CIRCULAR DATED 31 MAY 2021

THIS CIRCULAR IS ISSUED BY SIN GHEE HUAT CORPORATION LTD ("COMPANY"). THIS CIRCULAR IS IMPORTANT AS IT CONTAINS THE RECOMMENDATION OF THE INDEPENDENT DIRECTORS (AS DEFINED HEREIN) AND THE ADVICE OF ASIAN CORPORATE ADVISORS PTE. LTD. (AS THE INDEPENDENT FINANCIAL ADVISER TO THE INDEPENDENT DIRECTORS). THIS CIRCULAR REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt in relation to this Circular (as defined herein) or as to the action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

If you have sold or transferred all your issued and fully paid shares in the capital of the Company ("**Shares**"), held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Circular to the purchaser or transferee as arrangements will be made by CDP for a separate Circular to be sent to the purchaser or transferee. If you have sold or transferred all your Shares which are not deposited with CDP, you should immediately forward this Circular to the purchaser or the transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or the transferee.

This Circular has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this Circular including the correctness of any of the statements made or opinions expressed or reports contained in this Circular.

SIN GHEE HUAT CORPORATION LTD.

(Company Registration No.: 197700475Z)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

in relation to the

VOLUNTARY CONDITIONAL GENERAL OFFER

by

DBS BANK LTD.

(Company Registration No. 196800306E)
(Incorporated in the Republic of Singapore)

for and on behalf of

HHH CO PTE. LTD.

(Company Registration No. 201813544G)
(Incorporated in the Republic of Singapore)

to acquire the Offer Shares (as defined herein)

Independent Financial Adviser to the Independent Directors

ASIAN CORPORATE ADVISORS PTE. LTD.

(Company Registration No. 200310232R)
(Incorporated in the Republic of Singapore)

SHAREHOLDERS SHOULD NOTE THAT ACCEPTANCES SHOULD BE RECEIVED BY THE CLOSE OF THE OFFER AT 5.30 P.M. (SINGAPORE TIME) ON 28 JUNE 2021 (OR SUCH LATER DATE(S) AS MAY BE ANNOUNCED FROM TIME TO TIME BY OR ON BEHALF OF THE OFFEROR).

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DEFINITIONS

Except where the context otherwise requires, the following definitions apply throughout this Circular:

"**Act**"	:	The Companies Act, Chapter 50 of Singapore
"**Appraised Assets**"	:	The properties at (1) 32 Penhas Road, #01-01 and #01-02, (2) 62 Tuas Basin Link and (3) 32 Gul Crescent, which are the subject of valuation in the Valuation Report
"**Auditors**"	:	KPMG LLP, the independent auditors of the Company
"**Board**"	:	Board of Directors
"**Business Day**"	:	A day other than Saturday, Sunday or a public holiday on which commercial banks are open for business in Singapore
"**CDP**"	:	The Central Depository (Pte) Limited
"**Circular**"	:	This circular to Shareholders in relation to the Offer, setting out, *inter alia*, the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors
"**Closing Date**"	:	5.30 p.m. (Singapore time) on 28 June 2021
"**Code**"	:	The Singapore Code on Take-overs and Mergers
"**Company**"	:	Sin Ghee Huat Corporation Ltd.
"**Constitution**"	:	The constitution of the Company
"**Concert Parties**"	:	Parties acting or presumed to be acting in concert with the Offeror in connection with the Offer
"**CP Irrevocable Undertakings**"	:	Concert Parties' Irrevocable Undertakings
"**DBS**"	:	DBS Bank Ltd.
"**Directors**"	:	The directors of the Company as at the Latest Practicable Date
"**Distributions**"	:	Any dividends, rights and other distributions declared, paid or made by the Company in respect of Shares
"**Encumbrances**"	:	Any claims, charges, equities, mortgages, liens, pledges, encumbrances, rights of pre-emption and other third party rights and interests of any nature whatsoever

"**FAA**"	:	Form of Acceptance and Authorisation for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are deposited with CDP
"**FAT**"	:	Form of Acceptance and Transfer for Offer Shares, which forms part of the Offer Document and which is issued to Shareholders whose Offer Shares are not deposited with CDP
"**FY2018**"	:	Financial year ended 30 June 2018
"**FY2019**"	:	Financial year ended 30 June 2019
"**FY2020**"	:	Financial year ended 30 June 2020
"**Group**"	:	The Company and its subsidiaries
"**HY2021**"	:	The six-month financial period ended 31 December 2020
"**IFA**" or "**ACA**"	:	Asian Corporate Advisors Pte. Ltd., the independent financial adviser to the Independent Directors in relation to the Offer
"**IFA Letter**"	:	The letter from the IFA to the Independent Directors dated 31 May 2021 containing the advice of the IFA to the Independent Directors in respect of the Offer, a copy of which is set out in **Appendix 2** to this Circular
"**Independent Directors**"	:	The directors of the Company who are independent for the purpose of making a recommendation to Shareholders in respect of the Offer, namely Mr Goh Chee Wee, Mr Kua Ghim Song, Mr Kua Peng Chuan, Mr Hoon Tai Meng and Mr Lim Lian Soon
"**Irrevocable Undertakings**"	:	The CP Irrevocable Undertakings and the TP Irrevocable Undertakings
"**KCH**"	:	Kua Chee Hong
"**KCS**"	:	Kua Choo Suan
"**Knight Frank**"	:	Knight Frank Pte Ltd
"**KPC**"	:	Kua Peng Chuan
"**LAH**"	:	Low Ah Hoo
"**LBC**"	:	Ler Bee Chin

"**LCH**"	:	Low Chui Heng
"**Latest Practicable Date**"	:	17 May 2021, being the latest practicable date prior to the issuance of this Circular
"**Market Day**"	:	A day on which the SGX-ST is open for trading of securities
"**Offer**"	:	The voluntary conditional cash offer by DBS, for and on behalf of the Offeror, to acquire the Offer Shares, on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT, as such offer may be amended and revised from time to time by or on behalf of the Offeror
"**Offer Announcement**"	:	The announcement in connection with the Offer released by DBS, for and on behalf of the Offeror, on the Offer Announcement Date
"**Offer Announcement Date**"	:	29 April 2021, being the date of the Offer Announcement
"**Offer Document**"	:	The offer document dated 17 May 2021, including the FAA and FAT, and any other document(s) which may be issued for and on behalf of the Offeror to amend, revise, supplement or update this document from time to time
"**Offer Price**"	:	S$0.27 in cash for each Offer Share
"**Offer Shares**"	:	All the issued Shares to which the Offer relates, as described in Sections 2.1 (Offer) and 2.2 (Offer Shares) of the Letter to Shareholders in the Offer Document and Section 2.2 of this Circular, and "**Offer Share**" means any one of them.
"**Offeror**"	:	HHH Co Pte. Ltd.
"**Overseas Shareholders**"	:	Shareholders whose addresses are outside Singapore as shown in the Register or in the Depository Register (as the case may be)
"**Record Date**"	:	In relation to any Distributions, the date on which Shareholders must be registered with the Company or with CDP, as the case may be, in order to participate in such Distributions
"**Register**"	:	The register of holders of Shares, as maintained by the Registrar

"**Registrar**"	:	Tricor Barbinder Share Registration Services, in its capacity as the share registrar of the Company, whose office is at 80 Robinson Road, #11-02, Singapore 068898
"**Relevant Acceptance Forms**"	:	The FAA and/or the FAT (as the case may be)
"**Securities Account**"	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account
"**SFA**"	:	Securities and Futures Act, Chapter 289 of Singapore
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Shareholders**"	:	The holders of the Offer Shares, including persons whose Offer Shares are deposited with CDP or who have purchased the Offer Shares on the SGX-ST
"**Shares**"	:	Ordinary shares in the capital of the Company
"**SIC**"	:	Securities Industry Council
"**SRS**"	:	The Supplementary Retirement Scheme
"**SRS Agent Banks**"	:	Agent banks included under SRS
"**SRS Investors**"	:	Investors who purchase Shares pursuant to SRS
"**S$**" and "**cents**"	:	Singapore dollars and cents, respectively
"**TP Irrevocable Undertakings**"	:	Third Party Irrevocable Undertakings
"**Undertaking Shareholders**"	:	The CP Irrevocable Undertakings and the TP Irrevocable Undertakings
"**VWAP**"	:	Volume weighted average price
"**%**" or "**per cent.**"	:	Per centum or percentage
"**Unconditional Announcement**"	:	The announcement dated 20 May 2021 released by DBS, for and on behalf of the Offeror, in relation to, inter alia, the Offer being declared unconditional in all respects
"**Valuation Report**"	:	The valuation report from Knight Frank dated 27 May 2021 as set out in Appendix 3 to this Circular
"**2GS**"	:	2GS Investment Pte. Ltd.

The expression "**acting in concert**" shall have the meaning ascribed to it in the Code.

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them respectively in Section 81SF of the SFA and the terms "**subsidiary**" and "**substantial shareholder**" shall have the meanings ascribed to them in Sections 5 and 81 of the Act respectively.

The term "**related corporation**" shall have the meaning ascribed to it in Section 6 of the Act.

References to "**you**", "**your**" and "**yours**" in this Circular are to Shareholders.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall include the feminine and neuter genders and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Act, the Listing Manual or the Code or any modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Act, the Listing Manual or the Code or any modification thereof, as the case may be, unless the context otherwise requires.

Any reference to a time of day and date in this Circular is made by reference to Singapore time and date, unless otherwise stated.

Any discrepancies in figures included in this Circular between amounts shown and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Circular may not be an arithmetic aggregation of the figures that precede them.

References in this Circular to the total number of Shares in issue are based on 222,000,000 Shares in issue as at the Latest Practicable Date, unless otherwise stated. As at the Latest Practicable Date, the Company does not hold any treasury shares.

CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements other than statements of historical facts included in this Circular are or may be forward- looking statements. Forward-looking statements include but are not limited to those using words such as “anticipate”, “believe”, “estimate”, “expect”, “forecast”, “intend”, “plan”, “project”, “seek”, “strategy”, and similar expressions or future or conditional verbs such as “could”, “may”, “might”, “should”, “will” and “would”. These statements reflect the Company’s current expectations, beliefs, hopes, intentions or strategies regarding the future and assumptions in light of currently available information. Such forward-looking statements are not guarantees of future performance or events and involve known and unknown risks and uncertainties. Accordingly, actual results may differ materially from those described in such forward-looking statements. Shareholders should not place undue reliance on such forward-looking statements, and the Company assumes no obligation to update publicly or revise any forward-looking statement.

INDICATIVE TIMETABLE

Date of despatch of Offer Document	:	17 May 2021
Date of despatch of this Circular	:	31 May 2021
Closing Date	:	5.30 p.m. (Singapore time) on 28 June 2021
Date of settlement of consideration for the Offer Shares	:	(i) In respect of acceptances of the Offer which are complete and valid in all respects and are received **on or before** the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, within seven (7) Business Days of such date; or (ii) In respect of acceptances of the Offer which are complete and valid in all respects and are received **after** the date on which the Offer becomes or is declared to be unconditional in all respects in accordance with its terms, but before the Offer closes, within seven (7) Business Days of the date of such receipt.

SIN GHEE HUAT CORPORATION LTD.
(Company Registration No. 197700475Z)
(Incorporated in the Republic of Singapore)

Board of Directors:

Goh Chee Wee
(Non-Executive Chairman and Independent Director)
Kua Ghim Song
(Chief Executive Officer and Executive Director)
Kua Peng Chuan
(Executive Director)
Hoon Tai Meng
(Non-Executive and Independent Director)
Lim Lian Soon
(Non-Executive and Independent Director)
Low Chui Heng
(Non-Executive and Non-Independent Director)

Registered Office:

32 Gul Crescent
Singapore 629537

31 May 2021

To: The Shareholders of Sin Ghee Huat Corporation Ltd.

Dear Sir/Madam

VOLUNTARY CONDITIONAL CASH OFFER BY DBS FOR AND ON BEHALF OF THE OFFEROR FOR THE OFFER SHARES

1. INTRODUCTION

1.1 Offer Announcement

On 29 April 2021, DBS announced, for and on behalf of the Offeror, that the Offeror intends to make the Offer for the Offer Shares at the Offer Price of S$0.27 for each Offer Share.

A copy of the Offer Announcement is available on the website of the SGX-ST at http://www.sgx.com.

1.2 Offer Document

Shareholders should have by now received a copy of the Offer Document despatched on 17 May 2021, setting out*, inter alia*, the terms and conditions of the Offer. **Shareholders are urged to read carefully the terms and conditions contained therein.**

A copy of the Offer Document is available on the website of the SGX-ST at http://www.sgx.com.

1.3 Unconditional Announcement

On 20 May 2021, DBS issued the Unconditional Announcement, for and on behalf of the Offeror, announcing that the Offer has been declared unconditional in all respects. Shareholders are urged to read the Unconditional Announcement carefully.

A copy of the Unconditional Announcement is available on the website of the SGX-ST at http://www.sgx.com.

1.4 Independent Financial Adviser

The Independent Directors have appointed ACA as their independent financial adviser in respect of the Offer.

1.5 Purpose of Circular

The purpose of this Circular is to provide Shareholders with relevant information pertaining to the Company, the Offer, the advice of the IFA to the Independent Directors and the recommendation of the Independent Directors with regard to the Offer.

Shareholders should read the Offer Document, this Circular and the IFA Letter set out in Appendix 2 to this Circular carefully and consider the recommendation of the Independent Directors and the advice of the IFA in respect of the Offer before deciding whether or not to accept the Offer.

If you are in any doubt in relation to this Circular or as to the action you should take, you should consult your stockbroker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

2. THE OFFER

Based on the information set out in the Offer Document, the Offeror has offered to acquire all the Offer Shares on the terms and subject to the conditions set out in the Offer Document, the FAA and the FAT on the following basis:

2.1 Offer Price

As stated in Section 2.3 of the Offer Document, the Offeror is making the Offer for the Offer Shares on the following basis:

For each Offer Share: S$0.27 in cash ("Offer Price").

The Offer Price is final and the Offeror does not intend to revise the Offer Price.

2.2 Offer Shares

The Offer is extended, on the same terms and conditions, to all the Shares, including any Shares owned, controlled or agreed to be acquired by the Concert Parties (all such Shares, the "**Offer Shares**").

2.3 No Encumbrances

Pursuant to Section 2.4 of the Offer Document, the Offer Shares will be acquired (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Offer Announcement Date, and thereafter attaching thereto, including but not limited to the right to receive and retain all Distributions (if any), the Record Date for which falls on or after the Offer Announcement Date.

In the event of any such Distributions on or after the Announcement Date, the Offeror reserves the right to reduce the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer by the amount of such Distribution.

2.4 Minimum Acceptance Condition to the Offer

The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with any Offer Shares owned, controlled, acquired or agreed to be acquired by the Offeror and the Concert Parties before or during the Offer but otherwise than though acceptances of the Offer, will result in the Offeror and the Concert Parties holding more than 50% of the total number of issued Shares (excluding any Shares held in treasury) as at the close of the Offer (the "**Minimum Acceptance Condition**").

As at the Latest Practicable Date, the Offeror holds in aggregate 44,755,867 Shares representing approximately 20.16% of the total number of issued Shares.

Pursuant to the Irrevocable Undertakings (as set out in Section 5 below), the Undertaking Shareholders have undertaken to the Offeror to tender, or procure their nominees to tender, all of their respective Shares in acceptance of the Offer, being an aggregate of 105,067,176 Shares, representing approximately 47.33% of the total number of issued Shares.

Upon receipt of such valid acceptances from the Undertaking Shareholders, the Offeror and its Concert Parties will hold in aggregate 149,823,043 Shares, representing approximately 67.49% of the total number of issued Shares. Accordingly, the Minimum Acceptance Condition will be satisfied, and the Offer will be declared unconditional in all respects thereafter.

Save for the Minimum Acceptance Condition, the Offer is unconditional in all other respects.

2.5 No Options Proposal

According to Section 2.6 of the Offer Document, based on the latest information available to the Offeror, there are no outstanding options to subscribe for new Shares of the Company ("**Options**") as at the Latest Practicable Date of the Offer Document. In view of the foregoing, the Offeror will not make any offer to acquire any Options.

2.6 Warranty

According to Section 2.7 of the Offer Document, a Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably represent, warrant and undertake to the Offeror that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Offer Announcement Date, and thereafter attaching thereto, including the right to all Distributions (if any), the Record Date for which falls on or after the Offer Announcement Date.

2.7 Closing Date

The Offer will remain open for acceptances by Shareholders for at least 28 days from the date of despatch of the Offer Document, the FAA and the FAT and any related documents, being 17 May 2021, unless the Offer is withdrawn with the consent of SIC and every person released from any obligation incurred thereunder.

As stated in sections 1.3 and 8 of this Circular, the Offer has been declared unconditional in all respects. Therefore, in accordance with Rule 22.6 of the Code, the Offer will remain open for acceptance for not less than 14 days after the date on which it would have closed (i.e. 14 June 2021).

Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 28 June 2021.

2.8 Details of the Offer

Further details of the Offer are set out in **Appendix 1** to the Offer Document, including details on (a) the duration of the Offer; (b) the settlement of the consideration for the Offer; (c) the requirements relating to the announcement(s) of level of acceptances of the Offer; and (d) the right of withdrawal of acceptance of the Offer.

2.9 Procedures for acceptance

The procedures for acceptance of the Offer are set out in **Appendix 2** to the Offer Document.

3. INFORMATION ON THE OFFEROR

The following has been extracted from Section 6 of the Offer Document and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. **Shareholders are advised to read the extract below carefully:**

*"**6.1** **The Offeror.** The Offeror. The Offeror is a company incorporated in Singapore on 20 April 2018 and its principal activity is investment holding.*

As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S$1,000,000.00 comprising 1,000,000 ordinary shares of which 500,000 shares are held by each of LCH and LAH. LCH and LAH are siblings and are also the two directors of the Offeror.

As at the Latest Practicable Date, the Offeror holds in aggregate 44,755,867 Shares representing approximately 20.16% of the total number of Shares in issue (the "Current Shareholdings").

***6.2** **Additional Information.** Additional information on the Offeror is set out in Appendix 3 to this Offer Document."*

Additional information on the Offeror is set out in **Appendix 3** to the Offer Document.

4. RATIONALE FOR THE OFFER

The full text of the rationale for the Offer has been extracted from Section 8 of the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully.**

*"**8.1** **Acquire Control.** The Offeror is making the Offer to seek statutory control of the Company.*

8.2 ***Greater Management Flexibility.*** *If the Offeror receives sufficient valid acceptances, the Offeror intends to exercise its rights of compulsory acquisition and subsequently delist the Company from the SGX-ST, as further set out in Section 11 (Compulsory Acquisition and Listing Status) of this Letter to Shareholders. The Offeror believes that privatising the Company will provide the Offeror and the Company with greater control and management flexibility to manage the business of the Group, respond to the changing market conditions and optimise the use of the Company's management and resources."*

5. IRREVOCABLE UNDERTAKINGS

The information on irrevocable undertakings obtained by the Offeror set out in italics below has been extracted from Section 5 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully:**

"5.1 ***Concert Parties' Irrevocable Undertakings.*** *As at the Latest Practicable Date, the Offeror has received undertakings (the "**Concert Parties' Irrevocable Undertakings**") from:*

(a) *LCH in respect of 12,345,476 Shares (representing approximately 5.56% of the Shares in issue); and*

(b) *LAH in respect of 7,728,800 Shares (representing approximately 3.48% of the Shares in issue);*

*(collectively, the "**Concert Party Shareholders**"),*

pursuant to which each of the Concert Party Shareholders has, inter alia, unconditionally and irrevocably undertaken to the Offeror to tender all of his respective Shares set out above in acceptance of the Offer.

5.2 ***Third Party Irrevocable Undertakings.*** *As at the Latest Practicable Date, the Offeror has received undertakings (the "**Third Party Irrevocable Undertakings**") from the following shareholders:*

(a) *2GS Investment Pte. Ltd. ("**2GS**")[1] in respect of 56,700,000 Shares held by it representing approximately 25.54% of the total number of issued Shares;*

(b) *Mr Kua Peng Chuan ("**KPC**")[2][3] in respect of 11,382,000 Shares held by him representing approximately 5.13% of the total number of issued Shares;*

(c) *Mr Kua Chee Hong ("**KCH**")[4] in respect of 13,070,000 Shares held by him representing approximately 5.89% of the total number of issued Shares;*

(d) *Ms Ler Bee Chin ("**LBC**")[5] in respect of 2,053,400 Shares held by him representing approximately 0.92% of the total number of issued Shares; and*

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1 Kua Ghim Siong ("**KGS**"), the Chief Executive Officer of the Company, holds 17.5% shareholdings in 2GS and is the sole director of 2GS (refer to Section 7.3 (Directors) of the Offer Document).

2 KPC is an Executive Director of the Company (refer to Section 7.3 (Directors) of the Offer Document).

3 KGS and KPC are cousins.

4 KCH is the father of KPC.

5 LBC is the mother of KPC.

(e) *Ms Kua Choo Suan ("**KCS**")*[1] *in respect of 1,787,500 Shares held by him representing approximately 0.81% of the total number of issued Shares;*

*(collectively, the "**Third Party Shareholders**"),*

pursuant to which each of the Third-Party Shareholders will undertake to, inter alia, unconditionally and irrevocably tender all the respective Shares held by it/him/her as set out above in acceptance of the Offer.

5.3 ***Aggregate Holdings of Undertaking Shareholders.*** *Pursuant to the Concert Parties' Irrevocable Undertakings and the Third-Party Irrevocable Undertakings, (collectively, the "**Irrevocable Undertakings**"), the aggregate number of Shares held by the abovementioned shareholders who have provided the Irrevocable Undertakings (the "**Undertaking Shareholders**") amounts to 105,067,176 Shares, representing approximately 47.33% of the total number of issued Shares as at the Latest Practicable Date.*

5.4 ***Termination of Irrevocable Undertakings.*** *Each of the Irrevocable Undertakings shall terminate, lapse or cease to have any effect upon the Offer being withdrawn for whatever reason other than a breach of the obligations of the Undertaking Shareholders under their respective Irrevocable Undertakings.*

5.5 ***No Other Undertakings.*** *Save for the Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any of its Concert Parties has received any irrevocable undertaking from any party to accept or reject the Offer."*

6. OFFEROR'S INTENTIONS RELATING TO THE COMPANY

The full text of the Offeror's intentions for the Company has been extracted from Section 10 of the Offer Document and is set out in italics below. **Shareholders are advised to read the extract below carefully and note the Offeror's future plans for the Company:**

*"**10 OFFEROR'S INTENTIONS IN RELATION TO THE COMPANY***

10.1 ***Develop and Grow Existing Business.*** *The Offeror intends for the Company to continue to develop and grow the existing businesses of the Group. The Offeror and the Company will continue to review, from time to time, the operations of the Group as well as the Company's strategic options. The Offeror retains and reserves the right and flexibility at any time and from time to time to further consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the best interests of the Offeror and/or the Company.*

10.2 ***No Major Changes.*** *Save as disclosed above, the Offeror has no current intentions to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Group, in each case, other than in the ordinary and usual course of business and/or in response to the changing market conditions."*

[1] KCS is the sister of KPC.

7. COMPULSORY ACQUISITION AND LISTING STATUS

The full text of the intentions of the Offeror relating to the compulsory acquisition and listing status of the Company has been extracted from Section 11 of the Offer Document and is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully:**

*"**11.1 Compulsory Acquisition.** Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or its respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the "Dissenting Shareholders"), at a price equal to the Offer Price.*

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from SGX-ST.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with Shares held in treasury and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares. Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

*11.2 **Listing Status.** Under Rule 723 of the Listing Manual, the Company must ensure that at least 10% of the total number of issued Shares is at all times held in public hands (as defined in the Listing Manual) (the "**Free Float Requirement**"). Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and its Concert Parties to above 90% of the total number of issued Shares (excluding Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time it is satisfied that at least 10% of the total number of issued Shares (excluding Shares held in treasury) are held by at least 500 Shareholders who are members of the public. Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.*

In addition, under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not satisfied, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3)

months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares (excluding Shares held in treasury) in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

The Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted."

8. OFFER DECLARED UNCONDITIONAL

The following sections have been extracted from the Unconditional Announcement and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. **Shareholders are advised to read the extract below and the Unconditional Announcement carefully:**

*"2.3 **Minimum Acceptance Condition Satisfied***

Based on the aforesaid, DBS wishes to announce, for and on behalf of the Offeror, that as at the Unconditional Date, the Offeror has received valid acceptances of the Offer (which have not been withdrawn) in respect of an aggregate of 115,170,676 Shares which, when taken together with the Shares owned, controlled, acquired or agreed to be acquired by the Offeror and its Concert Parties before or during the Offer but otherwise than through acceptances of the Offer, will result in the Offeror and its Concert Parties holding more than 50% of the total number of issued Shares (excluding Shares held in treasury). Accordingly, DBS wishes to announce, for and on behalf of the Offeror, that the Minimum Acceptance Condition of the Offer (as set out in Section 2.5 of the Letter to Shareholders in the Offer Document) has been satisfied and the Offer has therefore become and is hereby declared unconditional in all respects on the Unconditional Date.

*3 **EXTENDED CLOSING DATE***

In accordance with Rule 22.6 of the Code, as the Offer has become unconditional as to acceptances, the Offer will remain open for acceptance for not less than 14 days after the date on which it would have closed.

Accordingly, the Closing Date for the Offer will be extended from 5.30 p.m. on 14 June 2021 to 5.30 p.m. on 28 June 2021, or such later date(s) as may be announced from time to time by or on behalf of the Offeror ("Extended Closing Date")."

9. FINANCIAL ASPECTS OF THE OFFER

The following has been extracted from Section 9 of the Offer Document and is set out in italics below. Unless otherwise defined, all terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document. **Shareholders are advised to read the extract below carefully:**

*"**9 FINANCIAL EVALUATION OF THE OFFER AND TRADING VOLUME OF THE SHARES***

9.1 ***Financial Evaluation of the Offer.*** *Against the uncertainties surrounding the long term impact of the COVID-19 pandemic and a challenging outlook across the Company's businesses, the Offer represents an opportunity for Shareholders to realise their investment in the Shares at a premium over historical market prices without incurring brokerage and trading costs. The Offer Price represents a premium over the prevailing prices as well as the highest closing price of the Shares of S$0.235 in the two years prior to 20 April 2021 ("Last Trading Day"), being the last market day the Shares were traded on the SGX-ST before the Company's announcement on 21 April 2021 that its controlling shareholders had entered into negotiations to explore a possible transaction which may or may not lead to an offer for the Shares (the "**Holding Announcement**").*

The Offer Price of S$0.27 for each Offer Share represents the following premia over certain historical market prices[1] of the Shares up to the Last Trading Day:

Description	Benchmark Price (S$)	Premium over Benchmark Price (%)[2]
(a) *VWAP for the 1-month period up to and including the Last Trading Day*	*0.170*	*58.8*
(b) *VWAP for the 3-month period up to and including the Last Trading Day*	*0.170*	*58.8*
(c) *VWAP for the 6-month period up to and including the Last Trading Day*	*0.169*	*59.8*
(d) *VWAP for the 12-month period up to and including the Last Trading Day*	*0.182*	*48.4*
(e) *Last traded price of the Shares on the SGX-ST on the Last Trading Day*	*0.215*	*25.6*
(f) *Highest closing price for the 2-year period prior to the Last Trading Day*	*0.235*	*14.9*

9.2 ***Trading Volume of the Shares.*** *The trading liquidity of the Shares has been low. The average daily trading volume of the Shares for the one (1)-month, three (3)-month, six (6)-month and 12-month periods up to and including the Last Trading Day are as set out as follows:*

Description	Average daily trading volume	Average daily trading volume as a percentage (%) of total number of issued Shares[3]
(a) *One (1)-month*	*230,284*	0.104
(b) *Three (3)-month*	*81,859*	0.037

[1] The historical market prices of the Shares (rounded to the nearest three (3) decimal places) and the corresponding premia are computed based on data extracted from Bloomberg L.P.

[2] Percentages are rounded to the nearest one (1) decimal place.

[3] Percentages are rounded to the nearest three (3) decimal place.

Description	Average daily trading volume	Average daily trading volume as a percentage (%) of total number of issued Shares[3]
(c) *Six (6)-month*	*44,034*	0.020
(d) *Twelve (12)-month*	*43,712*	0.020

Accordingly, the Offer provides Shareholders with an opportunity to realise their entire investment in the Shares which may not otherwise be readily available to Shareholders given the low trading liquidity of the Shares."

10. CONFIRMATION OF FINANCIAL RESOURCES

The full text of the confirmation of financial resources by DBS as set out in Section 13 of the Offer Document has been extracted from the Offer Document and is set out in italics below. **Shareholders are advised to read the extract below carefully:**

"13 CONFIRMATION OF FINANCIAL RESOURCES

DBS, as financial adviser to the Offeror in connection with the Offer, confirms that sufficient financial resources are available to the Offeror to satisfy full acceptance of the Offer by the holders of the Offer Shares on the basis of the Offer Price."

11. ADVICE AND RECOMMENDATION

11.1 Appointment of IFA

ACA has been appointed as the independent financial adviser to advise the Independent Directors in respect of the Offer. **Shareholders should read and consider carefully the advice of the IFA and the recommendation of the Independent Directors in its entirety before deciding whether or not to accept the Offer.**

11.2 Advice of the IFA in relation to the Offer

The Independent Directors have considered carefully the advice of the IFA on the Offer which is set out in the IFA Letter in **Appendix 2** to this Circular. The following is an extract from Section 11 of the IFA Letter to the Independent Directors and should be read by Shareholders in conjunction with, and in the full context of the IFA Letter. All terms and expressions used in the extract below shall have the same meanings as those defined in the IFA Letter, unless otherwise stated. **Shareholders are advised to read the extract below carefully:**

"In summary, having regard to our analysis and the consideration in this Letter (including, inter alia, its limitation and constraints) and after having considered carefully the information available to us and based on market, economic and other relevant considerations prevailing as at the Latest Practicable Date, and subject to our terms of reference, we are of the opinion that, in the absence of an alternative offer, the financial terms of the Offer is, on balance, ***FAIR and REASONABLE.***

For the purposes of evaluation of the Offer from a financial point of view, we have adopted the approach that the term "fair and reasonable" comprises two distinct concepts:

(i) Whether the Offer is "fair" relates to the value of the offer price which is based strictly on the evaluation of the Offer Price (i.e. by looking at the financial or fundamental analyses of the Offer Price as set out in this Letter and based on information known to us or which is publicly available).

(ii) Whether the Offer is "reasonable", after taking into consideration the actual and potential financial impact of other circumstances surrounding the Offer and the Company which we consider relevant (being both quantitative and qualitative factors available and made known to us).

*We consider the financial terms of the Offer to be **FAIR** from a financial point of view after factoring, inter alia, the following:-*

(i) Fair or favourable comparison with the valuation of the Selected Comparable Companies in terms of P/NAV and P/NTA ratios. The valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and RNAV or RNTA per Share) appears to be comparable to the Selected Comparable Companies. The valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and RNAV or RNTA per Share) appears to be favourable when compared to the Selected Comparable Companies (excluding BRC Asia).

Such comparison were made after taking into account, inter alia: (a) notwithstanding the Group's relatively better financial position (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios), the Group's financial performance (in terms of LTM asset turnover ratio) appears to be weaker and less favourable as compared to the Selected Comparable Companies); (b) the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in an acquisition of control whilst for the Offer, the Offeror, inter alia, does not intend to maintain the listing status of the company in the event the free float requirement is not satisfied and does not intend to take any step for the public float to be restored. In addition, the Offeror and its Concert Parties (including the valid acceptances from the Undertaking Shareholders) held or will hold an aggregate interest of approximately 67.49% in the Share capital of the Company.

(ii) The Offer Price is at a premium to both the lower and higher end of the Estimated Value per Share of approximately S$0.225 to S$0.243, and at a premium of approximately 15.4% over the Estimated Preferred Value.

(iii) Favourable or fair comparison with the Selected Successful Privatisations in terms of both the premiums over historical prices for the Shares, and the valuation of the Group (as implied by the Offer Price and the RNAV per Share) in terms of P/NAV ratio.

(iv) Favourable or fair comparison with the Selected Successful Delistings in terms of both premiums over historical prices for the Shares and the valuation of the Group (as implied by the Offer Price and the RNAV per Share) in terms of P/NAV ratio.

(v) Substantial premiums in general as implied by the Offer Price over the historical prices for the Shares prior to the Holding Announcement Date considering, inter alia: (a) the implied premium of approximately 25.6% over the last transacted price for the Shares on the Last Trading Day prior to the Holding Announcement Date; and (b) the implied premiums of approximately 68.2%, 68.8%, 68.2% and 68.2% over the VWAP for the Shares for the 12-month, 6-month, 3-month and 1-month periods respectively prior to the Last Trading Day. The implied premium over the historical prices for the Shares appears in general to be favourable as compared to both the Selected Successful Privatisations and the Selected Successful Delistings.

