breakdown of the remuneration of these key management personnel. The aggregate compensation to the named key management personnel of the Company is S\$713,000 for FY2019.

None of the Directors (including the Managing Director) and the top key management personnel (who are not Directors or the Managing Director) of the Company has received any termination, retirement, post-employment benefits for FY2019.

Below are employees in the Group, being an immediate family member of a Director, whose remuneration exceeded S\$100,000 during the year.

Name of Employee	Relationship with the Relevant Director
S\$200,000 to S\$299,999	
Lee Yih Lin	Son of Lee Choon Bok and brother of Lee Yih Chyi, Yvonne

The Company does not have long-term incentive schemes such as employee share options scheme.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board is responsible for the overall risk management and internal control framework. The Board conducts periodic reviews to determine the effectiveness and adequacy of the Company's risk management and internal control systems. This includes its financial, operational, compliance and information technology controls, and internal audit systems that have been put in place by Management to ensure the integrity and reliability of the Group's financial information, and to safeguard assets. There is clearly defined delegation of authority from the Board to the operating companies and procedures are in place for the proper authorization of transactions.

CORPORATE GOVERNANCE

The AC is assigned to oversee the risk management framework and policies of the Group. The Group has implemented an enterprise risk management framework which the Management reviews for adequacy and effectiveness on an annual basis. The Management identifies, manages and monitors areas of significant business risks as shown on pages 30 and 31, and reports to the Board and AC on a quarterly basis, where the Board determines the nature and extent of the significant risks which the Company is willing to take in achieving its strategic objectives and value creation.

Relying on the reports from the internal and external auditors and the key risks as identified by Management, the AC conducts assessments of the key internal control and presents its findings to the Board. Any recommendations from internal and external auditors to further improve the Group's internal control are reported to the AC. The AC will also follow-up on the actions taken by Management on the recommendations from the internal and external auditors. Based on the information furnished by the AC to the Board, nothing has come to the Board's attention to cause the Board to believe that the internal control is not satisfactory for the type and volume of business that the Group currently operates.

Based on the various management controls put in place and the reports and reviews done by the internal and external auditors, including the reviews by Management, the non-existence of any critical internal control deficiencies, and assurances from the Managing Director and Group Financial Controller that: (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) regarding the effectiveness of the Company's risk management and internal control systems, the Board with the concurrence of the AC is of the opinion that the Group's internal control in addressing the financial, operational, compliance and information technology risks and risk management systems are adequate and effective for the type and volume of business that the Group currently operates.

The Board notes that the system of internal control and risk management established provides reasonable but not absolute assurance against unforeseeable and foreseeable risks to the Company, as all internal control systems contain inherent limitations and no system of internal control could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human error, losses, fraud or other irregularities.

AUDIT COMMITTEE

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

The Audit Committee ("AC") comprises three (3) members, all of whom are Independent Directors. The members are:

Mr Tan Keh Yan, Peter (Chairman)	Lead Independent Director
Mr Lee Bon Leong	Independent Director
Mr Teo Keng Thwan	Independent Director (Re-designated from Non-Executive Director to Independent Director with effect from 7 July 2019)

Following the retirement of Mr Teo Keng Thwan at the forthcoming AGM, the Company will reconstitute the composition of the AC within 2 months.

All AC members have extensive experience holding senior positions in the financial, legal and commercial sectors, and have sufficient accounting and financial management knowledge. Two (2) members, including the Chairman, have many years of experience in large financial institutions in Singapore. The AC has explicit authority to investigate any matter within its terms of reference, full access to and co-operation from the internal and external auditors and Management, full discretion to invite any Director or key management personnel to attend its meetings, and reasonable resources to enable it to discharge its functions properly.

The AC does not comprise former partners or directors of the Company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

CORPORATE GOVERNANCE

The AC's major responsibilities in its written terms of reference include:

- (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance before submission to the Board for approval;
- (b) reviewing and reporting to the Board at least annually the adequacy and effectiveness of the internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems established by Management;
- (c) reviewing the internal and external auditors' audit plans, scope of work and reports, reviewing the Management's responses and discussing any issues arising from the internal and external audits;
- (d) meeting with internal and external auditors, in each case without the presence of Management, at least once annually to discuss any matters arising from the internal and external audits;
- (e) reviewing the independence of the external auditor annually and making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement;
- (f) reviewing any suspected fraud or irregularity or suspected infringement of any relevant laws, rules or regulations and reporting to the Board; and
- (g) reviewing interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual.

In the financial year under review, all AC meetings were conducted without the presence of Executive Directors and Management unless invited by the AC to attend. The AC has full autonomy in the conduct of all AC meetings.

The AC has direct access to the internal and external auditors and has met with them without the presence of Management in FY2019.

To keep abreast of the changes in accounting standards and issues which have a direct impact on the Group's financial statements, the AC is updated annually by the external auditor on the relevant changes in accounting standards and issues when they attend the AC meetings.

The AC has explicit authority to investigate any matter within its terms of reference. The AC has, within its terms of reference, the authority to obtain independent professional advice at the Company's expense as and when the need arises.

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

The AC has undertaken a review of the scope of audit and non-audit services provided by the external auditor and the objectivity of the external auditor on an annual basis, and is satisfied that all non-audit services provided by the external auditor would not, in the AC's opinion, affect the independence of the external auditor. RSM Chio Lim LLP, the external auditor of the Company, has also confirmed that they are a Public Accounting Firm registered with ACRA and provided a confirmation of their independence to the AC. Accordingly, the AC is satisfied that Rule 712 of the SGX-ST Listing Manual is complied with and has recommended to the Board, the nomination of the external auditor, RSM Chio Lim LLP, for re-appointment at the forthcoming AGM.

The fees payable to RSM Chio Lim LLP, the external auditor, for FY2019 are as follows:-

Services

Audit service	\$78,000
Non-audit service	\$10,400
Total	<u>\$88,400</u>

CORPORATE GOVERNANCE

The AC has reviewed the key audit matter relating to determination of the net realisable value of inventories as reported in the Independent Auditor's Report. The AC is satisfied that the Group's inventory procurement policies involve a detailed and judicious analysis of the present steel market conditions, factors that could affect future demand and supply conditions, selling price and replacement cost trends, as well as up-to-date knowledge of customers' requirements to ensure sufficient availability and variety of inventory to provide customers with a 'one-stop' solution. The AC noted that Management rigorously tracks the international and domestic price trends as well as the price trends of raw materials that affect the costs of steel production. The AC also reviews the assumptions that are applied in the determination of future expected selling prices and replacement costs. As such, the AC is of the view that there is no material inconsistency between the audit procedures adopted by the independent external auditor and Management's assessment and is satisfied that the key audit matter has been appropriately dealt with.

The Company has complied with Rule 715 of the SGX-ST Listing Manual as all subsidiaries of the Company are audited by RSM Chio Lim LLP for the purpose of the consolidated financial statements of the Company and its subsidiaries.

The Group has outsourced its internal audit functions to MS Risk Management Pte. Ltd. The internal auditor reports directly to the AC and would also report administratively to the Managing Director. The AC approves the internal audit schedule, plan and activities of the internal auditor, who conduct their internal audit review to ascertain the following on an annual basis, that:

- (a) an effective system of internal control is in place;
- (b) the controls are functioning as intended; and
- (c) operations are conducted in an effective and efficient manner.

To ensure the adequacy of the internal audit function, the AC has reviewed and approved the internal audit plan before the internal audit commenced. The AC will assess and ensure that the internal auditor meets or exceeds the standards set by recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditor provides adequate staff with relevant experience to conduct the internal audits and have unrestricted access to all documents, records, properties and personnel, including access to the AC.

The internal auditor also highlights to the AC and Management areas of weaknesses, instances of non-compliance with policies, procedures and controls, if any, and recommends improvements.

The AC, on an annual basis, will assess the adequacy and the effectiveness of the internal audit by examining the internal auditor's scope of work and its independence, the qualification and experiences of the internal audit team assigned and the internal auditor's reports. The AC conducted a review and concluded that the internal audit function has adequate resources to perform its functions, is independent from the activities that it audits and has appropriate standing within the Group.

Whistle-blowing Framework

The Group has implemented a whistle-blowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters of which they become aware and to ensure that:

- (a) independent investigations are carried out in an appropriate and timely manner;
- (b) appropriate action is taken to correct the weakness in internal control and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and
- (c) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balanced and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle-blowing in good faith and without malice.

There were no reports received through the whistle-blowing mechanism.

Members of the AC and the Company Secretaries are named as receiving channels of any whistle-blowing report.

CORPORATE GOVERNANCE

SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

ENGAGEMENT WITH SHAREHOLDERS

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

MANAGING STAKEHOLDER RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

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

The Company believes it is important to treat all shareholders fairly and equitably, and does not practice selective disclosure. In line with continuous obligations of the Company pursuant to the SGX-ST Listing Manual, the Board's policy is to ensure that all material information is disclosed to all shareholders in an adequate and timely manner to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company.

The Board is accountable to shareholders while Management is accountable to the Board. To help continually ensure the accountability of Management to the Board, the Management provides all members of the Board with periodic updates that give a balanced summary of the Group's performance and financial position such as financial statements and other management reports. Apart from the regular Board meetings, discussions are conducted via electronic means or ad hoc meetings, as and when required.

The Board is mindful of its obligation to provide timely, reliable and fair disclosure of material information in compliance with the SGX-ST Listing Manual and present its financial results on a quarterly, half yearly and yearly basis via SGXNet to the public. In presenting the financial results, the Board has made every effort to provide a balanced and reader friendly assessment of the Group's performance and position. In line with the SGX-ST Listing Rules, the Board provides negative assurance statement in respect of the interim financial statements. In addition, all Directors and key management personnel of the Company also signed a letter of undertaking pursuant to Rule 720(1) of the SGX-ST Listing Manual.

Information is disseminated to shareholders on a timely basis through:

- (a) announcements and news releases on the SGXNet;
- (b) annual reports prepared and issued to all shareholders;
- (c) advertisements of notices of shareholders' meetings are published in the local newspapers and announced via SGXNet; and
- (d) the Group's corporate website at www.asiaenterprises.com.sg.

The Managing Director oversees and leads the Company's Investor Relations ("IR") activities. She is supported by the Group Financial Controller and external IR consultants engaged by the Company to reinforce its communications and interactions with shareholders and investors.

CORPORATE GOVERNANCE

To better understand the views of shareholders and investors, the Company holds regular briefings for the investment community and media in conjunction with the release of the Group's financial results to discuss the Group's performance and developments, and promote better appreciation of the Group's business. The Company also conducts visits to its operating facilities for the investment community when appropriate. In addition, the Company participates in investor roadshows organised by third-parties such as stockbroking companies and service providers, from time to time.

The IR section in the Group's website is updated in a timely manner with the Group's latest announcements. In addition to the latest financial results and corporate developments, shareholders, investors and stakeholders can also view historical financial reports, company presentations, investor factsheet, research reports and annual reports. Anyone may subscribe to the Company's announcements by registering for "email alerts" via our website.