(vi) As set out in the Offer Document and confirmed by the Directors, the Offer Price represents a premium of approximately 14.9% above the highest closing price for the 2-year period prior to the Last Trading Day.

We consider the financial terms of the Offer to be, on balance, ***REASONABLE, from a financial point of view after factoring,*** *inter alia, the following:-*

(i) The Offeror and its Concert Parties (including Undertaking Shareholders) had already a statutory control of the Company, which places the Offeror in a position to significantly influence, inter alia, the management, operating and financial policies of the Company and is in a position to pass all ordinary resolutions on matters in which the Offeror and its Concert Parties do not have an interest, at general meetings of Shareholders.

(ii) Fair or comparable valuation as compared to the Selected Successful Privatisations and the Selected Successful Delistings in terms of premiums over historical prices for the Shares. This should be viewed in conjunction with the fact that the Offeror and its Concert Parties (including Undertaking Shareholders) had already a majority control over the Company as at the Offer Announcement Date.

(iii) Substantial premiums implied by the Offer Price over the historical prices for the Shares prior to the Holding Announcement Date. As set out in the Offer Document, the Offer Price represent represents a premium of approximately 14.9% above the highest closing price for the 2-year period prior to the Last Trading Day.

(iv) The Director's confirmation that (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.

(v) Low liquidity for the Shares (in terms of daily average trading volume and frequency of trading) prior to the Last Trading Day.

ACA's Recommendation on the Offer

Based on our assessment of the financial terms of the Offer as set out above, we advise the Independent Directors that they should recommend that Shareholders ***ACCEPT the Offer. In addition, the Offer represent a realistic opportunity for Shareholders to realise their entire investment in cash taking into account,*** *inter alia, the low liquidity for the Shares (in terms of daily average trading volume and frequency of trading) prior to the Last Trading Day and that the Share price have not transacted above the Offer Price for the 2-year period prior to the Last Trading Day.*

While the transacted prices for the Shares subsequent to the Holding Announcement Date may have been underpinned by the Offer and the trading for the Shares on a daily basis may have (in general) increased after the Holding Announcement Date to the Latest Practicable Date (as compared to the 1-year period prior to the Last Trading Day), there is no assurance that the trading activities for the Shares will be maintained at such levels or that the transacted prices for the Shares will be maintained after the closing of the Offer. In particular, there is no assurance that interest in the Shares will be maintained after the Offer as the possibility of an alternative offer from parties other than the Offeror is low.

In the event that Shareholders are concerned about the liquidity and the prices at which they can realise their investments in the Offer Shares (including whether they can realize their investments at prices higher than the Offer Price after deducting related expenses), acceptance of the Offer will provide certainty of exit at the Offer Price.

However, in the event that Shareholders are able to dispose the Offer Shares in the open market and realise their investments at prices higher than the Offer Price after deducting related expenses, they should consider selling the Offer Shares in the open market. It

should be noted that for the period commencing on the Market Day immediately after the Last Trading Day to the Latest Practicable Date, the transacted prices for the Shares have always been lower than the Offer Price and the Offer Price represents a small premium of approximately 1.9% over the last transacted price of S$0.265 per Share on the SGX-ST on 17 May 2021, being the Latest Practicable Date.

Matters to highlight

We would also wish to highlight the following matters which may affect the decisions or actions of Shareholders: –

1. *If the Shareholders are considering selling their Offer Shares in the open market, they should be aware that the current market prices and trading volumes for the Shares may have been supported by the Offer and may not be maintained at current levels when the Offer closes. It should be noted that for the period commencing on the Market Day immediately after the Last Trading Day to the Latest Practicable Date, the transacted prices for the Shares have always been lower than the Offer Price and the Offer Price represents a small premium of approximately1.9% over the last transacted price of S$0.265 per Share on the SGX-ST on 17 May 2021, being the Latest Practicable Date.*

2. *The Offeror has stated in the Offer Document that it will not revise the Offer Price of S$0.27 per Offer Share.*

3. *Whilst the possibility of a higher offer from a third party cannot be ruled out, as at the Latest Practicable Date, we are not aware of any publicly available evidence of an alternative offer for the Shares. Shareholders should be aware that the chances of such an alternative offer for Shares being made by a third party may be affected by the fact that, subsequent to the Latest Practicable Date, the Offeror and its Concert Parties hold in aggregate of 159,926,543 Shares, representing approximately 72.04% of the total number of issued Shares (excluding treasury Shares).*

4. *The Offeror is making the Offer with a view to delist or privatise the Company from the SGX-ST and if entitled to under the Companies Act, the Offeror intends to compulsorily acquire all the Offer Shares.*

5. *The Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted.*

6. *The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the unaudited financial statements for the Group for HY2021, and the Company's announcements on the SGXNet, there has been no material changes to the Group's assets and liabilities, financial position, condition, and performance.*

7. *Our scope does not require us and we have not made any independent evaluation of the Group (including without limitation, market value or economic potential) or appraisal of the Group's assets and liabilities (including without limitation, PPE and ROU Assets) or contracts entered into by the Company or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group save for the Independent Valuation Report issued by the Independent Valuer in respect of the market value of the Appraised Assets as at the Valuation Date. With respect to such valuation, we are not experts in the evaluation or appraisal of assets and liabilities (including without limitation, PPE and ROU Assets where applicable) including, inter alia, the contracts that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors.*

Limitations

It is also to be noted that as trading of the Shares is subject to possible market fluctuations and accordingly, our advice on the Offer does not and cannot take into account the future trading activities or patterns or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review and also such advice, if given, would not fall within our terms of reference in connection with the Offer.

For our opinion and recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints or plans of any individual Shareholder, or group of Shareholders. As different Shareholders or groups of Shareholders would have different investment profiles and objectives, we would advise Independent Directors to recommend that any individual Shareholder or group of Shareholders who may require advice in the context of his specific investment portfolio, including his investment in the Company, should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately".

11.3 Exemption relating to Director's Recommendation

LCH is a director and shareholder of the Offeror. Under the Code, LCH will be a party presumed to be acting in concert with the Offeror.

The SIC has on 21 April 2021 ruled that LCH is exempted from making a recommendation to Shareholders in relation to the Offer as he faces irreconcilable conflicts of interest being a person acting in concert with the Offeror.

However, LCH must still assume responsibility for the accuracy of facts stated or opinions expressed in documents and advertisements issued by, or on behalf of, the Company in connection with the Offer.

11.4 Independence

All Independent Directors consider themselves to be independent for the purpose of making a recommendation to Shareholders in respect of the Offer.

11.5 Recommendation of the Independent Directors

The Independent Directors, having considered carefully the terms of the Offer and the advice given by the IFA in the IFA Letter, **CONCUR** with the recommendation of the IFA in respect of the Offer, and accordingly, recommend that Shareholders should **ACCEPT** the Offer, unless there is a superior offer or Shareholders are able to obtain a price higher than the Offer Price in the open market, taking into account all the brokerage and transaction costs in connection with open market transactions.

Shareholders should read and consider carefully this Circular, including the recommendation of the Independent Directors and the advice of the IFA to the Independent Directors in respect of the Offer as set out in Appendix 2 to this Circular in their entirety, before deciding whether to accept or reject the Offer. Shareholders are also urged to read the Offer Document carefully.

11.6 Limitations

In rendering the above opinion and advice and giving the above recommendation, the IFA and the Independent Directors have not had regard to the general or specific investment objectives, tax position, financial situation, tax status, risk profiles or unique needs and constraints or particular circumstances of any individual Shareholder. **As each Shareholder would have different investment objectives and profiles, the**

Independent Directors recommend that any Shareholder who may require specific advice in relation to his specific investment objective(s) or portfolio(s) should consult his stock broker, bank manager, solicitor, accountant, tax adviser or other professional advisers immediately. Accordingly, Shareholders should note that the opinion and advice of the IFA and the recommendation of the Independent Directors should not be relied upon by any Shareholder as the sole basis for deciding whether or not to accept the Offer.

12. OVERSEAS SHAREHOLDERS

Overseas Shareholders should refer to Section 14 of the Offer Document, an extract of which is set out in italics below. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated. **Shareholders are advised to read the extract below carefully:**

*"**14. OVERSEAS SHAREHOLDERS***

14.1 ***Overseas Jurisdictions.*** *This Offer Document does not constitute an offer to sell or the solicitation of an offer to subscribe for or buy any security, nor is it a solicitation of any vote or approval in any jurisdiction, nor shall there be any sale, issuance or transfer of the securities referred to in this Offer Document in any jurisdiction in contravention of applicable law.*

The release, publication or distribution of this Offer Document in certain jurisdictions may be restricted by law and therefore persons in any such jurisdictions into which this Offer Document is released, published or distributed should inform themselves about and observe such restrictions.

*Copies of this Offer Document and any formal documentation relating to the Offer are not being, and must not be, directly or indirectly, mailed or otherwise forwarded, distributed or sent in or into or from any jurisdiction where the making of or the acceptance of the Offer will violate the laws of that jurisdiction ("**Restricted Jurisdiction**") and will not be capable of acceptance by any such use, instrumentality or facility within any Restricted Jurisdiction and persons receiving such documents (including custodians, nominees and trustees) must not mail or otherwise forward, distribute or send them in or into or from any Restricted Jurisdiction.*

The Offer (unless otherwise determined by the Offeror and permitted by applicable law and regulation) will not be made, directly or indirectly, in or into, or by the use of mails of, or by any means or instrumentality (including, without limitation, telephonically or electronically) of interstate or foreign commerce of, or any facility of a national, state or other securities exchange of, any Restricted Jurisdiction and the Offer will not be capable of acceptance by any such use, means, instrumentality or facilities.

14.2 ***Overseas Shareholders.*** *The availability of the Offer to Shareholders whose addresses are outside Singapore as shown in the Register or in the Depository Register (as the case may be) (each, an "**Overseas Shareholder**") may be affected by the laws of the relevant overseas jurisdictions in which they are located. Accordingly, Overseas Shareholders should inform themselves of, and observe, any applicable requirements in the relevant overseas jurisdictions.*

For the avoidance of doubt, the Offer will be open to all Shareholders, including those to whom this Offer Document and the relevant Acceptance Forms may not be sent.

14.3 ***Copies of this Offer Document and the relevant Acceptance Forms.*** *Where there are potential restrictions on sending this Offer Document and the relevant Acceptance Forms to any overseas jurisdiction, the Offeror and DBS each reserves the right not to send these documents to such overseas jurisdictions where there may be potential restrictions on sending of the same. Subject to compliance with applicable laws, any affected Overseas Shareholder may, nonetheless, obtain copies of this Offer Document and the relevant Acceptance Forms and any related documents during normal business hours and up to the Closing Date from (a) CDP (if he is a Depositor) by submitting a request to CDP via phone (+65 6535 7511) or email services (asksgx@sgx.com), or (b) the office of the Registrar (if he is a scripholder) at Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), 80 Robinson Road, #11-02, Singapore 068898.*

14.4 ***Request from CDP or Registrar****. Alternatively, an affected Overseas Shareholder may, subject to compliance with applicable laws, write to the Offeror through CDP (if he is a Depositor) at Robinson Road Post Office, P.O. Box 1984, Singapore 903934, or the Registrar (if he is a scripholder) at Tricor Barbinder Share Registration Services (a division of Tricor Singapore Pte. Ltd.), 80 Robinson Road, #11-02, Singapore 068898, to request for this Offer Document and the relevant Acceptance Forms (with no shareholder details printed on the relevant Acceptance Forms) and any related documents to be sent to an address in Singapore by ordinary post at his own risk, up to five (5) Market Days prior to the Closing Date.*

14.5 ***Compliance with applicable laws.*** *It is the responsibility of any Overseas Shareholder who wishes to (a) request for this Offer Document and the relevant Acceptance Forms and/or any related documents, and/or (b) accept the Offer, to satisfy himself as to the full observance of the laws of the relevant overseas jurisdiction in that connection, including the obtaining of any governmental or other consent which may be required, or compliance with other necessary formalities or legal requirements and the payment of any taxes, imposts, duties or other requisite payments due in such jurisdiction. Such Overseas Shareholder shall be liable for any such taxes, imposts, duties or other requisite payments payable and the Offeror, DBS, CDP, the Registrar and any person acting on their behalf shall be fully indemnified and held harmless by such Overseas Shareholder for any such taxes, imposts, duties or other requisite payments as the Offeror, DBS, CDP, the Registrar and/or any person acting on their behalf may be required to pay. In (i) requesting for this Offer Document, the relevant Acceptance Forms and/or any related documents, and/or (ii) accepting the Offer, the Overseas Shareholder represents and warrants to the Offeror and DBS that he is in full observance of the laws of the relevant jurisdiction in that connection and that he is in full compliance with all necessary formalities or legal requirements.*

Any Overseas Shareholder who is in doubt about his position should consult his professional adviser in the relevant jurisdiction.

14.6 ***Notice.*** *The Offeror and DBS each reserves the right to notify any matter, including the fact that the Offer has been made, to any or all Shareholders (including*

Overseas Shareholders) by announcement to the SGX-ST or paid advertisement in a daily newspaper published or circulated in Singapore, in which case, such notice shall be deemed to have been sufficiently given notwithstanding any failure by any Shareholder to receive or see such announcement or advertisement."

13. INFORMATION PERTAINING TO CPFIS INVESTORS AND SRS INVESTORS

As stated at Section 15 of the Offer Document, CPFIS Investors and SRS Investors will receive further information on how to accept the Offer from their respective CPF Agent Banks and SRS Agent Banks (as the case may be) directly. CPFIS Investors and SRS Investors are advised to consult their respective CPF Agent Banks and SRS Agent Banks (as the case may be) should they require further information, and if they are in any doubt as to the action they should take, CPFIS Investors and SRS Investors should seek independent professional advice.

CPFIS Investors and SRS Investors who wish to accept the Offer are to reply to their respective CPF Agent Banks and SRS Agent Banks accordingly (as the case may be) by the deadline stated in the letter from their respective CPF Agent Banks and SRS Agent Banks (as the case may be).

Subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms, CPFIS Investors and SRS Investors who validly accept the Offer will receive the Offer Price payable in respect of their Offer Shares validly tendered in acceptance of the Offer, in their respective CPF investment accounts and SRS investment accounts.

14. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer must do so no later than 5.30 p.m. (Singapore time) on 28 June 2021 and should follow the procedures set out in **Appendix 2** to the Offer Document and in the accompanying FAA and/or FAT.

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document and the FAA or the FAT and any related documents which have been sent to them.

15. DIRECTORS' RESPONSIBILITY STATEMENT

Save for (i) the IFA Letter set out in **Appendix 2** to this Circular, (ii) the recommendation of the Independent Directors set out in Section 11.5 of this Circular, and (iii) the Valuation Report set out at **Appendix 3** to this Circular, the Directors (including those who may have delegated detailed supervision of the preparation of this Circular) collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Offer and the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading.

With regard to (i) the IFA Letter set out in **Appendix 2** to this Circular, (ii) the recommendation of the Independent Directors set out in Section 11.5 of this Circular, and (iii) the Valuation Report set out in **Appendix 3** to this Circular, the sole responsibility of the Directors has been to ensure that the facts stated therein with respect to the Company are fair and accurate.

The recommendation of the Independent Directors set out in Section 11.5 of this Circular is the responsibility of the Independent Directors.

Where information in this Circular has been extracted from published or otherwise publicly available sources or obtained from a named source (including without limitation, information extracted from the Offer Document and/or the Offer Announcement), the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular in its proper form and context.

16. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the Appendices which form part of this Circular.

Yours faithfully
For and on behalf of the Board of
SIN GHEE HUAT CORPORATION LTD.

GOH CHEE WEE
Lead Independent Director

APPENDIX 1 – ADDITIONAL GENERAL INFORMATION

1. DIRECTORS

The names, addresses, and designations of the Directors as at the Latest Practicable Date are set out below:

Name	Address	Designation
Goh Chee Wee	C/o 32 Gul Crescent Singapore 629537	Non-Executive Chairman and Independent Director
Kua Ghim Song	C/o 32 Gul Crescent Singapore 629537	Chief Executive Officer and Executive Director
Kua Peng Chuan	C/o 32 Gul Crescent Singapore 629537	Executive Director
Hoon Tai Meng	C/o 32 Gul Crescent Singapore 629537	Non-executive and Independent Director
Lim Lian Soon	C/o 32 Gul Crescent Singapore 629537	Non-executive and Independent Director
Low Chui Heng	C/o 32 Gul Crescent Singapore 629537	Non-executive and Non-Independent Director

2. REGISTERED OFFICE

The registered office of the Company is 32 Gul Crescent Singapore 629537.

3. PRINCIPAL ACTIVITIES

The Company was incorporated in Singapore on 7 March 1977 and was listed on the Main Board of the SGX-ST on 7 June 2007.

The principal activity of the Company is that of trading and sales of stainless steel and specialty metal products.

4. SHARE CAPITAL

4.1 Issued Share Capital

As at the Latest Practicable Date, the Company has an issued and paid-up share capital of S$45,749,836.98 comprising 222,000,000 issued Shares and does not hold any Shares in treasury. The issued Shares are listed and quoted on the Main Board of the SGX-ST.

4.2 Rights of Shareholders in respect of Capital, Dividends and Voting

The rights of Shareholders in respect of capital, dividends and voting are contained in the Constitution, which is available for inspection at the Company's registered office at 32 Gul Crescent Singapore 629537.

The relevant regulations in the Constitution relating to the rights of Shareholders in respect of capital, dividends and voting have been extracted from the Constitution and are set out in **Appendix 3** to this Circular. Capitalised terms and expressions not defined in the extracts have the meanings ascribed to them in the Constitution.

4.3 Shares Issued since End of Last Financial Year

No Shares have been issued by the Company since the end of the last financial year up to the Latest Practicable Date.

4.4 Outstanding Convertible Securities

As at the Latest Practicable Date, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities being offered for or which carry voting rights affecting shares in the Company.

5. DISCLOSURE OF INTERESTS

5.1 Interests of the Company in the shares of the Offeror

Neither the Company nor its subsidiaries has any direct or indirect interest in the shares or convertible securities of the Offeror as at the Latest Practicable Date.

5.2 Dealings in shares of the Offeror by the Company

Neither the Company nor its subsidiaries has dealt for value in the shares or convertible securities of the Offeror during the period commencing six (6) months prior to Offer Announcement Date, and ending on the Latest Practicable Date.

5.3 Interests of Directors in the Shares

Save as disclosed below, none of the Directors has any direct or deemed interests in the Shares as at the Latest Practicable Date:

Name	Direct interest		Indirect Interests		Total interests	
	No. of shares	%	No. of shares	%(1)	No. of shares	%
KPC	11,382,000	5.13	–	–	11,382,000	5.13
LCH(1)	12,345,476	5.56	44,755,867	20.16	57,101,343	25.72
Hoon Tai Meng	40,000	0.018				
Lim Lian Soon	43,000	0.019				

(1) Low Chui Heng owns 50% of the shareholding interest of HHH Co. Pte Ltd, and therefore has a deemed interest in the shares of the Company held by HHH Co Pte Ltd.

5.4 Dealings in Shares by Directors

None of the Directors has dealt for value in the Shares during the period commencing three (3) months prior to Offer Announcement Date, and ending on the Latest Practicable Date.

5.5 Interests of Directors in shares of the Offeror

Save for the relationship of the Offeror and LCH described in Section 3 of this Circular and as disclosed below, none of the Directors has any direct or deemed interest in the shares or convertible securities of the Offeror as at the Latest Practicable Date.

Name of Director	Direct Interest		Deemed Interest	
	No. of shares in the Offeror	Percentage of Total no. of issued shares in the Offeror (%)[1]	No. of shares in the Offeror	Percentage of Total no. of issued shares in the Offeror (%)[1]
LCH	500,000	50	–	–

Note:

(1) Based on the Offeror's issued and paid up capital of 1,000,000 Shares as at the Latest Practicable Date.

5.6 Dealings in shares of the Offeror by Directors

None of the Directors has dealt for value in the shares or convertible securities of the Offeror during the period commencing three (3) months prior to Offer Announcement Date, and ending on the Latest Practicable Date.

5.7 Interests of the IFA in the Shares

The IFA does not own or control any Shares as at the Latest Practicable Date. The IFA does not manage the investment of any funds which own or control any Shares.

5.8 Dealings in the Shares by the IFA

During the period commencing three (3) months prior to the Offer Announcement Date and ending on the Latest Practicable Date, none of the IFA or any funds whose investments are managed by the IFA on a discretionary basis has dealt for value in the Shares.

5.9 Directors' Intentions

As at the Latest Practicable Date, each of KPC and LCH have accepted and/or procured the acceptance of the Offer in respect of all their interest (whether direct or deemed) in the Shares, being an aggregate of 23, 727, 476 Shares, representing 10.69% of the total number of issued Shares as at the Latest Practicable Date, pursuant to the Third Party Irrevocable Undertakings and Concert Parties' Irrevocable Undertakings referred to in Section 5 of this Circular.

Hoon Tai Meng and Lim Lian Soon have informed the Company that they intend to accept the Offer in respect of all the Shares held by them.

Each of Kua Ghim Song and Goh Chee Wee do not have any interest in any Shares (direct and/or deemed).

6. OTHER DISCLOSURES

6.1 Directors' Service Contracts

There are no service contracts between any director or proposed director of the Company or its subsidiaries with more than 12 months to run, and which the employing company cannot, within the next 12 months, terminate without paying any compensation, other than payments in lieu of 6 months' notice under the service contracts, if applicable.

6.2 Arrangements Affecting Directors

As at the Latest Practicable Date:

(i) There is no agreement, arrangement or understanding between (i) the Offeror or any parties acting in concert with the Offeror and (ii) any of the current or recent directors of the Company or any of the current or recent shareholders of the Company having any connection with or dependence upon the Offer;

(ii) there is no agreement, arrangement or understanding whereby any Offer Shares acquired pursuant to the Offer will be transferred to any other person. The Offeror, however, reserves the right to transfer any of the Offer Shares to its shareholders, any of its related corporations or for the purpose of granting security in favour of financial institutions which have extended or shall extend credit facilities to it;

(iii) there is no agreement, arrangement or understanding for any payment or other benefit to be made or given to any director of the Company or any of its related corporations as compensation for loss of office or otherwise in connection with the Offer; and

(iv) there is no agreement, arrangement or understanding between: (i) the Offeror; and (ii) any of the directors of the Company or any other person in connection with or conditional upon the outcome of the Offer or is otherwise connected with the Offer.

7. MATERIAL CONTRACTS WITH INTERESTED PERSONS

Neither the Company nor any of its subsidiaries has entered into any material contract (other than those entered into in the ordinary course of business) with interested persons during the period commencing three (3) years prior to the Offer Announcement Date, and ending on the Latest Practicable Date.

Notes:

An "interested person", as defined in Note on Rule 23.12 of the Code, is:

(a) a director, chief executive officer, or substantial shareholder of the Company;

(b) the immediate family of a director, the chief executive officer, or a substantial shareholder (being an individual) of the Company;

(c) the trustees, acting in their capacity as such trustees, of any trust of which a director, the chief executive officer or a substantial shareholder (being an individual) and his immediate family is a beneficiary;

(d) any company in which a director, the chief executive officer or a substantial shareholder (being an individual) together and his immediate family together (directly or indirectly) have an interest of 30% or more;

(e) any company that is the subsidiary, holding company or fellow subsidiary of the substantial shareholder (being a company); or

(f) any company in which a substantial shareholder (being a company) and any of the companies listed in (e) above together (directly or indirectly) have an interest of 30% or more.

8. MATERIAL LITIGATION

As at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings as plaintiff or defendant which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

The Directors are not aware of any proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position of the Company.

9. FINANCIAL INFORMATION

9.1 Consolidated Statements of Comprehensive Income

A summary of the audited consolidated statements of comprehensive income of the Group for FY2018, FY2019 and FY2020, and the unaudited consolidated statement of comprehensive income of the Group for HY2021 are set out below:

(S$'000)	HY2021 (unaudited)	FY2020	FY2019 (audited)	FY2018
Revenue	13,307	37,475	49,856	37,687
Cost of sales	(10,155)	(32,821)	(37,793)	(29,052)
Gross profit	**3,152**	**4,654**	**12,063**	**8,635**
Other operating income	531	754	158	214
Distribution costs	(1,989)	(5,573)	(5,844)	(5,341)
Administrative costs	(1,237)	(3,114)	(3,433)	(3,122)
Impairment loss on trade and other receivables	(11)	(904)	(237)	(163)
Other operating expenses	(243)	–	(14)	(271)
Results from operating activities	**203**	**(4,183)**	**2,693**	**(48)**
Finance income	14	100	246	320
Finance costs	(78)	(173)	(38)	(48)
Share of loss of joint venture	–	–	–	(26)
Profit/(loss) before tax	**139**	**(4,256)**	**2,901**	**198**
Tax expense	(44)	94	(506)	(166)
Profit/(loss) for the year (attributable to equity holders of the Company)	**95**	**(4,162)**	**2,395**	**32**
Profit/(loss) for the year	**95**	**(4,162)**	**2,395**	**32**

(S$'000)	HY2021 (unaudited)	FY2020	FY2019	FY2018
		----------(audited)----------		
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Foreign currency translation differences arising from consolidation	19	(3)	(57)	20
Total comprehensive income for the year	**114**	**(4,165)**	**2,338**	**52**
Attributable to:				
Equity holders of the Company	114	(4,165)	2,338	52
Total comprehensive income	**114**	**(4,165)**	**2,338**	**52**

9.2 Consolidated Statements of Financial Position

A summary of the audited consolidated statements of financial position of the Group as at 30 June 2018, 30 June 2019 and 30 June 2020, and the unaudited consolidated statement of financial position of the Group as at 31 December 2020 are set out below:

(S$'000)	As at 31 December 2020 Unaudited	As at 30 June 2020	As at 30 June 2019	As at 30 June 2018
		----------(audited)----------		
ASSETS				
Non-current assets				
Property, plant and equipment	15,793	16,065	8,663	6,546
Right-of-use assets	3,951	4,084	–	–
Trade and other receivables	–	–	1,334	–
Other financial assets	–	–	–	1,001
Deferred tax assets	387	428	329	302
Total non-current assets	**20,131**	**20,577**	**10,326**	**7,849**
Current assets				
Inventories	43,498	47,814	49,883	41,019
Trade and other receivables	8,145	9,454	14,408	14,399
Other financial assets	–	–	1,001	–
Cash and cash equivalents	14,459	10,852	15,101	26,274
Total current assets	**66,102**	**68,120**	**80,393**	**81,692**
Total assets	**86,233**	**88,697**	**90,719**	**89,541**

(S$'000)	As at 31 December 2020 Unaudited	As at 30 June 2020	As at 30 June 2019 (audited)	As at 30 June 2018
EQUITY AND LIABILITIES				
Equity				
Share capital	45,750	45,750	45,750	45,750
Reserves	(21)	(40)	(37)	20
Retained earnings	34,592	34,497	39,991	38,462
Total equity	**80,321**	**80,207**	**85,704**	**84,232**
Non-current liabilities				
Deferred grant liabilities	751	788	–	–
Lease liabilities	3,919	4,022	–	–
Total non-current liabilities	**4,670**	**4,810**	**–**	**–**
Current liabilities				
Trade and other payables	1,008	3,102	4,483	3,130
Deferred grant liabilities	91	395	–	–
Lease liabilities	126	125	–	–
Borrowings	–	–	–	2,004
Current tax liabilities	17	58	532	175
Total current liabilities	**1,242**	**3,680**	**5,015**	**5,309**
Total liabilities	**5,912**	**8,490**	**5,015**	**5,309**
Total equity and liabilities	**86,233**	**88,697**	**90,719**	**89,541**

9.3 Material Changes in Financial Position

Save as disclosed in this Circular, the audited consolidated financial statements of the Group for FY2020, the unaudited consolidated financial statements of the Group for HY2021, and any other financial information on the Group which is publicly available (including without limitation, the announcements released by the Group on the SGX-ST), there has not been, within the knowledge of the Directors, any material changes in financial position since the last financial year ended 30 June 2020, being the date of the last published audited financial statements of the Company.

9.4 Potential Tax Liability

Under Rule 26.3 of the Code, the Company is required, inter alia, to make an assessment of any potential tax liability which would arise if the Appraised Assets, which are the subject of a valuation given in connection with the Offer, were to be disposed at the amount of the valuation. The Company has advised that in a hypothetical scenario where the Appraised Assets were to be disposed at the amount of valuation stated in the Valuation Report, the

Company does not expect to incur any tax liability on the disposal of the Appraised Assets. As at the Latest Practicable Date, the Company has no immediate plan to dispose of the Appraised Assets.

9.5 Significant Accounting Policies

The significant accounting policies of the Group are disclosed in the notes to the audited financial statements of the Group for FY2020, which are reproduced in **Appendix 5** to this Circular. Save as disclosed in this Circular, there was no significant change in accounting policies of the Group, which would be of any major relevance for the interpretation of the accounts of the Group referred to in this Circular.

9.6 Changes in Accounting Policies

There was no significant change in accounting policies of the Group which will cause the figures disclosed in this Circular not to be comparable to a material extent.

10. GENERAL

(a) All expenses and costs incurred by the Company in relation to the Offer will be borne by the Company.

(b) The IFA has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of the IFA Letter setting out, *inter alia,* its advice to the Independent Directors in respect of the Offer which is annexed hereto as **Appendix 2**, and references to its name, in the form and context in which they appear in this Circular.

(c) The Auditors have given and have not withdrawn its written consent to the issue of this Circular with the inclusion of the Independent Auditor's report relating to the audited consolidated financial statements of the Group for FY2020, and references to its name, in the form and context in which it appears in this Circular.

(d) Knight Frank has given and not withdrawn its written consent to the issue of this Circular with the inclusion of its Valuation Report which is annexed hereto as **Appendix 3**, and references to its names, in the form and context in which they appear in this Circular.

11. RHTLaw Asia LLP named as the legal adviser to the Company as to Singapore law in relation to the Offer, has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its name in the form and context in which it appears in this Circular.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 32 Gul Crescent Singapore 629537, during business hours for the period during which the Offer remains open for acceptances:

(a) the Constitution;

(b) the annual reports of the Company for FY2018, FY2019 and FY2020;

(c) the unaudited consolidated financial statements of the Group for HY2021 as announced by the Company on SGXNet on 11 February 2021;

(d) the IFA Letter, as reproduced in **Appendix 2** to this Circular;

(e) the Valuation Report, as reproduced in **Appendix 3** to this Circular; and

(f) the letters of consent referred to in Paragraph 10 above.

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APPENDIX 2 – LETTER FROM THE IFA TO THE INDEPENDENT DIRECTORS

LETTER FROM ASIAN CORPORATE ADVISORS PTE. LTD. TO THE INDEPENDENT DIRECTORS OF SIN GHEE HUAT CORPORATION LTD.

ASIAN CORPORATE ADVISORS PTE. LTD.
(Incorporated in the Republic of Singapore)
(Company Registration No.: 200310232R)

160 Robinson Road #21-05
SBF Center
Singapore 068914

The Independent Directors (as hereinafter defined)
Sin Ghee Huat Corporation Ltd.
32 Gul Crescent
Singapore 629537

31 May 2021

VOLUNTARY CONDITIONAL CASH OFFER BY DBS BANK LTD., FOR AND ON BEHALF OF HHH CO PTE. LTD. FOR THE OFFER SHARES (AS DEFINED HEREIN)

*Unless otherwise defined or where the context otherwise requires, all terms used herein shall have the same meanings as defined in the circular dated 31 May 2021 (the "**Circular**").*

1. INTRODUCTION

On 29 April 2021 ("**Offer Announcement Date**" or "**Announcement Date**"), DBS Bank Ltd. ("**DBS**") announced (the "**Offer Announcement**" or "**Announcement**"), for and on behalf of HHH Co Pte. Ltd. (the "**Offeror**"), that the Offeror intends to make a voluntary conditional cash offer (the "**Offer**") for all the issued and paid-up ordinary shares (the "**Shares**") in the capital of Sin Ghee Huat Corporation Ltd. (the "**Company**"), other than any Shares held in treasury and those Shares held, directly or indirectly, by the Offeror as at the date of the Offer (the "**Offer Shares**"). The Offer for the Offer Shares will be made in accordance with Rule 15 of The Singapore Code on Take-overs and Mergers ("**Code**").

On 17 May 2021, DBS, for and on behalf of the Offeror announced that the offer document dated 17 May 2021 was issued by the Offeror ("**Offer Document**"), setting out, *inter alia*, the terms and conditions of the Offer and enclosing the relevant form(s) of acceptance has been despatched to the shareholders of the Company ("**Shareholders**").

Asian Corporate Advisors Pte. Ltd. ("**ACA**") has been appointed as the independent financial adviser ("**IFA**") to advise the directors of the Company ("**Directors**"), who are independent for the purpose of making a recommendation to the Shareholders in relation to the Offer ("**Independent Directors**"). We note from the Circular that the Independent Directors comprise Mr Goh Chee Wee, Mr Kua Ghim Song, Mr Kua Peng Chuan, Mr Hoon Tai Meng and Mr Lim Lian Soon.

This letter ("**Letter**") and any other document, which may be issued by ACA, in respect of the Offer, for the purpose of revising, amending or supplementing or updating (as the case may be) and setting out, *inter alia*, our views and evaluation of the financial terms of the Offer and our recommendations thereon, will form part of the Circular providing, *inter alia*, details of the Offer and the recommendations of the Independent Directors with regard to the Offer. Unless otherwise defined or the context otherwise requires, all terms defined in the Circular shall have the same meaning ascribed herein. All figures (*inter alia,* computations and summation) are subject to rounding.

2. TERMS OF REFERENCE

ACA has been appointed to advise the Independent Directors on the financial terms of the Offer and whether the Shareholders should accept or reject the Offer. We do not warrant the merits of the Offer other than to form a view, for the purposes of Rule 7.1 and 24.1 (b) of the Code, as to whether the financial terms of the Offer are fair and reasonable. We have confined our evaluation strictly and solely on the financial terms of the Offer and have not taken into account the commercial risks and/or merits (if any) of the Offer or their strategic merits or the future prospects of the Company and its subsidiaries ("**Group**") including, *inter alia,* the contracts that the Company and the Group have embarked upon or are about to embark upon or the comparison with other deals involving the issued and paid up Shares or the timing or the time extended for the Offer. Such evaluation or comment remains the responsibility of the Directors and the management of the Company ("**Management**") although we may draw up on their views or make such comments in respect thereof (to the extent deemed necessary or appropriate by us) in arriving at our view as set out in this Letter. We do not express any opinion on the relative merits of the Offer as compared to any other alternative transaction. We were not requested or authorized to solicit, and we have not solicited, any indications of interest from any third party with respect to the Offer Shares or assets or businesses of the Group. In addition, we do not express any views or opinions on the legality of the Offer or all other matters pertaining to the Offer or documents for the Offer (the Circular and the Offer Document), *inter alia*, the mechanism or processes of acceptances, its eligibility or validity or other alternatives (if any) or the sufficiency of information or any undertakings provided or rights of compulsory acquisition under the Companies Act, Chapter 50 of Singapore ("**Act**" or "**Companies Act**") or the requirement for a forecast or prospect statement or its contents pursuant to the Code. Our scope does not include determining the independence of the Independent Directors for the purpose of making recommendation in respect of the Offer.

In the course of our evaluation, we have held discussions with Directors and Management regarding their assessment of the rationale for the Offer and have examined publicly available information collated by us, including the unaudited and audited financial statements as well as information, both written and verbal, provided to us by the Directors and Management, and professional advisers of the Company, including its consultants or advisers, solicitors, auditors and valuers (where applicable). We have not independently verified such information but have made such reasonable enquiries and used our judgement as we deemed necessary on the reasonable use of such information and have found no reason to doubt the accuracy or reliability of the information. Accordingly, we cannot and do not expressly or impliedly represent or warrant, and do not accept any responsibility for the accuracy, completeness or adequacy of such information or the manner it has been classified or presented.

We have relied upon the assurance of the Directors and Management that all statements of fact, belief, opinion and intention made by the Directors and the Management in the Circular have been reasonably made after due and careful enquiry. Accordingly, no representation or warranty, expressed and implied, is made and no responsibility is accepted by us concerning the accuracy, completeness or adequacy of such information.

Our evaluation is based solely on publicly available information and other information provided by the Company as well as the economic and market conditions prevailing as at 17 May 2021 (the "**Latest Practicable Date**"), and therefore does not reflect expected financial performance after the half year or six (6) months financial period ended 31 December ("**HY**") 2020 ("**HY2021**") for the Group. Accordingly, we have not commented on or assessed the expected future performance or prospects of the Company or the Group or the Shares, irrespective of the outcome of the Offer. Accordingly, our evaluation and opinion and recommendation do not and cannot take into account the future or prospective performance, and neither are we responsible for it or for any updates pursuant to any announcements subsequent to the issuance of this Letter or the timing of the Offer or the dates for issuance of the Circular. Accordingly, any estimates or analysis or evaluation of the merits of the Company or the Group or the Shares in this Letter are necessarily limited and we do not warrant or represent that it is complete or in entirety.

Our scope does not require us and we have not made any independent evaluation of the Group (including without limitation, market value or economic potential) or appraisal of the Group's assets and liabilities (including without limitation, property, plant and equipment and right-of-use assets) or contracts entered into by the Company or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group save for the valuation report dated 27 May 2021 ("**Independent Valuation Report**") issued

by Knight Frank Pte Ltd (the "**Independent Valuer**" or "**Valuer"**) in respect of the market value of the Group's selected assets under property, plant and equipment and right-of-use assets held (collectively, the "**Appraised Assets**") as at 17 May 2021 ("**Valuation Date**"). The Independent Valuation Report is attached as Appendix 3 to the Circular. With respect to such valuation, we are not experts in the evaluation or appraisal of assets and liabilities (including without limitation, property, plant and equipment and right-of-use assets held) including, *inter alia,* where applicable the contracts that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors. The Directors confirm that they are aware of and satisfied with the selection of the Appraised Assets for the valuation exercise and having reviewed the Independent Valuation Report (*inter alia*, the assumptions, material valuation uncertainty, methodology used and information relied upon by the Independent Valuer) as a whole and individually (where applicable), they are of the opinion that the assumptions and methodology of the Independent Valuation Report are reasonable.

The Directors are of the opinion that the values of the assets and liabilities as well as the financial performance or condition of the Group as reflected in the unaudited financial statements for HY2021 and the audited financial statements for the Group for the financial year ended 30 June ("**FY**" or "**FYE**") 2020 ("**FY2020**") are true and fair. The Directors have also confirmed that to the best of their knowledge, nothing has come to their attention which may render the Group's unaudited financial statements for HY2021 and the audited financial statements for FY2020 to be false or misleading in any material aspect. In addition, the Directors have confirmed that to the best of their knowledge and belief, such information is true, complete and accurate in all respects and that there is no other information or fact, *inter alia,* the valuation or appraisal of assets and liabilities, the contracts or agreements that the Group has embarked upon or are about to embark upon, the omission of which would render those statements or information to be untrue, inaccurate, incomplete or misleading.

The Directors further confirmed that, to the best of their knowledge, as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the Group's audited financial statements for FY2020 and the unaudited financial statements for HY2021, and the Company's announcements on the SGXNet, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

Our opinion in this Letter is based on economic, market, industry, monetary and other conditions (if applicable), and the information provided to us, as at the Latest Practicable Date. Accordingly, the bases or assumptions and likewise our views or opinion or recommendation may and do change in the light of these developments which, *inter alia*, includes general as well as company-specific or industry-specific conditions or sentiments or factors or levels of acceptances after the Latest Practicable Date. The Independent Directors should note that our evaluation is based solely on publicly available information and such other information provided by the Company or its Directors or Management as well as the economic and market conditions prevailing as at the Latest Practicable Date, and therefore does not reflect expected financial performance after HY2021 for the Group or developments (both macro and company-specific) and that these factors do and will necessarily affect the evaluation of the Offer and our recommendation or opinion or views.

The Directors have collectively and severally accepted full responsibility, as set out in the Circular, for the truth, accuracy and completeness of all information and representations as provided by the Directors and contained herein. The Directors have confirmed to ACA that to the best of their knowledge and belief, all material information including but not limited to plans or prospects or proposals involving acquisition or issuance of securities, or changes to its capital structure available to them and the Management in connection with the Company, the Group, the Offer or the Offeror or such other parties has been disclosed to ACA in its entirety and included in the Circular, that such information is true, complete and accurate in all material respects and that there is no other information or fact including the financial performance or expected future performance or future growth prospects or restructuring plans (if applicable) of the Company or the Group, the omission of which would result in the facts stated and the opinions expressed by the Directors in the Circular or this Letter to be untrue, inaccurate or incomplete in any respect or misleading. Accordingly, no representation or warranty, expressed or implied, is made and no responsibility is accepted by ACA concerning the truth, accuracy, completeness or adequacy of such information or facts.

The scope of our appointment does not require us to express, and we do not express, a view on the future growth prospects of the Company or the Group before and after the Offer. We are therefore not expressing any view herein as to the returns that the Shareholders may have owning the Shares upon

completion or close of the Offer or on the future financial performance of the Company or the Group or the plans (if any) that the Offeror may have for the Company. In rendering our advice and giving our recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints or particular circumstances of any individual Shareholder. As each Shareholder would have different investment profiles and objectives, horizons and risk profiles, we would advise Independent Directors to recommend that any Shareholder, who may require advice in the context of his specific investment objective(s), investment portfolio(s), including his investment in the Company, should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

Accordingly, any factor or assumption or basis as well as the relative emphasis on any matter set out in this Letter on the Offer or the Company or the Group or the Shares which we used or may have used may differ from the relative emphasis accorded by any individual Shareholder or Independent Director, and as such Independent Directors are advised to highlight to Shareholders as well as note for themselves that any reliance on our opinion or view or assessment, is subject to the contents of this Letter in its entirety. In addition, ACA will not be responsible or required to provide an updated assessment or opinion or views of the Offer or its recommendation, following the date of the issue of this Letter.

Accordingly, our Letter or opinion or views or recommendation should not be used or relied by anyone for any other purposes and should only be used by the Independent Directors, subject to our terms of reference and the contents of this Letter as one of the basis for their opinions or views or recommendation. In addition, any references to our Letter as one of the basis for their opinion, views or recommendation, should not be made except with our prior consent in writing and even if made with our prior consent in writing, shall be subject to the contents of this Letter in its entirety, *inter alia*, the matters, conditions, assumptions, limitations, factors, and bases as well as our terms of reference for this Letter.

3. TERMS AND CONDITIONS OF THE OFFER

The principal terms and conditions of the Offer, as extracted from Sections 2, 3 and 4 of the Offer Document, are set out in italics below. We recommend that Shareholders read the terms and conditions contained therein carefully.

"***2. THE OFFER***

2.1 ***Offer.*** *DBS, for and on behalf of the Offeror, hereby makes the Offer to acquire all the Offer Shares in accordance with Section 139 of the SFA and Rule 15 of the Code and on the terms and subject to the conditions set out in this Offer Document, the FAA and the FAT.*

2.2 ***Offer Shares****. For the avoidance of doubt, the Offer will be extended, on the same terms and conditions, to all the Shares, including any Shares owned, controlled or agreed to be acquired by the Concert Parties (all such Shares, the "****Offer Shares****").*

2.3 ***Offer Price****. The consideration for each Offer Share is as follows:*

For each Offer Share: S$0.27 in cash (the "Offer Price")

The Offer Price is final and the Offeror does not intend to revise the Offer Price.

2.4 ***No Encumbrances****. The Offer Shares are to be acquired (a) fully paid, (b) free from Encumbrances, and (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Offer Announcement Date, and hereafter attaching thereto, including but not limited to the right to receive and retain all Distributions (if any), the Record Date for which falls on or after the Offer Announcement Date.*

In the event of any such Distributions on or after the Offer Announcement Date, the Offeror reserves the right to reduce the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer by the amount of such Distribution.

2.5 ***Minimum Acceptance Condition****. The Offer is conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with any Offer Shares owned, controlled, acquired or agreed to be acquired by the Offeror and its Concert Parties before or during the Offer but otherwise than through acceptances of the Offer, will result in the Offeror and its Concert Parties holding more than 50% of the total number of issued Shares (excluding any Shares held in treasury) as at the close of the Offer (the "**Minimum Acceptance Condition**").*

As at the Latest Practicable Date, the Offeror holds in aggregate 44,755,867 Shares representing approximately 20.16% of the total number of issued Shares.

Pursuant to the Irrevocable Undertakings (as set out in Section 5 (Irrevocable Undertakings) of this Letter to Shareholders below), the Undertaking Shareholders have undertaken to the Offeror to tender, or procure their nominees to tender, all of their respective Shares in acceptance of the Offer, being an aggregate of 105,067,176 Shares, representing approximately 47.33% of the total number of issued Shares.

Upon receipt of such valid acceptances from the Undertaking Shareholders, the Offeror and its Concert Parties will hold in aggregate 149,823,043 Shares, representing approximately 67.49% of the total number of issued Shares. Accordingly, the Minimum Acceptance Condition will be satisfied and the Offer will be declared unconditional in all respects thereafter.

Save for the Minimum Acceptance Condition, the Offer will be unconditional in all other respects.

2.6 ***No Options Proposal****. Based on the latest information available to the Offeror, there are no outstanding options to subscribe for new Shares of the Company ("**Options**") as at the Latest Practicable Date. In view of the foregoing, the Offeror will not make an offer to acquire any Options.*

2.7 ***Warranty****. A Shareholder who tenders his Offer Shares in acceptance of the Offer will be deemed to unconditionally and irrevocably represent, warrant and undertake to the Offeror that he sells such Offer Shares as or on behalf of the beneficial owner(s) thereof, (a) fully paid, (b) free from all Encumbrances, and (c) together with all rights, benefits, entitlements and advantages attached thereto as at the Offer Announcement Date, and thereafter attaching thereto, including the right to all Distributions (if any), the Record Date for which falls on or after the Offer Announcement Date."*

"3. FURTHER DETAILS OF THE OFFER

Appendix 1 to this Offer Document sets out further details on:

(a) the duration of the Offer;

(b) the settlement of the consideration for the Offer;

(c) the requirements relating to the announcement(s) of the level of acceptances of the Offer; and

(d) the right of withdrawal of acceptances of the Offer."

"4. PROCEDURES FOR ACCEPTANCE

Appendix 2 to this Offer Document sets out the procedures for acceptance of the Offer by a Shareholder."

We note that the Offeror has stated in the Offer Document that the Offer Price is final and the Offeror does not intend to revise the Offer Price.

In addition, we note that whilst the Offer Price has been determined on the basis that the Offer Shares will be acquired with the right to receive any Distributions that may be announced, declared, paid or

made by the Company on or after the Offer Announcement Date, there has been as at the Latest Practicable Date, no announcement for any dividends.

The Offer will be conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror holding such number of Shares carrying more than 50% of the voting rights attributable to the Shares (excluding any Shares held in treasury) as at the close of the Offer (the "**Minimum Acceptance Condition**").

As at the Latest Practicable Date, the Offeror holds in aggregate 44,755,867 Shares representing approximately 20.16% of the total number of issued Shares.

Pursuant to the Irrevocable Undertakings (as set out in Section 5 of the Offer Document), the Undertaking Shareholders (being the Concert Party Shareholders and Third party Shareholders as described in Section 5 of the Offer Document) have undertaken to the Offeror to tender, or procure their nominees to tender, all of their respective Shares in acceptance of the Offer, being an aggregate of 105,067,176 Shares, representing approximately 47.33% of the total number of issued Shares.

Upon receipt of such valid acceptances from the Undertaking Shareholders, the Offeror and its Concert Parties will hold in aggregate 149,823,043 Shares, representing approximately 67.49% of the total number of issued Shares. Accordingly, the Minimum Acceptance Condition will be satisfied, and the Offer will be declared unconditional in all respects thereafter.

Further we note that save for the Minimum Acceptance Condition, the Offer will be unconditional in all other respects.

Subsequent to the Latest Practicable Date, pursuant to Rule 28.1 of the Code, DBS had announced, for and on behalf of the Offeror, that as at 9.00 p.m. (Singapore time) on 20 May 2021, the Offeror has received, pursuant to the Offer, valid acceptances in respect of 115,170,676 Shares, representing approximately 51.88% of the total number of issued Shares. Accordingly, the Offer has become unconditional.

It was further announced on 20 May 2021 that the total number of Shares owned, controlled or agreed to be acquired by the Offeror (including valid acceptances of the Offer) as at 9.00 p.m. (Singapore time) on 20 May 2021 is 159,926,543 Shares representing approximately 72.04% of the total number of issued Shares.

We note from the Circular that the Offer has been declared unconditional in all respects. Therefore, in accordance with Rule 22.6 of the Code, the Offer will remain open for acceptance for not less than 14 days after the date on which it would have closed (i.e. 14 June 2021). Accordingly, the Offer will close at 5.30 p.m. (Singapore time) on 28 June 2021.

4. INFORMATION ON THE OFFEROR

The information on the Offeror is set out in italics below and has been extracted from Section 6 of the Offer Document. Shareholders should also refer to Appendix 3 of the Offer Document for additional information on the Offeror. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

"***6. INFORMATION ON THE OFFEROR***

6.1 ***The Offeror.*** *The Offeror is a company incorporated in Singapore on 20 April 2018 and its principal activity is investment holding.*

As at the Latest Practicable Date, the Offeror has an issued and paid-up share capital of S$1,000,000.00 comprising 1,000,000 ordinary shares of which 500,000 shares are held by each of LCH and LAH. LCH and LAH are siblings and are also the two directors of the Offeror.

*As at the Latest Practicable Date, the Offeror holds in aggregate 44,755,867 Shares representing approximately 20.16% of the total number of Shares in issue (the "**Current Shareholdings**").*

6.2 ***Additional Information.*** *Additional information on the Offeror is set out in Appendix 3 to this Offer Document."*

5. INFORMATION ON THE COMPANY

Information and additional general information on the Company are set out in Section 7 of the Offer Document and Appendix 1 of the Circular.

6. THE RATIONALE FOR THE OFFER, THE OFFEROR'S INTENTION FOR THE COMPANY AND COMPLUSORY ACQUISITION AND LISTING STATUS

The rationale for the Offeror, the Offeror's intention relating to the Company, and the compulsory acquisition and listing status, are set out in italics below has been extracted from Sections 8, 10 and 11 of the Offer Document. All terms and expressions used in the extract below shall have the same meanings as those defined in the Offer Document, unless otherwise stated.

*"**8. RATIONALE FOR THE OFFER***

8.1 Acquire Control. *The Offeror is making the Offer to seek statutory control of the Company.*

8.2 Greater Management Flexibility. *If the Offeror receives sufficient valid acceptances, the Offeror intends to exercise its rights of compulsory acquisition and subsequently delist the Company from the SGX-ST, as further set out in Section 11 (Compulsory Acquisition and Listing Status) of this Letter to Shareholders. The Offeror believes that privatising the Company will provide the Offeror and the Company with greater control and management flexibility to manage the business of the Group, respond to the changing market conditions and optimise the use of the Company's management and resources."*

*"**10. THE OFFEROR'S INTENTIONS RELATING TO THE COMPANY***

10.1 Develop and Grow Existing Business. *The Offeror intends for the Company to continue to develop and grow the existing businesses of the Group. The Offeror and the Company will continue to review, from time to time, the operations of the Group as well as the Company's strategic options. The Offeror retains and reserves the right and flexibility at any time and from time to time to further consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the best interests of the Offeror and/or the Company.*

10.2 No Major Changes. *Save as disclosed above, the Offeror has no current intentions to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Group, in each case, other than in the ordinary and usual course of business and/or in response to the changing market conditions."*

*"**11. COMPULSORY ACQUISITION AND LISTING STATUS***

11.1 Compulsory Acquisition. *Pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or its respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**"), at a price equal to the Offer Price.*

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror,

its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with Shares held in treasury and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares. Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

11.2 Listing Status. *Under Rule 723 of the Listing Manual, the Company must ensure that at least 10% of the total number of issued Shares is at all times held in public hands (as defined in the Listing Manual) (the "**Free Float Requirement**"). Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and its Concert Parties to above 90% of the total number of issued Shares (excluding Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time it is satisfied that at least 10% of the total number of issued Shares (excluding Shares held in treasury) are held by at least 500 Shareholders who are members of the public. Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.*

In addition, under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not satisfied, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares (excluding Shares held in treasury) in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

The Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted.*"*

7. IRREVOCABLE UNDERTAKINGS

The information on irrevocable undertakings can be found in Section 5 of the Offer Document carefully. Shareholders are advised to read Section 5 of the Offer Document carefully and its entirety.

We note that each of the Irrevocable Undertakings shall terminate, lapse or cease to have any effect upon the Offer being withdrawn for whatever reason other than a breach of the obligations of the Undertaking Shareholders under their respective Irrevocable Undertakings.

Save for the Irrevocable Undertakings, as at the Latest Practicable Date, neither the Offeror nor any of its Concert Parties has received any irrevocable undertaking from any party to accept or reject the Offer.

Upon receipt of such valid acceptances from the Undertaking Shareholders, the Offeror and its Concert Parties will hold in aggregate 149,823,043 Shares, representing approximately 67.49% of the total number of issued Shares. Accordingly, the Minimum Acceptance Condition will be satisfied, and the Offer will be declared unconditional in all respects thereafter.

8. OFFEROR'S FINANCIAL EVALUATION OF THE OFFER AND TRADING VOLUME OF THE SHARES

The offeror's financial evaluation of the Offer and the trading volume of the Shares can be found in Section 9 of the Offer Document. Shareholders are advised to read Section 9 of the Offer Document carefully and in its entirety.

9. FINANCIAL ASSESSMENT OF THE OFFER

In assessing the financial terms of the Offer from a financial point of view, we have taken into account the following pertinent factors as well as others in the Letter, which we consider will have a significant bearing on our assessment:

(i) historical financial performance and position of the Group;

(ii) analysis of the Group's net asset value ("**NAV**") and net tangible assets ("**NTA**");

(iii) market quotation and trading activities for the Shares;

(iv) relative valuation analysis;

(v) comparison with recently completed privatisation and delisting transactions in Singapore; and

(vi) such other relevant considerations which have significant bearing on our assessment.

These factors are discussed in detail in the ensuing sections.

As at the Latest Practicable Date, the Company only has one (1) class of shares, being ordinary Shares, with equal ranking rights to dividend, voting at general meetings and return of capital. We note from Appendix 1 of the Circular, that as at the Latest Practicable Date, the Company has an issued and paid-up share capital of S$45,749,836.98 comprising 222,000,000 issued Shares and does not hold any Shares in treasury. The issued Shares are listed and quoted on the Main Board of the SGX-ST.

As at the Latest Practicable Date, there are no outstanding instruments convertible into, rights to subscribe for, and options in respect of, securities being offered for or which carry voting rights affecting Shares in the Company.

In our assessment of the Offer, we have applied certain valuation ratios in assessing the reasonableness of the Offer Price. A brief description of such valuation ratios are as follows:

(i) **EV/EBITDA**

"EV" or **"Enterprise Value"** is defined as the sum of a company's market capitalisation, preferred equity, minority interests, short term and long term debts less its cash and cash equivalents. **"EBITDA"** stands for earnings before interest, tax, depreciation and amortisation but after share of associates' and joint ventures' income but excluding exceptional items.

The **"EV/EBITDA"** multiple is an earnings-based valuation methodology that does not take into account the capital structure of a company as well as its interest, taxation, depreciation and amortisation charges. Therefore, it serves as an illustrative indicator of the current market valuation of the business of a company relative to its pre-tax operating cash flow and performance.

(ii) **Price-to-Earnings ("PER")**

The PER is a widely used earnings-based valuation methodology that illustrates the ratio of the current market price of a company's shares relative to its net earnings per share. Unlike the EV/EBITDA multiple, the PER is based on the net earnings attributable to shareholders after interest, taxation, depreciation and amortisation expenses. As such, the PER is affected by the capital structure of a company, tax position as well as its depreciation and goodwill policies.

(iii) **Price-to-NTA ("P/NTA")**

The P/NTA ratio is the ratio of the relevant prices of the shares to the net tangible asset value of the relevant companies. It is an asset-based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its asset backing as measured in terms of its NTA value.

The NTA of a company provides an estimate of its value assuming a hypothetical sale of all its tangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders. The NTA-based approach is widely used for valuing the shares of property-based companies as their tangible asset backings are perceived as providing support for the value of their shares.

(iv) **Price-to-NAV ("P/NAV")**

The P/NAV ratio is the ratio of the relevant prices of the shares to the net asset value of the relevant companies. It is an asset based valuation methodology that illustrates the ratio of the current market valuation of a company relative to its tangible and intangible asset backing as measured in terms of its NAV value.

The NAV of a company provides an estimate of its value assuming a hypothetical sale of all its tangible and intangible assets, the proceeds of which are first used to repay the liabilities and obligations of that company with the balance available for distribution to its shareholders.

In assessing the financial terms of the Offer, we have taken into account the following pertinent factors (as well as others in this Letter), which we consider will have a significant bearing on our assessment.

9.1. Historical financial performance and position of the Group

The following are extracts from the audited consolidated financial statements of the Group for the financial year ended 30 June 2018 ("**FY2018**"), the financial year ended 30 June 2019 ("**FY2019**"), FY2020 and the unaudited consolidated financial statements for HY2021 and financial statements for 6 months period ended 31 December 2019 ("**HY2020**").

Summary of consolidated income statements

Figures in S$'000[1]	Unaudited HY2021	Unaudited HY2020	Audited FY2020	Audited FY2019	Audited FY2018
Revenue	13,307	21,447	37,475	49,856	37,687
Cost of sales	(10,155)	(16,378)	(32,821)	(37,793)	(29,052)
Other operating income	531	71	754	158	214
Finance income	14	70	100	246	320
Distribution costs	(1,989)	(2,740)	(5,573)	(5,844)	(5,341)
Administrative expenses	(1,237)	(1,514)	(3,114)	(3,433)	(3,122)
Finance costs	(78)	(86)	(173)	(38)	(48)
Other expenses[2]	(298)	(535)	(810)	(757)	(626)
Profit/(loss) after tax attributable to equity holders of the Company	95	335	(4,162)	2,395	32

Summary of consolidated statements of financial position

Figures in S$'000[(1)]	Unaudited HY2021	Audited FY2020	Audited FY2019	Audited FY2018
Non-current assets	20,131	20,577	10,326	7,849
Current assets	66,102	68,120	80,393	81,692
Non-current liabilities	4,670	4,810	-	-
Current liabilities	1,242	3,680	5,015	5,309
Total borrowings[(3)]	4,045	4,147	-	2,004
Shareholders' equity	80,321	80,207	85,704	84,232
Net current assets[(4)]	64,860	64,440	75,378	76,383

Summary of consolidated statements of cash flows

Figures in S$'000[(1)]	Unaudited HY2021	Unaudited HY2020	Audited FY2020	Audited FY2019	Audited FY2018
Net cash generated from/(used in) operating activities	4,083	1,175	4,505	(5,637)	(6,840)
Net cash (used in)/generated from investing activities	(355)	(3,645)	(7,142)	(2,771)	2,257
Net cash (used in)/generated from financing activities	(140)	(573)	(1,609)	(2,708)	1,100
Net (decrease)/increase in cash and cash equivalents	3,588	(3,043)	(4,246)	(11,116)	(3,483)
Cash and cash equivalents at end of financial period/year	14,459	12,043	10,852	15,101	26,274

***Notes**:*

(1) The figures included herein and discrepancies between the listed and total amounts thereof are subject to rounding.

(2) Other expenses comprised, inter alia, impairment loss on trade and other receivables, foreign exchange loss (net), share of loss of joint venture, and tax expenses etc.

(3) The total borrowings include lease liabilities.

(4) Net current assets are defined as current assets less current liabilities.

The following should be reviewed in conjunction with the tables and notes above:

(i) Financial performance for FY2020, FY2019 and FY2018

The Group's core business is the trading and sales of stainless steel and speciality metal products, with coverage in four industrial groups, namely marine & shipbuilding; oil & gas and petrochemical; engineering and construction; and trading and others. In terms of geographical segments, Singapore, the traditional market, remained the largest, contributing approximately 53%, 46% 47% respectively for FY2018, FY2019 and FY2020. Indonesia remains the main revenue contributor for the overseas market, contributing approximately 17%, 19% and 22% in FY2018, FY2019 and FY2020 respectively. The remaining revenue contribution comes from other ASEAN countries as well as other foreign countries like, China, Australia, New Zealand, India, South America and Middle East.

The Group's revenue increased by approximately 32.3% from S$37.7 million in FY2018 to S$49.9 million in FY2019 but thereafter, it decreased by approximately 24.8% to S$37.5 million in FY2020. The decline in revenue for FY2020 was mainly attributable to the lower sales to customers in the engineering and construction segment in view of lower project orders. In FY2019, the Group's revenue increase was due mainly to improved market conditions and increase in product demands.

The Group recorded gross profit of approximately S$8.6 million, S$12.1 million and S$4.7 million with corresponding gross profit margin of approximately 22.9%, 24.2% and 12.4% in FY2018, FY2019 and FY2020 respectively. The higher gross profit in FY2019 was attributable to the higher revenue and a write-back of inventory provision of approximately S$0.2 million in respect of the impairment provision made previously which was no longer deemed necessary in light of improved market conditions during FY2019. The gross profit in FY2018 had included the effect of inventory impairment of approximately S$1.2 million.

The Group recorded other operating income of approximately S$0.2 million, S$0.2 million and S$0.8 million for FY2018, FY2019 and FY2020 respectively. The increase in the Group's other operating income of approximately S$0.6 million was largely due to increase in government grant recognised of approximately S$0.5 million and foreign exchange gain of approximately S$0.2 million.

The Group's total expenses (comprising distribution costs, administrative expenses, finance costs and other expenses) amounted to approximately S$8.9 million, S$9.6 million and S$9.8 million in FY2018, FY2019 and FY2020 respectively. The increase in the Group's total expenses in FY2019 was due to higher distribution costs and administrative expenses as well as higher net impairment loss on trade and other receivables. Meanwhile, the slight increase in the Group's total expenses in FY2020 was attributed mainly to the significantly higher impairment loss on trade and other receivables (increased from approximately S$0.2 million in FY2019 to approximately S$0.9 million in FY2020 largely due to the impairment of receivables in respect of the cessation of the Company's joint-venture entity in New Zealand) and this was partially offset by lower distribution costs and administrative expenses.

The Group recorded net profit attributable to equity holders of the Company of approximately S$32 thousands and S$2.4 million in FY2018 and FY2019 respectively before turning into net loss attributable to equity holders of the Company of approximately S$4.2 million in FY2020.

(ii) Financial performance for HY2021 as compared to HY2020

The Group's revenue decreased from approximately S$21.4 million in HY2020 to approximately S$13.3 million in HY2021, due to lower contributions across all four industry groups (with the most significant decline in oil & gas and petrochemical as well as marine & shipbuilding). Gross profit also decreased correspondingly from approximately S$5.1 million in HY2020 to approximately S$3.2 million in HY2021; although the gross profit margins were maintained at approximately 23.6% and 23.7% in HY2020 and HY2021 respectively.

The Group recorded other operating income of approximately S$0.5 million in HY2021 which is significantly higher than approximately S$71 thousands recorded in HY2020 due to higher government grant recognised and recovery of doubtful debts.

The Group's total expenses (comprising distribution costs, administrative expenses, finance costs and other expenses) declined from approximately S$4.9 million in HY2020 to approximately S$3.6 million in HY2021. The decline was mainly attributable to lower distribution costs, administrative expenses, and impairment on trade and other receivables.

The Group recorded net profit attributable to equity holders of the Company of approximately S$0.1 million for HY2021, which is lower than the net profit attributable to equity holders of the Company of approximately S$0.3 million for HY2020.

(iii) Assets and liabilities

As at 31 December 2020, the Group's total assets amounted to approximately S$86.2 million, comprising current assets of approximately S$66.1 million (or approximately 76.7% of the total assets) and non-current assets of approximately S$20.1 million (or approximately 23.3% of the total assets).

The main constituents of the Group's non-current assets are property, plant and equipment of approximately S$15.8 million and right-of-use assets of approximately S$4.0 million.

Current assets comprised largely inventories of approximately S$43.5 million, cash and cash equivalents of approximately S$14.5 million and trade and other receivables of approximately S$8.1 million.

As at 31 December 2020, the Group's total liabilities amounted to approximately S$5.9 million and consisted of current liabilities of approximately S$1.2 million (or approximately 21.0% of the total liabilities) and non-current liabilities of approximately S$4.7 million (or approximately 79.0% of the total liabilities).

Non-current liabilities comprised of deferred grant liabilities of approximately S$0.8 million and non-current portion of lease liabilities of approximately S$3.9 million.

Current liabilities comprised mainly trade and other payables of approximately S$1.0 million, and the balance of approximately S$0.2 million comprised current portion of deferred grant liabilities, current portion of lease liabilities, and current tax liabilities.

(iv) Net current assets

The Group has always been in net current assets position during the period reviewed. It decreased slightly from approximately S$76.4 million as at 30 June 2018 to approximately S$75.4 million as at 30 June 2019 before declining further to approximately S$64.4 million as at 30 June 2020. Subsequently, there was a marginal improvement of approximately S$0.4 million to approximately S$64.9 million as at 31 December 2020.

(v) Shareholders' equity

Shareholders' equity of the Group improved slightly from approximately S$84.2 million as at 30 June 2018 to approximately S$85.7 million as at 30 June 2019, largely due to the retention of earnings of approximately S$2.4 million of profit generated in FY2019. As at 30 June 2020, shareholders' equity declined to approximately S$80.2 million due to net loss of approximately S$4.2 million incurred in FY2020. Subsequently, the shareholders' equity of the Group increased slightly to approximately S$80.3 million as at 31 December 2020 due to the small net profit of approximately S$95 thousands registered in HY2021.