To enhance and encourage ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders, investors and stakeholders, the Company provides IR contact information (email address and telephone number) in its annual reports, announcements and website. Shareholders, investors and stakeholders can send their enquiries to the Company's IR Consultants who can be reached by email or telephone.

While the Company has not formally instituted a dividend policy, it has a good track record of paying at least 40% of its annual profit as dividends to shareholders since its listing on SGX-ST in September 2005. In the event that the Company considers it is inappropriate to pay a final dividend to shareholders, sufficient and good reasons shall be disclosed.

The Company's AGMs are attended by all Directors. The Managing Director conducts a presentation on the Company's financial results and corporate developments to the shareholders with updates on the Company's progress. Shareholders, being informed of the rules governing general meetings, are given the opportunity to express their views and direct questions to the Directors and Management. Chairmen of the AC, NC, RC and Board, or members of the respective Board Committees standing-in for them are available to address questions from shareholders. The external auditor will also be present to address shareholders' queries about the conduct of the audit and the preparation and content of the external auditor's report.

Shareholders are entitled to appoint up to two (2) proxies to attend and vote on their behalf at the AGM. Proxies need not be a shareholder of the Company. The Company does not permit voting in absentia by mail, facsimile or e-mail due to the difficulty in verifying and ensuring authenticity of the vote.

A Relevant Intermediary¹ may appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

The Company will put all resolutions to vote by poll and make an announcement of the detailed results showing the numbers of votes cast for and against each resolution and the respective percentages.

¹ A Relevant Intermediary is:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

CORPORATE GOVERNANCE

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

The Company prepares minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management. These minutes will not be published on the Corporate Website but will be made available to shareholders upon their requests.

In its annually published Sustainability Report, the Company has arrangements in place to identify and engage with its material stakeholder groups and has set out its strategy and key areas of focus in relation to managing its relationships with such groups.

DEALINGS IN SECURITIES

The Company has complied with Rule 1207(19) of the SGX-ST Listing Manual in relation to the best practices on dealings in the securities:

- (a) the Company had devised and adopted its own internal compliance code to provide guidance to its officers with regards to dealings by the Company and its officers in its securities;
- (b) officers of the Company did not deal in the Company's securities on short-term considerations; and
- (c) the Company and its officers did not deal in the Company's shares (i) during the periods commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements, ending on the date of the announcement of the relevant results, and (ii) if they are in possession of unpublished price-sensitive information of the Group.

In addition, Directors and key management personnel are expected to observe insider trading laws at all times even when dealing in securities within the permitted trading period.

MATERIAL CONTRACTS

There were no material contracts of the Company or its subsidiaries involving the interests of any Director or controlling shareholder entered into in the financial year reported on.

INTERESTED PERSON TRANSACTIONS

The Company monitors all its interested person transactions closely and all interested person transactions are subject to review by the AC.

The aggregate value of interested person transactions entered into during the year, disclosed in accordance with Rule 907 of the SGX-ST Listing Manual, was as follows:-

Name of Interested Person	Nature of relationship	Aggregate value of all Interested Person Transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under Shareholders' mandate pursuant to Rule 920)	Aggregate value of all Interested Person Transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
Penta Transport Services	Sole-proprietorship associated to Mr Lee Choon Bok and Ms Lee Yih Chyi, Yvonne	\$118,000	Nil

The Company has no shareholders' mandate for interested person transactions.

CORPORATE GOVERNANCE

CONFLICT OF INTEREST POLICY

The Company has adopted a conflict of interest policy to allow the Company and its subsidiaries to identify and properly address potential conflicts of interest that may influence decision making by Directors and key management personnel in favour of his/her interests.

Directors have a duty to act in the best interest of the Company and should ensure that his duty is not impaired in any way. As such, directors should refrain from placing themselves in a situation where these interests, whether professional or personal, would likely to be directly or indirectly in conflict with the interests of the Company.

In the event where a Director or key management personnel envisages that a potential conflict of interest has occurred or may arise, he/she shall complete a declaration in a prescribed form to be submitted to the Management, stating the entity or body in which he/she or his/her related party(ies):

- a) receives or may potentially receive a financial benefit; or
- b) exercises or may exercise influence over its decisions; and
- c) to provide all material facts in relation to such benefits and influence.

SUSTAINABILITY REPORT

The Company shall issue its sustainability report for the financial year ended 31 December 2019 via the SGXNet, no later than five (5) months after the end of the financial year.

RISK MANAGEMENT

KEY RISKS IDENTIFIED BY THE MANAGEMENT

FLUCTUATIONS IN STEEL PRICES

As a distributor of steel products, we purchase a wide range of steel products and maintain substantial inventories in order to fulfil customers' orders within a short lead time. Typically, our customers do not carry all the required steel products themselves due to the high carrying costs and storage space required. The cost of steel products purchased is the main component of our cost of sales and hence we are vulnerable to any fluctuation in the prices of steel. Steel prices rise and fall depending on international demand and supply conditions. Any fluctuation in the prices of steel will affect our cost of purchase and profitability.

Throughout the Group's operating history, we have developed and established long-term relationships and goodwill with many of our suppliers. Our strong rapport with a wide network of reliable and established international steel traders and suppliers allows us to source for steel products from established steel mills worldwide and provides us with timely access to critical industry trends and information, competitive prices for quality products, timely delivery and new product items.

HIGH INVENTORY HOLDING COSTS

Typically, we receive purchase orders from our customers at short notices. We do not have any substantial long-term contracts with our customers and thus, are not able to predict their requirements. On the other hand, our suppliers normally take up to two (2) or three (3) months from the order date to deliver the products to us. Given the short lead time given to us by our customers and the relatively longer delivery times required by our suppliers, we need to place advance orders with a view to secure continuous supply of substantial and varied steel products to meet the needs of our diverse customer base and provide just-in-time delivery. Consequently, our inventory turnover (days) is usually high.

The longer our inventories are held, the higher the cost of holding these inventories. In the event that we are unable to maintain our revenue or profit margins due to a fall in the prices of steel products and/or decrease in demand for steel products, or if our financing cost for inventory increases, our financial position will be affected.

Through regular contacts with our customers, our sales team understands the industries in which our customers operate, emerging industrial trends affecting their product requirements and their latest business activities. Based on this industry knowledge, we are able to assess the steel products that our customers will require and place advance orders with our suppliers accordingly.

FLUCTUATIONS IN FOREIGN EXCHANGE RATES

A significant portion of our purchases is denominated in United States Dollars ("USD") whilst a significant portion of our sales is denominated in Singapore Dollars ("SGD"). To the extent that our Group's purchases and reporting currency are not naturally matched in the same currency, our Group is exposed to adverse fluctuations of the USD against the SGD and our earnings may be affected.

The Group keeps close watch on the USD exchange rate movements and uses forward currency exchange contracts to manage our foreign exchange risks. The Group also utilises USD collections from customers as a form of natural hedge.

CREDIT RISKS OF OUR CUSTOMERS

Our Group offers unsecured credit terms ranging from thirty (30) to one hundred and twenty (120) days to our long term customers with good payment records during the ordinary course of business. For other customers, we sell to them on cash terms or against letters of credit. We face uncertainties over the timeliness of our customers' payments and their ability to pay. There is no assurance that we will be able to collect our trade debts on a timely basis. A material increase in bad and doubtful debts will adversely affect our financial performance.

RISK MANAGEMENT

We do not sell exclusively to any customer. The Group has established a diverse pool of some seven hundred (700) customers in the Asia Pacific region. We have established close rapport with our customers through our ability to meet their steel requirements consistently and in a timely manner. We believe we have an established track record as a reliable and resourceful distributor of steel products as demonstrated by the fact that we frequently receive repeat orders from our existing customers as well as referrals of new customers.

Credit terms are extended based on factors such as duration of the customer relationship, credit-worthiness, past payment records, financial strength of the customer, as well as the size of the particular transaction. We do not extend any credit term to a new customer until such customer has demonstrated a prompt payment track record.

For any increase in credit limit and/or new credit term to be extended to any customer, a credit application form with a copy of the ACRA search will be submitted to our Executive Directors for approval. Furthermore, outstanding debtor balances are reviewed at least on a weekly basis.

CYCLICAL MOVEMENTS IN THE INDUSTRIES THAT OUR CUSTOMERS OPERATE IN, IN PARTICULAR, THE MARINE AND OFFSHORE INDUSTRY

For the reporting year ended 31 December 2019, approximately 60% of our Group's revenue was derived from customers engaging in marine and offshore related activities. From time to time, different industries experience slowdowns due to cyclical fluctuations or a decline in the general economic conditions. In the event that there is a downturn in the industries that our customers operate, particularly the marine and offshore industry, the demand for the steel products and services we supply could decline and materially affect our operating results.

Our sales team constantly seeks new business opportunities with users of steel in other industries such as those engaged in engineering/fabrication, construction and manufacturing activities. We are also establishing ties with users of steel in new territories to further expand our customer base.

THREAT OF CYBER-ATTACKS

Our Group is exposed to diversity of cyber-attacks as we embrace technology and digital connectivity in our business. We have outsourced IT professionals who monitor the health of our IT infrastructure on an on-going basis and practise regular software and hardware updates to ensure that our cyber risk is managed. In addition, we backup our data daily and conduct regular checks to ensure that our IT system can be recovered swiftly when the need arises. Staff are always reminded to practise proper cyber discipline and behaviour to ensure online security.

STATEMENT BY DIRECTORS

The Directors of the Company are pleased to present the accompanying financial statements of the Company and of the Group for the reporting year ended 31 December 2019.

1. Opinion of the Directors

In the opinion of the Directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the Company and, of the financial position and performance of the Group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of the statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors approved and authorised these financial statements for issue.

2. Directors

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

Lee Choon Bok
 Lee Yih Chyi, Yvonne
 Harmaid
 Tan Keh Yan, Peter
 Teo Keng Thwan
 Lee Bon Leong

3. Directors' interests in shares and debentures

The Directors of the Company holding office at the end of the reporting year were not interested in shares in or debentures of the Company or other related body corporate as recorded in the Register of Directors' Shareholdings kept by the Company under section 164 of the Companies Act, Chapter 50 (the "Act") except as follows:

Names of Directors and Company in which interests are held	Direct interest		Deemed interest	
	At beginning of the	At end of the	At beginning of the	At end of the
	reporting year	reporting year	reporting year	reporting year
	Number of shares of no par value			
The Company: <u>Asia Enterprises Holding Limited</u>				
Lee Choon Bok	3,816,216	3,816,216	127,377,350	127,377,350
Lee Yih Chyi, Yvonne	70,000	70,000	131,193,566	131,193,566
Harmaid	18,539,650	18,539,650	21,332,375	21,332,375
Teo Keng Thwan	77,958	77,958	17,375,208	16,536,408
Tan Keh Yan, Peter	125,000	125,000	—	—

By virtue of section 7 of the Act, Lee Choon Bok and Lee Yih Chyi, Yvonne are deemed to have an interest in the Company and in all the related body corporate of the Company.

The Directors' interests as at 21 January 2020 were the same as those at the end of the reporting year.