(vi) Net cash flow from operating activities

The Group generated positive net cash flow from operating activities for FY2020 and HY2021 of approximately S$4.5 million and S$4.1 million respectively. However, the net cash used in operating activities were S$6.8 million and S$5.6 million for FY2018 and FY2019 respectively.

The Directors confirmed that, to the best of their knowledge, as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the Group's audited financial statements for FY2020 and unaudited financial statements for HY2021, and the Company's announcements on the SGXNet, there has been no material changes to the Group's assets and liabilities, financial position, condition and performance.

(vii) Outlook

In the Group's results announcement for HY2021 (section 10), the Company stated the following commentary on the significant trends and competitive conditions of the industry in which the Group operates and factors or events that may affect the Group in the next reporting period and the next 12 months:

"The global economic landscape continues to be plagued by uncertainties brought on by the Covid-19 pandemic as 2021 approaches, with resurgences of new infections and variants which will hinder any hopes of possible recovery of business activities to pre-pandemic levels.

The Group expects business conditions to remain challenging in FYY2021 as demand from our customers is still muted. We will also continue to monitor our cost structure and take appropriate measures as necessary.

We will continue to monitor the situation and capitalise on any opportunities when the market recovers."

9.2. Analysis of the Group's NAV and NTA

The NAV based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities of the company and minorities' interests. The NAV based approach is meaningful as it shows the extent to which the value of each share is backed by both tangible and intangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NAV based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (including any intangible assets including but not limited to goodwill, trademarks and brand names) in an orderly manner or over a reasonable period of time and at the aggregate value of the assets used in the computation of the NAV, the proceeds of which are used to settle the liabilities, minority interest and obligation of the company or group with the balance to be distributed to its shareholders. However, the NAV approach does not take into account the hypothetical sale of assets in a non-orderly manner or over a short period of time. In addition, it does not illustrate the values at which assets may actually be realized or disposed of.

The NTA based approach of valuing a company or group is based on the aggregate value of all the assets of the company in their existing condition, after deducting the sum of all liabilities, minority interest and intangible assets of the company. The NTA based approach is meaningful as it shows the extent to which the value of each share is backed by tangible assets and would be relevant in the event that the company or group decides to realise or convert the use of all or most of its assets. The NTA based approach in valuing a company may provide an estimate of the value of a company or group assuming the hypothetical sale of all its assets (other than intangible assets) in an orderly manner over a reasonable period at the aggregate value of the assets used in the computation of the NTA, the proceeds of which are used to settle the liabilities, minority interest and obligations of the company or group, with the balance to be distributed to its shareholders. However, the NTA based approach does not take into account or consideration the presence of any intangible assets including but not limited to (where applicable) land use rights, goodwill, trademarks and brand names nor does it take into account the hypothetical sale of assets in a non-orderly manner or over a short period of time. It does not illustrate the values of which assets may actually be realized or disposed of.

NAV and NTA of the Group

In assessing the Offer Price of S$0.27 for each Offer Share, in relation to the NAV and NTA per Share of the Group as at 31 December 2020, we have reviewed the unaudited statement of financial position of the Group as 31 December 2020 to determine whether there are any assets that are of an intangible nature and as such would not appear in a valuation based on the NTA approach, but would be included in the NAV approach. Save as disclosed in the unaudited statement of financial position of the Group as at 31 December 2020 as well as the Circular, the Directors have confirmed, that as at the Latest Practicable Date, to the best of their knowledge and based on disclosures made available to them, there are no other intangible assets or tangible assets which ought to be disclosed in such unaudited statement of financial position as at 31 December 2020 in accordance with Singapore Financial Reporting Standards and which have not been so disclosed and where such intangible or tangible assets would have had a material impact on the overall financial position of the Group as at the Latest Practicable Date.

The Directors have also confirmed that as at the Latest Practicable Date, there were no material contingent liabilities, bad or doubtful debts or unrecorded earnings or expenses or assets or liabilities which could have a material impact on the NAV or NTA of the Group as at 31 December 2020, save as disclosed in the unaudited financial statements of the Group as at 31 December 2020 and the Circular. In addition, the Directors are of the opinion that save as disclosed in the Circular, the values of the assets (other than those for which valuation has been conducted, where applicable), and liabilities as well as financial performance or condition of the Group as disclosed and reflected in the unaudited financial statements of the Group as at 31 December 2020 are true and fair, and made after due care and reasonable enquiry. Lastly, the Directors confirmed that, to the best of their knowledge or belief, such information is true, complete and accurate in all respects and that there is no other information or fact, the omission of which would render those statements or information, including our references, as well as analysis of such information to be untrue, inaccurate or incomplete or misleading in any respect.

Consolidated unaudited statement of financial position as at 31 December 2020[(1)]	**S$'000**
Non-current assets	
Property, plant and equipment ("**PPE**")	15,793
Right-of-use assets ("**ROU Assets**")	3,951
Deferred tax assets	387
	20,131
Current assets	
Inventories	43,498
Trade and other receivables	8,145
Cash and cash equivalents	14,459
	66,102
Non-current liabilities	
Deferred grant liabilities	751
Lease liabilities	3,919
	4,670
Current liabilities	
Trade and other payables	1,008
Deferred grant liabilities	91
Lease liabilities	126
Current tax liabilities	17
	1,242
Net assets value or NAV including non-controlling interest	**80,321**
Less: Non-controlling interest	-
NAV attributable to equity holders of the Company	**80,321**
Less: Intangible assets	-
Net tangible assets or NTA	**80,321**
NAV and/or NTA per Share (S$)[(2)]	**0.36**
Offer Price (S$)	**0.27**
Discount of Offer Price from the Group's NAV and/or NTA per Share (%)	**(25.4)**

Notes:

(1) The figures above are based on the Group's unaudited 6 months financial statements for HY2021 and are subject to rounding.

(2) Based on the Company's issued Share capital comprising 222,000,000 Shares as at the Latest Practicable Date.

From the table above, we note that both the Group's NAV and NTA attributable to owners of the Company as at 31 December 2020 amounted to approximately S$80.3 million (or approximately S$0.36 on per Share basis).

Accordingly, the Offer Price represents a discount of approximately 25.4% from the Group's NAV and/or NTA per Share.

Adjusted RNAV and RNTA

No dividends were declared by the Company in the announcement for the results for HY2021.

We note from the unaudited financial statements for 31 December 2020, that the Group had:

(i) cash and cash equivalents of approximately S$14.5 million (accounted for approximately 21.9% and 16.8% of total current assets and total assets respectively); and

(ii) borrowings (comprising solely of lease liabilities) of approximately S$4.0 million.

We have reviewed the Group's NAV and NTA in the context of the significant amount of cash and cash equivalents as at 31 December 2020 and such is illustrated in the table below.

NAV and NTA[1]	**S$'000**
NAV and/or NTA as at 31 December 2020	**80,321**
NAV and/or NTA per Share (S$)	**0.36**
Cash and cash equivalents as at 31 December 2020	14,459
Borrowings (comprising solely of lease liabilities) as at 31 December 2020	4,045
Cash and cash equivalents less borrowings as at 31 December 2020 ("**Net Cash**")	10,414
Net Cash per Share (S$)[2]	0.05
Offer Price less Net Cash per Share ("Adjusted Offer Price") (S$)	**0.22**
NAV and/or NTA per Share less Net Cash per Share ("Adjusted NAV and/or NTA") (S$)	**0.31**
Discount of Adjusted Offer Price from NAV and/or NTA per Share less Net Cash per Share (%)	**(29.2)**

Notes:

(1) Figures and computations are subject to rounding.

(2) Based on the Company's issued Share capital comprising 222,000,000 Shares as at the Latest Practicable Date.

From the table above, we note that the Adjusted Offer Price represents a discount of approximately 29.2% from the Group's Adjusted NAV and/or NTA per Share after deducting the Net Cash per Share.

Revalued NAV ("**RNAV**") and Revalued NTA ("**RNTA**")

In our evaluation of the Offer Price, we have also considered whether there are any assets which should be valued at an amount that is materially different from that which are recorded in the unaudited statement of financial position of the Group as at 31 December 2020.

The Company had commissioned the Independent Valuer (described in this Letter and the Circular) to determine the market value of the Appraised Assets as at the Valuation Date, being 17 May 2021 for the purposes of this Circular. In addition, the Directors are of the view that the Appraised Assets of the Group are fairly stated.

The Directors and the Management represented and confirmed that the aggregate market value of the Appraised Assets of the Group is approximately S$40.3 million, which is significantly higher than its aggregate book value of approximately S$16.1 million as at 31 December 2020.

A summary of the Appraised Assets, the valuation methods, their respective book value as at 31 December 2020, and the respective market value of the Appraised Assets as at the Valuation Date is summarised below.

PPE and Right-of-use assets

Selected assets under the Group's PPE and ROU Assets with an aggregate net book value of approximately S$16.1 million as at 31 December 2020, and the market value as at the Valuation Date with details as follow:

Description of Appraised Assets	Valuation method	Valuation Date	Net book value as at 31 December 2020 (S$'000)[(1)]	Market value as at the Valuation Date (S$'000)[(1)]
PPE				
32 Penhas Road Freehold	Direct comparison method	17 May 2021	4,474	8,200
62 Tuas Basin Link Leasehold	Direct comparison method	17 May 2021	106	15,200
32 Gul Crescent Leasehold	Direct comparison method	17 May 2021	7,793	12,400
ROU Assets				
Comprises rights-of-use assets in relation to 62 Tuas Basin Link and 32 Gul Crescent	Direct comparison method	17 May 2021	3,760	4,500
TOTAL			**16,133**	40,300

Notes:

(1) Figures (including computations and summation) are subject to rounding.

We note that the Appraised Assets above with an aggregate net book value of approximately S$16.1 million as at 31 December 2020 accounted for approximately 18.7% of the Group's total assets as December 2020. The remaining PPE as at 31 December 2020, for which no valuation was conducted, comprised of furniture and fittings, office equipment, computers, motor vehicles, plant and machinery and operating equipment. The remaining ROU Assets as at 31 December 2020, for which no valuation was conducted, comprised copier and bus.

We note from the Independent Valuation Report that the basis of valuation is (a) market value on an "as is" basis and with vacant possession; and (b) lessee's right-of-use over the balance lease term.

As set out in the Independent Valuation Report, the market value is the estimated amount for which an asset or liability should exchange on valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

In valuing the market value of the Appraised Assets, the Independent Valuer has adopted the direct comparison method. We understand from the Independent Valuation Report that in this direct comparison method, a comparison is made with sales of industrial buildings/strata commercial units (where appropriate) in the vicinity of the Appraised Assets and other locations. Adjustments are made, where appropriate, for differences in location/siting, tenure, size, age, plot ratio, proximity to MRT station, number of storeys, usage, type of development, improvements, frontages, etc, before arriving at the values of the Appraised Assets. In addition, in determining the lessee's right-of-use of the Appraised Assets over the balance lease term, the Independent Valuer has made reference to sales of industrial properties leased from the JTC Corporation with annual land rent payable for redevelopment purposes or land with very old buildings erected thereon and industrial Government land sale sites.

We note from the Valuation Report that as at the Valuation Date, the Independent Valuer continue to be faced with an unprecedented set of circumstances caused by COVID-19. The Independent Valuer's valuation is therefore reported as being subject to material valuation uncertainty. Consequently, in respect of these valuations less certainty and a higher degree of caution should be attached to the Independent Valuer's valuation than would normally be the case. Given the unknown

future impact that COVID-19 might have on the real estate market, the Independent Valuer recommends that the Company keep the valuation of the Appraised Assets under frequent review. For the avoidance of doubt, the explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, the Independent Valuer highlights the importance of the valuation date.

The Directors represented and confirmed the following:-

(i) The Directors are aware of and satisfied with the selection of the Group's assets for the valuation exercise, being the Appraised Assets. The Appraised Assets in aggregate accounted for approximately 80.1% and 18.7% of the Group's non-current assets and total assets respectively as at 31 December 2020. The properties under the Group's PPE wherein valuation was performed with an aggregate net book value of approximately S$12.4 million as at 31 December 2020 accounted for approximately 78.3% and 14.3% of the Group's total PPE and total assets respectively as at 31 December 2020 whilst the ROU Assets which were valued, with aggregate net book value of approximately S$3.8 million as at 31 December 2020 accounted for approximately 4.4% of the Group's total assets as at 31 December 2020.

(ii) Having reviewed the Independent Valuation Report (*inter alia*, the assumptions, material valuation uncertainty, methodology used, and information relied upon by the Independent Valuer) as a whole and individually, the Directors are of the opinion that the assumptions and methodology of the Independent Valuation Report are reasonable. We have noted from the Circular that under Rule 26.3 of the Code, the Company is required, *inter alia*, to make an assessment of any potential tax liability which would arise if the Appraised Assets, which are subject of a valuation given in connection with an offer, were to be sold at the amount of valuation. The Company has advised that in a hypothetical scenario where the Appraised Assets were to be disposed at the amount of valuation stated in the Valuation Report, the Company does not expect to incur any tax liability on the disposal of the Appraised Assets. As at the Latest Practicable Date, the Company has no immediate plan to dispose of the Appraised Assets. The Directors confirmed that the potential tax liabilities that may be incurred by the Company on the hypothetical disposal of the Appraised Assets on an "as is" basis is nil as any gains would be capital in nature. The Directors are of the view that the valuation of the Appraised Assets, as at the Latest Practicable Date Group is fairly stated.

(iii) To their best knowledge and belief, as at the Latest Practicable Date, save as disclosed in the unaudited financial statements of the Group as at 31 December 2020, the announcements released by the Company on the SGXNet, the Circular, and this Letter, there have been no known material events since 31 December 2020 to the Latest Practicable Date that have or will have material impact to the unaudited statement of financial position of the Group, *inter alia,* assets of the Group, as at 31 December 2020.

(iv) As at the Latest Practicable Date, save as disclosed in this Letter or the Circular, the Directors have confirmed that there has been no intention to dispose of any properties owned by the Group and no firm offer for any of the properties owned by the Group.

(v) As at the Latest Practicable Date, save for the Appraised Assets which are subject to valuation, on an aggregate basis, there are no material differences between the estimated market values of the assets and liabilities of the Group, *inter alia,* remaining PPE and ROU Assets and assets or liabilities for which no valuation was performed and their respective book values as at 31 December 2020.

We have not made any independent evaluation or appraisal of the Group's assets and we have been furnished by the Company with the Independent Valuation Report in respect of the market value of the Appraised Assets. With respect to such valuation, we are not experts in the evaluation or appraisal of the Appraised Assets and have relied on the Independent Valuation Report for the market value of the Appraised Assets and opinion of and confirmation from the Directors.

The aggregate market value of the Appraised Assets as ascribed by the Independent Valuer as at the Valuation Date is approximately S$40.3 million.

For illustrative purpose only, the revaluation surplus for the Appraised Assets have been calculated and presented in the table below assuming a hypothetical sale of the Appraised Assets at the market values as ascribed by the Independent Valuer above and at the market values as indicated and confirmed by the Directors, and the proceeds of such sale are distributed to the Shareholders in Singapore.

The Directors represented and confirmed that, to the best of their knowledge and based on the information made available to them by the Management, there will be no potential tax liability for the Appraised Assets which are subject to valuation and in the event that such assets were to be sold at the market value as ascribed by the Independent Valuer and as determined by the Directors.

Furthermore, the aforesaid tax liabilities, if any, in respect of the Appraised Assets are not likely to crystallise as the Directors have confirmed that there are currently no plans for the disposal of any of the Appraised Assets. In addition, we note from the Offer Document that the Offeror has no current intentions to, *inter alia,* re-deploy the fixed assets of the Company.

RNAV and RNTA(1)	**S$'000**
Aggregate market values of the Appraised Assets as at the Valuation Date	40,300
Less: aggregate net book values of the Appraised Assets as at 31 December 2020	(16,133)
Less: potential tax liabilities(2)	-
Revaluation surplus after potential tax liabilities from the Appraised Assets	24,167
NAV and/or NTA of the Group as at 31 December 2020	80,321
Add: Revaluation surplus from the Appraised Assets	24,167
RNAV and/or RNTA	104,488
RNAV and/or RNTA per Share (S$)(3)	0.47
RNAV and/or RNTA per Share less Net Cash per Share ("Adjusted RNAV and/or RNTA") per Share (S$)	0.42
Discount of Offer Price from RNAV and/or RNTA per Share (%)	**(42.6%)**
Discount of Adjusted Offer Price from Adjusted RNAV and/or RNTA per Share (%)	**(47.4%)**

Notes:

(1) Figures and computations are subject to rounding.

(2) The Directors and the Management confirmed that there is no potential tax liabilities.

(3) Based on the Company's issued Share capital comprising 222,000,000 Shares as at the Latest Practicable Date.

After taking into account the market value of the Appraised Assets, the Group's RNAV and/or RNTA per Share, is approximately S$0.47. The Offer Price of S$0.27 for each Offer Share represents a discount of approximately 42.6% from the Group's RNAV and/or RNTA per Share respectively.

Based on the table above, after taking into account the market value of the Appraised Assets, the Group's Adjusted RNAV and/or Adjusted RNTA per Share (ie. less Net Cash per Share of S$0.05), is approximately S$0.42. The Adjusted Offer Price of approximately S$0.22 for each Offer Share (being the Offer Price less Net Cash per Share of S$0.05) represents a discount of approximately 47.4% from the Group's Adjusted RNAV and/or Adjusted RNTA per Share.

While the RNAV and/or RNTA (or Adjusted RNAV and/or Adjusted RNTA) per Share is a relevant basis for comparison, Independent Directors should note that it is not necessarily a realisable value as the market value of the Appraised Assets and any tax liabilities arising from the sale of the Appraised Assets may vary depending on prevailing market and economic conditions. We wish to highlight that the Group's RNAV and/or RNTA (or Adjusted RNAV and/or Adjusted NTA) shown above include the revaluation surplus arising from the hypothetical sale of the Appraised Assets. Shareholders should note that the Group has not realized the surplus on such asset as at the Latest Practicable Date, and that there is no assurance that the revaluation surplus or deficit eventually

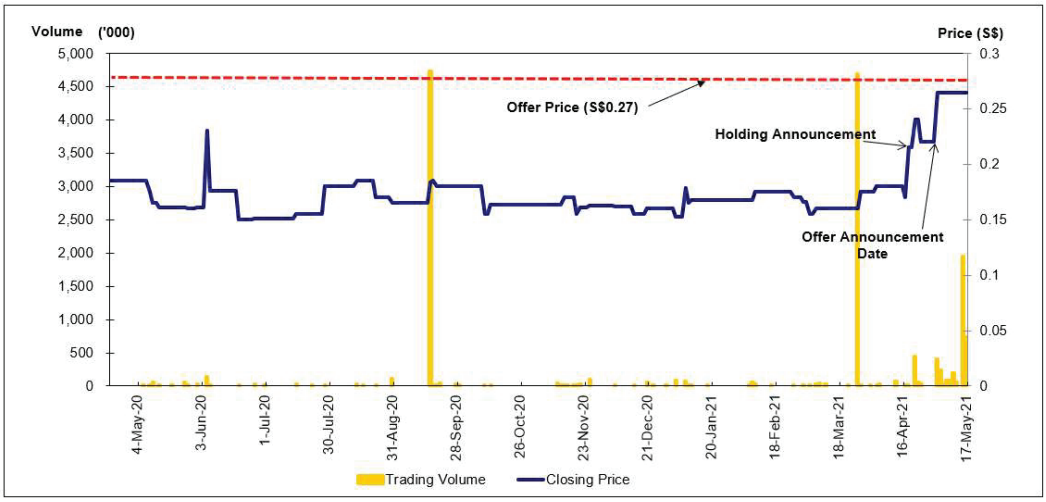
recorded by the Group on the Appraised Assets (in the event they are disposed) will be the same as indicated above.

In addition, as set out in Section 10 of the Offer Document, the Offeror (save as disclosed in the Offer Document) has no current intentions to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Company or its subsidiaries, in each case, other than in the ordinary and usual course of business. However, as stated in Section 10 of the Offer Document, the Offeror, *inter alia,* retains and reserves the right and flexibility at any time and from time to time to further consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the best interests of the Offeror and/or the Company.

The above computations and analysis are meant as an illustration and it does not necessary mean or imply that the net realisable value of the Group is as stated above. It also does not imply that the assets or properties of the Group can be disposed of at the estimated values indicated above and that after payment of all liabilities and obligations, the values or amounts as indicated is realisable or distributable to Shareholders. It should be noted that the NTA basis of valuation provides an estimate of the value of a hypothetical sale of all its tangible assets over a reasonable period of time and is only relevant in the event that the Group decides to change the nature of its business or to release or convert the uses of all its assets. The NTA basis of valuation, however, does not necessarily reflect the value of the Group as a going concern nor can it capture or illustrate any value for the Group's goodwill or branding. In addition, it does not illustrate the values at which the assets may actually be realized or disposed.

9.3. Market quotation and trading activities for the Shares

The historical price and volume charts for the Shares (based on the closing prices together with the number of Shares traded on a daily basis) for the period commencing from 21 April 2020 (being the Market Day 12 months prior to 20 April 2021, being the last market day the Shares were traded on SGX-ST ("**Last Trading Day**") before the Company's announcement on 21 April 2021 (the "**Holding Announcement Date**") that its controlling Shareholders had entered into negotiations to explore a possible transaction involving the Shares which may or may not lead to an offer for the Shares (the "**Holding Announcement**"), and ending on the Latest Practicable Date is set out below:



Source: Bloomberg and ShareInvestor

For the period commencing from 21 April 2020 and ending on the Last Trading Day (both dates inclusive), we note that the Shares were only traded on 65 Market Days out of a total 251 Market Days (or approximately 25.9%) and the closing prices for the Shares during the said period were always below the Offer Price.

For the period commencing on the Market Day immediately after the Last Trading Day to the Latest Practicable Date, the Shares were traded on 12 Market Days out of a total 18 Market Days and the prices for the Shares were underpinned by the Offer, increasing by approximately 23.3% to close at S$0.265 as at the Latest Practicable Date but remained slightly below the Offer Price during the said period.

As a general market comparison and observation, the FTSE Straits Times Index ("**STI Index**") increased by approximately 25.1% for the period commencing from 21 April 2020 and ending on 20 April 2021, being the Last Trading Day. Subsequently, the FTSE STI decreased slightly by approximately 3.5% from the Last Trading Day to the Latest Practicable Date. For the same period commencing from 21 April 2020 and ending on 20 April 2021, being the Last Trading Day the closing prices for the Shares increased by approximately 16.2% and further increased by approximately 23.3% to close at S$0.265 as at the Latest Practicable Date. We observed that the Shares appear to have outperformed the FTSE STI for the period commencing immediately after the announcement date till the Latest Practicable Date (likely underpinned by the Offer). For the 12 months period prior to the Last Trading Day, closing prices for Shares of the Company increased by approximately 16.2% whereas the FTSE STI recorded an increase of approximately 25.1%.

The above chart and the analysis below is presented for illustrative purposes only, and they are by no means representative of the future trading performance or prices of the Shares.

	VWAP per Share (S$)[(1)]	**Premium of the Offer Price over the VWAP per Share (%)**	**Lowest transacted price (S$)**	**Highest transacted price (S$)**	**Average daily trading volume**[(2)]	**Average daily trading volume as % of free-float**[(3)] **(%)**
For the period prior to the Last Trading Day (20 April 2021)						
Last 12 months	0.161	68.2[(4)]	0.131	0.230	43,712	0.06
Last 6 months	0.160	68.8[(4)]	0.131	0.215	44,034	0.06
Last 3 months	0.161	68.2[(4)]	0.146	0.215	81,859	0.11
Last 1 month	0.161	68.2[(4)]	0.160	0.215	230,284	0.32
Last transacted price on 20 April 2021 (being the Last Trading Day prior to the Holding Announcement Date)[(5)]	0.215	25.6	0.180	0.215	13,600	0.02
For the period commencing on the Market Day immediately after the Last Trading Day up to the Latest Practicable Date (17 May 2021)						
Till the Offer Announcement Date	0.243	10.9	0.215	0.260	74,800	0.10
From Offer Announcement till the Latest Practicable Date	0.265	1.8	0.220	0.270	344,045	0.48
Latest Practicable Date[(6)]	0.265	1.9	0.265	0.265	744,200	1.04

***Source**: SGX-ST, Bloomberg, and ShareInvestor*

Notes:

*(1) The volume weighted average prices ("**VWAP**") of the traded Shares for the relevant trading days for each of the periods.*

(2) The average daily trading volume of the Shares is calculated based on the total number of Shares traded during the period divided by the number of Market Days during that period.

(3) Free float refers to approximately 71,393,957 Shares or approximately 32.16% of the issued Shares (other than treasury Shares) held by Shareholders, other than the Substantial Shareholders (including the Offeror and its Concert Parties, and Undertaking Shareholders) and Directors as at the Latest Practicable Date.

(4) Please note that based on the Offer Document, the Offer Price represents a premium of approximately 48.4%, 59.8%, 58.8% and 58.8% over the VWAP for the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Last Trading Day respectively.

(5) This represents the last transacted price instead of VWAP for the Shares on 20 April 2021, being the Last Trading Day prior to the Holding Announcement Date.

(6) This represents the last transacted price instead of VWAP for the Shares on 17 May 2021, being the Latest Practicable Date.

Based on a general observation of the chart above and after taking into account the summary of the transacted prices for the Shares, we note the Offer Price:

(i) represents a premium of approximately 25.6% over the last transacted price of S$0.215 per Share for the Shares on the SGX-ST on 20 April 2021, being the Last Trading Day immediately preceding the Holding Announcement Date;

(ii) represents a premium of approximately 68.2%, 68.8%, 68.2% and 68.2% over the VWAP for the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Last Trading Day respectively;

(iii) represents a premium of approximately 10.9% over the VWAP for the Shares for the period commencing on the Market Day immediately after the Last Trading Day and ending on the Offer Announcement Date;

(iv) represents a premium of approximately 1.8% over the VWAP for the Shares for the period commencing on the Market Day immediately after the Offer Announcement Date and ending on the Latest Practicable Date; and

(v) represents a premium of approximately 1.9% over the last transacted price of S$0.265 per Share on the SGX-ST on 17 May 2021, being the Latest Practicable Date.

For illustrative purpose only, based on the number of Shares traded on a daily basis during the period commencing from 21 April 2020 and ending on the Latest Practicable Date, we note that:

(i) from 21 April 2020 to 20 April 2021, being the Last Trading Day (both dates inclusive), Shares were traded on 65 Market Days (approximately 25.9%) out of the total 251 Market Days during the period, with the total number of Shares traded being approximately 11.0 million Shares and an average daily trading volume (based on a total of 251 Market Days) of approximately 43,712 Shares, which represents approximately 0.02% of the issued Shares (other than treasury Shares) as at the Latest Practicable Date or approximately 0.06% of the issued Shares (other than treasury Shares) held by Shareholders other than Substantial Shareholders, the Offeror and its Concert Parties, Undertaking Shareholders and Directors as at the Latest Practicable Date.

(ii) for the period commencing on the Market Day immediately after the Last Trading Day till the Latest Practicable Date (both dates inclusive), Shares were traded on 12 Market Days out of the total 18 Market Days during the period, with the total number of Shares traded being approximately 4.3 million Shares and an average daily trading volume of approximately 239,339 Shares, which represents approximately 0.11% of the issued Share capital (other than treasury Shares) as at the Latest Practicable Date or approximately 0.34% of the issued Share capital (other than treasury Shares) held by Shareholders other than Substantial Shareholders, the Offeror and its Concert Parties, Undertaking Shareholders and Directors as at the Latest Practicable Date.

We note that trading for the Shares is erratic and that the daily average number of Shares traded during the 12 months period prior to the Last Trading Day is relatively low as compared to the number of issued Shares held by Shareholders other than the Substantial Shareholders, the Offeror and its Concert Parties, Undertaking Shareholders and the Directors as at the Latest Practicable Date. In addition, the trading activities for the Shares appear to be relatively infrequent in the context of number of Market Days wherein Shares were traded, as Shares were traded on 65 Trading Days out of the total 251 Market Days during the 1 year period prior to the Last Trading Day. It is generally accepted that the more actively traded the shares, the greater the reliance on market prices as a determination of the fair value of the shares between willing buyer and willing seller. Whilst historically transacted prices for the Shares may not be a meaningful indicator of its fundamental value in view of the lack of liquidity for the Shares (in terms of number of Shares traded on daily basis and the

frequency of trading in terms of number of Trading Days), they nonetheless represent the prices for transactions between willing buyer and willing seller.

We also note that the number of Shares that were traded on a daily basis for the period commencing on the Last Trading Day till the Latest Practicable Date is higher than the number of Shares that were traded on a daily basis during the 1 year period prior to the Last Trading Day and the Shares were traded on 12 Market Days out of the total 18 Market Days for the said period. As mentioned earlier, the prices for the Shares had outperformed the FTSE STI for the period commencing on the Last Trading Day to the Latest Practicable Date. The substantial increase in prices for the Shares and the higher average daily trading volume for the Shares subsequent to the Last Trading Day may have been underpinned by the Offer. As such, there is no assurance that the observed increase in the average number of Shares traded on a daily basis or the trading activities for the Shares will be maintained or that the transacted prices for the Shares will be the same and at the levels prevailing during the period commencing on the Last Trading Day and ending on the Latest Practicable Date in the event that the Offer closes.

Independent Directors should note that given the low liquidity of the Shares (in terms of number of Shares traded on daily basis and the frequency of trading in terms of number of Trading Days) during the periods observed, the Offer may represent a realistic exit opportunity for the Shareholders to realise their entire investment for cash and that the Offer Price is at a significant premium above market prices of Shares for periods prior to the Last Trading Day. It is noted that the Offer Price exceeds the highest closing price for the Shares in the twelve months prior to Announcement and up to and including the Last Trading Day. In the absence of the Offer, such an exit for all Shareholders other than the Offeror and Undertaking Shareholders may not be readily available due to the low trading liquidity for the Shares. For illustrative purpose only, based on the average daily trading volume of 43,712 Shares for the period 12 months prior to the Last Trading Day, it would take approximately 1,633 Market Days or close to 6.5 years (based on 251 Market Days per year) for the public Shareholders to be able to sell off their 71,393,957 Shares in the market.

Furthermore, we note that the Offer Price represents a premium of approximately 14.9% above the highest closing price for the 2-year period prior to the Last Trading Day.

Independent Directors should also note that past trading performance for the Shares may not be relied upon as an indication of the fair value of the Company's securities.

9.4. Relative valuation analysis

In evaluating the Offer Price, we have considered the financial performance, financial position and valuation statistics of selected comparable companies (the "**Selected Comparable Companies**") that may, in our view, be broadly comparable to the core businesses of the Group which are principally engaged in the trading and sales of stainless steel and specialty metal products.

The Selected Comparable Companies have been identified after a search was carried out on the SGX-ST and evaluation of the companies operating in the same industry as the Group. We have had discussions with the Directors and Management about the suitability and reasonableness of these Selected Comparable Companies acting as a basis for comparison with the core businesses of the Group.

Relevant information has been extracted from the annual reports and/or public announcements of the Selected Comparable Companies. Notwithstanding our use of these companies for peer analysis, the Selected Comparable Companies may or may not have similar business or operations or similar assets or geographical markets as the Group, and their accounting policies with respect to the values for which the assets or the revenue or cost are recorded or the relevant financial period compared may differ from the Group. In addition, the liquidity of the shares of the Selected Comparable Companies may differ from that of the Shares and shares of the Selected Comparable Companies trade at may be caused by any actual perceived or fundamentally determined risk premiums.

We advise Independent Directors to note that there may not be any company listed on any relevant stock exchange that is directly comparable to the Group in terms of size, diversity of business activities and products/services, branding, geographical spread, track record, prospects, end-customers, supply and/or value chain, core competence, resources, revenue drivers and models, operating and financial leverage, risk profile, quality of earnings and accounting, listing status and

such other relevant criteria. We wish to highlight that it may be difficult to place reliance on the comparison of valuation statistics for the Selected Comparable Companies as the markets and businesses of the Selected Comparable Companies, its capital structures, growth rates, operating and financial leverage, taxation and accounting policies as well as the liquidity of these shares and the demand/supply conditions for these shares and that of the Group may differ. As such, any comparison made herein is necessarily limited and serves only as an illustrative guide and any conclusion drawn from the comparison may not necessarily reflect the perceived or implied market valuation (as the case may be) of the Group as at the Latest Practicable Date.

We also wish to highlight that the NAV or NTA based approach for valuing a company is dependent on factors that may differ for each of the Selected Comparable Companies including, *inter alia*, factors such as accounting or depreciation policies. As such, the comparison of the consolidated NAV or NTA of the Group with those of the Selected Comparable Companies is necessarily limited and such comparison is made for illustrative purposes only. In addition, as all the ratios and tools used invariably uses the price of the shares, they may or may not take into account any relative or perceived or actual risk premium or demand and supply conditions for those shares which may or may not have been fundamentally justified. In addition, as these are tools or ratios that are based on historical financial performance or position, they may or may not reflect the anticipated financial performance and the mix of its activities or the relative contributions (in terms of assets, financial performance etc.) may differ.

Independent Directors should note that the prices at which shares trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects, real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity and the market capitalisation or the relative sentiments of the market for the shares.

Selected Comparable Companies	**Principal Activities**
Asia Enterprises Holding Limited (“**Asia Enterprises”**) *Listed on SGX-ST*	The company is a distributor of a range of steel products to industrial end users. It operates through three segments: steel distribution, provision of steel processing and corporate segment. The company and its subsidiaries operate in Singapore, Indonesia, Malaysia and other regions.
Annaik Limited (“**Annaik**”) *Listed on SGX-ST*	The company's principal activities include the manufacture of stainless stell flanges and high pressure forged fittings in China. Annaik's distribution business in Singapore distributes stainless steel products to customers around the world, ranging from China to Japan to the United States and several others in Europe.
BRC Asia Limited (“**BRC Asia**”) *Listed on SGX-ST*	The company's principal activity is the designing, manufacturing and marketing of steel mesh which is sold under the "BRC" brand name. Currently, the company and its subsidiaries have operations in Singapore, Hong Kong and Shanghai.
CosmoSteel Holdings Limited (“**CosmoSteel**”) *Listed on SGX-ST*	The company is a supplier and distributor of piping system components; and its end-user customers are typically companies engaged in the design, engineering and/or fabrication works mainly in the energy, marine and other industries in Southeast Asia. It offers inventory of across its three main product categories of pipes, fittings and flanges, comprising mainly of carbon steel or stainless steel products.

HG Metal Manufacturing Limited ("**HG Metal**") *Listed on SGX-ST*	The company is principally engaged in the business of trading of steel products. It has two operating segments: trading segment which is engaged in the supplying of steel products and includes the holding of investments in subsidiaries in the business of steel distribution and provision of industrial steel services, and the manufacturing segment which produces construction steel products and provides related engineering services.

***Source**: Bloomberg, SGX-ST and the respective company's website.*

The following tabulates the salient ratios for comparative financial performance and position for the Selected Comparable Companies:

Selected Comparable Companies(7)	**LTM ROE (%)(1)**	**LTM net profit margin (%)(2)**	**LTM asset turnover (times)(3)**	**Total liabilities(4)/ shareholder equity(5) (times)**	**Total borrowings(6)/ shareholder equity(5) (times)**
Asia Enterprises	0.6	1.2	0.4	0.2	0.1
Annaik	0.3	0.4	0.4	1.0	0.6
BRC Asia	5.9	2.6	0.9	1.4	0.5
CosmoSteel	2.6	3.2	0.7	0.2	0.2
HG Metal	1.0	1.1	0.6	0.4	0.3
MAXIMUM	**5.9**	**3.2**	**0.9**	**1.4**	**0.6**
MINIMUM	**0.3**	**0.4**	**0.4**	**0.2**	**0.1**
MEDIAN	**1.0**	**1.2**	**0.6**	**0.4**	**0.3**
SIMPLE AVERAGE	**2.1**	**1.7**	**0.6**	**0.7**	**0.3**
The Group	**n.m.(8)**	**n.m.(8)**	**0.3**	**0.1**	**0.05**

***Source:** The latest annual reports and the announced unaudited financial statements of the respective companies.*

Notes:

*(1) The last twelve months ("**LTM**") return on equity ("**ROE**") is based on the ratio of the most recent twelve months consolidated net profits after tax attributable to the equity holders to the consolidated equity holders excluding minority interest of the respective companies.*

(2) LTM net profit margin is the ratio of the most recent twelve months consolidated net profits after tax attributable to equity holders to the most recent twelve months total consolidated revenue of the respective companies.

(3) LTM asset turnover is the ratio of the most recent twelve months total consolidated revenue to the total consolidated assets of the respective companies.

(4) Total liabilities include, inter alia, all the liabilities of the respective companies but exclude any contingent liabilities, if any.

(5) Shareholders' equity is the consolidated shareholders' funds excluding minority interest of the respective companies.

(6) Total borrowings include all bank loans and borrowings as well as hire purchase obligations and interest bearing debts, where applicable.

(7) *Figures and computation presented in this section are subjected to rounding.*

(8) *The Group incurred a loss after tax attributable to equity holders of the Company for the LTM ended 31 December 2020. Hence, the Group's LTM ROE and LTM net profit margin are negative and not meaningful.*

For illustrative purposes only, we note the following:-

(i) The Group's LTM ROE and LTM net profit margin are not meaningful as the Group incurred a net loss after tax attributable to equity holders of the Company of approximately S$4.4 million for the LTM ended 31 December 2020. The Group's financial performance in terms of the LTM ROE and LTM net profit margin is less favourable as compared to any of the Selected Comparable Companies.

(ii) The Group's LTM asset turnover ratio was approximately 0.3 times, is lower and less favourable than any of the Selected Comparable Companies. We note that the LTM consolidated revenue to inventory ratio for the Selected Comparable Companies ranges from 1.8 times to 3.3 times whilst the Group had a LTM consolidated revenue to inventory ratio of 0.7 times, which is lower and less favourable than any of the Selected Comparable Companies.

(iii) The Group's ratio of total liabilities to shareholders' equity and total borrowings to shareholders' equity as at 31 December 2020 was approximately 0.1 times and 0.05 times respectively. Both ratios are lower and more favourable than any of the Selected Comparable Companies.

In summary, as the Group was loss making for the LTM ended 31 December 2020, its LTM ROE and LTM net profit margin ratios are not meaningful. Notwithstanding the Group's financial performance is less favourable as compared to any of the Selected Comparable Companies. The Group's LTM asset turnover is less favourable and lower than any of the Selected Comparable Companies. In terms of financial position, the Group's ratio of total liabilities to shareholders' equity and total borrowings to shareholders' equity as at 31 December 2020 appears to be lower and more favourable than any of the Selected Comparable Companies.

The following valuation statistics for the Selected Comparable Companies are based on their respective closing prices as at the Latest Practicable Date, while those for the Group are based on the Offer Price. We note that the last transacted price for the Shares as at the Latest Practicable Date is slightly lower than the Offer Price. All the valuation statistics of the Selected Comparable Companies are computed on a historical basis using financial data and information obtained from their latest publicly available unaudited financial statements or audited financial statements from their annual reports or result announcements.

The following table tabulates the comparative valuation statistics for the Selected Comparable Companies and the Group, and should be evaluated in the context of their relative financial performance.

Selected Comparable Companies[8]	**Market Capitalisation (S$ million)**	**LTM EV/ EBITDA**[1] **(times)**	**LTM PER**[2] **(times)**	**P/NAV**[3] **(times)**	**P/NTA**[4] **(times)**	**Premium/ (discount) over/from NTA (%)**
Asia Enterprises	56.3	5.2	107.2	0.6	0.6	(40.2)
Annaik	15.0	7.9	84.8	0.2	0.6	(40.7)
BRC Asia	369.9	9.7	22.0	1.3	1.3	30.6
CosmoSteel	27.0	2.8	12.9	0.3	0.3	(66.4)
HG Metal	38.9	7.6	37.8	0.4	0.4	(61.0)
MAXIMUM	**369.9**	**9.7**	**107.2**	**1.3**	**1.3**	**30.6**
MINIMUM	**15.0**	**2.8**	**12.9**	**0.2**	**0.3**	**(66.4)**
MEDIAN	**38.9**	**7.6**	**37.8**	**0.4**	**0.6**	**(40.7)**
SIMPLE AVERAGE	**101.4**	**6.6**	**52.9**	**0.6**	**0.6**	**(35.5)**
The Group	**59.9**	**n.m.**[5]	**n.m.**[5]	**0.6**[6] **– 0.7**[7]	**0.6**[6] **– 0.7**[7]	**(42.6)**[6] **– (25.4)**[7]

Source: *The latest annual reports and the announced unaudited financial statements of the respective companies.*

Notes:

(1) The LTM EV/EBITDA for the Selected Comparable Companies are based on the most recent twelve months EBITDA as reported by the respective companies.

(2) The LTM PERs for the Selected Comparable Companies are based on the most recent twelve months earnings after tax as reported by the respective companies.

(3) The P/NAV ratios for the Selected Comparable Companies are based on their respective NAV values as set out in their latest available announced audited or unaudited financial statements.

(4) The P/NTA ratios for the Selected Comparable Companies are based on their respective NTA values as set out in their latest available announced audited or unaudited financial statements.

(5) For the Group, the computations for LTM PER, LTM EV/EBITDA ratios are based on market capitalisation as implied by the Offer Price for the Shares. The earnings after tax attributable to owners of the Company, and EBITDA, of the

Group are based on the results for latest 12 months ending 31 December 2020. Both LTM EV/EBITDA and LTM PER are not meaningful as the Group incurred losses and registered negative EBITDA for the LTM ended 31 December 2020.

(6) Based on the Group's RNAV and/or RNTA per Share.

(7) Based on the Group's NAV and/or NTA as at 31 December 2020.

(8) Figures and computation presented in this section are subjected to rounding.

For illustrative purposes only, we note:

(i) The market capitalisation of the Group as implied by the Offer Price is within the range and higher than any of the Selected Comparable Companies (save for BRC Asia). We note that the trading statistics for companies with higher market capitalisation may be different than those with lower market capitalisation and this may be attributable to the relative liquidity in terms of number or value of shares traded as well as relative interest in the shares of companies with larger market capitalisation.

(ii) The valuation of the Group (as implied by the Offer Price) in terms of LTM EV/EBITDA and LTM PER is not meaningful as the Group registered loss and negative EBITDA for the LTM ended 31 December 2020.

(iii) The valuation of the Group (as implied by the Offer Price and NAV and/or NTA per Share as at 31 December 2020) in terms of both P/NAV and P/NTA ratios are within the range, higher than both the median and the simple average of the Selected Comparable Companies. In fact, save for BRC Asia, the valuation of the Group (as implied by the Offer Price and NAV and/or NTA per Share as at 31 December 2020) in terms of both P/NAV and P/NTA ratios are higher than any of the other Selected Comparable Companies.

(iv) The valuation of the Group (as implied by the Offer Price and RNAV per Share) in terms of the P/NAV ratio is within the range, higher than the median and in line with the simple average of the Selected Comparable Companies. The valuation of the Group (as implied by the Offer Price and RNTA per Share) in terms of the P/NTA ratio is within the range, in line with both the median and the simple average of the Selected Comparable Companies. In fact, save for BRC Asia, the valuation of the Group (as implied by the Offer Price and RNAV per Share) in terms of both P/NAV and P/NTA ratio are similar to the maximum for the other Selected Comparable Companies.

(v) In the event that the outlier BRC Asia is removed, the median and simple average valuation ratios for the Selected Comparable Companies in terms of the P/NAV and P/NTA ratio are both at approximately 0.4 times and 0.5 times respectively; as compared to the valuation of the Group in terms of P/NAV and P/NTA ratio (as implied by the Offer Price and RNAV or RNTA per Share) of approximately 0.6 times which is still more favourable.

In addition, the Group and two of the Selected Comparable Companies (being Asia Enterprises and CosmoSteel) are in a net cash position (wherein the amount of cash held as at the respective balance sheet dates exceeds the total borrowings). We note that the valuation of the Group (as implied by the Adjusted Offer Price and the Adjusted RNAV or Adjusted RNTA per Share) of approximately 0.5 times, in terms of both P/NAV and P/NTA ratios is favourable as compared to similar ratios (after adjusting for the net cash position) for Asia Enterprises and CosmoSteel of approximately 0.3 times and 0.2 times respectively. In fact, the valuation of the Group (as implied by the Adjusted Offer Price and the Adjusted RNAV or Adjusted RNTA per Share) is higher than the simple average of the two companies of approximately 0.3 times.

We note that the estimated value ("**Estimated Value**") of the Shares (based on, *inter alia*, the median and simple average P/NAV multiples for the Selected Comparable Companies excluding the outlier, BRC Asia), RNAV per Share, and the average of the medians of the premiums (as implied by the offer prices over/from the historical last transacted prices for various periods or dates as outlined in Section 9.5 of this Letter) for Selected Successful Privatisations and Selected Successful Delistings, is approximately S$0.225 to S$0.243 per Share. Accordingly, the estimated preferred value ("**Estimated Preferred Value**") will be approximately S$0.234 per Share. The Offer Price is at a premium to both the lower and higher end of the Estimated Value per Share of approximately S$0.225 to S$0.243, and at a premium of approximately 15.4% over the Estimated Preferred Value.

In the event that lower end and higher end of the average of the median of the premiums (as implied by the offer prices over/from the historical last transacted prices for various periods or dates as outlined in Section 9.5 of this Letter) for Selected Successful Privatisations and Selected Successful Delistings, is used we note that Estimated Preferred Value per Share will be approximately S$0.227 to S$0.239, which is at a discount to the Offer Price.

We note that considering, *inter alia*, the core business of the Group (being trading and sales of stainless steel and specialty metal products) where majority, if not all, of the assets are used for its trading activities, earnings-based or EBITDA-based valuation multiples (being PER and EV/EBITDA) are generally more appropriate valuation benchmarks as compared to asset-based valuation multiples.

As the Group registered LTM losses and negative LTM EBITDA, earnings-based or EBITDA-based valuation multiples cannot be used. Thus, the valuation of the Group is estimated based on of median and simple average P/NAV ratio for the Selected Comparable Companies, using the RNAV per Share and after making such adjustments for outliers. Given the nature of the Group's business and the fact that as at 31 December 2020, the Group does not have intangibles, P/NTA multiples for the Selected Comparable Companies are not used as benchmarks. Furthermore, we note that based on Annaik's NAV values as set out in their latest available announced audited or unaudited financial statements comprises intangibles.

The above Estimated Value per Share or Estimated Preferred Value have been derived taking into account, *inter alia*, the fact that in general the Selected Comparable Companies (excluding BRC Asia) were all traded at discounts to their respective NAV and/or NTA ratios based on asset-based multiples. The median and simple average of P/NAV and/or P/NTA ratios for the Selected Comparable Companies were also both less than one time.

Furthermore, there is no assurance that the surplus or deficit which eventually will be recorded by the Group (in the event the Appraised Assets are disposed) will be the same as the revaluation surplus included in the Group's RNAV.

In summary, the valuation of the Group (as implied by the Offer Price) in terms of LTM EV/EBITDA and LTM PER is not meaningful as the Group registered loss and negative EBITDA for the LTM ended 31 December 2020. In addition, the valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and RNAV or RNTA per Share) appears to be comparable to the Selected Comparable Companies. The valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and RNAV or RNTA per Share) appears to be favourable when compared to the Selected Comparable Companies (excluding BRC Asia). Furthermore, the valuation of the Group (as implied by the Adjusted Offer Price and the Adjusted RNAV or Adjusted RNTA per Share), is in general favourable as compared to the Selected Comparable Companies on a similar basis.

Independent Directors are advised to review the Offer and the comparison of the Group's valuation ratios with the Selected Comparable Companies in conjunction with the following facts:

(i) Notwithstanding the Group's relatively better financial position (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios), the Group's financial performance (in terms of LTM asset turnover ratio) appears to be weaker and less favourable as compared to the Selected Comparable Companies). It is noted that the Group is the only company as compared to the Selected Comparable Companies to register LTM losses and negative LTM EBITDA; and

(ii) the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in an acquisition of control whilst for the Offer, the Offeror, *inter alia,* does not intend to maintain the listing status of the company in the event the free float requirement is not satisfied and does not intend to take any step for the public float to be restored. In addition, the Offeror and its Concert Parties (including the valid acceptances from the Undertaking Shareholders) held or will hold an aggregate interest of approximately 67.49% in the Share capital of the Company.

In addition, considering, *inter alia,* the core business of the Group (being trading and sales of stainless steel and specialty metal products) where majority, if not all, of the assets are used for its trading activities, and that the Group's earnings-based valuation ratios (being PER and EV/EBITDA) are likely more appropriate valuation benchmark as compared to asset-based valuation multiples. Notwithstanding, the valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and RNAV or RNTA per Share) appears to be generally favourable as compared to the Selected Comparable Companies on a similar basis.

We also wish to highlight that the NAV and NTA based approach of valuing a company is dependent on factors that may differ for each Selected Comparable Companies including, *inter alia*, factors such as depreciation policies. As such, the comparison of the NAV and NTA of the Group with those of the Selected Comparable Companies is necessarily limited and such comparison is made for illustrative purposes only. In addition, as all the ratios and tools used invariably uses the price of the shares, they may or may not take into account any relative or perceived or actual risk premiums or demand and supply conditions for those shares which may or may not have been fundamentally justified. In addition, as these are tools or ratios that are based on historical financial performance or position, they may or may not reflect the anticipated financial performance and the mix of its activities or the relative contributions (in terms of assets, financial performance, etc.) may differ.

Independent Directors should note that the prices at which the shares trade include factors other than historical financial performance, and some of these, *inter alia*, include prospects real or perceived of financial performance or historical share price performance or demand and supply conditions of the shares as well as the relative liquidity of the shares and the market capitalisation or the relative sentiments of the market for the shares.

9.5. COMPARISON WITH OTHER SUCCESSFUL PRIVATISATION AND DELISTING TRANSACTIONS

For the purpose of providing an illustrative guide as to whether the financial terms of the Offer are fair and reasonable, we have compared the Offer with other selected similar successful transactions by listed companies on the SGX-ST involving:

(i) privatisation by way of general offers ("**Selected Successful Privatisations**"); and

(ii) voluntary delisting ("**Selected Successful Delistings**"),

which have been announced since January 2017 and which have since been completed.

In making the comparison herein, we wish to highlight that the companies selected and covered herein are not directly comparable to the Company and may largely differ from the Company in terms of, *inter alia*, size and scale of operations, type and/or composition of business activities and specialization, asset base, geographical spread, track record, financial performance, capital structure, operating and financial leverage, risk profile, liquidity, accounting policies, future prospects and other relevant criteria. Likewise, they involve shares of companies which are quoted, listed and tradeable on the stock exchange.

We wish to highlight that other than the criteria mentioned above, the premium or discount that an offeror pays in any particular take-over varies in different specific circumstances depending on, inter alia, factors such as the potential synergy the offeror can gain by acquiring the target, the prevailing market conditions and sentiments, attractiveness and profitability of the target's business and assets, the possibility of a significant revaluation of the assets to be acquired, existence of intangibles and branding or "internal goodwill or intangible assets", the availability of substantial cash reserves, the liquidity in the trading of the target company's shares, the presence of competing bids for the target company and the existing and desired level of control in the target company.

The data used in the table and the companies listed below have been compiled from publicly available information and serves as a guide as to the valuation ratios in connection with privatisations or delisting of companies listed on the SGX-ST without regard to their specific industry characteristics or other considerations. Each of the offers for Selected Successful Privatisations and Selected Successful Delistings must be judged on its own commercial and financial merits including the particular circumstances (*inter alia,* operational, business, and compliance with rules, regulations and laws) of the Selected Comparable Companies as well as the Company during the relevant time when

the offers were made. The lists of target companies involved in the Selected Successful Privatisations and Selected Successful Delistings are by no means exhaustive and as such any comparison made only serves as an illustration.

Selected Successful Privatisations

Company	Date of announcement	% shareholding of the offeror and concert parties at the start of transaction[1]	Premium/(Discount) of offer price over/(from) Last transacted price prior to announcement (%)	VWAP for 1 month period prior to announcement (%)	VWAP for 3 month period prior to announcement (%)	P/NAV (times) [2]
Auric Pacific Group Limited	7-Feb-17	80.6	13.4	17.7	23.8	1.2[3]
Global Premium Hotels Limited	23-Feb-17	71.9	14.1	18.1	21.7	0.5[4]
CWT Limited	9-Apr-17[5]	65.1	5.9	6.4	14.8	1.5[6]
Nobel Design Holdings Ltd	2-May-17	64.3	8.5	9.4	15.9	0.7[7]
Changtian Plastic & Chemical Limited	29-May-17	79.9	45.3	46.6	48.2	0.4[8]
China Flexible Packaging Holdings Limited	19-Jun-17	58.4	23.2	24.3	28.2	0.6[9]
GP Batteries International Limited	10-Aug-17[10]	64.9	62.5	62.9	62.7	0.8[11]
Poh Tiong Choong Logistics Limited	20-Sep-17	66.7	1.6	30.0	41.3	3.1[12]
Cogent Holdings Limited	3-Nov-17	84.3	5.2	6.2	12.7	1.2[13]
CWG International Ltd	28-Dec-17	81.1	27.5	29.5	29.2	0.4[14]
Tat Hong Holdings Ltd	21-Sep-17[15]	0.0	29.9	34.0	35.5	0.7[16]
Lee Metal Group Ltd	21-Feb-18[17]	48.1	9.1	14.1	21.4	1.0[18]
Wheelock (Singapore) Properties Limited	19-Jul-18	76.2	22.7	29.0	22.7	0.8[19]
Keppel Telecommunications & Transportation Ltd	27-Sep-18	79.1	40.4	39.5	34.9	1.2[20]
M1 Limited	27-Sep-18[21]	33.3	26.3	29.9	29.1	3.9[22]
Cityneon Holdings Limited	29-Oct-18	69.0	4.1	6.9	11.9	4.5[23]
PCI Limited	4-Jan-19	0.0	27.9	44.0	47.2	2.0[24]
Declout Limited	7-Jan-19	60.9	62.5	66.7	66.7	1.0[25]
Courts Asia Limited	18-Jan-19	0.0	34.9	35.8	34.0	0.6[26]
Kingboard Copper Foil Holdings Limited	4-Apr-19	88.0	9.1	21.8	28.1	0.9[27]
800 Super Holdings Limited	6-May-19	77.6	16.1	30.6	31.2	1.8[28]
Memtech International Ltd.	14-May-19	57.8	23.9	31.5	31.6	1.1[29]
Boardroom Limited	15-May-19	80.7	14.3	18.9	16.1	2.0[30]
Hupsteel Limited	28-Jun-19	55.1	51.9	58.3	58.6	0.6[31]
Delong Holdings Limited	29-Jul-19[32]	89.3	16.5	18.6	19.0	0.6[32]
Star Pharmaceutical Limited	5-Aug-19	53.2	157.1	160.1	176.1	0.7[33]
PS Group Holdings Ltd.	20-Aug-19	70.0	195.0	266.7	267.5	0.6[34]
AVIC International Maritime Holdings Limited	27-Aug-19	73.9	37.6	66.7	65.6	2.2[35]
San Teh Limited	5-Sep-19	67.2	81.8	90.5	83.0	0.4[36]
Raffles United Holdings Ltd.	25-Oct-19	96.1	(1.5)	0.0	10.0	0.3[37]
United Engineers Limited	25-Oct-19	35.3	1.5	5.7	4.6	0.8[38]

Company	Date of announcement	% shareholding of the offeror and concert parties at the start of transaction[1]	Premium/(Discount) of offer price over/(from) Last transacted price prior to announcement (%)	VWAP for 1 month period prior to announcement (%)	VWAP for 3 month period prior to announcement (%)	P/NAV (times) [2]
PACC Offshore Services Holdings Ltd.	4-Nov-19	84.1	69.3	99.4	93.0	1.0[39]
Breadtalk Group Limited	24-Feb-20	70.5	19.4	30.1	24.0	2.8[40]
Elec & Eltek Int Co Ltd	3-Apr-20	75.9	93.0	61.3	43.8	1.0[41]
Dynamic Colours Limited	1-Jun-20	86.9	13.6	22.8	29.1	1.0[42]
Perennial Real Estate Holdings Limited	12-Jun-20	82.4	88.1	105.2	124.1	0.6[43]
Luzhou Bio-Chem Technology Limited	30-Jun-20	39.9	100.0	87.5	130.8	n.m.[44]
Teckwah Industrial Corporation Ltd	12-Aug-20	58.1	17.8	23.1	25.0	0.8[45]
China Jishan Holdings Limited	20-Aug-20	78.7	84.2	101.3	106.4	0.8[46]
SK Jewellery Group Limited	2-Sep-20	90.3	70.5	90.2	94.8	1.3[47]
LCT Holdings Limited	16-Sep-20	27.7	39.5	60.9	61.7	0.9[48]
Sunvic Holdings Limited	20-Nov-20	0.0	27.3	40.0	(3.4)	0.2[49]
Hi-P International Limited	18-Dec-20	90.4	13.6	23.2	42.3	2.6[50]
CEI Limited	11-Jan-21	23.7	16.2	18.1	20.5	1.9[51]
GL Limited	15-Jan-21	70.8	42.9[53]	46.5[53]	52.4[53]	0.8[52]
Penguin International Limited	21-Jan-21	31.5	30.0	35.4	42.5	0.7[53]
International Press Softcom Limited	28-Jan-21	86.8	13.9	25.4	32.0	1.5[54]
MAXIMUM		**96.1**	**195.0**	**266.7**	**267.5**	**4.5**
MINIMUM		**0.0**	**(1.5)**	**0.0**	**(3.4)**	**0.2**
MEDIAN		**70.0**	**26.3**	**30.6**	**32.0**	**0.9**
SIMPLE AVERAGE		**62.3**	**38.5**	**46.6**	**49.2**	**1.2**
Group	21-Apr-21[55]	**67.49**	**25.6**	**68.2**	**68.2**	**0.6[55]**

Source: *SGX-ST announcements, offer documents and circulars to shareholders in relation to the respective transactions.*

Notes:

(1) Where applicable, it includes the percentage shareholding of the undertaking shareholder(s) as the date of the offer document.

(2) P/NAV ratios are based on the offer price and NAV per share for the respective companies.

(3) Based on the revalued NAV per share of Auric Pacific Group Limited as at 31 December 2016.

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(4) Based on the revalued NAV per share of Global Premium Hotels Limited as at 31 December 2016.

(5) Based on pre-conditional offer announcement date, being 9 April 2017.

(6) Based on the revalued NAV per share of CWT Limited as at 30 June 2017.

(7) Based on the revalued NAV per share of Nobel Design Holdings Limited as at 31 March 2017.

(8) Based on the revalued NAV per share of Changtian Plastic & Chemical Limited as at 31 March 2017.

(9) Based on the revalued NAV per share of China Flexible Holdings Limited as at 30 June 2017, which includes the net proceeds from the exercise of warrants and the revaluation of appraised assets.

(10) Based on pre-conditional offer announcement date, being 10 August 2017.

(11) Based on the revalued NAV per share of GP Batteries International Limited as at 30 June 2017.

(12) Based on the revalued NAV per share of Poh Tiong Choong Logistics Limited as at 30 June 2017.

(13) Based on the revalued NAV per share of Cogent Holdings Limited as at 30 September 2017.

(14) Based on the revalued NAV per share of CWG International Limited as at 31 December 2017.

(15) Based on initial announcement date, being 21 September 2017.

(16) Based on the revalued NAV per share of Tat Hong Holdings Ltd as at the latest reported financial statements.

(17) Based on pre-conditional offer announcement date, being 21 February 2018.

(18) Based on the latest revalued NAV per share of Lee Metal Group Ltd as at 31 March 2018.

(19) Based on the revalued NAV per share of Wheelock (Singapore) Properties Limited as at 30 June 2018.

(20) Based on the historical NAV per share of Keppel Telecommunications & Transportations Ltd as at 30 June 2018.

(21) Based on pre-conditional offer announcement date, being 27 September 2018.

(22) Based on the revalued NAV per share of M1 Limited as at 30 September 2018.

(23) Based on the revalued NAV per share of Cityneon Holdings Limited as at 30 September 2018.

(24) Based on the revalued NAV per share of PCI Limited as at 31 December 2018.

(25) Based on the revalued pro-forma NAV per share of Declout Limited as at 30 September 2018.

(26) Based on the pro-forma NAV per share of Courts Asia Limited as at 15 January 2019.

(27) Based on the revalued NAV per share of Kingboard Copper Foil Holdings Limited as at 31 December 2018.

(28) Based on the unaudited NAV per share of 800 Super Holdings Limited as at 31 March 2019.

(29) Based on the unaudited NAV per share of Memtech International Ltd. as at 31 March 2019.

(30) Based on the unaudited NAV per share of Boardroom Limited as at 31 March 2019 adjusted with dividend payment.

(31) Based on the revalued NAV per share of Hupsteel Limited as at 31 March 2019.

(32) Based on the unaudited NAV per share of Delong Holdings Limited as at 30 June 2019. Please note there were two offers where the first offer which was announced on 27 September 2018 was withdrawn at a later date. For the purpose of our analysis we have used the second offer which, inter alia, was successful.

(33) Based on the revalued NAV per share of Star Pharmaceutical Limited as at 30 June 2019.

(34) Based on the revalued NAV per share of PS Group Holdings Ltd. as at 30 June 2019.

(35) Based on the unaudited NAV per share of AVIC International Maritime Holdings Limited as at 30 September 2019.

(36) Based on the revalued NAV per share of San Teh Limited as at 30 June 2019.

(37) Based on the unaudited NAV per share of Raffles United Holdings Ltd as at 30 June 2019.

(38) Based on the adjusted NTA per share of United Engineers Limited as at 30 September 2019.

(39) Based on the revalued NAV per share of PACC Offshore Services Holdings Limited as at 30 September 2019.

(40) Based on the adjusted NAV per share of BreadTalk Group Limited as at 31 December 2019.

(41) Based on the adjusted offer price and adjusted revalued NAV per share of Elec & Eltek Int Co Ltd as at 31 December 2019.

(42) Based on the adjusted NAV per share of Dynamic Colours Limited as at 31 December 2019.

(43) Based on the adjusted revalued NAV per share of Perennial Real Estate Holdings Limited as at 31 December 2019.

(44) Luzhou Bio-Chem Technology limited was in a net liabilities position as at 31 December 2019.

(45) Based on the revalued NAV per share of Teckwah Industrial Corporation Ltd as at 30 June 2020.

(46) Based on the revalued NAV per share of China Jishan Holdings Limited as at 30 June 2020.

(47) Based on the unaudited NAV per share of SK Jewellery Group Limited as at 30 June 2020.

(48) Based on the adjusted revalued NAV per share of LCT Holdings Limited as at 30 June 2020.

(49) Based on the audited NAV per share of Sunvic Holdings Limited as at 31 December 2019.

(50) Based on the unaudited NAV per share of Hi-P International Limited as at 30 June 2020.

(51) Based on the revalued NAV per share of CEI Limited as at 31 December 2020.

(52) Computed based on the revised offer price of S$0.80 per share as announced on 15 March 2021. P/NAV is computed based on the revalued NAV per share of GL Limited NAV as at 31 December 2020.

(53) Based on the revalued NAV per share of Penguin International Limited as at 31 December 2020.

(54) Based on the ex-cash NAV per share of International Press Softcom Limited as at 31 December 2020.

(55) The date specified is the date of the release of the Holding Announcement instead of the Offer Announcement Date and respective premiums over the VWAP for the Shares were computed for the 1 month and 3 months period prior to the Last Trading Day. For the P/NAV, the computation is based on the Offer Price and the Group's RNAV per Share as at 31 December 2020.

For illustrative purposes only, we noted the following from the above table:

(i) As disclosed in the Offer Announcement, the Offeror and its Concert Parties (including the valid acceptances from the Undertaking Shareholders) held or will hold an aggregate interest of approximately 67.49% in the Share capital of the Company, which is within the range, slightly lower than the median but higher than the simple average for the percentage of the shareholding interest of the offeror and parties acting in concert as at the start for each of the Selected Successful Privatisations.

(ii) The premium of approximately 25.6% as implied by the Offer Price over the last transacted price for Shares on the Last Trading Day prior to the Holding Announcement is within the range, relatively in line with the median but lower than the simple average for the Selected Successful Privatisations, and generally favourable.

(iii) The premiums of approximately 68.2% and 68.2% as implied by the Offer Price over the VWAP for the Shares for the 1-month period and 3-month period prior to the Last Trading Day respectively are higher and more favourable than both the median and the simple average for the Selected Successful Privatisations and are still within the range of the Selected Successful Privatisations. We note that based on the Offer Document, the Offer Price represents a premium of approximately 58.8% and 58.8% over the VWAP for the Shares for the 1-month and 3-month periods prior to the Last Trading Day respectively and these premiums are higher and more favourable than both the median and the simple average for the Selected Successful Privatisations and are still within the range of the Selected Successful Privatisations.

(iv) Overall the premiums as implied by the Offer Price over the historical last transacted prices (for various periods or dates) for Shares prior to the Last Trading Day are generally favourable when compared to the Selected Successful Privatisations. We note that the premium of approximately 25.6% as implied by the Offer Price over the last transacted price for Shares on the Last Trading Day is higher than the premium of approximately 22.7% as implied by the Offer Price over the last transacted price for Shares on 26 April 2021 (which is the last trading day prior to the Offer Announcement Date) and this may have been attributable to, *inter alia*, the Holding Announcement and general market expectations.