STATEMENT BY DIRECTORS

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

Neither at the end of the reporting year nor at any time during the reporting year did there subsist arrangements to which the Company is a party, being arrangements whose objects are, or one of whose objects is, to enable Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

5. Options

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

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

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

6. Independent auditor

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

7. Report of audit committee

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

Tan Keh Yan, Peter	–	Lead Independent Director, Chairman
Lee Bon Leong	–	Independent Director
Teo Keng Thwan	–	Independent Director

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

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

STATEMENT BY DIRECTORS

7. Report of audit committee (cont'd)

Other functions performed by the Audit Committee are described in the report on Corporate Governance included in the annual report of the Company. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditor provide non-audit services.

The Audit Committee has recommended to the Board of Directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as the independent auditor at the next annual general meeting of the Company.

8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by the management, other committees of the Board and the Board, the Audit Committee and the Board are of the opinion that the Company's internal controls, addressing financial, operational, compliance and information technology risks, are adequate as at the end of the reporting year 31 December 2019.

9. Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 13 February 2020, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On behalf of the Directors

.....
Lee Choon Bok
Executive Chairman

.....
Lee Yih Chyi, Yvonne
Managing Director

19 March 2020

INDEPENDENT AUDITOR'S REPORT

To the Members of ASIA ENTERPRISES HOLDING LIMITED

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Asia Enterprises Holding Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including accounting policies.

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

Basis for opinion

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

Key audit matters

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

Determination of the net realisable values of inventories

Reference is made to Note 2 on accounting policy, Note 2C on critical judgements, assumptions and uncertainties, Note 18 on inventories, and the Audit Committee's views and responses to the reported key audit matters under the Corporate Governance section of the Annual Report.

As at 31 December 2019, the Group held inventories of \$15.8 million which is a significant balance on the statement of financial position. Inventories are stated at the lower of cost and net realisable value. The determination of the net realisable value of these inventories require the Group to make a critical and reasonable judgement on the future realisable value, which is dependent on future market trends, including the demand and supply of steel products, as well as the trend of steel prices in its key operating markets and internationally. Persistent weak end-user demand and/or oversupply of steel products may exert downward pressure on transaction volumes and steel prices to the extent that the carrying amount of inventories could exceed future expected realisable value.

INDEPENDENT AUDITOR'S REPORT

Key audit matters (cont'd)

We have reviewed the general global steel price trend in the past and have also assessed the global steel price trend movement subsequent to year end. To challenge the Group's future expected realisable value, we have conducted a comparison of the carrying amount against its recently transacted sales prices or latest purchase prices from suppliers. In addition, we have also performed sensitivity analysis on the future expected realisable value against its carrying amount for two major inventory items.

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITOR'S REPORT

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

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

- (a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT AUDITOR'S REPORT

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 See Ling Ling, Helen.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

19 March 2020

Engagement partner - effective from year ended 31 December 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

		Group	
	Notes	2019 \$'000	2018 \$'000
Revenue	5	40,245	37,821
Cost of sales		(33,265)	(29,912)
Gross profit		6,980	7,909
Other income and gains	6	1,150	987
Marketing and distribution costs		(270)	(261)
Administrative expenses		(6,913)	(7,254)
Finance costs	7	(314)	–
Other losses	6	(88)	(3)
Profit before tax from continuing operations		545	1,378
Income tax (expense) / income	9	(40)	134
Profit from continuing operations for the year		505	1,512
Other comprehensive income for the year, net of tax		–	–
Total comprehensive income for the year		505	1,512
Profit attributable to owners of the parent, net of tax		680	1,718
Loss attributable to non-controlling interests, net of tax		(175)	(206)
Profit for the year		505	1,512
Total comprehensive income attributable to owners of the parent		680	1,718
Total comprehensive loss attributable to non-controlling interests		(175)	(206)
Total comprehensive income for the year		505	1,512
Earnings per share	10	Cents	Cents
Earnings per share currency unit			
Basic		0.20	0.50
Diluted		0.20	0.50

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	Group		Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
ASSETS					
<u>Non-current assets</u>					
Property, plant and equipment	12	18,602	20,678	–	–
Right-of-use assets	13	10,047	–	–	–
Investment property	14	448	467	–	–
Investments in subsidiaries	15	–	–	45,680	43,530
Other financial assets, non-current	16	5,096	4,878	2,800	2,311
Other assets	17	50	50	–	–
Total non-current assets		34,243	26,073	48,480	45,841
<u>Current assets</u>					
Inventories	18	15,811	18,416	–	–
Trade and other receivables, current	19	7,425	8,690	9,433	13,632
Other financial assets, current	16	4,697	1,788	1,907	1,009
Cash and cash equivalents	20	47,424	48,807	3,079	3,393
Total current assets		75,357	77,701	14,419	18,034
Total assets		109,600	103,774	62,899	63,875
EQUITY AND LIABILITIES					
<u>Equity attributable to owners of the parent</u>					
Share capital	21	58,856	58,856	58,856	58,856
Treasury shares	21	(138)	(138)	(138)	(138)
Retained earnings		36,014	34,287	3,918	4,898
Capital reserve	22	575	575	–	–
Total equity attributable to owners of the parent		95,307	93,580	62,636	63,616
Non-controlling interests		–	5,198	–	–
Total equity		95,307	98,778	62,636	63,616
<u>Non-current liabilities</u>					
Deferred tax liabilities	9	595	595	–	–
Financial liabilities – lease liabilities, non-current	23	9,666	–	–	–
Total non-current liabilities		10,261	595	–	–
<u>Current liabilities</u>					
Income tax payable		40	15	40	15
Financial liabilities – lease liabilities, current	23	515	–	–	–
Trade and other payables, current	24	3,477	4,386	223	244
Total current liabilities		4,032	4,401	263	259
Total liabilities		14,293	4,996	263	259
Total equity and liabilities		109,600	103,774	62,899	63,875

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

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

Group	Total Equity \$'000	Attribut- able to Parent Sub-Total \$'000	Share Capital \$'000	Treasury Shares \$'000	Capital Reserve \$'000	Retained Earnings \$'000	Non- Controlling Interests \$'000
Current year:							
Opening balance at 1 January 2019	98,778	93,580	58,856	(138)	575	34,287	5,198
Changes in equity:							
Total comprehensive income / (loss) for the year	505	680	–	–	–	680	(175)
Dividends (Note 11)	(1,826)	(1,706)	–	–	–	(1,706)	(120)
Acquisition of non-controlling interest without a change in control (Note 15)	(2,150)	2,753	–	–	–	2,753	(4,903)
Closing balance at 31 December 2019	95,307	95,307	58,856	(138)	575	36,014	–
Previous year:							
Opening balance at 1 January 2018	99,052	93,568	58,856	(138)	575	34,275	5,484
Changes in equity:							
Total comprehensive income / (loss) for the year	1,512	1,718	–	–	–	1,718	(206)
Dividends (Note 11)	(1,786)	(1,706)	–	–	–	(1,706)	(80)
Closing balance at 31 December 2018	98,778	93,580	58,856	(138)	575	34,287	5,198
Company		Total Equity \$'000		Share Capital \$'000		Treasury Shares \$'000	Retained Earnings \$'000
Current year:							
Opening balance at 1 January 2019		63,616		58,856		(138)	4,898
Changes in equity:							
Total comprehensive income for the year		726		–		–	726
Dividends (Note 11)		(1,706)		–		–	(1,706)
Closing balance at 31 December 2019		62,636		58,856		(138)	3,918
Previous year:							
Opening balance at 1 January 2018		64,058		58,856		(138)	5,340
Changes in equity:							
Total comprehensive income for the year		1,264		–		–	1,264
Dividends (Note 11)		(1,706)		–		–	(1,706)
Closing balance at 31 December 2018		63,616		58,856		(138)	4,898

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Group	
	2019 \$'000	2018 \$'000
<u>Cash flows from operating activities</u>		
Profit before tax	545	1,378
Adjustments for:		
Interest income	(1,120)	(788)
Finance costs	314	–
Depreciation of investment property	19	19
Depreciation of property, plant and equipment	2,128	2,137
Depreciation of right-of-use assets	777	–
Operating cash flows before changes in working capital	2,663	2,746
Inventories	2,605	(4,141)
Trade and other receivables	1,265	(1,594)
Trade and other payables	(909)	(232)
Net cash flows from / (used in) operations	5,624	(3,221)
Income taxes paid	(15)	(10)
Net cash flows from / (used in) operating activities	5,609	(3,231)
<u>Cash flows from investing activities</u>		
Other financial assets – increase	(3,127)	(4,053)
Purchase of property, plant and equipment (Note 12)	(52)	(136)
Interest received	1,120	788
Acquisition of remaining interest in a subsidiary	(2,150)	–
Net cash flows used in investing activities	(4,209)	(3,401)
<u>Cash flows from financing activities</u>		
Dividends paid to equity owners	(1,706)	(1,706)
Dividends paid by a subsidiary to non-controlling interests	(120)	(80)
Lease liabilities – principal portion paid	(643)	–
Interest paid	(314)	–
Net cash flows used in financing activities	(2,783)	(1,786)
Net decrease in cash and cash equivalents	(1,383)	(8,418)
Cash and cash equivalents, statement of cash flows, beginning balance	48,807	57,225
Cash and cash equivalents, statement of cash flows, ending balance (Note 20)	47,424	48,807

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. GENERAL

The Company is incorporated in Singapore with limited liability. The financial statements are presented in Singapore Dollars and they cover the Company (referred to as "Parent") and the subsidiaries.

The Board of Directors approved and authorised these financial statements for issue on the date of the statement by Directors. The Directors has the power to amend and revise the financial statements.

The Company is an investment holding company. It is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activities of the subsidiaries are described in the notes to the financial statements in Note 15.

The registered office is: No. 3 Pioneer Sector Walk Singapore 627897. The Company is situated in Singapore.

Statement of compliance with financial reporting standards

These financial statements have been prepared in accordance with the Singapore Financial Reporting Standards (International) ("SFRS(I)s") and the related Interpretations to SFRS(I) ("SFRS (I) INT") as issued by the Singapore Accounting Standards Council. They are in compliance with the provisions of the Companies Act, Chapter 50 and with the International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB").

Accounting convention

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

Basis of preparation of the financial statements

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. GENERAL (cont'd)

Basis of presentation

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

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

The Company's separate financial statements have been prepared on the same basis, and as permitted by the Companies Act, Chapter 50, the Company's separate statement of profit or loss and other comprehensive income is not presented.

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

2A. Significant accounting policies

Revenue recognition

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

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

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

Rental income is recognised on a time-proportion basis that takes into account the effective yield on the asset on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (cont'd)

2A. Significant accounting policies (cont'd)

Other income

Interest income is recognised using the effective interest method. Dividend from equity instruments is recognised in profit or loss only when the entity's right to receive payment of the dividend is established.