(v) The valuation of the Group (as implied by the Offer Price and RNAV per Share) in terms of P/NAV ratio of approximately 0.6 times is within the range of the Selected Successful Privatisations, but lower than both the median and simple average for the Selected Successful Privatisations. This may have been attributable to, *inter alia*, the nature and type of businesses, that the Company is involved in as compared to companies comprising the list of the Selected Successful Privatisations, the offer price that offerors may have paid and their relative or perceived emphasis on P/NAV as a multiple for the offer.

In summary, the valuation of the Group as implied by the Offer Price in terms of premiums over historical prices for the Shares generally appears to be within the range and in line or more favourable as compared to the simple average and the median for the Selected Successful Privatisations. In addition, the valuation of the Group, (as implied by the Offer Price and RNAV per Share) in terms of P/NAV ratio appears to be within the range despite it being lower than the simple average and the median for the Selected Successful Privatisations.

When considered in the context of the shareholdings or potential shareholdings of the Offeror and its Concert Parties (including the valid acceptances from the Undertaking Shareholders) as set out in the Offer Announcement and the Offer Document, which is within the range, slightly lower than the median but higher than the simple average for the percentage of shareholding interest for each of the offeror and parties acting in concert (including the undertaking shareholders) as at the start for the Selected Successful Privatisations, the valuation of the Group as implied by the Offer Price in terms of both premiums over historical prices for the Shares and the RNAV in terms of P/NAV ratio, appears in general to be more favourable or fairly comparable to the Selected Successful Privatisations.

Selected Successful Delistings

Company	Date of announcement	% shareholding of the offeror and concert parties at the start of transaction[1]	Premium/(Discount) of offer price over/(from) Last transacted price prior to announcement (%)	VWAP for 1 month period prior to announcement (%)	VWAP for 3 month period prior to announcement (%)	P/NAV (times)[2]
Global Logistic Properties Limited	14-Jul-17	36.8	25.2	19.4	17.7	1.1[3]
Fischer Tech Limited	27-Jul-17	51.3	31.3	46.9	63.6	1.5[4]
Rotary Engineering Limited	2-Oct-17	0.0	20.1	19.3	25.1	1.3[5]
Vard Holdings Limited	13-Nov-17	83.5	8.7	16.2	29.3	0.9[6]
Weiye Holdings Limited	13-Mar-18	66.9	31.3	40.7	44.1	0.3[7]
LTC Corporation Limited	7-Sep-18	88.4	44.5	46.1	45.4	0.5[8]
CITIC Envirotech Ltd.	6-Nov-19	79.1	48.6	61.6	68.5	1.2[9]
Jardine Strategic Holdings Limited	8-Mar-21	84.9	20.2	29.0	28.0	0.6[10]
MAXIMUM		**88.4**	**48.6**	**61.6**	**68.5**	**1.5**
MINIMUM		**0.0**	**8.7**	**16.2**	**17.7**	**0.3**
MEDIAN		**73.0**	**28.3**	**34.9**	**36.7**	**1.0**
SIMPLE AVERAGE		**61.4**	**28.7**	**34.9**	**40.2**	**0.9**
Group	21-Apr-21[11]	**67.49**	**25.6**[11]	**68.2**[11]	**68.2**[11]	**0.6**[11]

Source: *SGX-ST announcements, offer documents and circulars to shareholders in relation to the respective transactions.*

Notes:

(1) Where applicable, it includes the percentage shareholding of the undertaking shareholder(s) as the date of the offer document.

(2) P/NAV ratios are based on the offer price and NAV per share for the respective companies.

(3) Based on the implied revalued NAV per share of Global Logistic Properties Limited as at 30 June 2017.

(4) Based on the revalued NAV per share of Fischer Tech Limited as at 31 March 2017.

(5) Based on the revalued NAV per share of Rotary Engineering Limited as at 30 September 2017.

(6) Based on the revalued NAV per share of Vard Holdings Limited as at 31 March 2018.

(7) Based on the revalued NAV per share of Weiye Holdings Limited as at 30 April 2018.

(8) Based on the revalued NAV per share of LTC Corporation Limited.

(9) Based on the unaudited NAV per Share of CITIC Envirotech Ltd. as at 30 September 2019.

(10) Based on the unaudited NAV per Share for Jardine Strategic Holdings Limited as at 31 December 2020.

(11) The date specified is the date of the release of the Holding Announcement instead of the Offer Announcement Date and respective premiums over the VWAP for the Shares were computed for the 1 month and 3 months period prior to the Last Trading Day. For the P/NAV, the computation is based on the Offer Price and the Group's RNAV per Share as at 31 December 2020.

For illustrative purposes only, we noted the following from the above table:-

(i) As disclosed in the Offer Announcement and the Offer Document, the Offeror and its Concert Parties (including the valid acceptances from the Undertaking Shareholders) held or will hold an aggregate interest of approximately 67.49% in the Share capital of the Company, which is within the range, higher than the simple average but lower than the median for the Selected Successful Delistings.

(ii) The premium of approximately 25.6% as implied by the Offer Price over the last transacted price for Shares on the Last Trading Day prior to the Holding Announcement is within the range, but lower than both the median and simple average for the Selected Successful Delistings.

(iii) The premiums of approximately 68.2% and 68.2% as implied by the Offer Price over the VWAP for the Shares for the 1-month period and 3-month period prior to the Last Trading Day respectively is higher than the median and simple average of the Selected Successful Delistings, and generally favourable. We note that based on the Offer Document, the Offer Price represents a premium of approximately 58.8% and 58.8% over the VWAP for the Shares for the 1-month and 3-month periods prior to the Last Trading Day respectively and these premiums are higher than the median and simple average of the Selected Successful Delistings, and generally favourable.

(iv) The valuation of the Group (as implied by the Offer Price and RNAV per Share) in terms of P/NAV ratio of approximately 0.6 times is within the range of the Selected Successful Privatisations, but lower than both the median and simple average for transactions under the Selected Successful Delistings. This may have been attributable to, *inter alia*, the nature and type of businesses, that the Company is involved in as compared to companies comprising the list of the Selected Successful Delistings, the offer price that offerors may have paid and their relative or perceived emphasis on P/NAV as a multiple for the offer.

In summary, the valuation of the Group in general, as implied by the Offer Price in terms of premiums over historical prices for the Shares generally appears to be more favourable or in line as compared to the Selected Successful Delistings. In addition, the valuation of the Group in general, as implied by the Offer Price and the RNAV per Share in terms of P/NAV ratio appears to be within the range and lower than the simple average and median for the Selected Successful Delistings.

When considered in the context of the shareholdings or potential shareholdings of the Offeror and its Concert Parties (including valid acceptances from the Undertaking Shareholders) as set out in the Offer Announcement and Offer Document, which is within the range, lower than the median but higher than the simple average for the Selected Successful Delistings, the valuation of the Group as implied by the Offer Price in terms of both premiums over historical prices for the Shares and the RNAV per Share in terms of P/NAV ratio, appears more favourable or fairly comparable to the Selected Successful Delistings.

10. OTHER CONSIDERATIONS

10.1. Existing shareholding structure of the Company

The shareholding structure of the Company as at the Latest Practicable Date is outlined below:

	Direct Interests	Deemed Interests	Total interests	% of the issued Share capital as at the Latest Practicable Date[1]
Offeror and its Concert Parties (including Undertaking Shareholders)				
Offeror[3]	44,755,867	Nil	44,755,867	20.16%
Concert Party Shareholders[2][3]	20,074,276	44,755,867	64,830,143	29.20%
Third Party Shareholders[4]	84,992,900	Nil	84,992,900	38.29%
Total Shares owned, controlled and agreed to be acquired by Offeror and its Concert Parties (including Undertaking Shareholders)	149,823,043	Nil	**149,823,043**	**67.49%**
Directors (other than the Offeror and its Concert Parties, and Undertaking Shareholders)				
Hoon Tai Meng	40,000	Nil	40,000	0.02%
Lim Lian Soon	43,000	Nil	43,000	0.02%
Substantial Shareholders (other than Offeror and Concert Parties, and Undertaking Shareholders)				
Lim Hwee Choo[5]	700,000	56,700,000	57,400,000	25.86%
Kua Han Wei [5]	-	56,700,000	56,700,000	25.54%
Public Shareholdings			**71,393,957**	**32.16%**

Notes:

(1) Based on 222,000,000 Shares (excluding treasury Shares) as at Latest Practicable Date.

(2) Concert Party Shareholders have given an undertaking to accept the Offer in respect of 20,074,276 Shares (in aggregate) or approximately 9.04% of issued Shares (excluding treasury Shares) held by them. Please refer to Section 5.1 of the Offer Document for the details of Concert Party Shareholders which have given their undertakings.

(3) Concert Party Shareholders, being Low Ah Hoo and Low Chui Heng, who each owns 50% of the shareholding interest of Offeror, are deemed interested in the shares of the Company held by Offeror.

(4) Third Party Shareholders have given an undertaking to accept the Offer in respect of 84,992,900 Shares (in aggregate) or approximately 38.29% of issued Shares (excluding treasury Shares) held by them. Please refer to Section 5.2 of the Offer Document for the details of Third Party Shareholders which have given their undertakings.

(5) Lim Hwee Choo and Kua Han Wei, who each owns 33.33% of the shareholding interest in 2GS Investment Pte. Ltd., are interested in the shares of the Company held by 2GS Investment Pte. Ltd. As described in the Offer Document, 2GS Investment Pte. Ltd. is one of the parties who have provided Third Party Undertakings.

We note that as stated in the Offer Announcement Date and the Offer Document, the Offeror and its Concert Parties (including the valid acceptances from the Undertaking Shareholders) held or will hold an aggregate interest of 149,823,043 Shares, representing approximately 67.49% of the issued Share capital (excluding treasury Shares) of the Company. Accordingly, the Offeror and its Concert Parties already has already has majority control over the Company (shareholding exceeding 50%), which places the Offeror and its Concert Parties in a position to have an influence, *inter alia*, on the management, operating and financial policies of the Company and ability to pass all ordinary resolution on matters in which the Offeror and its Concert Parties do not have an interest, at general meetings of Shareholders. Accordingly, the Minimum Acceptance Condition will be satisfied, and the Offer will be declared unconditional in all respects thereafter.

In relation to the Directors' intention in connection with the Offer, we note the following from Appendix 1 of the Circular:-

(a) Each of Mr. Kuan Peng Chuan and Mr. Low Chui Heng have accepted and/or procured the acceptance of the Offer in respect of all their interest (whether direct or deemed) in the Shares, being an aggregate of 23,727,476 Shares, representing 10.69% of the total number of issued Shares as at the Latest Practicable Date, pursuant to the Third Party Irrevocable Undertakings and Concert Parties' Irrevocable Undertakings referred to in Section 5 of the Circular.

(b) Mr. Hoon Tai Meng and Mr. Lim Lian Soon have informed the Company that they intend to accept the Offer in respect of all the Shares held by them.

(c) Each of Kua Ghim Song and Goh Chee Wee do not have any interest in any Shares in the Company (direct and/or deemed).

Subsequent to the Offer Announcement Date to the Latest Practicable Date, the Offeror and its Concert Parties as disclosed in the Offer Document did not make any further announcement in connection with changes in its shareholding in the Company or further purchases of Shares.

Subsequent to the Latest Practicable Date, pursuant to Rule 28.1 of the Code, DBS had announced, for and on behalf of the Offeror, that as at 9.00 p.m. (Singapore time) on 20 May 2021, the Offeror has received, pursuant to the Offer, valid acceptances in respect of 115,170,676 Shares, representing approximately 51.88% of the total number of issued Shares. Accordingly the Offer has become unconditional.

It was further announced on 20 May 2021 that the total number of Shares owned, controlled or agreed to be acquired by the Offeror (including valid acceptances of the Offer) as at 9.00 p.m. (Singapore time) on 20 May 2021 is 159,926,543 Shares representing approximately 72.04% of the total number of issued Shares.

10.2. Dividend track record

For the purposes of assessing the Offer, we have considered the dividend track record of the Group against the Selected Comparable Companies and those from selected alternative investments

Historical dividends paid by the Group

Period	Net Dividend per Share (S$)	Net Dividend Payout[1]	Implied net dividend yield[2]
FY2020	n.m.[3]	n.m.[3]	n.m.[3]
FY2019	0.006	55.6%	2.2%
FY2018	0.003	2,081.3%	1.1%

Notes:

(1) Based on inter alia the net dividend per Share divided by the consolidated basic earnings per Share as reported in the Company's annual reports for the respective financial years. The earnings per Share used for the purpose of the computation above have not been adjusted for the changes in the Group's accounting policies (if any) nor any exceptional one-off items over the years.

(2) Based on the net dividend per Share divided by the Offer Price.

(3) n.m. denotes not meaningful as the Group did not declare nor pay dividends for FY2020, being the most recently completed financial year.

We note that the Company have declared and paid dividends for FY2018 and FY2019. Based on our discussions with the Directors, we understand that the Company's dividend policy seeks to balance return to shareholders with the need for long-term sustainable growth whilst aiming for an efficient capital structure. The current Company's dividend policy is to distribute not less than 50% of its net profit after tax as dividends, subject to factors such as projected capital expenditure requirements, investment plans, cash balance and financial performance of the Company. We note from the Company's Annual Report for FY2020 that in view of the uncertain business environment, the Board has decided not to declare any final dividend for FY2020 in order to consolidate the Group's financial resources so that it will be in a better position to overcome any challenges that it may face.

Investments in selected alternative investments

In evaluating the Offer, we have made comparison of dividend yields that may arise from investments in the Selected Comparable Companies and selected alternative equity investments and/or a broad market index instrument such as the STI Exchange Traded Fund ("**STI ETF**").

For illustrative purposes only, the dividend yield for the selected alternative equity investments based on their ordinary cash dividends as declared for each of their most recent financial year are as follows:

Selected Comparable Companies	**Financial Year End**	**Net Dividend Payout**(1)	**Net Dividend Yield**(2)
Asia Enterprises	31-Dec-20	333.3%	3.0%
Annaik	31-Dec-20	166.7%	1.9%
BRC Asia	30-Sep-20	68.8%	3.9%
CosmoSteel	30-Sep-20	27.5%	5.4%
HG Metal	31-Dec-20	61.7%	1.6%
STI ETF	30-Jun-20	N.A.	3.7%
The Group	30-Jun-20	n.m.(3)	n.m.(3)

Notes:

(1) Based on the net dividend per Share divided by the consolidated basic earnings per Share as reported in the Company's annual reports for the respective financial years. The earnings per Share used for the purpose of the computation above have not been adjusted for the changes in the Group's accounting policies (if any) nor any exceptional one-off items over the years.

(2) Net dividend yield for each selected alternative equity investment is based on the net dividend per share divided by the closing market price for each share on the Latest Practicable Date (or where there was no trading on such date, the last available closing market price prior thereto). The aforementioned net dividend yield computed may differ from the actual dividend yield which will vary depending on the actual cost of investment paid by the individual investor.

(3) n.m. denotes not meaningful as the Group did not declare nor pay dividends for the most recently completed financial year.

We note that the Group's dividend profile is worse off as compared to the Selected Comparable Companies. As the Company did not pay any dividend in respect of FY2020, being its most recent financial year, hence as compared to the STI ETF, the dividend yield for the Group is less favourable. The above analysis is on the assumption that the Group, the Selected Comparable Companies and STI ETF maintain their respective net dividend per share at the same level as that in their last financial year.

The above analysis is on the assumption that the Group, Selected Comparable Companies and STI ETF maintain their respective net dividend per share at the same level as that in their last financial year.

We wish to highlight that the above dividend analysis serves only as an illustrative guide and is not an indication of the future dividend policy for the Company or the Selected Comparable Companies or the STI ETF. Furthermore, an investment in the equity of the Selected Comparable Companies or the STI ETF also presents different risk-return profiles as compared to an investment in the Shares. Moreover, there is no assurance that, *inter alia,* the Group or any of the above selected alternative equity investments will continue to pay or not to pay any dividends in the future and/or maintain the level of dividends paid in past periods.

10.3. Offer is conditional

We note from Section 2.5 of the Offer Document that the Offer will be conditional upon the Offeror having received, by the close of the Offer, valid acceptances in respect of such number of Offer Shares which, when taken together with the Shares owned, controlled or agreed to be acquired by the Offeror (either before or during the Offer and pursuant to the Offer or otherwise), will result in the Offeror holding such number of Shares carrying more than 50% of the voting rights attributable to the Shares (excluding any Shares held in treasury) as at the close of the Offer or the Minimum Acceptance Condition.

Save for the Minimum Acceptance Condition, the Offer will be unconditional in all other respects.

We note that as at the Latest Practicable Date, the Offeror and its Concert Parties (including the valid acceptances from the Undertaking Shareholders) held or will hold an aggregate interest of 149,823,043 Shares (or approximately 67.49% of the total Shares in issue other than treasury Shares).

Subsequent to the Latest Practicable Date, it was announced on 20 May 2021 that Minimum Acceptance Condition of the Offer has been satisfied and the Offer has therefore become unconditional in all respects on 20 May 2021. It was further announced on 20 May 2021 that the total number of Shares owned, controlled or agreed to be acquired by the Offeror (including valid acceptances of the Offer) as at 9.00 p.m. (Singapore time) on 20 May 2021 is 159,926,543 Shares representing approximately 72.04% of the total number of issued Shares.

10.4. No revision of the Offer Price

We note from Section 2.3 of the Offer Document that the Offer Price is final and the Offeror does not intend to revise the Offer Price. It is also noted from Section 2.4 of the Offer Document that if any dividends, rights and other distributions declared, paid or made by the Company in respect of Shares ("**Distribution**") is announced, declared, paid or made by the Company on or after the Offer Announcement Date, and the Offeror reserves the right to reduce the Offer Price payable to a Shareholder who validly accepts or has validly accepted the Offer by the amount of such Distribution.

10.5. Alternative takeover offer

The Directors confirmed that (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.

As at the Offer Announcement Date, Offeror and its Concert Parties (including the valid acceptances from the Undertaking Shareholders) held or will hold an aggregate interest of 149,823,043 Shares, constituting approximately 67.49% of the issued Share capital of the Company and subsequent to the Offer Announcement Date to the Latest Practicable Date, the Offeror did not make any further announcement in connection with changes in its shareholding in the Company or further purchases of Shares.

Under such circumstances, any competing offer for Shares is unlikely to be forthcoming without the support of the Offeror in view of its majority control as represented by the percentage of the total number of Shares that the Offeror and its Concert Parties (including Undertaking Shareholders) holds. Thus, the possibility of an alternative offer from parties other than the Offeror will be significantly reduced. Further, subsequent to the Latest Practicable Date, it was announced on 20 May 2021 that the Offer has become unconditional in all respects, and that the total number of Shares owned, controlled or agreed to be acquired by the Offeror and its Concert Parties (including valid acceptances of the Offer) as at 9.00 p.m. (Singapore time) on 20 May 2021 is 159,926,543 Shares representing approximately 72.04% of the total number of issued Shares.

10.6. Control over the Company

As at the Latest Practicable Date, the Offeror and its Concert Parties (after taking into account the Irrevocable Undertakings) have statutory control of the Company, which places the Offeror in a position to significantly influence, *inter alia*, the management, operating and financial policies of the Company and ability to pass all ordinary on matters in which the Offeror and its Concert Parties do not have an interest, at general meetings of Shareholders. Further, subsequent to the Latest Practicable Date, we note from the announcement on 20 May 2021 that the Offeror and its Concert Parties has obtained statutory control of the Company.

10.7. Listing Status and Compulsory Acquisition

Listing status

We note from Section 11.2 of the Offer Document that under Rule 723 of the Listing Manual, the Company must ensure that at least 10% of the total number of issued Shares is at all times held in public hands (as defined in the Listing Manual) (the "**Free Float Requirement**"). Pursuant to Rule 1105 of the Listing Manual, upon an announcement by the Offeror that acceptances have been received pursuant to the Offer that bring the holdings owned by the Offeror and its Concert Parties to above 90% of the total number of issued Shares (excluding Shares held in treasury), the SGX-ST may suspend the trading of the Shares on the SGX-ST until such time it is satisfied that at least 10% of the total number of issued Shares (excluding Shares held in treasury) are held by at least 500 Shareholders who are members of the public. Rule 1303(1) of the Listing Manual provides that if the Offeror succeeds in garnering acceptances exceeding 90% of the total number of issued Shares (excluding Shares held in treasury), thus causing the percentage of the total number of issued Shares (excluding Shares held in treasury) held in public hands to fall below 10%, the SGX-ST will suspend trading of the Shares only at the close of the Offer.

In addition, under Rule 724(1) of the Listing Manual, if the Free Float Requirement is not satisfied, the Company must, as soon as practicable, announce that fact and the SGX-ST may suspend the trading of all the Shares. Rule 724(2) of the Listing Manual states that the SGX-ST may allow the Company a period of three (3) months, or such longer period as the SGX-ST may agree, to raise the percentage of Shares (excluding Shares held in treasury) in public hands to at least 10%, failing which the Company may be delisted from the SGX-ST.

The Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted.

Compulsory acquisition

We note from Section 11.1 of the Offer Document that pursuant to Section 215(1) of the Companies Act, if the Offeror receives valid acceptances pursuant to the Offer (or otherwise acquires Shares during the period when the Offer is open for acceptance) in respect of not less than 90% of the total number of issued Shares (other than those already held by the Offeror, its related corporations or its respective nominees as at the date of the Offer and excluding any Shares held in treasury), the Offeror would be entitled to exercise the right to compulsorily acquire all the Shares of Shareholders who have not accepted the Offer (the "**Dissenting Shareholders**"), at a price equal to the Offer Price.

In such event, the Offeror intends to exercise its right to compulsorily acquire all the Offer Shares not acquired under the Offer. The Offeror will then proceed to delist the Company from the SGX-ST.

Dissenting Shareholders have the right under and subject to Section 215(3) of the Companies Act, to require the Offeror to acquire their Shares at the Offer Price in the event that the Offeror, its related corporations or their respective nominees acquire, pursuant to the Offer, such number of Shares which, together with Shares held in treasury and the Shares held by the Offeror, its related corporations or their respective nominees, comprise 90% or more of the total number of issued Shares. Dissenting Shareholders who wish to exercise such right are advised to seek their own independent legal advice.

As stated in the Offer Document, the Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted.

10.8. Offeror's intention for the Company

We note from Section 11.2 of the Offer Document that the Company intends to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted.

As set out in Section 10 of the Offer Document, it is the current intention of the Offeror for the Company to continue to develop and grow the existing businesses of the Group. The Offeror and the Company will continue to review, from time to time, the operations of the Group as well as the Company's strategic options. The Offeror retains and reserves the right and flexibility at any time and from time to time to further consider any options or opportunities in relation to the Company which may present themselves and which the Offeror may regard to be in the best interests of the Offeror and/or the Company.

Save as disclosed in the Offer Document and other than in the ordinary course of business, the Offeror presently has no plans to (a) introduce any major changes to the existing business of the Company, (b) re-deploy the fixed assets of the Company, or (c) discontinue the employment of the existing employees of the Group, in each case, other than in the ordinary and usual course of business and/or in response to the changing market conditions.

10.9. Material Litigation and Contracts with Interested Persons

Material Litigation

We note from the Appendix 1 of the Circular that as at the Latest Practicable Date, neither the Company nor any of its subsidiaries is engaged in any material litigation or arbitration proceedings as plaintiff or defendant which might materially and adversely affect the financial position of the Company and its subsidiaries taken as a whole.

The Directors are not aware of any proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any proceedings which might materially and adversely affect the financial position of the Company.

Material Contracts with Interested Persons

We note from the Appendix 1 of the Circular that neither the Company nor any of its subsidiaries has entered into any material contract (other than those entered into in the ordinary course of business) with interested persons during the period commencing three (3) years prior to the Offer Announcement Date and ending on the Latest Practicable Date.

11. OPINION

In arriving at our opinion in respect of the Offer, we have taken into account, *inter alia*, the following factors which we consider to have a significant bearing on our assessment as summarised below and as elaborated elsewhere in this Letter. Save for the Independent Valuation Report in connection with the market value of the Appraised Assets, we have not been furnished with the valuation for the remaining PPE or assets and have relied on the Director's confirmation that as at the Latest Practicable Date, on an aggregate basis, there are no material differences between the estimated market value of the remaining PPE and ROU Assets or assets or liabilities for which no valuation was obtained and their respective book values as at 31 December 2020 and our views, recommendation and opinion are necessarily limited and subject to these matters.

This is purely a summary of the factors that have been highlighted in this Letter and Shareholders are advised to read the following in conjunction with, and in the context of, the full text of this Letter:

(a) The intention of the Offeror and the listing status as set out in Sections 10 and 11 of the Offer Document respectively.

(b) The historical financial performance and position of the Group as set out in Section 9.1 of this Letter. The Group was profitable with net profit attributable to equity holders of the Company of approximately S$32 thousands and S$2.4 million in FY2018 and FY2019 respectively before turning into a loss-making position with net loss attributable to equity holders of the Company of approximately S$4.2 million in FY2020. The Group registered net profit attributable to equity holders of the Company of approximately S$95 thousand in HY2021.

The Group's financial position has generally been strong notwithstanding the decline in shareholders' equity (from approximately S$84.2 million as at 30 June 2018 to approximately S$80.3 million as at 31 December 2020), mostly due to the loss incurred in FY2020. Though the Group's net current asset position had deteriorated from approximately S$76.4 million as at 30 June 2018 to approximately S$64.9 million as at 31 December 2020, the amount of total borrowings or indebtedness remained low albeit increasing from approximately S$2.0 million as at 31 June 2018 to approximately S$4.0 million as at 31 December 2020. The aggregate amounts of cash and cash equivalent though had declined over the period reviewed, from approximately S$26.3 million as at 30 June 2018 to approximately S$14.5 million as at 31 December 2020.

The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the unaudited financial statements for the Group for HY2021, and the Company's announcements on the SGXNet, there has been no material changes to the Group's assets and liabilities, financial position, condition, and performance.

(c) The historical financial performance and position of the Group *vis-à-vis* the Selected Comparable Companies - The Group's financial performance is less favourable as compared to any of the Selected Comparable Companies as the Group is the only company amongst its peers to register loss. The Group's LTM asset turnover is lower and less favourable and lower than any of the Selected Comparable Companies. In terms of financial position, the Group's ratio of total liabilities to shareholders' equity and total borrowings to shareholders' equity as at 31 December 2020 appears to be lower and more favourable than any of the Selected Comparable Companies.

(d) The Offer Price (as set out in Section 9 of this Letter) after taking into account, *inter alia,* the following factors:-

(i) The Offer Price represents a discount of approximately 25.4% from the Group's NAV per Share and/or NTA per Share respectively as at 31 December 2020.

(ii) The Adjusted Offer Price (being the Offer Price less Net Cash per Share) represents a discount of approximately 29.2% from the NAV and/or NTA per Share for the Group after deducting the Net Cash per Share.

(iii) The Offer Price represents a discount of approximately 42.6% from the Group's RNAV and/or RNTA per Share.

(iv) The Adjusted Offer Price (being the Offer Price less Net Cash per Share) represents a discount of approximately 47.4% from the Group's Adjusted RNAV and/or Adjusted RNTA per Share.

(v) The Offer Price represents a premium of approximately 25.6% over the last transacted price of S$0.215 per Share for the Shares on the SGX-ST on 20 April 2021, being the Last Trading Day prior to the Holding Announcement Date.

(vi) The Offer Price represents a premium of approximately 68.2%, 68.8%, 68.2% and 68.2% over the VWCP for the Shares for the 12-month, 6-month, 3-month and 1-month periods prior to the Last Trading Day respectively.

(vii) The Offer Price represents a premium of approximately 10.9% over the VWAP for the Shares for the period commencing on the Market Day immediately after the Last Trading Day and ending on the Offer Announcement Date.

(viii) The Offer Price represents a premium of approximately 1.8% over the VWAP for the Shares for the period commencing on the Market Day immediately after the Offer Announcement Date and ending on the Latest Practicable Date.

(ix) The Offer Price represents a premium of approximately 1.9% over the last transacted price of S$0.265 per Share on the SGX-ST on 17 May 2021, being the Latest Practicable Date

(x) Fair or favourable comparison with the valuation of the Selected Comparable Companies - the valuation of the Group (as implied by the Offer Price) in terms of LTM EV/EBITDA and LTM PER is not meaningful as the Group registered loss and negative EBITDA for the LTM ended 31 December 2020. In addition, the valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and RNAV or RNTA per Share) appears to be comparable to the Selected Comparable Companies. The valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and RNAV or RNTA per Share) appears to be favourable when compared to the Selected Comparable Companies (excluding BRC Asia). Furthermore, the valuation of the Group (as implied by the Adjusted Offer Price and the Adjusted RNAV or Adjusted RNTA per Share), is in general favourable as compared to the Selected Comparable Companies on a similar basis.

Such comparison should be reviewed in conjunction with the following: (a) notwithstanding the Group's relatively better financial position (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios), the Group's financial performance (in terms of LTM asset turnover ratio) appears to be weaker and less favourable as compared to the Selected Comparable Companies. It is noted that the Group is the only company as compared to the Selected Comparable Companies to register LTM loss and negative LTM EBITDA; (b) the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in an acquisition of control whilst for the Offer, the Offeror, *inter alia,* does not intend to maintain the listing status of the company in the event the free float requirement is not satisfied and does not intend to take any step for the public float to be restored. In addition, the Offeror and its Concert Parties (including the valid acceptances from the Undertaking Shareholders) held or will hold an aggregate interest of approximately 67.49% in the Share capital of the Company; and (c) the core business of the Group (being trading and sales of stainless steel and specialty metal products) where majority, if not all, of the assets are used for its trading activities, and that the Group's earnings-based valuation ratios (being PER and EV/EBITDA) are likely more appropriate valuation benchmark as compared to asset-based valuation multiples. Notwithstanding, the valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and RNAV or RNTA per Share) appears to be generally favourable as compared to the Selected Comparable Companies on a similar basis.

(xi) The Estimated Value of the Shares (based on, *inter alia*, the median and simple average P/NAV multiples for the Selected Comparable Companies (excluding the outlier, BRC Asia), RNAV per Share, and the average of the medians of the premiums (as implied by the offer prices over/from the historical last transacted prices for various periods or dates as outlined in Section 9.5 of this Letter) for Selected Successful Privatisations and Selected Successful Delistings, is approximately S$0.225 to S$0.243 per Share. Accordingly, the Estimated Preferred Value will be approximately S$0.234 per Share. The Offer Price is at a premium to both the lower and higher end of the Estimated Value per Share of approximately S$0.225 to S$0.243, and at a premium of approximately 15.4% over the Estimated Preferred Value.

(xii) Generally favourable or fair comparison with the Selected Successful Privatisations – the valuation of the Group as implied by the Offer Price in terms of premiums over historical prices for the Shares generally appears to be within the range and in line or more favourable as compared to the simple average and the median for the Selected Successful Privatisations. In addition, the valuation of the Group, (as implied by the Offer Price and RNAV per Share) in terms of P/NAV ratio appears to be within the range despite it being lower than the simple average and the median for the Selected Successful Privatisations.

When considered in the context of the shareholdings or potential shareholdings of the Offeror and its Concert Parties (including the valid acceptances from the Undertaking Shareholders) which is within the range, slightly lower than the median but higher than the simple average for the percentage of shareholding interest for each of the offeror and parties acting in concert (including the undertaking shareholders) as at the start for the Selected Successful Privatisations, the valuation of the Group as implied by the Offer Price in terms of both premiums over historical prices for the Shares and the RNAV in terms of P/NAV ratio, appears in general to be more favourable or fairly comparable to the Selected Successful Privatisations.

(xiii) Generally favourable or fair comparison with the Selected Successful Delistings – the valuation of the Group in general, as implied by the Offer Price in terms of premiums over historical prices for the Shares generally appears to be more favourable or in line as compared to the Selected Successful Delistings. In addition, the valuation of the Group in general, as implied by the Offer Price and the RNAV per Share in terms of P/NAV ratio appears to be within the range and lower than the simple average and median for the Selected Successful Delistings.

When considered in the context of the shareholdings or potential shareholdings of the Offeror and its Concert Parties (including valid acceptances from the Undertaking Shareholders) which is within the range, lower than the median but higher than the simple average for the Selected Successful Delistings, the valuation of the Group as implied by the Offer Price in terms of both premiums over historical prices for the Shares and the RNAV per Share in terms of P/NAV ratio, appears more favourable or fairly comparable to the Selected Successful Delistings.