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowings. Interest expense is calculated using the effective interest rate method. Borrowing costs are recognised as an expense in the period in which they are incurred except that borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset that necessarily take a substantial period of time to get ready for their intended use or sale are capitalised as part of the cost of that asset until substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Foreign currency transactions

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (cont'd)

2A. Significant accounting policies (cont'd)

Income tax

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

Property, plant and equipment

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

Leasehold properties	Over the term of lease that are from 2.0% to 14.0%.
Plant and equipment	8.3% to 33.3%.

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

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

Cost also includes acquisition cost, borrowing cost capitalised and any cost directly attributable to bringing the asset or component to the location and condition necessary for it to be capable of operating in the manner intended by management. Subsequent costs are recognised as an asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repairs and maintenance are charged to profit or loss when they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (cont'd)

2A. Significant accounting policies (cont'd)

Right-of-use assets

The right-of-use assets are accounted for and presented as if they were owned as property, plant and equipment.

Investment property

Investment property is property (land or a building or part of a building or both) owned or held under a finance lease to earn rental or for capital appreciation or both, rather than for use in the production or supply of goods or services or for administrative purposes or sale in the ordinary course of business. It includes an investment property in the course of construction. After initial recognition at cost including transaction costs the cost model is used to measure the investment property using the treatment for property, plant and equipment, that is, at cost less any accumulated depreciation and any accumulated impairment losses. An investment property that meets the criteria to be classified as held for sale is carried at the lower of carrying amount and fair value. For disclosure purposes only, the fair values are measured periodically on a systematic basis by management.

The annual rate of depreciation for investment property is over the term of lease that is 2.2%.

Leases

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

Lessor

As a lessor the reporting entity classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset and it is presented in its statement of financial position as a receivable at an amount equal to the net investment in the lease. For a finance lease the finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Lease receipts from operating leases are recognised as income on either a straight-line basis or another systematic basis over the term of the lease.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (cont'd)

2A. Significant accounting policies (cont'd)

Subsidiaries

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

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

Business combinations

There were no business combination during the reporting year.

Non-controlling interests

The non-controlling interest is equity in a subsidiary not attributable, directly or indirectly, to the reporting entity as the parent. The non-controlling interest is presented in the consolidated statement of financial position within equity, separately from the equity of the owners of the parent. For each business combination, any non-controlling interest in the acquiree (subsidiary) is initially measured either at fair value or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Where the non-controlling interest is measured at fair value, the valuation techniques and key model inputs used are disclosed in the relevant Note. Profit or loss and each component of other comprehensive income are attributed to the owners of the parent and to the non-controlling interests. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Inventories

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (cont'd)

2A. Significant accounting policies (cont'd)

Impairment of non-financial assets

Irrespective of whether there is any indication of impairment, an annual impairment test is performed at about the same time every year on an intangible asset with an indefinite useful life or an intangible asset not yet available for use. The carrying amount of other non-financial assets is reviewed at each end of the reporting year for indications of impairment and where an asset is impaired, it is written down through profit or loss to its estimated recoverable amount. The impairment loss is the excess of the carrying amount over the recoverable amount and is recognised in profit or loss. The recoverable amount of an asset or a cash-generating unit is the higher of its fair value less costs of disposal and its value in use. When the fair value less costs of disposal method is used, any available recent market transactions are taken into consideration. When the value in use method is adopted, in assessing the value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). At each end of the reporting year non-financial assets other than goodwill with impairment loss recognised in prior periods are assessed for possible reversal of the impairment. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been measured, net of depreciation or amortisation, if no impairment loss had been recognised.

Financial instruments

Recognition and derecognition of financial instruments:

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (cont'd)

2A. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Classification and measurement of financial assets:

- (a) Financial asset classified as measured at amortised cost:
A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss ("FVTPL"), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.
- (b) Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income ("FVTOCI"):
As at end of the reporting year, there were no financial assets classified in this category.
- (c) Financial asset that is an equity investment measured at fair value through other comprehensive income ("FVTOCI"):
As at end of the reporting year, there were no financial assets classified in this category.
- (d) Financial asset classified as measured at fair value through profit or loss ("FVTPL"):
All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities:

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

Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows include bank and cash balances, on demand deposits and any highly liquid debt instruments purchased with an original maturity of three months or less. For the statement of cash flows the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management. Other financial assets and financial liabilities at fair value through profit or loss are presented within the section on operating activities as part of changes in working capital in the statement of cash flows.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (cont'd)

2A. Significant accounting policies (cont'd)

Derivative financial instruments

A derivative financial instrument is a financial instrument with all three of the following characteristics:

(a) its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices, credit ratings or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract; (b) it requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors; and (c) it is settled at a future date. The derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently classified as measured at FVTPL unless the derivative is designated and effective as a hedging instrument.

Fair value measurement

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

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

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

2B. Other explanatory information

Segment reporting

The reporting entity discloses financial and descriptive information about its consolidated reportable segments. Reportable segments are operating segments or aggregations of operating segments that meet specified criteria. Operating segments are components about which separate financial information is available that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. Generally, financial information is reported on the same basis as is used internally for evaluating operating segment performance and deciding how to allocate resources to operating segments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (cont'd)

2B. Other explanatory information (cont'd)

Provisions

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

Treasury shares

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

2C. Critical judgements, assumptions and estimation uncertainties

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

Allowance for trade receivables:

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses ("ECL"). The allowance matrix is based on its historical observed default rates (over a period of certain months) over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined accordingly. The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the Note on trade and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION (cont'd)

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

Net realisable value of inventories:

A review is made on inventory for excess inventory and declines in net realisable value below cost and an allowance is recorded against the inventory balance for any such declines. The review requires management to consider the future demand for the products. In any case the realisable value represents the best estimate of the recoverable amount and is based on the acceptable evidence available at the end of the reporting year and inherently involves estimates regarding the future expected realisable value. The usual considerations for determining the amount of allowance or write-down include ageing analysis, technical assessment and subsequent events. In general, such an evaluation process requires significant judgement and materially affects the carrying amount of inventories at the end of the reporting year. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in the Note on inventories.

Useful lives of property, plant and equipment:

The estimates for the useful lives and related depreciation charges for property, plant and equipment are based on commercial and other factors which could change significantly as a result of innovations and in response to market conditions. The depreciation charge is increased where useful lives are less than previously estimated lives, or the carrying amounts written off or written down for technically obsolete items or assets that have been abandoned. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the balances affected. The carrying amount of the specific asset or class of assets at the end of the reporting year affected by the assumption is \$18,602,000 (2018: \$20,678,000).

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

3A. Members of a group:

<u>Name</u>	<u>Relationship</u>	<u>Country of incorporation</u>
Asia Enterprises (Private) Limited	Subsidiary	Singapore
Asia-Beni Steel Industries (Pte) Ltd	Subsidiary	Singapore

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (cont'd)

3B. Related party transactions

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

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

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

Significant related party transactions:

	Group Other related parties	
	2019 \$'000	2018 \$'000
Sale of goods and related services	(28)	(9)
Purchases of goods	146	810
Transport services	118	173
Management fees	10	10

3C. Key management compensation

	Group	
	2019 \$'000	2018 \$'000
Salaries and other short-term employee benefits	1,806	1,844

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

	2019 \$'000	2018 \$'000
Remuneration of Directors of the Company	913	884
Fees to Directors of the Company	179	192

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

Key management personnel include the Directors and those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly.

NOTES TO THE FINANCIAL STATEMENTS

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4. FINANCIAL INFORMATION BY OPERATING SEGMENTS

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

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

For management purposes the Group is organised into the following major strategic operating segments that offer different products and services: (1) steel distribution, (2) provision of steel processing and (3) corporate. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

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

- (a) Steel distribution – procuring, distributing and trading of steel products
- (b) Provision of steel processing – processing of steel materials for sale
- (c) Corporate – investment and management activities

Inter-segment sales are measured on the basis that the entity actually used to price the transfers. Internal transfer pricing policies of the reporting entity are as far as practicable based on market prices. The accounting policies of the operating segments are the same as those described in the significant accounting policies.

The management reporting system evaluates performances based on a number of factors. However the primary profitability measurement to evaluate segment's operating results comprises two major financial indicators: (1) earnings from operations before depreciation and amortisation, interests and income taxes (called "Recurring EBITDA") and (2) operating result before interests and income taxes and other unallocated items (called "ORBIT").

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (cont'd)

4B. Profit or loss from continuing operations and reconciliations

	Steel distribution \$'000	Provision of steel processing \$'000	Corporate \$'000	Unallocated \$'000	Total \$'000
Group					
Continuing operations 2019					
Revenue by segment					
Total revenue by segment	36,692	3,843	55	–	40,590
Inter-segment sales	(40)	(250)	(55)	–	(345)
Total revenue	<u>36,652</u>	<u>3,593</u>	<u>–</u>	<u>–</u>	<u>40,245</u>
Recurring EBITDA	3,129	(86)	(380)	–	2,663
Depreciation	(2,516)	(408)	–	–	(2,924)
Interest income	–	–	–	1,120	1,120
Interest expenses on lease liabilities	–	–	–	(314)	(314)
ORBIT	613	(494)	(380)	806	545
Other unallocated items					–
Profit before tax from continuing operations					545
Income tax expense					(40)
Profit from continuing operations					<u>505</u>
Non-controlling interests					175
Profit attributable to owners of the parent					<u>680</u>
Other material items and reconciliations:-					
Depreciation expense	<u>2,516</u>	<u>408</u>	<u>–</u>	<u>–</u>	<u>2,924</u>
Assets and reconciliations:-					
Total assets for reportable segments	84,136	17,453	7,786	–	109,375
Unallocated assets	–	–	–	225	225
Total group assets	<u>84,136</u>	<u>17,453</u>	<u>7,786</u>	<u>225</u>	<u>109,600</u>
Liabilities and reconciliations:-					
Total liabilities for reportable segments	8,441	4,673	–	–	13,114
Other payables	–	–	–	544	544
Income tax payable	–	–	–	40	40
Deferred tax liabilities	–	–	–	595	595
Total group liabilities	<u>8,441</u>	<u>4,673</u>	<u>–</u>	<u>1,179</u>	<u>14,293</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (cont'd)

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

Group	Steel distribution \$'000	Provision of steel processing \$'000	Corporate \$'000	Unallocated \$'000	Total \$'000
Continuing operations 2018					
Revenue by segment					
Total revenue by segment	34,490	3,790	55	—	38,335
Inter-segment sales	(134)	(325)	(55)	—	(514)
Total revenue	<u>34,356</u>	<u>3,465</u>	<u>—</u>	<u>—</u>	<u>37,821</u>
Recurring EBITDA	3,573	(433)	(394)	—	2,746
Depreciation	(1,868)	(288)	—	—	(2,156)
Interest income	—	—	—	788	788
ORBIT	1,705	(721)	(394)	788	1,378
Other unallocated items					—
Profit before tax from continuing operations					1,378
Income tax income					134
Profit from continuing operations					<u>1,512</u>
Non-controlling interests					206
Profit attributable to owners of the parent					<u>1,718</u>
Other material items and reconciliations:-					
Depreciation expense	<u>1,868</u>	<u>288</u>	<u>—</u>	<u>—</u>	<u>2,156</u>
Assets and reconciliations:-					
Total assets for reportable segments	85,798	10,940	6,714	—	103,452
Unallocated assets	—	—	—	322	322
Total group assets	<u>85,798</u>	<u>10,940</u>	<u>6,714</u>	<u>322</u>	<u>103,774</u>
Liabilities and reconciliations:-					
Total liabilities for reportable segments	3,669	147	7	—	3,823
Other payables	—	—	—	563	563
Income tax payable	—	—	—	15	15
Deferred tax liabilities	—	—	—	595	595
Total group liabilities	<u>3,669</u>	<u>147</u>	<u>7</u>	<u>1,173</u>	<u>4,996</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS (cont'd)

4C. Geographical information

The Group's operations are located in Singapore.