(e) As at the Offer Announcement Date and the Offer Document, the Offeror and its Concert parties (including the valid acceptances from the Undertaking Shareholders) held or will hold an aggregate interest of 149,823,043 Shares, representing approximately 67.49% of the issued Share capital (excluding treasury Shares) of the Company. Accordingly, the Offeror already has statutory control over the Company, which places the Offeror and its Concert Parties (including Undertaking Shareholders) in a position to have significant influence, *inter alia,* on the management, operating and financial policies of the Company and ability to pass all ordinary resolution on matters in which the Offeror and its Concert Parties do not have an interest, at general meetings of Shareholders. Subsequent to the Latest Practicable Date, it was announced on 20 May 2021 that Minimum Acceptance Condition of the Offer has been satisfied and the Offer has therefore become unconditional in all respects on 20 May 2021. It was further announced on 20 May 2021 that the total number of Shares owned, controlled or agreed to be acquired by the Offeror (including valid acceptances of the Offer) as at 9.00 p.m. (Singapore time) on 20 May 2021 is 159,926,543 Shares representing approximately 72.04% of the total number of issued Shares.

Competing offer for the Shares (if any) is unlikely to be forthcoming without the support of the Offeror in view of its majority control as represented by the percentage of the total number of Shares that the Offeror and its Concert Parties hold. In addition, as set out in Section 10.5 of this Letter, the Directors have confirmed that: (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date. Thus, the possibility of an alternative offer from parties other than the Offeror will be significantly reduced.

(f) Our analysis as set out in Section 10.2 of this Letter suggests that the Company's dividend profile and payout seems to be worse off than any of the Selected Comparable Companies and including the comparison to the dividend yield of STI ETF as the Company did not declare dividend in respect of FY2020.

(g) As at the Latest Practicable Date, the Offer is unconditional as mentioned in point (e) above. The Offeror does not intend to preserve the listing status of the Company.

(h) As set out in the Offer Document, the Offer Price is final and the Offeror does not intend to revise the Offer Price. The Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company, and to undertake or support any action in the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual.

(i) The Directors' confirmation that (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.

(j) Other considerations are set out in Section 10 or other such sections of this Letter.

In summary, having regard to our analysis and the consideration in this Letter (including, *inter alia*, its limitation and constraints) and after having considered carefully the information available to us and based on market, economic and other relevant considerations prevailing as at the Latest Practicable Date, and subject to our terms of reference, we are of the opinion that, in the absence of an alternative offer, the financial terms of the Offer is, on balance, **FAIR and REASONABLE**.

For the purposes of evaluation of the Offer from a financial point of view, we have adopted the approach that the term "fair and reasonable" comprises two distinct concepts:

(i) Whether the Offer is "fair" relates to the value of the offer price which is based strictly on the evaluation of the Offer Price (i.e. by looking at the financial or fundamental analyses of the Offer Price as set out in this Letter and based on information known to us or which is publicly available).

(ii) Whether the Offer is "reasonable", after taking into consideration the actual and potential financial impact of other circumstances surrounding the Offer and the Company which we consider relevant (being both quantitative and qualitative factors available and made known to us).

We consider the financial terms of the Offer to be **FAIR** from a financial point of view after factoring, *inter alia*, the following:-

(i) Fair or favourable comparison with the valuation of the Selected Comparable Companies in terms of P/NAV and P/NTA ratios. The valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and RNAV or RNTA per Share) appears to be comparable to the Selected Comparable Companies. The valuation of the Group in terms of P/NAV and P/NTA ratios (as implied by the Offer Price and RNAV or RNTA per Share) appears to be favourable when compared to the Selected Comparable Companies (excluding BRC Asia).

Such comparison were made after taking into account, *inter alia:* (a) notwithstanding the Group's relatively better financial position (in terms of total liabilities to shareholders' equity and total borrowings to shareholders' equity ratios), the Group's financial performance (in terms of

LTM asset turnover ratio) appears to be weaker and less favourable as compared to the Selected Comparable Companies); (b) the trading statistics for the shares of the Selected Comparable Companies are based on transactions which do not result in an acquisition of control whilst for the Offer, the Offeror, *inter alia,* does not intend to maintain the listing status of the company in the event the free float requirement is not satisfied and does not intend to take any step for the public float to be restored. In addition, the Offeror and its Concert Parties (including the valid acceptances from the Undertaking Shareholders) held or will hold an aggregate interest of approximately 67.49% in the Share capital of the Company.

(ii) The Offer Price is at a premium to both the lower and higher end of the Estimated Value per Share of approximately S$0.225 to S$0.243, and at a premium of approximately 15.4% over the Estimated Preferred Value.

(iii) Favourable or fair comparison with the Selected Successful Privatisations in terms of both the premiums over historical prices for the Shares, and the valuation of the Group (as implied by the Offer Price and the RNAV per Share) in terms of P/NAV ratio.

(iv) Favourable or fair comparison with the Selected Successful Delistings in terms of both premiums over historical prices for the Shares and the valuation of the Group (as implied by the Offer Price and the RNAV per Share) in terms of P/NAV ratio.

(v) Substantial premiums in general as implied by the Offer Price over the historical prices for the Shares prior to the Holding Announcement Date considering, *inter alia*: (a) the implied premium of approximately 25.6% over the last transacted price for the Shares on the Last Trading Day prior to the Holding Announcement Date; and (b) the implied premiums of approximately 68.2%, 68.8%, 68.2% and 68.2% over the VWAP for the Shares for the 12-month, 6-month, 3-month and 1-month periods respectively prior to the Last Trading Day. The implied premium over the historical prices for the Shares appears in general to be favourable as compared to both the Selected Successful Privatisations and the Selected Successful Delistings.

(vi) As set out in the Offer Document and confirmed by the Directors, the Offer Price represents a premium of approximately 14.9% above the highest closing price for the 2-year period prior to the Last Trading Day.

We consider the financial terms of the Offer to be, on balance, **REASONABLE**, from a financial point of view after factoring, *inter alia*, the following:-

(i) The Offeror and its Concert Parties (including Undertaking Shareholders) had already a statutory control of the Company, which places the Offeror in a position to significantly influence, *inter alia*, the management, operating and financial policies of the Company and is in a position to pass all ordinary resolutions on matters in which the Offeror and its Concert Parties do not have an interest, at general meetings of Shareholders.

(ii) Fair or comparable valuation as compared to the Selected Successful Privatisations and the Selected Successful Delistings in terms of premiums over historical prices for the Shares. This should be viewed in conjunction with the fact that the Offeror and its Concert Parties (including Undertaking Shareholders) had already a majority control over the Company as at the Offer Announcement Date.

(iii) Substantial premiums implied by the Offer Price over the historical prices for the Shares prior to the Holding Announcement Date. As set out in the Offer Document, the Offer Price represent represents a premium of approximately 14.9% above the highest closing price for the 2-year period prior to the Last Trading Day.

(iv) The Director's confirmation that (a) no other third parties have approached the Company with an intention to make an offer for the Company; and (b) apart from the Offer being made by the Offeror, no other third party has made a firm offer for the Company as at the Latest Practicable Date.

(v) Low liquidity for the Shares (in terms of daily average trading volume and frequency of trading) prior to the Last Trading Day.

ACA's Recommendation on the Offer

Based on our assessment of the financial terms of the Offer as set out above, we advise the Independent Directors that they should recommend that Shareholders **ACCEPT** the Offer. In addition, the Offer represent a realistic opportunity for Shareholders to realise their entire investment in cash taking into account, *inter alia*, the low liquidity for the Shares (in terms of daily average trading volume and frequency of trading) prior to the Last Trading Day and that the Share price have not transacted above the Offer Price for the 2-year period prior to the Last Trading Day.

While the transacted prices for the Shares subsequent to the Holding Announcement Date may have been underpinned by the Offer and the trading for the Shares on a daily basis may have (in general) increased after the Holding Announcement Date to the Latest Practicable Date (as compared to the 1-year period prior to the Last Trading Day), there is no assurance that the trading activities for the Shares will be maintained at such levels or that the transacted prices for the Shares will be maintained after the closing of the Offer. In particular, there is no assurance that interest in the Shares will be maintained after the Offer as the possibility of an alternative offer from parties other than the Offeror is low.

In the event that Shareholders are concerned about the liquidity and the prices at which they can realise their investments in the Offer Shares (including whether they can realize their investments at prices higher than the Offer Price after deducting related expenses), acceptance of the Offer will provide certainty of exit at the Offer Price.

However, in the event that Shareholders are able to dispose the Offer Shares in the open market and realise their investments at prices higher than the Offer Price after deducting related expenses, they should consider selling the Offer Shares in the open market. It should be noted that for the period commencing on the Market Day immediately after the Last Trading Day to the Latest Practicable Date, the transacted prices for the Shares have always been lower than the Offer Price and the Offer Price represents a small premium of approximately 1.9% over the last transacted price of S$0.265 per Share on the SGX-ST on 17 May 2021, being the Latest Practicable Date.

Matters to highlight

We would also wish to highlight the following matters which may affect the decisions or actions of Shareholders: –

1. If the Shareholders are considering selling their Offer Shares in the open market, they should be aware that the current market prices and trading volumes for the Shares may have been supported by the Offer and may not be maintained at current levels when the Offer closes. It should be noted that for the period commencing on the Market Day immediately after the Last Trading Day to the Latest Practicable Date, the transacted prices for the Shares have always been lower than the Offer Price and the Offer Price represents a small premium of approximately1.9% over the last transacted price of S$0.265 per Share on the SGX-ST on 17 May 2021, being the Latest Practicable Date.

2. The Offeror has stated in the Offer Document that it will not revise the Offer Price of S$0.27 per Offer Share.

3. Whilst the possibility of a higher offer from a third party cannot be ruled out, as at the Latest Practicable Date, we are not aware of any publicly available evidence of an alternative offer for the Shares. Shareholders should be aware that the chances of such an alternative offer for Shares being made by a third party may be affected by the fact that, subsequent to the Latest Practicable Date, the Offeror and its Concert Parties hold in aggregate of 159,926,543 Shares, representing approximately 72.04% of the total number of issued Shares (excluding treasury Shares).

4. The Offeror is making the Offer with a view to delist or privatise the Company from the SGX-ST and if entitled to under the Companies Act, the Offeror intends to compulsorily acquire all the Offer Shares.

5. The Offeror intends to privatise the Company and does not intend to preserve the listing status of the Company. In the event that the trading of Shares on the SGX-ST is suspended pursuant to Rule 724, Rule 1105 or Rule 1303(1) of the Listing Manual, the Offeror has no intention to undertake or support any action for any such trading suspension by the SGX-ST to be lifted.

6. The Directors confirmed that as at the Latest Practicable Date and save for matters disclosed in the Circular, this Letter, the unaudited financial statements for the Group for HY2021, and the Company's announcements on the SGXNet, there has been no material changes to the Group's assets and liabilities, financial position, condition, and performance.

7. Our scope does not require us and we have not made any independent evaluation of the Group (including without limitation, market value or economic potential) or appraisal of the Group's assets and liabilities (including without limitation, PPE and ROU Assets) or contracts entered into by the Company or the Group and we have not been furnished with any such evaluation and appraisal in respect of assets and liabilities (if any) held or contracts entered into by the Group save for the Independent Valuation Report issued by the Independent Valuer in respect of the market value of the Appraised Assets as at the Valuation Date. With respect to such valuation, we are not experts in the evaluation or appraisal of assets and liabilities (including without limitation, PPE and ROU Assets where applicable) including, *inter alia*, the contracts that the Group has embarked upon or are about to embark upon and have relied on the opinion of the Directors.

Limitations

It is also to be noted that as trading of the Shares is subject to possible market fluctuations and accordingly, our advice on the Offer does not and cannot take into account the future trading activities or patterns or price levels that may be established for the Shares since these are governed by factors beyond the ambit of our review and also such advice, if given, would not fall within our terms of reference in connection with the Offer.

For our opinion and recommendation, we have not had regard to the general or specific investment objectives, financial situation, tax position, risk profiles or unique needs and constraints or plans of any individual Shareholder, or group of Shareholders. As different Shareholders or groups of Shareholders would have different investment profiles and objectives, we would advise Independent Directors to recommend that any individual Shareholder or group of Shareholders who may require advice in the context of his specific investment portfolio, including his investment in the Company, should consult his stockbroker, bank manager, solicitor, accountant, tax adviser or other professional adviser immediately.

12. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who wish to accept the Offer must do so no later than 5.30 p.m. (Singapore time) on 28 June 2021 and should follow the procedures set out in **Appendix 2** to the Offer Document and in the accompanying FAA and/or FAT.

Shareholders who do not wish to accept the Offer need not take any further action in respect of the Offer Document and the FAA or the FAT and any related documents which have been sent to them.

This Letter is addressed to the Independent Directors in connection with and for the sole purpose of their evaluation of the financial terms of the Offer. Whilst a copy of this Letter may be included in the Circular, neither the Company nor the Directors nor the Shareholders nor any third parties, may reproduce, disseminate or quote this Letter (or any part thereof) for any other purpose at any time and in any manner without the prior written consent of ACA in each specific case. This opinion is governed by, and construed in accordance with, the laws of Singapore, and is strictly limited to the matters and the scope of our appointment stated herein and does not apply by implication to any other matter. Save as disclosed, nothing herein shall confer or be deemed or is intended to confer any right of benefit to any third party and the Contracts (Rights of Third Parties) Act Chapter 53B and any re-enactment thereof shall not apply.

The recommendations made by the Independent Directors to Shareholders in relation to the Offer and the issue of the Circular (as well as any information therein) shall remain the sole responsibility of the Independent Directors and the Directors respectively.

Yours faithfully,

For and on behalf of

ASIAN CORPORATE ADVISORS PTE. LTD.

H.K. LIAU
MANAGING DIRECTOR

FOO QUEE YIN
MANAGING DIRECTOR

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27 May 2021

The Board of Directors
Sin Ghee Huat Corporation Ltd.
32 Gul Crescent
Singapore 629537

Dear Sirs

VALUATION OF
(1) 32 PENHAS ROAD #01-01 & #01-02
(2) 62 TUAS BASIN LINK
(3) 32 GUL CRESCENT
SINGAPORE

1 Instructions

We refer to your instructions for formal valuations to be carried out in respect of the abovementioned properties (the "Properties") for the purpose of Voluntary Conditional cash offer by DBS Bank Ltd, for and on behalf of HHH Co Pte Ltd. (the Offeror) to acquire all the issued ordinary shares in the capital of Sin Ghee Huat Corporation Ltd. We have specifically been instructed to provide our opinion of values of the Properties as at 17 May 2021, on the following bases:

(A) Market Values on an "as is" basis and with vacant possession.

(B) Lessee's Right-of-Use over the balance lease term for 62 Tuas Basin Link and 32 Gul Crescent.

We have, in accordance with the instructions, prepared comprehensive formal Valuation Reports for the Properties. Our valuation is carried out in accordance with the Singapore Institute of Surveyors and Valuers (SISV) Valuation Standards and Practice Guidelines and International Valuation Standards (IVS).

Our valuation is our opinion of the Market Value, which we would define as follows:

"Market Value is the estimated amount for which an asset or liability should exchange on valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

In preparing this valuation, we have relied on information provided by Sin Ghee Huat Corporation Ltd., particularly in respect of such matters as site and floor areas, tenure, annual value, land rent, etc. We have relied upon this information as being accurate and complete. We accept no responsibility for subsequent changes in the information provided. Dimensions, measurements and areas are only approximations.

Unless otherwise stated, all valuation figures herein are stated on a net of GST basis.

We have inspected the Properties on 18 May 2021 and provided our opinion of Market Values as at 17 May 2021, based on existing use and with vacant possession, and the lessee's Right-of-Use over the balance lease term for 62 Tuas Basin Link and 32 Gul Crescent .

We have prepared and provided this Valuation Summary Letter outlining key factors that have been considered in arriving at our opinions of value for inclusion in the Circular to shareholders of Sin Ghee Huat Corporation Ltd. The value conclusions reflect all information known by the valuers of Knight Frank Pte Ltd who worked on the valuation in respect to the Properties, market conditions and available data.

As at the valuation date, we continue to be faced with an unprecedented set of circumstances caused by COVID-19. We bring to your attention the important comments under the Material Valuation Uncertainty in the Valuation Certificates. For the avoidance of doubt, this explanatory note has been included to ensure transparency and to provide further insight as to the market context under which the valuation opinion was prepared. In recognition of the potential for market conditions to move rapidly in response to changes in the control or future spread of COVID-19, we highlight the importance of the valuation date.

2 Reliance on this letter

For the purposes of the Circular, we have prepared this letter which summarises our Valuation Reports and outlines key factors which have been considered in arriving at our opinions of value. This letter alone does not contain all the necessary data and support information included in our Valuation Reports. Knight Frank Pte Ltd has provided Sin Ghee Huat Corporation Ltd. comprehensive Valuation Reports for the Properties. The valuation and market information are not guarantees or predictions and must be read in conjunction with the following:

(a) The estimated values are based upon the factual information provided by Sin Ghee Huat Corporation Ltd. Whilst Knight Frank Pte Ltd has endeavoured to assure the accuracy of the factual information, it has not independently verified all information provided by Sin Ghee Huat Corporation Ltd. or the Government of Singapore (primarily statistical information relating to market conditions). Knight Frank Pte Ltd believes that every recipient of the Circular should review the Valuation Reports to understand the complexity of the methodology and the many variables involved.

(b) The methodology used by Knight Frank Pte Ltd in valuing the Properties is primarily the Direct Comparison Method. This valuation methodology is summarised in Section 4 of this letter.

(c) The Valuation Reports were undertaken based upon information available as at May 2021. Knight Frank Pte Ltd accepts no responsibility for subsequent changes in information as to income, expenses or market conditions.

No reliance may be placed upon the contents of this letter by any party for any purpose other than in connection with the purpose of this valuation.

3 Summary of property details

The following table summarises key property details of the three Properties:

Property	Land Area (sm)	Gross/Strata Floor Area (sm)	Tenure	Master Plan 2019
32 Penhas Road #01-01 & #01-02	-	760.00	Estate in Fee Simple (Grant 140)	"Residential with Commercial at 1st Storey", with a gross plot ratio of 3.0
62 Tuas Basin Link	11,234.6	8,200.62	Leasehold 30 years + 30 years commencing 16 July 1991 (Balance of approximately 30.1 years)	"Business 2" with a gross plot ratio of 1.0
32 Gul Crescent	5,217.5	7,271.64	Leasehold 20 years commencing 16 May 2021 (Balance of approximately 20.0 years)	"Business 2" with a gross plot ratio of 1.4

4 Valuation rationale

4.1 Valuation methodology

Our valuation has been undertaken using the appropriate valuation methodology and our professional judgement.

We have valued the Properties primarily by the Direct Comparison Method.

4.2 Direct comparison method

In this method, a comparison is made with sales of industrial buildings/strata commercial units (where appropriate) in the vicinity of the Properties and other locations. Adjustments are made, where appropriate, for differences in location/siting, tenure, size, age, plot ratio, proximity to MRT station, number of storeys, usage, type of development, improvements, frontages, etc, before arriving at the values of the Properties.

In determining the lessee's Right-of-Use of the Properties over the balance lease term, we have made reference to sales of industrial properties leased from the JTC Corporation with annual land rent payable for redevelopment purposes or land with very old buildings erected thereon and industrial Government land sale sites.

5 Market Value

Having considered the prevailing market conditions and other relevant factors, we are of the opinion that the Market Values (exclusive of GST) of the unencumbered freehold interest/remaining leasehold interest in the Properties, on an "as is" basis and with vacant possession, at the valuation date, are:

Property	Market Value
32 Penhas Road #01-01 & #01-02	S$8,200,000/- (Singapore Dollars Eight Million And Two Hundred Thousand Only)
62 Tuas Basin Link	S$15,200,000/- (Singapore Dollars Fifteen Million And Two Hundred Thousand Only) Excluding all plant & equipment
32 Gul Crescent	S$12,400,000/- (Singapore Dollars Twelve Million And Four Hundred Thousand Only) Excluding all plant & equipment

6 Right-of-Use

The lessee's Right-of-Use over the balance lease term, at the valuation date, are:

Property	Right-of-Use
62 Tuas Basin Link	S$3,000,000/- (Singapore Dollars Three Million Only)
32 Gul Crescent	S$1,500,000/- (Singapore Dollars One Million And Five Hundred Thousand Only)

7 Disclaimer

We have prepared this Valuation Summary Letter for inclusion in the Circular and specifically disclaim liability to any person in the event of any omission from or false or misleading statement included in the Circular, other than in respect of the information provided within this Valuation Summary Letter and the enclosed Valuation Certificates. We do not make any warranty or representation as to the accuracy of the information in any other part of the Circular other than as expressly made or given by Knight Frank Pte Ltd in this Valuation Summary Letter or in the Valuation Certificates.

Knight Frank Pte Ltd has relied upon property data supplied by Sin Ghee Huat Corporation Ltd., which we assume to be true and accurate. Knight Frank Pte Ltd takes no responsibility for inaccurate data supplied by Sin Ghee Huat Corporation Ltd. and subsequent conclusions related to such data.

The reported analyses, opinions and conclusions are limited only by the reported assumptions and limiting conditions and are our personal, unbiased professional analyses, opinions and conclusions. We have no present or prospective interest in the Properties and have no personal interest or bias with respect to the party or parties involved. The valuers' compensation is not contingent upon the reporting of a predetermined value or direction in value that favours the cause of the client, the amount of the value estimate, the attainment of a stipulated result, or the occurrence of a subsequent event.

We certify that our valuers undertaking the valuations are authorised to practice as valuers and have the necessary expertise and experience in valuing similar types of properties.

Yours faithfully

Perry Khoo
B.Sc.(Real Estate) Hons.,MSISV
Director, Valuation & Advisory
Appraiser's Licence No: AD 041-2009340A
For and on behalf of Knight Frank Pte Ltd

Kuah Bao Wei
B.Sc.(Real Estate) Hons.,MSISV
Deputy Director, Valuation & Advisory
(Appraiser's Licence No: AD 041-2009916I)
For and on behalf of Knight Frank Pte Ltd

Valuation certificate

Property	:	32 Penhas Road #01-01 & #01-02 Singapore 208191
Instructing party/ Relying party	:	Sin Ghee Huat Corporation Ltd.
Purpose of valuation	:	For the purpose of Voluntary Conditional cash offer by DBS Bank Ltd, for and on behalf of HHH Co Pte Ltd. (the Offeror) to acquire all the issued ordinary shares in the capital of Sin Ghee Huat Corporation Ltd.
Legal description	:	Strata Lot Nos. : U7186L (#01-01) & U7187C (#01-02) Town Subdivision : 7
Tenure	:	Estate in Fee Simple (Grant 140)
Basis of valuation	:	Market Value on an "as is" basis and with vacant possession
Registered owner	:	Sin Ghee Huat Corporation Ltd.
Master plan 2019	:	"Residential with Commercial at 1st Storey", with a gross plot ratio of 3.0
Brief description	:	The Property is located on the north-western side of Penhas Road, off Lavender Street and Kallang Road, and some 4.0 km from the City Centre. It consists of two strata-titled commercial units (currently amalgamated) on the 1st storey of a 4-storey commercial-cum-residential development with a basement car park. We understand that the Property was completed in 1999.
Strata floor area (SFA)	:	

Unit No.	Strata Floor Area (sm)
#01-01	470.0
#01-02	290.0
Total	**760.0**

Valuation methodology	:	Direct Comparison Method.
Valuation date	:	17 May 2021
Market Value		S$8,200,000/- (Singapore Dollars Eight Million And Two Hundred Thousand Only) This valuation is exclusive of GST.
Rate (of SFA)	:	S$10,789/- psm
Material Valuation Uncertainty	:	As at the valuation date, we continue to be faced with an unprecedented set of circumstances caused by COVID-19. Our valuation is therefore reported as being subject to Material Valuation Uncertainty. Consequently, in respect of these valuations less certainty - and a higher degree of caution - should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this Property under frequent review.
Assumptions, disclaimers, limitations & qualifications	:	*This valuation certificate is provided subject to the assumptions, disclaimers, limitations and qualifications detailed throughout this certificate which are made in conjunction with those included within the General Terms of Business for Valuations located at the end of the certificate. Reliance on this certificate and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. Use by, or reliance upon this document for any other purpose if not authorised, Knight Frank Pte Ltd is not liable for any loss arising from such unauthorised use or reliance. The document should not be reproduced without our written authority. The valuers have no pecuniary interest that would conflict with the proper valuation of the Property.*
Prepared by	:	Knight Frank Pte Ltd

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For and on behalf of Knight Frank Pte Ltd

KF Ref: 1503/V/226/21/SC/say
Date of issue: 27 May 2021

Valuation certificate

Property	:	62 Tuas Basin Link Singapore 638776
Instructing party/ Relying party	:	Sin Ghee Huat Corporation Ltd.
Purpose of valuation	:	For the purpose of Voluntary Conditional cash offer by DBS Bank Ltd, for and on behalf of HHH Co Pte Ltd. (the Offeror) to acquire all the issued ordinary shares in the capital of Sin Ghee Huat Corporation Ltd.
Legal description	:	Lot No. : 2659K [Private Lot Nos. A22299 and A22299(a)] Mukim : 7
Tenure	:	Leasehold 30 years + 30 years commencing 16 July 1991 (Balance of approximately 30.1 years as at 17 May 2021)
Basis of valuation	:	(A) Market Value on an "as is" basis and with vacant possession, and excluding all plant & equipment (B) Lessee's Right-of-Use over the balance lease term
Registered lessee	:	Sin Ghee Huat Corporation Ltd.
Master plan 2019	:	"Business 2" with a gross plot ratio of 1.0
Brief description	:	The Property is bounded by Tuas Basin Link, Tuas Road and Tuas Basin Close, within Jurong Industrial Estate and approximately 25.0 km from the City Centre. It is a single-storey industrial building with mezzanine level. We understand that the Property was completed in the 1990s or thereabouts. Addition and alteration works were completed in the 2010s.
Land area		11,234.6 sm
Gross floor area (GFA)	:	8,200.62 sm
Valuation methodology	:	Direct Comparison Method
Valuation date	:	17 May 2021
Market Value	:	S$15,200,000/- (Singapore Dollars Fifteen Million And Two Hundred Thousand Only) This valuation is exclusive of GST.
Rate (of GFA)	:	S$1,854/- psm
Right-of-Use	:	S$3,000,000/- (Singapore Dollars Three Million Only) This valuation is exclusive of GST.
Material Valuation Uncertainty	:	As at the valuation date, we continue to be faced with an unprecedented set of circumstances caused by COVID-19. Our valuation is therefore reported as being subject to Material Valuation Uncertainty. Consequently, in respect of these valuations less certainty - and a higher degree of caution - should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this Property under frequent review.
Assumptions, disclaimers, limitations & qualifications	:	*This valuation certificate is provided subject to the assumptions, disclaimers, limitations and qualifications detailed throughout this certificate which are made in conjunction with those included within the General Terms of Business for Valuations located at the end of this certificate. Reliance on this certificate and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. Use by, or reliance upon this document for any other purpose if not authorised, Knight Frank Pte Ltd is not liable for any loss arising from such unauthorised use or reliance. The document should not be reproduced without our written authority. The valuers have no pecuniary interest that would conflict with the proper valuation of the Property.*
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For and on behalf of Knight Frank Pte Ltd

KF Ref: 1563/V/237/21/BW/say
Date of issue: 27 May 2021

Valuation certificate

Property	:	32 Gul Crescent Singapore 629537
Instructing party/ Relying party	:	Sin Ghee Huat Corporation Ltd.
Purpose of valuation	:	For the purpose of Voluntary Conditional cash offer by DBS Bank Ltd, for and on behalf of HHH Co Pte Ltd. (the Offeror) to acquire all the issued ordinary shares in the capital of Sin Ghee Huat Corporation Ltd.
Legal description	:	Lot No. : 587C (Private Lot No. A6888) Mukim : 7
Tenure	:	Leasehold 20 years commencing 16 May 2021 (Balance of approximately 20.0 years as at 17 May 2021)
Basis of valuation	:	(A) Market Value on an "as is" basis and with vacant possession, and excluding all plant & equipment (B) Lessee's Right-of-Use over the balance lease term
Registered lessee	:	Sin Ghee Huat Corporation Ltd.
Master plan 2019	:	"Business 2" with a gross plot ratio of 1.4
Brief description	:	The Property is located on the north-eastern side of Gul Crescent, off Pioneer Road/Jalan Ahmad Ibrahim, within Jurong Industrial Estate and approximately 25.0 km from the City Centre. It is a part 2/part 3-storey industrial building. The Temporary Occupation Permit was obtained on 23 January 2020.
Land area	:	5,217.5 sm
Gross floor area (GFA)	:	7,271.64 sm
Valuation methodology	:	Direct Comparison Method
Valuation date	:	17 May 2021
Market Value	:	S$12,400,000/- (Singapore Dollars Twelve Million And Four Hundred Thousand Only) This valuation is exclusive of GST.
Rate (of GFA)	:	S$1,705/- psm
Right-of-Use	:	S$1,500,000/- (Singapore Dollars One Million And Five Hundred Thousand Only) This valuation is exclusive of GST.
Material Valuation Uncertainty	:	As at the valuation date, we continue to be faced with an unprecedented set of circumstances caused by COVID-19. Our valuation is therefore reported as being subject to Material Valuation Uncertainty. Consequently, in respect of these valuations less certainty - and a higher degree of caution - should be attached to our valuation than would normally be the case. Given the unknown future impact that COVID-19 might have on the real estate market, we recommend that you keep the valuation of this Property under frequent review.
Assumptions, disclaimers, limitations & qualifications	:	*This valuation certificate is provided subject to the assumptions, disclaimers, limitations and qualifications detailed throughout this certificate which are made in conjunction with those included within the General Terms of Business for Valuations located at the end of this certificate. Reliance on this certificate and extension of our liability is conditional upon the reader's acknowledgement and understanding of these statements. Use by, or reliance upon this document for any other purpose if not authorised, Knight Frank Pte Ltd is not liable for any loss arising from such unauthorised use or reliance. The document should not be reproduced without our written authority. The valuers have no pecuniary interest that would conflict with the proper valuation of the Property.*
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Deputy Director, Valuation & Advisory
(Appraiser's Licence No: AD 041-2009916I)
For and on behalf of Knight Frank Pte Ltd

KF Ref: 1562/V/236/21/BW/say
Date of issue: 27 May 2021

General Terms of Business for Valuations

These General Terms of Business and our Terms of Engagement letter together form the agreement between us ("Agreement"). The following General Terms of Business apply to all valuations and appraisals undertaken by Knight Frank Pte Ltd unless specifically agreed otherwise in the Terms of Engagement letter and so stated within the main body of the valuation report and/or certificate.

1. Knight Frank Pte Ltd ("the company")

Knight Frank Pte Ltd is a privately owned company with registration number 198205243Z. Any work done by an individual is in the capacity as an employee of the Company.

Our GST registration number is M2-0058829-X.

2. Limitations on Liability

The Valuer's responsibility in connection with this valuation report and/or certificate is limited to the party to whom the valuation report and/or certificate is addressed for the stated purpose. The Valuer disclaims all responsibility and will accept no liability to any third party for the whole or any part of its contents saved on the basis of written and agreed instructions; this will incur an additional fee.

Our maximum total liability for any direct loss or damage whether caused by our negligence or breach of contract or otherwise is limited to the lower of S$1 million or 3 times Knight Frank Pte Ltd's fee under the instruction.

We do not accept liability for any indirect or consequential loss (such as loss of profits).

3. Disclosure and Publication

If our opinion of value is disclosed to persons other than the addressees of our valuation report and/or certificate, the basis of valuation should be stated. Reproduction of this valuation report and/or certificate in any manner whatsoever in whole or in part or any reference to it in any published document, circular or statement nor published in any way whatsoever whether in hard copy or electronically (including on any websites) without the Valuer's prior written approval of the form and context in which may appear is prohibited.

4. Our Fees

If any invoice remains unpaid after the date on which it is due to be paid, we reserve the right to charge interest, calculated daily, from the date when payment was due until payment is made at 1.5% per month. If we should find it necessary to use legal representatives or collection agents to recover monies due, you will be required to pay all costs and disbursements so incurred.

If before the valuation is concluded :-
(a) you end this instruction, we will charge abortive fees; or
(b) you delay the instruction by more than [1] month or materially alter the instruction so that additional work is required at any stage we will charge additional fees,

And in each case such fees will be calculated on the basis of reasonable time and expenses incurred.

Where the valuation is for loan security purposes, and we agree to accept payment of our fee from the borrower, the fee remains due from yourselves until payment is received by us. Additionally, payment of our fee is not conditional upon the loan being drawn down or any conditions of the loan being met.

5. Valuation Standards

Valuations and appraisals will be carried out in accordance with the Singapore Institute of Surveyors and Valuers (SISV) Valuation Standards and Practice Guidelines and International Valuation Standards (IVS), and all codes, standards and requirements of professionalism will be met.

6. Valuation Basis

Valuations and appraisals are carried out on a basis appropriate to the purpose for which they are intended and in accordance with the relevant definitions, commentary and assumptions outlined in the valuation report and/or certificate. The basis of valuation will be agreed with you for the instruction.

The opinion expressed in this valuation report and/or certificate is made strictly in accordance with the terms and for the purpose expressed therein and the values assessed and any allocation of values between portions of the property need not be applicable in relation to some other assessment.