An analysis of the Group revenue by geographical area which is analysed based on the billing address of each individual customer is provided below. In addition, non-current assets analysed by the geographical area in which the assets are located are also tabled below.

The following table provides an analysis of the revenue by geographical market, irrespective of the origin of the goods and services: -

	Revenue	
	2019 \$'000	2018 \$'000
Singapore	31,175	29,135
Indonesia	2,526	3,473
Malaysia	6,186	4,090
Other regions	358	1,123
	<u>40,245</u>	<u>37,821</u>

The following table provides an analysis of the carrying amount of non-current assets analysed by the geographical area in which the assets are located: -

	Non-current assets	
	2019 \$'000	2018 \$'000
Singapore	<u>34,243</u>	<u>26,073</u>

5. REVENUE

	Group	
	2019 \$'000	2018 \$'000
Sale of goods and related services	38,123	35,974
Services income	1,908	1,500
Rental income	46	69
Others	168	278
	<u>40,245</u>	<u>37,821</u>

The revenue is from sales of goods and services based on point in time.

NOTES TO THE FINANCIAL STATEMENTS

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6. OTHER INCOME AND GAINS AND (OTHER LOSSES)

	Group	
	2019 \$'000	2018 \$'000
Allowance for impairment on trade receivables – reversal	27	5
Bad debts written off and recovery costs – trade receivables	(68)	(3)
Dividend income	3	*
Foreign exchange adjustments (losses) / gains	(20)	194
Interest income from financial institutions	862	654
Other interest income	258	134
Net	<u>1,062</u>	<u>984</u>
Presented in profit or loss as:		
Other income and gains	1,150	987
Other losses	(88)	(3)
Net	<u>1,062</u>	<u>984</u>

* Less than \$1,000

7. FINANCE COST

	Group	
	2019 \$'000	2018 \$'000
Interest on lease liabilities	<u>314</u>	<u>–</u>

8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2019 \$'000	2018 \$'000
Short-term employee benefits expense	3,064	3,203
Contributions to defined contribution plan	264	281
Other benefits	60	120
Total employee benefits expense	<u>3,388</u>	<u>3,604</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

9. INCOME TAX

9A. Components of tax income recognised in profit or loss include:

	Group	
	2019 \$'000	2018 \$'000
<u>Current tax expense / (income)</u>		
Current tax expense	40	15
Over adjustments in respect of prior periods	–	(2)
Subtotal	40	13
<u>Deferred tax income</u>		
Deferred tax income	–	(147)
Subtotal	–	(147)
Total income tax expense / (income)	40	(134)

The reconciliation of income taxes below is determined by applying the Singapore corporate tax rate where the parent is situated. The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (2018: 17.0%) to profit or loss before income tax as a result of the following differences:

	Group	
	2019 \$'000	2018 \$'000
Profit before tax	545	1,378
Income tax expense at the above rate	93	234
Expenses not deductible for tax purposes	396	625
Income not subject to tax	(111)	(178)
Utilisation of enhanced capital allowance	(303)	–
Tax exemptions and rebate	(17)	(24)
Over adjustments to tax in respect of prior periods	–	(2)
Previously unrecognised deferred tax assets utilised this year	(18)	(791)
Other minor items less than 3% each	–	2
Total income tax income	40	(134)

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

9B. Deferred tax income recognised in profit or loss include:

	Group	
	2019 \$'000	2018 \$'000
Excess of book over tax depreciation on plant and equipment	83	84
Tax loss carryforwards	(43)	560
Deferred tax relating to depreciation expense on right-of-use assets and interest on lease liabilities	(22)	–
Previously unrecognised deferred tax assets utilised this year	(18)	(791)
Total deferred income tax income recognised in profit or loss	–	(147)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

9. INCOME TAX (cont'd)

9C. Deferred tax balance in the statement of financial position:

	Group	
	2019 \$'000	2018 \$'000
<u>Deferred tax liabilities:</u>		
Excess of net book value of plant and equipment over tax values	909	826
Total deferred tax liabilities	909	826
<u>Deferred tax assets:</u>		
Tax loss carryforwards	(353)	(310)
Deferred tax relating to depreciation expense on right-of-use assets and interest on lease liabilities	(22)	—
Unrecognised deferred tax assets	61	79
Total deferred tax assets	(314)	(231)
Net total of deferred tax liabilities	595	595

It is impracticable to estimate the amount expected to be settled or used within one year.

	Tax losses		Unrecognised deferred tax assets	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<u>Unrecognised deferred tax assets:</u>				
Unused tax losses available	2,210	1,824	375	310
Recognised deferred tax assets	(1,851)	(1,359)	(314)	(231)
Unrecognised deferred tax assets	359	465	61	79

Deferred tax asset for the tax losses has been recognised to the extent of the future profit streams that are probable against which the deductible temporary difference can be utilised. The realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined.

10. EARNINGS PER SHARE

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

	Group	
	2019 \$'000	2018 \$'000
Numerators: earnings attributable to equity:		
Profit for the year attributable to equity owners	680	1,718
Denominators: weighted average number of equity shares		
Basic	341,129	341,129

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

10. EARNING PER SHARE (cont'd)

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

There is no dilutive effect from the share options as they are anti-dilutive because their conversion to ordinary shares would increase earnings per share or decrease loss per share from continuing operations.

11. DIVIDENDS ON EQUITY SHARES

	Group and Company	
	2019	2018
	\$'000	\$'000
Final tax exempt (1-tier) dividend paid of 0.5 cents (2018: 0.5 cents) per share	1,706	1,706

In respect of the current reporting year, the Directors have proposed that a final dividend of 0.5 cents per share with a total of \$1,706,000 be paid to shareholders after the next annual general meeting. There are no income tax consequences to the Company. This dividend is subject to approval by shareholders at the next annual general meeting and has not been included as a liability in these financial statements. The proposed dividend is payable in respect of all ordinary shares in issue at the end of the reporting year and including any new qualifying shares issued up to the date the dividend becomes payable.

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Properties \$'000	Plant and Equipment \$'000	Total \$'000
Group			
<u>Cost:</u>			
At 1 January 2018	24,708	12,153	36,861
Additions	65	71	136
Disposals	–	(13)	(13)
At 31 December 2018	24,773	12,211	36,984
Additions	–	52	52
At 31 December 2019	24,773	12,263	37,036
<u>Accumulated depreciation:</u>			
At 1 January 2018	5,536	8,646	14,182
Depreciation for the year	1,575	562	2,137
Disposals	–	(13)	(13)
At 31 December 2018	7,111	9,195	16,306
Depreciation for the year	1,578	550	2,128
At 31 December 2019	8,689	9,745	18,434
<u>Carrying value:</u>			
At 1 January 2018	19,172	3,507	22,679
At 31 December 2018	17,662	3,016	20,678
At 31 December 2019	16,084	2,518	18,602

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

12. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Allocation of the depreciation expense:

	2019 \$'000	2018 \$'000
Cost of sales	218	216
Administrative expenses	1,910	1,921
	<u>2,128</u>	<u>2,137</u>

Certain motor vehicles at a carrying value of \$244,000 (2018: \$309,000) are held in trust by some of the Directors of the Company.

Fully depreciated plant still in use had an initial cost of \$7,974,000 (2018: \$7,920,000).

13. RIGHT-OF-USE ASSETS

The right-of-use assets in the statement of financial position. The details are as follows:

	Leased land \$'000
Group	
<u>Cost</u>	
At 1 January 2019 and 31 December 2019	<u>10,824</u>
<u>Accumulated depreciation</u>	
At 1 January 2019	—
Depreciation for the year	777
At 31 December 2019	<u>777</u>
<u>Net book value</u>	
At 1 January 2019	10,824
At 31 December 2019	<u>10,047</u>

Allocation of the depreciation expense:

	Group	
	2019 \$'000	2018 \$'000
Cost of sales	128	—
Administrative expenses	649	—
	<u>777</u>	<u>—</u>

Other information on leasing activities relating to right-of-use assets are summarised as follows:

	Leased land
Number of right-of-use assets	3
Remaining term – range	3.5 months to 35 years
Remaining term – average	15 years 10 months
Number of leases with extension options	1
Number of leases with termination options	3

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

13. RIGHT-OF-USE ASSETS (cont'd)

There are restrictions or covenants imposed by the leases to sublet the asset to another party. The right-of-use asset can only be used by the lessee. Unless permitted by the owner, the leases prohibit selling or pledging the underlying leased assets as security. Typically, the leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Certain leases contain an option to purchase the underlying leased asset outright at the end of the lease, or to extend the lease for a further term. For leases over properties, the leases require those properties in a good state of repair and return the properties in their original condition at the end of the lease. Insurance and maintenance fees on right-of-use assets are usually required under the lease contracts.

Management has elected to measure right-of-use assets at the amount of the lease liability on adoption (adjusted for any lease prepayments or accrued lease expenses, onerous lease provisions, and leased assets which have subsequently been sub-leased). For property leases management has elected to measure the right-of-use asset as if the new standard had been applied since the start of the lease, but using the incremental borrowing rate as at 1 January 2019. The right-of-use assets are set equal to the lease liabilities on the date of initial application.

Operating lease payments are for rental payable for certain warehouse, office space and equipment. The leases from Jurong Town Corporation are for 51 years from 15 April 1981, 42 years from 16 April 1978 and for 60 years from 1 January 1995. The lease rental terms are negotiated on an annual basis and rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage. Such increases are not included in the above amount.

14. INVESTMENT PROPERTY

	Group	
	2019 \$'000	2018 \$'000
<u>At cost:</u>		
At beginning of the year	886	886
At end of the year	886	886
<u>Accumulated depreciation:</u>		
At beginning of the year	419	400
Depreciation for the year	19	19
At end of the year	438	419
<u>Net book value:</u>		
At beginning of the year	467	486
At end of the year	448	467
<u>Fair value for disclosure purposes only:</u>		
Fair value at end of the year	968	970
Rental and service income from investment property	46	69
Direct operating expenses arising from investment property that generated rental income during the period	(19)	(19)

The investment properties are leased out under operating leases.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

14. INVESTMENT PROPERTY (cont'd)

The fair value of the investment property is stated on the existing use basis to reflect the actual market state and circumstances as of the end of the reporting year and not as of either a past or future date. The fair value is determined periodically on a systematic basis. The fair value was based on a valuation made by management based on reference to market evidence of transaction prices to similar properties. The fair value is regarded as Level 3, the lowest level for fair value measurement, as the valuation includes inputs for the asset that are not based on observable market data (unobservable inputs). The unobservable input include the price per square metre of \$4,837. A hypothetical 10% increase in price per square metre would have an effect on fair value of higher by \$97,000.

15. INVESTMENTS IN SUBSIDIARIES

	Company	
	2019 \$'000	2018 \$'000
Unquoted shares at cost	45,680	43,530

The subsidiaries held by the Company and the Group are listed below:

Name of subsidiaries, country of incorporation, place of operations and principal activities, and independent auditors	Cost in books of Company		Effective percentage of equity held	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<u>Held by the Company:</u>				
Asia Enterprises (Private) Limited ⁽¹⁾ Singapore Importing, exporting and marketing of steel products	41,130	41,130	100	100
Asia-Beni Steel Industries (Pte) Ltd ^{(1) (2)} Singapore Processing and marketing of steel products	4,550	2,400	100	60

⁽¹⁾ Audited by RSM Chio Lim LLP in Singapore.

⁽²⁾ On 24 December 2019, the Group has acquired the remaining 40% of the issued and paid-up share capital in Asia-Beni Steel Industries (Pte) Ltd for a cash consideration of \$2,150,000. As such, it is now a wholly-owned subsidiary of the Group.

NOTES TO THE FINANCIAL STATEMENTS

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16. OTHER FINANCIAL ASSETS

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Balance is made up of:				
<u>Non-current:</u>				
A. Investments in debt asset instruments at amortised cost	5,096	4,878	2,800	2,311
Total non-current portion	5,096	4,878	2,800	2,311
<u>Current:</u>				
A. Investments in debt asset instruments at amortised cost	3,786	1,776	1,764	1,009
B. Investment at FVTPL	911	12	143	–
Total current portion	4,697	1,788	1,907	1,009
Total at end of the year	9,793	6,666	4,707	3,320

16A. Investments in debt asset instruments at amortised cost

Movements in balances

	Group		Company	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Movements during the year – at amortised cost:				
Amortised cost at beginning of the year	6,654	2,601	3,320	518
Additions at cost	4,117	5,452	2,310	3,103
Redemption at cost	(1,750)	(1,253)	(1,000)	(250)
Deaccrual in amortised cost	(139)	(146)	(66)	(51)
Amortised cost at end of the year	8,882	6,654	4,564	3,320

Disclosures relating to investments in debt asset instruments at amortised cost

	Group		Company	
	2019	2019	2018	2018
	\$'000	%	\$'000	%
Investments in debt asset instruments:				
Quoted bonds in corporations with fixed interest of 3.80% and maturing on 25 February 2166 (effective rate 2.93% - 3.00%), Singapore – at amortised cost	504	6	508	7
Quoted bonds in corporations with fixed interest of 3.65% and maturing on 22 May 2022 (effective rate 2.95%), Singapore – at amortised cost	250	3	251	4
Quoted bonds in corporations with fixed interest of 4.70% and maturing on 3 June 2166 (effective rate 2.39% - 2.44%), Singapore – at amortised cost	–	–	759	11
Quoted bonds in corporations with fixed interest of 5.90% and maturing on 29 December 2049 (effective rate 3.82% - 4.23%), Singapore – at amortised cost	764	8	778	12

NOTES TO THE FINANCIAL STATEMENTS

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16. OTHER FINANCIAL ASSETS (cont'd)

16A. Investments in debt asset instrument at amortised cost (cont'd)

Disclosures relating to investments in debt asset instruments at amortised cost (cont'd)

	Group			
	2019 \$'000	2019 %	2018 \$'000	2018 %
Investments in debt asset instruments:				
Quoted bonds in corporations with fixed interest of 4.75% and maturing on 1 April 2026 (effective rate 2.83% - 3.22%), Singapore – at amortised cost	513	6	521	8
Quoted bonds in corporations with fixed interest of 4.70% and maturing on 8 December 2165 (effective rate 4.10% - 4.20%), Singapore – at amortised cost	760	8	510	7
Quoted bonds in corporations with fixed interest of 4.45% and maturing on 17 December 2025 (effective rate 3.28% - 3.33%), Singapore – at amortised cost	505	5	511	8
Quoted bonds in corporations with fixed interest of 4.40% and maturing on 23 January 2026 (effective rate 3.10%), Singapore – at amortised cost	255	3	258	4
Quoted bonds in corporations with fixed interest of 4.30% and maturing on 19 May 2026 (effective rate 3.27%), Singapore – at amortised cost	254	3	256	4
Quoted bonds in corporations with fixed interest of 4.60% and maturing on 19 January 2026 (effective rate 2.63%), Singapore – at amortised cost	257	3	262	4
Quoted bonds in corporations with fixed interest of 4.20% and maturing on 18 September 2028 (effective rate 4.17%), Singapore – at amortised cost	250	3	250	3
Quoted bonds in corporations with fixed interest of 4.55% and maturing on 29 April 2020 (effective rate 3.65%), Singapore – at amortised cost	502	5	–	–
Quoted bonds in corporations with fixed interest of 3.35% and maturing on 10 February 2020 (effective rate 2.19%), Singapore – at amortised cost	503	5	–	–
Quoted bonds in corporations with fixed interest of 3.75% and maturing on 23 March 2027 (effective rate 3.22%), Singapore – at amortised cost	253	3	–	–

NOTES TO THE FINANCIAL STATEMENTS

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16. OTHER FINANCIAL ASSETS (cont'd)

16A. Investments in debt asset instrument at amortised cost (cont'd)

Disclosures relating to investments in debt asset instruments at amortised cost (cont'd)

	Group			
	2019 \$'000	2019 %	2018 \$'000	2018 %
Investments in debt asset instruments:				
Quoted bonds in corporations with fixed interest of 5.625% and maturing on 6 December 2167 (effective rate 4.98%), Singapore – at amortised cost	257	3	–	–
Quoted bonds in corporations with fixed interest of 5.75% and maturing on 20 April 2166 (effective rate 4.42%), Singapore – at amortised cost	258	3	–	–
Quoted bonds in corporations with fixed interest of 6.125% and maturing on 16 October 2167 (effective rate 5.72%), Singapore – at amortised cost	511	6	–	–
Quoted bonds in corporations with fixed interest of 5.375% and maturing on 3 October 2167 (effective rate 5.11%), Singapore – at amortised cost	253	3	–	–
Quoted bonds in corporations with fixed interest of 4.00% and maturing on 29 December 2049 (effective rate 2.96%), Singapore – at amortised cost	508	6	512	8
Quoted bonds in corporations with fixed interest of 4.75% and maturing on 19 May 2166 (effective rate 2.42%), Singapore – at amortised cost	–	–	767	12
Quoted bonds in corporations with fixed interest of 4.30% and maturing on 3 December 2025 (effective rate 3.15%), Singapore – at amortised cost	505	6	511	8
Quoted bonds in corporations with fixed interest of 5.00% and maturing on 29 December 2049 (effective rate 3.77%), Singapore – at amortised cost	252	3	–	–
Quoted bonds in corporations with fixed interest of 4.875% and maturing on 1 March 2027 (effective rate 4.18%), Singapore – at amortised cost	254	3	–	–
Quoted bonds in corporations with fixed interest of 5.875% and maturing on 28 May 2167 (effective rate 5.08%), Singapore – at amortised cost	514	6	–	–
Total investments in debt asset instruments at amortised cost	8,882	100	6,654	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

16. OTHER FINANCIAL ASSETS (cont'd)

16A. Investments in debt asset instruments at amortised cost (cont'd)

Disclosures relating to investments in debt asset instruments at amortised cost (cont'd)

	Company			
	2019	2019	2018	2018
	\$'000	%	\$'000	%
Investments in debt asset instruments:				
Quoted bonds in corporations with fixed interest of 3.80% and maturing on 25 February 2166 (effective rate 2.93%), Singapore – at amortised cost	252	5	254	7
Quoted bonds in corporations with fixed interest of 3.65% and maturing on 22 May 2022 (effective rate 2.95%), Singapore – at amortised cost	250	5	251	7
Quoted bonds in corporations with fixed interest of 4.70% and maturing on 3 June 2166 (effective rate 2.39% - 2.44%), Singapore – at amortised cost	–	–	759	23
Quoted bonds in corporations with fixed interest of 5.90% and maturing on 29 December 2049 (effective rate 3.82%), Singapore – at amortised cost	255	6	260	8
Quoted bonds in corporations with fixed interest of 4.75% and maturing on 1 April 2026 (effective rate 3.22%), Singapore – at amortised cost	256	6	259	8
Quoted bonds in corporations with fixed interest of 4.70% and maturing on 8 December 2165 (effective rate 4.1%), Singapore – at amortised cost	254	6	255	8
Quoted bonds in corporations with fixed interest of 4.45% and maturing on 17 December 2025 (effective rate 3.28%), Singapore – at amortised cost	253	5	256	8
Quoted bonds in corporations with fixed interest of 4.40% and maturing on 23 January 2026 (effective rate 3.10%), Singapore – at amortised cost	255	6	258	8
Quoted bonds in corporations with fixed interest of 4.30% and maturing on 19 May 2026 (effective rate 3.27%), Singapore – at amortised cost	254	6	256	8

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

16. OTHER FINANCIAL ASSETS (cont'd)

16A. Investments in debt asset instruments at amortised cost (cont'd)

Disclosures relating to investments in debt asset instruments at amortised cost (cont'd)

	Company			
	2019 \$'000	2019 %	2018 \$'000	2018 %
Investments in debt asset instruments (cont'd):				
Quoted bonds in corporations with fixed interest of 4.60% and maturing on 19 January 2026 (effective rate 2.63%), Singapore – at amortised cost	257	6	262	8
Quoted bonds in corporations with fixed interest of 4.20% and maturing on 18 September 2028 (effective rate 4.17%), Singapore – at amortised cost	250	5	250	7
Quoted bonds in corporations with fixed interest of 4.55% and maturing on 29 April 2020 (effective rate 3.65%), Singapore – at amortised cost	502	11	–	–
Quoted bonds in corporations with fixed interest of 3.35% and maturing on 10 February 2020 (effective rate 2.19%), Singapore – at amortised cost	251	5	–	–
Quoted bonds in corporations with fixed interest of 3.75% and maturing on 23 March 2027 (effective rate 3.22%), Singapore – at amortised cost	253	5	–	–
Quoted bonds in corporations with fixed interest of 5.625% and maturing on 6 December 2167 (effective rate 4.98%), Singapore – at amortised cost	257	6	–	–
Quoted bonds in corporations with fixed interest of 5.75% and maturing on 20 April 2166 (effective rate 4.42%), Singapore – at amortised cost	258	6	–	–
Quoted bonds in corporations with fixed interest of 6.125% and maturing on 16 October 2167 (effective rate 5.72%), Singapore – at amortised cost	254	6	–	–
Quoted bonds in corporations with fixed interest of 5.375% and maturing on 3 October 2167 (effective rate 5.11%), Singapore – at amortised cost	253	5	–	–
Total investments in debt asset instruments at amortised cost	4,564	100	3,320	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

16. OTHER FINANCIAL ASSETS (cont'd)

16A. Investments in debt asset instruments at amortised cost (cont'd)

Disclosures relating to fair value of investments in debt asset instruments at amortised cost

The debt asset instruments measured at amortised cost is categorised under Level 2 of the fair value hierarchy. The carrying value approximate their fair values of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

Credit rating of the debt asset instruments at amortised cost

The debt investments carried at amortised cost are subject to the expected credit loss model under the standard on financial instruments. The debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the reporting year is limited to 12 months expected losses. Listed bonds are regarded as of low credit risk if they have an investment grade credit rating with one or more reputable rating agencies.

Other bonds are regarded as of low credit risk if they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk.

16B. Investments at FVTPL

Movements in balances

	Group	
	2019 \$'000	2018 \$'000
Movements during the year:		
Fair value at beginning of the year	12	12
Addition at cost	899	—
Fair value at beginning and end of the year	911	12

Disclosures relating to investments at FVTPL

	Level	Group	
		2019 \$'000	2018 \$'000
Quoted equity shares:			
Trading companies and distributors industry: Singapore	1	12	12
Debt assets investments:			
Bond fund investments – debt securities, Ireland	2	899	—

For fair value measurements categorised within Level 2 of the fair value hierarchy, the carrying value approximate the fair values of these instruments and the disclosures of fair value are not made when the carrying amount of current financial instruments is a reasonable approximation of the fair value.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

16. OTHER FINANCIAL ASSETS (cont'd)

16B. Investments at FVTPL (cont'd)

Sensitivity analysis for price risk of equity shares at FVTPL

There are investments in equity shares or similar instruments. Such investments are exposed to both currency risk and market price risk arising from uncertainties about future values of the investment securities. The price risk of equity shares at FVTPL is not significant.

17. OTHER ASSETS

	Group	
	2019 \$'000	2018 \$'000
Club membership at cost	300	300
Allowance for impairment	(250)	(250)
	<u>50</u>	<u>50</u>
<u>Movements in above allowance:</u>		
Balance at beginning of the year	(250)	(250)
Balance at end of the year	<u>(250)</u>	<u>(250)</u>

The carrying value of club membership is at cost. The fair value of the club membership is deemed to be not reliably measurable as the probabilities of the various estimates within the range cannot be reasonably assessed as used in estimating fair values. Consequently it is carried at cost less allowance for impairment.

The club membership is held in trust by one of the Directors of the Company.

18. INVENTORIES

	Group	
	2019 \$'000	2018 \$'000
Finished goods and goods for resale	15,055	17,267
Raw material and processed steel	756	1,149
	<u>15,811</u>	<u>18,416</u>
The amount of inventories charged to cost of sales	<u>32,294</u>	<u>28,541</u>

There are no inventories pledged as security for liabilities.

NOTES TO THE FINANCIAL STATEMENTS

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19. TRADE AND OTHER RECEIVABLES, CURRENT

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<u>Trade receivables:</u>				
Outside parties	8,546	9,741	–	–
Less allowance for impairment	(1,296)	(1,323)	–	–
Related party (Note 3)	–	–	–	–
Net trade receivables – subtotal	7,250	8,418	–	–
<u>Other receivables:</u>				
Other receivables	164	261	16	29
Deposits to secure services	11	11	–	–
Subsidiary (Note 3) ⁽¹⁾	–	–	9,417	12,403
Dividends receivable from a subsidiary	–	–	–	1,200
Net other receivables – subtotal	175	272	9,433	13,632
Total trade and other receivables	7,425	8,690	9,433	13,632
<u>Movement in above allowance:</u>				
Balance at beginning of the year	(1,323)	(1,328)	–	–
Reversal to profit or loss included in other gains	27	5	–	–
Balance at end of the year	(1,296)	(1,323)	–	–

⁽¹⁾ The interest charged for the unsecured loan to subsidiary is between 1.85% to 2.04% (2018: 1.31% to 1.80%) per annum. There is no fixed term for the repayment of the loan.

The trade receivables are subject to the expected credit loss (“ECL”) model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring ECL which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates over the expected life of the trade receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The loss allowance was determined as follows for trade receivables:

	Gross amount	
	2019 \$'000	2018 \$'000
<u>Group</u>		
Trade receivables		
Current	3,811	4,831
1 to 30 days past due	2,701	1,238
31 to 60 days past due	355	463
Over 60 days past due	1,679	3,209
Total	8,546	9,741

The loss allowance balance as at end of the reporting year is \$1,296,000 (2018: 1,323,000). This loss allowance balance represented 77.2% (2018: 41.2%) over the trade receivables past due more than 60 days.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

19. TRADE AND OTHER RECEIVABLES, CURRENT (cont'd)

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period. There are no collateral held as security and other credit enhancements for the trade receivables.

At each subsequent reporting date, an evaluation is made whether there is a significant change in credit risk by comparing the debtor's credit risk at initial recognition (based on the original, unmodified cash flows) with the credit risk at the reporting date (based on the modified cash flows). Adjustment to the loss allowance is made for any increase or decrease in credit risk.

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivables customers is 30 to 90 days (2018: 30 to 90 days). But some customers take a longer period to settle the amount.

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

	2019 \$'000	2018 \$'000
<u>Group</u>		
Top 1 customer	1,159	2,043
Top 2 customers	2,060	3,649
Top 3 customers	<u>2,806</u>	<u>4,142</u>

The other receivables at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. The other receivables at amortised cost and which can be graded as low risk individually are considered to have low credit risk. At the end of the first reporting period a loss allowance is recognised at an amount equal to 12 month expected credit losses because there has not been a significant increase in credit risk since initial recognition. No loss allowance is necessary.

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

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Not restricted in use	<u>47,424</u>	<u>48,807</u>	<u>3,079</u>	<u>3,393</u>

The rates of interest on interest earning balances of \$47,424,000 (2018: \$48,807,000) for the Group was between 1.73% and 2.00% (2018: 1.70% and 2.87%) per annum.

There are no reconciliation amounts for the non-cash changes in liabilities arising from financing activities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

21. SHARE CAPITAL

	Number of shares issued '000	Share capital \$'000	Treasury shares \$'000	Total \$'000
<u>Group and Company</u>				
<u>Ordinary shares of no par value:</u>				
Balance at the beginning of 1 January 2018 and end of the year 31 December 2018 and 31 December 2019	341,129	58,856	(138)	58,718

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

Capital management

The objectives when managing capital are: to safeguard the reporting entity's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in light of changes in conditions and risk characteristics of the underlying assets.

In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

The Company and Group have insignificant external borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

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

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

22. CAPITAL RESERVE

All the reserves classified on the face of the statement of financial position as retained earnings represent past accumulated earnings and are distributable as cash dividends.

The capital reserve is not available for cash dividends unless realised. The capital reserve represents transfer of reserves on redeemable preference shares by the subsidiary, Asia Enterprises (Private) Limited.

NOTES TO THE FINANCIAL STATEMENTS

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23. LEASE LIABILITIES

	Group	
	2019 \$'000	2018 \$'000
Lease liabilities, current	515	–
Lease liabilities, non-current	9,666	–
	10,181	–

Movements in lease liabilities are as follows:

	2019 \$'000
<u>Group</u>	
At 1 January 2019	10,824
Accretion of interest	314
Repayments	(643)
Interest paid	(314)
At 31 December 2019	10,181

Reconciliation of lease commitments and lease liability at the date of initial application:

	2019 \$'000
<u>Group</u>	
Operating lease commitments as at 31 December 2018	14,999
Discounted using incremental borrowing rate	(4,175)
At 1 January 2019	10,824

A summary of the maturity analysis of lease liabilities that shows the remaining contractual maturities is as follows:

	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
<u>Group</u>			
2019			
Minimum lease payments payable:			
Not later than one year	811	(296)	515
Between 1 and 2 years	752	(282)	470
Between 2 and 3 years	752	(267)	485
Between 3 and 4 years	752	(253)	499
Between 4 and 5 years	752	(237)	515
Later than five years	10,223	(2,526)	7,697
Total	14,042	(3,861)	10,181

The new standard on leases has been applied using the modified retrospective transition approach. Therefore no comparative amounts for the year ended 31 December 2018 are presented.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

23. LEASE LIABILITIES (cont'd)

The lease liabilities above do not include short-term leases of less than 12 months and leases of low-value underlying assets. Variable lease payments that do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of lease liabilities and right-of-use assets. The right-of-use assets are disclosed in Note 13.

Only variable lease payments that depend on an index or a rate, or payments that vary to reflect changes in market rental rates, are included in the measurement of the lease liabilities. Such variable amounts that are unpaid at commencement date are included in the measurement of lease liabilities. Variable lease payments would also include extension options and termination options, residual value guarantees, and leases not yet commenced to which the lessee is committed. Variable lease payments that are based on revenue are recognised in profit or loss in the year in which the condition that triggers those payments occur.

On transition to the new standard on leases, the weighted average incremental borrowing rate applied to lease liabilities recognised was 3% per year. The right-of-use asset and lease liability are measured at the same amounts as under the new standard on the date of initial application.

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

24. TRADE AND OTHER PAYABLES, CURRENT

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<u>Trade payables:</u>				
Outside parties and accrued liabilities	3,015	4,116	223	244
Related parties (Note 3)	5	4	–	–
Trade payables – subtotal	3,020	4,120	223	244
<u>Other payables:</u>				
Advance from customers	131	33	–	–
Others	326	233	–	–
Other payables – subtotal	457	266	–	–
Total trade and other payables	3,477	4,386	223	244

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

25. FORWARD CURRENCY EXCHANGE CONTRACTS

These include the gross amount of all notional values for contracts that have not yet been settled or cancelled. The amount of notional value outstanding is not necessarily a measure or indication of market risk, as the exposure of certain contracts may be offset by that of other contracts.

	Principal US\$'000	Reference Currency	Maturity	Fair Value (Loss)/Gain S\$'000
<u>Group</u>				
<u>2019:</u>				
<u>Forward currency contracts</u>				
Sell Singapore Dollar for United States Dollar	<u>6,600</u>	US\$	2 March 2020 to 1 July 2020	<u>—⁽¹⁾</u>
<u>2018:</u>				
<u>Forward currency contracts</u>				
Sell Singapore Dollar for United States Dollar	<u>3,029</u>	US\$	4 March 2019 to 6 October 2019	<u>—⁽¹⁾</u>

⁽¹⁾ Amount less than \$1,000.

Currency derivatives are utilised to hedge significant future transactions and cash flows. The entity is party to a variety of foreign currency forward contracts and options in the management of its exchange rate exposures. The instruments purchased are primarily denominated in the currencies of the entity's principal markets. As a matter of principle, the entity does not enter into derivative contracts for speculative purposes.

The fair value (Level 2) of forward currency contracts is based on the current value of the difference between the contractual exchange rate and the market rate at the end of the reporting year. The valuation technique uses market observable inputs.

26. ITEMS IN PROFIT OR LOSS

In addition to the other gains and other losses disclosed elsewhere in the notes to the financial statements, this item includes the following expenses:—

	Group	
	2019 \$'000	2018 \$'000
Audit fees to the independent auditor of the Company	78	77
Other fees to the independent auditor of the Company	10	10
	<u>88</u>	<u>87</u>

NOTES TO THE FINANCIAL STATEMENTS

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27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

27A. Categories of financial assets and liabilities

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

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<u>Financial assets:</u>				
Financial assets at amortised cost	63,731	64,151	17,076	20,345
Financial assets at fair value through profit or loss	911	12	143	–
At end of the year	<u>64,642</u>	<u>64,163</u>	<u>17,219</u>	<u>20,345</u>
<u>Financial liabilities:</u>				
Financial liabilities measured at amortised cost	13,658	4,386	223	244
At end of the year	<u>13,658</u>	<u>4,386</u>	<u>223</u>	<u>244</u>

Further quantitative disclosures are included throughout these financial statements.

27B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the entity's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines set up the short and long-term objectives and action to be taken in order to manage the financial risks. The guidelines include the following:

- Minimise interest rate, currency, credit and market risks for all kinds of transactions.
- Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales, costs, payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
- All financial risk management activities are carried out and monitored by senior management.
- All financial risk management activities are carried out following acceptable market practices.
- Where appropriate, consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

There have been no changes to the exposure to risk, the objectives, policies and process for managing risks and the methods used to measure risks.

27C. Fair values of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS

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27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (cont'd)

27D. Credit risk on financial assets

Financial assets are potentially subject to concentration of credit risks and failure by counter-parties to discharge their obligations in full or in a timely manner. These arise principally from cash balances with banks, cash equivalents, receivables and other financial assets. The maximum exposure to credit risk is the total of the fair value of the financial assets at the end of the reporting year. Credit risk on cash balances with banks and any other financial instruments is limited because the counter-parties are entities with acceptable credit ratings. For ECL on financial assets, the simplified approach is used to measure the impairment allowance. Simplified approach is permitted by the financial reporting standards on financial instruments for financial assets that do not have a significant financing component, such as trade receivables. On initial recognition, a Day-1 loss is recorded equal to the 12 month ECL (or lifetime ECL for trade receivables), unless the assets are considered credit impaired. For credit risk on trade receivables an ongoing credit evaluation is performed on the financial condition of the debtors and impairment loss, if any, is recognised in profit or loss.

Reviews and assessments of credit exposures in excess of designated limits are made. Renewals and reviews of credits limits are subject to the same review process.

Note 20 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

27E. Liquidity risk – financial liabilities maturity analysis

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. There are no liabilities contracted to fall due after twelve months at the end of the reporting year. The average credit period taken to settle trade payables is about 37 days (2018: 46 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

	Group	
	2019 \$'000	2018 \$'000
<u>Bank facilities:</u>		
Undrawn borrowing facilities	70,913	74,228
Banker's guarantee	11	12

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

The above banking facilities are covered by negative pledges on the Group's assets.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (cont'd)

27F. Interest rate risk

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

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<u>Financial liabilities with interest:</u>				
Fixed rate	10,181	–	–	–
Total at end of the year	10,181	–	–	–
<u>Financial assets with interest:</u>				
Floating rate	8,981	7,957	9,939	12,646
Fixed rate	48,225	47,504	7,264	6,470
Total at end of the year	57,206	55,461	17,203	19,116

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

The analysis has been performed for floating interest rate over a year for financial instruments. The impact of a change in interest rates on floating interest rate financial instruments has been assessed in terms of changing of their cash flows and therefore in terms of the impact on profit or loss. The hypothetical changes in basis points are not based on observable market data.

Sensitivity analysis:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<u>Financial assets:</u>				
A hypothetical increase in interest rates by 100 basis points with all other variables held constant, would have an increase in pre-tax profit for the year by	90	80	99	126

27G. Foreign currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

27. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (cont'd)

27G. Foreign currency risk (cont'd)

Analysis of amounts denominated in non-functional currency:

	Group – US\$	
	2019	2018
	\$'000	\$'000
<u>Financial assets:</u>		
Cash and cash equivalents	3,488	4,387
Loans and receivables	199	1,683
Total financial assets	<u>3,687</u>	<u>6,070</u>
<u>Financial liabilities:</u>		
Trade and other payables	(2,042)	(1,542)
Total financial liabilities	<u>(2,042)</u>	<u>(1,542)</u>
Net financial assets at end of the year	<u>1,645</u>	<u>4,528</u>

There are no balances denominated in non-functional currency at the Company level.

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

Sensitivity analysis:

	Group	
	2019	2018
	\$'000	\$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the US\$ with all other variables held constant would have an adverse effect on post-tax profit / (loss) of	<u>(165)</u>	<u>(453)</u>

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

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

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

28. EVENTS AFTER THE END OF THE REPORTING YEAR

There are uncertainties to the economy resulting from the COVID-19 outbreak that emerged in early 2020. As the situation is still evolving, the full effect of the outbreak is still uncertain. It is possible that COVID-19 may adversely impact the Group's revenue, profitability and the impairment or recoverability of certain assets for the next financial year, the extent of which will depend on how long the outbreak lasts.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

29. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

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

SFRS(I) No.	Title
SFRS(I) 16	Leases (and Leases – Illustrative Examples and Amendments to Guidance on Other Standards)
SFRS(I) INT 23	Uncertainty over Income Tax Treatments
SFRS(I) 1-12	Improvements (2017) – Amendments: Income Taxes
SFRS(I) 1-23	Improvements (2017) – Amendments: Borrowing Costs

30. NEW OR AMENDED STANDARDS IN ISSUE BUT NOT YET EFFECTIVE

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

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 1-1 and 1-8	Definition of Material – Amendments to The Conceptual Framework for Financial Reporting	1 January 2020

31. CHANGES IN ACCOUNTING POLICIES AND RESTATEMENTS OF COMPARATIVE FIGURES

Leases:

The financial reporting standard on leases is effective for annual period beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessee almost all leases are brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Thus, the entity has recognised a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements. The amount by which each financial statement line item is impacted (debits / (credits)) in the current reporting year 2019 by the application of the new standard on leases are disclosed in the relevant notes to the financial statements. The reporting entity elected to apply the modified retrospective approach for this new standard on leases. Under the modified retrospective approach the comparative information is not restated and therefore there is no presentation of a third column for the statement of financial position. Any cumulative effect of initially applying this standard as an adjustment to the opening balance of retained earnings at the date of initial application.

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2020

SHAREHOLDERS' INFORMATION

Class of Equity Securities	Number of Equity Securities	Voting Rights
Ordinary Shares	341,128,887*	On a poll: one vote for each ordinary share*
Treasury Shares	788,600	Nil

* Excluding non-voting 788,600 treasury shares and subsidiary shareholdings

Percentage of treasury shares and subsidiary shareholdings against total number of issued shares (excluding treasury shares and subsidiary shareholdings): 0.23%

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	25	1.58	1,266	0.00
100 – 1,000	64	4.04	31,415	0.01
1,001 – 10,000	486	30.68	2,336,282	0.69
10,001 – 1,000,000	976	61.62	61,376,192	17.99
1,000,001 and above	33	2.08	277,383,732	81.31
	1,584	100.00	341,128,887	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Shenton Investment Pte Ltd	127,377,350	37.34
2.	Sin Hock Chong Company Private Limited	21,332,375	6.25
3.	Harmaidy	18,539,650	5.43
4.	Minh-Chieh Investments Pte Ltd	16,498,908	4.84
5.	Koh Suew Leng	14,346,067	4.21
6.	DBS Nominees (Private) Limited	9,413,500	2.76
7.	Tan Wai See	8,920,000	2.61
8.	Phillip Securities Pte Ltd	6,913,302	2.03
9.	DB Nominees (Singapore) Pte Ltd	6,226,500	1.83
10.	HSBC (Singapore) Nominees Pte Ltd	4,661,250	1.37
11.	Lee Choon Bok @ Ng Kim Tor	3,816,216	1.12
12.	Yap Hwee Hong	3,260,616	0.96
13.	Yeo Seng Chong	2,775,000	0.81
14.	Koh Siak Lin, Victor	2,584,408	0.76
15.	Ang Hao Yao (Hong Haoyao)	2,121,150	0.62
16.	Chua Leong Hai @Chua Leang Hai	2,080,000	0.61
17.	Tan Pei Hong Alex (Chen Peifeng)	2,068,900	0.61
18.	Estate of Yeo Eng Hock, Deceased	2,020,708	0.59
19.	Raffles Nominees (Pte.) Limited	2,017,000	0.59
20.	Lew Wing Kit	2,013,400	0.59
	Total:	258,986,300	75.93

STATISTICS OF SHAREHOLDINGS

AS AT 16 MARCH 2020

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

Based on the information provided to the Company as at 16 March 2020, approximately 44.73% of the issued ordinary shares of the Company are held by the public. Accordingly the Company has complied with Rule 723 of the SGX-ST Listing Manual.

LIST OF SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 16 March 2020)

Name of Substantial Shareholder	No. of Shares (Direct Interest)	No. of Shares (Deemed Interest)	Total	%
Shenton Investment Pte Ltd	127,377,350	–	127,377,350	37.34
Sin Hock Chong Company Private Limited	21,332,375	–	21,332,375	6.25
Lee Choon Bok (a director)	3,816,216	127,377,350 ¹	131,193,566	38.46
Lee Yih Chyi, Yvonne (a director)	70,000	131,193,566 ²	131,263,566	38.48
Harmaidy (a director)	18,539,650	21,332,375 ³	39,872,025	11.69
Lee Yih Hwan	660,000	131,193,566 ²	131,853,566	38.65

Notes:

1. Deemed interest arises from shares held by Shenton Investment Pte Ltd.
2. Deemed interest arises from 127,377,350 shares held by Shenton Investment Pte Ltd and 3,816,216 shares held by Lee Choon Bok.
3. Deemed interest arises from shares held by Sin Hock Chong Company Private Limited.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Lee Choon Bok *Executive Chairman*
Lee Yih Chyi, Yvonne *Managing Director*
Lim Lian Peng *Executive Director*
Harmaidy *Non-Executive Director*
Tan Keh Yan, Peter *Lead Independent Director*
Lee Bon Leong *Independent Director*
Teo Keng Thwan *Independent Director*
Koh Wee Kiang *Independent Director*

AUDIT COMMITTEE

Tan Keh Yan, Peter *Chairman*
Lee Bon Leong
Teo Keng Thwan

NOMINATING COMMITTEE

Tan Keh Yan, Peter *Chairman*
Lee Bon Leong
Teo Keng Thwan

REMUNERATION COMMITTEE

Lee Bon Leong *Chairman*
Tan Keh Yan, Peter
Harmaidy

COMPANY SECRETARIES

Chew Kok Liang (LLB) (Hons)
Teo Chia Hui

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See Ling Ling, Helen

Partner-in-charge

(Appointed with effect from financial year ended 31 December 2015)

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