7. Titles and Burdens

We do not read documents of title although, where provided, we consider and take account of matters referred to in solicitor's reports or certificates of title. We would normally assume, unless specifically informed and stated otherwise, that each property has good and marketable title and that all documentation is satisfactorily drawn and that there are no unusual outgoings, planning proposals, onerous restrictions or regulatory intentions which affect the property, nor any material litigation pending.

All liens and encumbrances, if any, affecting the property have been disregarded unless otherwise stated and it is assumed that the current use of the property is not in contravention of any planning or other governmental regulation or law.

The Valuer does not warrant to the party to whom the valuation report and/or certificate is addressed and any other person the title or the rights of any person with regard to the property.

8. Disposal Costs and Liabilities

No allowance is made in our valuation for expenses of realisation or for taxation which may arise in the event of a disposal and our valuation is expressed as exclusive of any GST that may become chargeable. Properties are valued disregarding any mortgages or other charges.

9. Sources of Information

We rely upon the information provided to us, by the sources listed, as to details of tenure and tenancies (subject to "leases" below), planning consents and other relevant matters, as summarised in our valuation report and/or certificate. We do not check with the relevant government departments or other appropriate authorities on the legality of the structures, approved gross floor area or other information provided to us. We assume that this information is complete and correct and the Valuer shall not be held responsible or liable if this should prove not to be so.

Unless otherwise stated, all information has been obtained by our search of records and examination of documents or by enquiry from Government departments or other appropriate authorities. When it is stated in this valuation report and/or certificate that information has been supplied to the Valuer by another party, this information is believed to be reliable and the Valuer shall not be held responsible or liable if this should prove not to be so.

10. Boundaries

Plans accompanying valuation report are for identification purposes and should not be relied upon to define boundaries, title or easements. The extent of the site is outlined in accordance with information given to us and/or our understanding of the boundaries.

11. Planning and Other Statutory Regulations

Enquiries of the relevant planning authorities in respect of matters affecting the property, where considered appropriate, are normally only obtained verbally and this information is given to us, and accepted by us, on the basis that it should not be relied upon. Where reassurance is required on planning matters, we recommend that formal written enquiries should be undertaken by the client's solicitors who should also confirm the position with regard to any legal matters referred to in our report. We assume that properties have been constructed, or are being constructed, and are occupied or used in accordance with the appropriate consents and that there are no outstanding statutory notices.

12. Property Insurance

Our valuation assumes that the property would, in all respects, be insurable against all usual risks at normal, commercially acceptable premiums.

13. Building Areas and Age

Where so instructed, areas provided from a quoted source will be relied upon. Where the age of the building is estimated, this is for guidance only.

14. Structural Condition

Building structural and ground condition surveys are detailed investigations of the building, the structure, technical services and ground and soil conditions undertaken by specialist building surveyors or engineers and fall outside the normal remit of a valuation. Since we will not have carried out any of these investigations, except where separately instructed to do so, we are unable to report that the property is free of any structural fault, rot, infestation or defects of any other nature, including inherent weaknesses due to the use in construction of deleterious materials. We do reflect the contents of any building survey report referred to us or any defects or items of disrepair of which we are advised or which we note during the course of our valuation inspections but otherwise assume properties to be free from defect.

15. Ground Conditions

We assume there to be no unidentified adverse ground or soil conditions and that the load bearing qualities of the sites of each property are sufficient to support the building constructed or to be constructed thereon.

16. Environmental Issues

Investigations into environmental matters would usually be commissioned of suitably qualified environmental specialists by most responsible purchasers of higher value properties or where there was any reason to suspect contamination or a potential future liability. Furthermore, such investigation would be pursued to the point at which any inherent risk was identified and quantified before a purchase proceeded. Anyone averse to risk is strongly recommended to have a property environmental investigation undertaken and, besides, a favourable report may be of assistance to any future sale of the property. Where we are provided with the conclusive results of such investigations, on which we are instructed to rely, these will be reflected in our valuations with reference to the source and nature of the enquiries. We would endeavour to point out any obvious indications or occurrences known to us of harmful contamination encountered during the course of our valuation enquiries.

We are not, however, environmental specialists and therefore we do not carry out any scientific investigations of sites or buildings to establish the existence or otherwise of any environmental contamination, nor do we undertake searches of public archives to seek evidence of past activities which might identify potential for contamination. In the absence of appropriate investigations and where there is no apparent reason to suspect potential for contamination, our valuation will be on the assumption that the property is unaffected.

17. Leases

The client should confirm to us in writing if they require us to read leases. Where we do read leases reliance must not be placed on our interpretation of these documents without reference to solicitors, particularly where purchase or lending against the security of a property is involved.

18. Covenant

We reflect our general appreciation of potential purchasers' likely perceptions of the financial status of tenants. We do not, however, carry out detailed investigations as to the financial standing of the tenants, except where specifically instructed, and assume, unless informed otherwise, that in all cases there are no significant arrears of payment and that they are capable of meeting their obligations under the terms of leases and agreements.

19. Loan Security

Where instructed to comment on the suitability of property as a loan security we are only able to comment on any inherent property risk. Determination of the degree and adequacy of capital and income cover for loans is the responsibility of the lender having regard to the terms of the loan.

20. Build Cost Information

Where our instruction requires us to have regard to build cost information, for example in the valuation of properties with development potential, we strongly recommend that you supply us with build cost and other relevant information prepared by a suitably qualified construction cost professional, such as a quantity surveyor. We do not hold ourselves out to have expertise in assessing build costs and any property valuation advice provided by us will be stated to have been arrived at in reliance upon the build cost information supplied to us by you. In the absence of any build cost information supplied to us, we may have regard to published build cost information. There are severe limitations on the accuracy of build costs applied by this approach and professional advice on the build costs should be sought by you. The reliance which can be placed upon our advice in these circumstances is severely restricted. If you subsequently obtain specialist build cost advice, we recommend that we are instructed to review our advice.

21. Reinstatement Assessments

A reinstatement assessment for insurance purposes is a specialist service and we recommend that separate instructions are issued for this specific purpose. If advice is required as a check against the adequacy of existing cover this should be specified as part of the initial instruction. Any indication given is provided only for guidance and must not be relied upon as the basis for insurance cover. Our reinstatement assessment should be compared with the owner's and if there is a material difference, then a full reinstatement valuation should be considered.

22. Attendance in Court

The Valuer is not obliged to give testimony or to appear in Court with regard to this valuation report and/or certificate, with reference to the property unless specific arrangement has been made therefor.

1. RIGHTS OF SHAREHOLDERS IN RESPECT OF CAPITAL ISSUE OF SHARES

Issue of Shares

5. Subject to the Statutes, no shares may be issued without the prior approval of the Company in General Meeting but subject thereto and to these Articles relating to new shares and to any special right attached to any share for the time being issued, the Directors may allot (with or without conferring any right of renunciation), grant options over or otherwise dispose of the same to such persons on such terms and conditions (including such consideration) and at such time as the Directors determine Provided Always that the rights attaching to shares of a class other than ordinary shares shall be expressed in the resolution creating the same.

6. (1) The Company in General Meeting may by Ordinary Resolution authorise the Directors to exercise any power of the Company to issue shares, such authority being confined to a particular exercise of that power or generally. Any such authority may be unconditional or subject to conditions and shall continue in force until the conclusion of the Annual General Meeting commencing next after the date on which the approval was given or the expiration of the period within which the next Annual General Meeting after that date is required by law to be held whichever is the earlier but may be previously revoked or varied by the Company in General Meeting Provided Always that no shares may be issued to transfer a controlling interest without prior approval of the Company in General Meeting.

   (2) Subject to the terms and conditions of any application for shares, the Directors shall allot shares applied for within ten Market Days of the closing date (or such other period as may be approved by the Exchange) of any such application. The Directors may, at any time after the allotment of any share but before any person has been entered in the Register as the holder thereof or before such share is entered against the name of a Depositor in the Depository Register, as the case may be, recognise a renunciation thereof by the allottee in favour of some other person and may accord to any allottee of such share a right to effect such renunciation upon and subject to such terms and conditions as the Directors may think fit.

7. Any share in the Company may be issued with such preferred, qualified, deferred or other special rights, privileges and conditions or such restrictions, whether in regard to dividend, return of capital, voting or otherwise, as the Company may from time to time by Ordinary Resolution determine, and subject to the Statutes, the Company may issue preference shares which are or, at the option of the Company, are liable to be redeemed on such terms and in such manner as the Company before the issue thereof may by Ordinary Resolution determine.

8. The Company shall have the power to issue further preference capital ranking equally with or in priority to the preference capital then already issued so long as the total issued preference share capital of the issued preference shares shall not exceed the total issued share capital of issued ordinary shares at any time.

10. Preference shareholders shall have the same rights as ordinary Members as regards the receiving of notices, reports and balance sheets and the attending of General Meetings of the Company. Preference shareholders shall also have the right to vote at any meeting convened for the purpose of reducing the capital of the Company or winding up or sanctioning the sale of the undertaking of the Company or where the proposal to be submitted to the meeting directly affects their rights and privileges or when the dividend on the preference shares is more than six months in arrears.

11. If by the conditions of allotment of any share, the whole or part of the amount or issue price thereof shall be payable by instalments, every such instalment shall, when due, be paid to the Company by the holder for the time being of the share or his legal personal representative.

12. The Company may pay a commission to any person in consideration of his subscribing, or agreeing to subscribe, whether absolutely or conditionally, for any share in the capital of the Company but such commission shall not exceed ten per cent of the price at which the shares are issued or an amount equivalent thereof. Any such commission may be paid in whole or in part in cash or fully or partly paid shares of the Company as may be arranged, and the Company may, in addition to, or in lieu of, such commission, in consideration of any person so subscribing or agreeing to subscribe, or of his procuring or agreeing to procure subscriptions, whether absolute or conditional, for any share in the Company, confer on any such person an option call within a specified time for a specified number or amount of shares in the Company at a specified price. The payment or agreement to pay a commission or the conferring of an option shall be in the discretion of the Directors on behalf of the Company. The requirements of the Statutes shall be observed, so far as applicable.

13. (1) The Company shall not be bound to register more than three persons as the joint holders of any share except in the case of executors, administrators or trustees of the estate of a deceased Member.

    (2) Subject to Article 13(1), any two or more persons may be registered as joint holders of any share and the joint holders of a share shall be severally as well as jointly liable for the payment of all instalments and calls and interest (if any) due in respect of such share.

    (3) The joint holder first named in the Register or the Depository Register, as the case may be, shall as regards voting, proxy, service of notices and delivery of certificates and dividend warrants, be deemed to be the sole owner of such share.

15. No person shall exercise any rights of a Member in respect of a share until his name shall have been entered in the Register as the registered holder thereof or in the Depository Register in respect of such share, as the case may be, and, unless the Directors otherwise determine, such person shall have paid all calls and other moneys for the time being due and payable on any share held by him.

16. No part of the funds of the Company shall be employed by the Directors or the Company in the acquisition of shares in the Company or in lending on the security of shares in the Company unless permitted by the Statutes.

Alteration of rights of preference shareholders

9. Subject to the provisions of the Statutes, all or any of the special rights or privileges for the time being attached to any preference share for the time being issued may from time to time (whether or not the Company is being wound up) be modified, affected, altered or abrogated and preference capital other than redeemable preference shares may be repaid if authorised by a Special Resolution passed by holders of such preference shares at a special meeting called for the purpose. To any such special meeting, all provisions of these Articles as to General Meetings of the Company shall mutatis mutandis apply but so that the necessary quorum shall be two persons at least holding or representing by proxy not less than one third of the issued preference shares concerned and that every holder of the preference shares concerned shall be entitled on a poll to one vote for every such share held by him and that any holder of the preference shares concerned present either in person or by proxy may demand a poll Provided Always that where the necessary majority for such a Special Resolution is not obtained at the meeting, consent in writing if obtained from holders of three-fourths of the preference shares concerned within two months of the meeting shall be as valid and effectual as a Special Resolution carried at the meeting.

Modification of class rights

61. Subject to the Statutes and save as provided by these Articles, all or any of the special rights or privileges attached to any class of shares in the capital of the Company for the time being issued may, at any time, as we!l before as during liquidation, be modified, affected, altered or abrogated, either with the consent in writing of the holders of not less than three-fourths of the issued shares of the class or with the sanction of a Special Resolution passed at a separate General Meeting, but so that the quorum thereof shall be not less than two persons personally present and holding or representing by proxy one-third of issued shares of the class, and that any holder of shares of the class, present in person or by proxy, shall on a poll be entitled to one vote for each share of the class held or represented by him, and if at any adjourned meeting of such holders such quorum as aforesaid is not present, any two holders of shares of the class who are personally present shall be a quorum. The Directors shall comply with the provisions of Section 186 of the Act as to forwarding a copy of any such consent or Resolution to the Registrar of Companies.

Alteration of share capital

52. (1) Subject to and in accordance with the provisions of the Act, the Company may purchase or otherwise acquire ordinary shares issued by it on such terms as the Company may think fit and in the manner prescribed by the Act.

(2) All shares purchased by the Company shall (unless held as treasury shares in accordance with the provisions of the Act) be deemed to be cancelled.

57. The Company in General Meeting may from time to time by Ordinary Resolution, whether all the shares for the time being issued have been fully paid up or not, increase its capital by the creation and issue of new shares, such aggregate increase to be of such amount and to be divided into shares of such respective amounts as the Company by the resolution authorising such increase shall direct.

58. (1) Unless otherwise determined by the Company in General Meeting or except as permitted under the Exchange's listing rules, all new shares shall, before issue, be offered to such persons who as at the date of the offer are entitled to receive notices from the Company of General Meetings, in proportion, as nearly as the circumstances admit, to the amount of the existing shares to which they are entitled.

(2) The offer shall be made by notice specifying the number of shares offered and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered in the manner hereinbefore provided.

59. Subject to any directions that may be given in accordance with the powers contained in the Memorandum of Association or these Articles, any capital raised by creation of new shares shall be considered as part of the original capital and all new shares shall be subject to the same provisions with reference to the payment of calls, transfer, transmission, forfeiture, lien and otherwise as if it had been part of the original capital.

60. (1) The Company may by Ordinary Resolution:–

(a) consolidate and divide all or any of its share capital; or

(b) cancel the number of shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person and diminish the amount of its share capital by the number of the shares so cancelled; or

(c) sub-divide its existing shares or any of them. The resolution by which the subdivision is effected may determine that, as between the holders of the resulting shares, one or more of such shares may have any such preferred, deferred or other special rights or be subject to any restriction as the Company has power to attach to unissued or new shares; or

(d) subject to the Statutes, convert any class of shares into any other class of shares.

(2) The Company may by Special Resolution reduce its share capital in any manner and with and subject to any requirement authorised and consent required by law.

Share certificates

17. Every certificate for shares shall be under the Seal.

18. Every certificate of shares shall specify the number of the shares in respect of which it is issued, and the amount paid up thereon. No share certificate shall be issued representing shares of more than one class.

19. Every person whose name is entered as a registered holder in the Register shall be entitled without payment to receive within ten Market Days (or such other period as may be approved by the Exchange) after the closing date for applications to subscribe for a new issue of shares and within ten Market Days (or such other period as may be approved by the Exchange) after lodgement of a registrable transfer one certificate under the Seal in respect of each class of shares held by him for all his shares in that class or several certificates in reasonable denominations each for one or more of his shares in any one class subject to such person's prior payment of two Singapore Dollars (or such other sum as the Directors shall from time to time determine having regard to any limitation thereof as the Exchange may prescribe) for every certificate after the first and such stamp duty as is payable on such certificate unless otherwise directed by the Directors Provided Always that in the case of joint registered holders, the Company shall not be bound to issue more than one certificate and delivery of such certificate to any one of them shall be sufficient delivery to all such holders.

20. (1) Where only some of the shares comprised in any share certificate are transferred, the old certificate shall be cancelled and a new certificate for the balance of such shares shall be issued in lieu thereof without charge.

(2) Any two or more certificates representing shares of any one class held by any person whose name is entered in the Register may be cancelled at his request and a single new certificate for such shares issued in lieu thereof without charge.

(3) Any share certificate representing shares of any class held by any person whose name is entered in the Register may be surrendered by such person for cancellation and at his request the Company may issue in lieu thereof two or more share certificates representing such shares in such proportions as such person may specify, and the Directors may comply with such request if they think fit. Such person shall pay a maximum of two Singapore Dollars for each share certificate issued in lieu of a share certificate surrendered for cancellation or such other fee as the Directors may from time to time determine, taking into consideration any limitation thereof as may be prescribed by the Exchange.

(4) Subject to the Statutes, if any share certificate shall be defaced, worn out, destroyed, stolen or lost, it may be renewed on such evidence being produced and a letter of indemnity or undertaking (if required) being given by the purchaser, registered holder, transferee, person entitled or Member company of the Exchange or on its behalf or their client or clients as the Directors shall require and in the case of defacement or wearing out on delivery up of the old certificate and in any case on payment of such sum not exceeding two Singapore Dollars as the Directors may from time to time require (or such other amount not exceeding two Singapore Dollars as may be permitted under the Statutes). In the case of theft, destruction or loss the registered holder or the person entitled to whom such renewed certificate is given shall also bear the loss and pay to the Company all expenses incidental to the investigations by the Company of the evidence of such theft, destruction or loss.

(5) Where shares are registered jointly in the names of several persons, any such request may be made by any one of the registered joint holders.

21. The certificates of shares registered in the names of two or more persons may be delivered to the joint holder first named in the Register.

Calls on shares

26. The Directors may from time to time make calls upon the Members in respect of any money unpaid on their shares or on any class of shares and not by the conditions of allotment thereof made payable at fixed times, and each Member shall (subject to his having been given at least fourteen days' notice specifying the time or times and place of payment) pay to the Company at the time or times and place so specified the amount called on his shares. A call may be made payable by instalments. A call may be revoked or postponed as the Directors may determine. A call shall be deemed to have been made at the time when the resolution of the Directors authorising the call was passed.

27. The joint holders of a share shall be jointly and severally liable to pay all calls and interest (if any) in respect thereof.

28. If before or on the day appointed for payment thereof a call payable in respect of a share is not paid, the person from whom the amount of the call is due shall pay interest on such amount at the rate of eight per cent per annum from the day appointed for payment thereof to the time of actual payment, but the Directors shall have power to waive payment of such interest or any part thereof.

29. Any sum which by the terms of allotment of a share is made payable upon issue or at any fixed date and any instalment of a call shall for all purposes of these Articles be deemed to be a call duly made and payable on the date fixed for payment, and in case of non-payment the provisions of these Articles as to payment of interest and expenses, forfeiture and the like, and all the other relevant provisions of these Articles or the Statutes shall apply as if such sum were a call duly made and notified as hereby provided.

30. The Directors may from time to time make arrangements on the issue of shares for a difference between the holders of such shares in the amount of calls to be paid and in the time of payment of such calls.

31. The Directors may, if they think fit, receive from any Member willing to advance the same all or any part of the moneys uncalled and unpaid upon any share held by him, and upon all or any part of the moneys so advanced may (until the same would, but for the advance, become payable) pay interest at such rate not exceeding (unless the Company in General Meeting shall otherwise direct) eight per cent per annum as may be agreed upon between the Directors and the Member paying the sum in advance. Capital paid on shares in advance of calls shall not, whilst carrying interest, confer a right to participate in profits.

Lien on shares

22. The Company shall have a first and paramount lien on every share (not being a fully-paid share) and all dividends or interests from time to time declared in respect thereof for all moneys (whether presently payable or not) called or payable at a fixed time, in respect of that share and for all moneys which the Company may be called upon by law to pay in respect of the shares of the Member or the deceased Member. The Directors may however waive any lien which has arisen and may resolve that any share shall for any limited period be exempt wholly or partially from the provisions of this Article 22.

23. For the purpose of enforcing such lien the Directors may sell all or any of the shares subject thereto in such manner as they think fit, and no sale shall be made until such time as the moneys are presently payable, and until a notice in writing stating the amount due and demanding payment, and giving notice of intention to sell in default, shall have been served in such a manner as the Directors shall think fit on the holder for the time being of the share or the person (if any) entitled by transmission to the shares, and default in payment shall have been made by him or them for seven days after such notice.

24. The net proceeds of any such sale shall be applied in or towards the satisfaction of the amount due, and the residue (if any) shall be paid to the person whose share has been sold, his executors, administrators, trustees or assignees or as he shall direct.

25. To give effect to any such sale the Directors may authorise some person to transfer or to effect the transfer, as the case may be of the shares sold to the purchaser.

Forfeiture of shares

32. If any Member fails to pay the whole or any part of any call or instalment of a call on or before the day appointed for the payment of the same or any interest thereon, the Directors may at any time thereafter during such time as the call or instalment or interest remains unpaid serve a notice on such Member requiring him to pay the same, together with any interest (including interest upon interest) and expenses that may have been incurred by the Company by reason of such non-payment.

33. The notice shall name a further day (not being less than fourteen days from the date of service of the notice) and a place on and at which such call or instalment and such interest and expenses as aforesaid are to be paid. The notice shall also state that in the event of non-payment at or before the time and at the place appointed, the shares in respect of which the call was made or instalment or interest is payable shall be liable to be forfeited.

34. If the requirements of any notice as aforesaid are not complied with, any share in respect of which the notice has been given, may at any time thereafter, before payment of all such calls or instalments, interests and expenses due in respect thereof, be forfeited by a resolution of the Directors to that effect. Such forfeiture shall include all dividends declared in respect of the forfeited shares and not actually paid before the forfeiture. The Directors may accept a surrender of any share liable to be forfeited hereunder.

35. Any share so forfeited or surrendered shall be deemed to be the property of the Company, and the Directors may sell, re-allot, or otherwise dispose of the same in such manner as they think fit. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof and may execute a transfer of the share in favour of the person to whom the share is sold or disposed.

36. The Directors may at any time before any share so forfeited or surrendered shall have been sold, re-allotted or otherwise disposed of, annul the forfeiture or surrender thereof upon such conditions as they think fit.

37. For the purpose of giving effect to any sale of forfeited or surrendered shares, the Directors may authorise some person to transfer or to effect the transfer of, as the case may be, the shares sold to the purchaser.

38. Any Member whose shares shall have been forfeited or surrendered shall cease to be a Member in respect of the forfeited or surrendered shares but shall, notwithstanding such forfeiture or surrender, be liable to pay, and shall forthwith pay to the Company all calls, instalments, interest and expenses owing upon or in respect of such shares at the time of forfeiture or surrender, together with interest thereon from the time of forfeiture or surrender until payment, at the rate of eight per cent per annum and the Directors may enforce the payment of such moneys or any part thereof if they think fit, but shall not be under any obligation so to do. Any residue after the satisfaction of the unpaid calls, accrued interest and expenses shall be paid to the person whose shares have been forfeited or surrendered, his executors, administrators, trustees or assignees or as he shall direct.

39. (1) A statutory declaration in writing that the declarant is a Director or the Secretary, and that a share has been duly forfeited, surrendered or sold to satisfy a lien of the Company on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. Such declaration and the receipt by the Company of the consideration (if any) given for the share on the sale, re-allotment or disposal thereof together with the share certificate, where the same be required, delivered to a purchaser or (where the purchaser is a Depositor) to the Depository or the allottee thereof, as the case may be, shall (subject to the execution of a transfer if the same be required) constitute a good title to the share.

(2) (a) In the event of such sale, re-allotment or disposal, where the person (the "Relevant Person") to whom the share is sold, re-allotted or disposed of is not a Depositor, the share shall be registered in the Register in the name of the Relevant Person and, where the Relevant Person is a Depositor, the Company shall procure that his name be entered in the Depository Register in respect of the share so sold, re-allotted or disposed of.

(b) The Relevant Person shall not be bound to see to the application of the purchase money (if any) nor shall his title to the share be affected by any irregularity or invalidity in the proceedings relating to the forfeiture, surrender, sale, re-allotment or disposal of the share.

Transfer of shares

40. Save as provided by these Articles, there shall be no restriction on the transfer of fully paid shares (except where required by law or by the rules, bye-laws or listing rules of the Exchange). All transfers of shares may be effected by way of book-entry in the Depository Register Provided Always that the legal title in the shares may be transferred by the registered holders thereof by an instrument of transfer in the form approved by the Exchange. The instrument of transfer shall be left at the Office accompanied by the certificate of the shares to be transferred and such other evidence (if any) as the Directors may reasonably require to show the right of the transferor to make the transfer. The transferor shall be deemed to remain the registered holder of the shares until the name of the transferee is entered in the Register in respect thereof.

41. The instrument of transfer shall be signed both by the transferor and by the transferee, and it shall be witnessed Provided Always that an instrument of transfer in respect of which the transferee is the Depository shall be effective although not signed or witnessed by or on behalf of the Depository.

42. Shares of different classes shall not be comprised in the same instrument of transfer.

43. No share shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

44. (1) All instruments of transfer which are registered shall be retained by the Company, but any instrument of transfer which the Directors may refuse to register shall (except in any case of fraud) be returned to the party presenting the same.

(2) The Company shall be entitled to destroy:–

(a) all instruments of transfer which have been registered at any time after the expiration of six years from the date of registration thereof;

(b) all dividend mandates and notifications of change of address at any time after the expiration of six years from the date of recording thereof; and

(c) all share certificates which have been cancelled at any time after the expiration of six years from the date of the cancellation thereof.

(3) It shall be conclusively presumed in favour of the Company that every entry in the Register purporting to have been made on the basis of an instrument of transfer or other document so destroyed was duly and properly made and that:

(a) every instrument of transfer so destroyed was a valid and effective instrument duly and properly registered;

(b) every share certificate so destroyed was a valid and effective certificate duly and properly cancelled; and

(c) every other document hereinbefore mentioned so destroyed was a valid and effective document;

in accordance with the recorded particulars thereof in the books or records of the Company.

(4) Articles 44(2) and 44(3) shall apply only to the destruction of a document in good faith and without notice of any claim (regardless of the parties thereto) to which the document might be relevant.

(5) Nothing contained in this Article 44 shall be construed as imposing upon the Company any liability in respect of the destruction of any such document earlier than as aforesaid or in any other circumstance which would not attach to the Company in the absence of this Article 44, and references in this Article 44 to the destruction of any document include references to the disposal thereof in any manner.

45. The Directors may decline to accept any instrument of transfer unless:–

(a) all or any part of the stamp duty (if any) payable on each share transfer and such fee not exceeding two Singapore Dollars for each transfer or such other sum as may from time to time be prescribed by the Exchange is paid to the Company; and

(b) such fee not exceeding two Singapore Dollars as the Directors may from time to time determine is paid to the Company in respect of the registration of any instrument of transfer, probate, letters of administration, certificate of marriage or death, power of attorney or any document relating to or affecting the title to the shares.

46. The Directors may refuse to register the transfer of shares or allow the entry of or against a person's name in the Depository Register in respect of shares transferred or to be transferred to such person:–

(a) which are not fully paid up; or

(b) on which the Company has a lien.

47. If the Directors refuse to register any transfer of any share they shall, where required by the Statutes, serve on the transferor and transferee, within one month beginning with the day on which the transfer was lodged with the Company, a notice in writing informing each of them of such refusal and of the facts which are considered to justify the refusal.

48. The Register may be closed at such times and for such periods as the Directors may from time to time determine Provided Always that the Register shall not be closed for more than thirty days in any year Provided Always that the Company shall give prior notice of such closure as may be required to the Exchange stating the period and purpose or purposes for which such closure is to be made.

Transmission of Shares

49. (1) In the case of the death of a Member the survivor where the deceased was a joint holder, and the legal personal representative of the deceased who was a sole or only surviving holder, or where such legal representative is entered in the Depository Register in respect of the shares of the deceased Member who was a Depositor, shall be the only person recognised by the Company as having any title to his shares.

(2) Nothing herein contained shall release the estate of a deceased Member from any liability in respect of any share solely or jointly held by him.

50. Any person becoming entitled to the legal title in a share in consequence of the death or bankruptcy of a person whose name is entered in the Register may upon producing such evidence of his title as the Directors may require, have the right either to be registered himself as the holder of the share, upon giving to the Company notice in writing of such intent, or to make such transfer thereof as such deceased or bankrupt person could have made, but the Directors shall in either case have the same right to refuse or suspend registration as they would have had in the case of such transfer by such deceased or bankrupt person before the death or bankruptcy, as the case may be.

51. Save as otherwise provided in these Articles, a person becoming entitled to a share pursuant to Articles 49(1) and 50, shall have the right to receive and give a discharge for any dividends or other moneys payable in respect of the share, but he shall have no right to receive notice or to attend or vote at meetings of the Company, or (save as aforesaid) to any of the rights or privileges of a Member until he shall have been registered as a Member in the Register or his name shall have been entered in the Depository Register, as the case may be Provided Always that the Directors may at any time give notice requiring any such person to elect either to be registered himself or transfer the share, and if the notice is not complied with within ninety days of the date of such notice, the Directors may thereafter withhold payment of all dividends or other moneys payable in respect of the share until the requirements of the notice have been complied with.

Exclusion of equities

14. No person shall be recognised by the Company as holding any share upon any trust, and the Company shall not be bound by or be required in any way to recognise (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any other rights in respect of any share other than an absolute right to the entirety thereof in the person (other than the depository) entered in the Register as the registered holder or in the person whose name is entered in the Depository Register in respect of that share, as the case may be, except only where these Articles otherwise provide or as required by the Statutes or pursuant to any order of Court.

Stock

53. The Company in General Meeting may by Ordinary Resolution convert any paid-up shares into stock and may from time to time reconvert such stock into paid-up shares.

54. When any shares have been converted into stock the several holders of such stock may transfer their respective interests therein or any part of such interests in such manner as the Company in General Meeting shall direct, but in default of any direction then in the same manner and subject to the same regulations as and subject to which the shares from which the stock arose might previously to conversion have been transferred or as near thereto as circumstances will admit. But the Directors may if they think fit from time to time fix the minimum amount of stock transferable.

55. The several holders of stock shall be entitled to participate in the dividends and profits of the Company according to the amount of their respective interests in such stock and such interests shall, in proportion to the amount thereof, confer on the holders thereof respectively the same rights, privileges and advantages for the purposes of voting at meetings of the Company and for other purposes as if they held the shares from which the stock arose, but so that none of such rights, privileges or advantages, except the participation in the dividends, profits and assets of the Company, shall be conferred by any such aliquot part of consolidated stock as would not, if existing in shares, have conferred such rights, privileges or advantages.

56. All such provisions of these Articles as are applicable to paid up shares shall apply to stock and in all such provisions the words "shares" shall include "stock", and "Depositor", "Member" and "shareholder" shall include "stockholder".

2. RIGHTS OF SHAREHOLDERS IN RESPECT OF VOTING

General meetings

66. In addition to any other meetings, a General Meeting shall be held once at least in every calendar year, at such time and place as may be determined by the Directors, but so that no more than fifteen months shall be allowed to elapse between any two such General Meetings.

67. The abovementioned General Meetings shall be called Annual General Meetings. All other General Meetings shall be called Extraordinary General Meetings.

68. The First Annual General Meeting of the Company shall be held at such time within a period of not more than eighteen months from the date of incorporation of the Company and at such time and place as the Directors may determine.

69. The Directors may call an Extraordinary General Meeting of the Company whenever they think fit in accordance with the Statutes.

70. The Directors shall, on the requisition of the holders of not less than one-tenth of the issued capital of the Company upon which all calls or other sums then due have been paid, forthwith proceed to convene an Extraordinary General Meeting of the Company, and in the case of such requisition the following provisions shall have effect:–

    (a) The requisition must state the objects of the meeting and must be signed by the requisitionists and deposited at the Office, and may consist of several documents in like form each signed by one or more requisitionists.

(b) If the Directors of the Company do not proceed to cause a meeting to be held within twenty-one days from the date of the requisition being so deposited, the requisitionists or any of them representing more than one-half of the voting rights of all of them may themselves convene the meeting, but any meeting so convened shall not be held after three months from the date of the deposit.

(c) In the case of a meeting at which a resolution is to be proposed as a Special Resolution the Directors shall be deemed not to have duly convened the meeting if they do not give such notice as is required by the Statutes.

(d) Any meeting convened under this Article by the requisitionists shall be convened in the same manner as nearly as possible as that in which meetings are to be convened by Directors.

Notice of General Meetings

71. Subject to the Statutes relating to the convening of meetings to pass Special Resolutions and agreements for shorter notice, at least fourteen clear days' notice (excluding the date of notice) in writing specifying the place, day and hour of the meeting, and in case of special business, a notice in writing setting out the general nature of such special business, accompanied by a statement regarding the effect of any proposed resolution in respect of such special business, shall be given to all Members and the Exchange other than such as are not entitled under these Articles to receive such notices from the Company. At least fourteen days notice in writing (excluding the date of notice) of any General Meeting shall be given and at least twenty-one days' notice in writing (excluding the date of notice) in the case of a Meeting to pass Special Resolution shall be given to all Members and the Exchange. Every such notice shall be published in at least one English Language daily newspaper circulating in Singapore at least fourteen clear days before the meeting. Whenever any meeting is adjourned for fourteen days or more, at least seven days' notice in writing (excluding the date of notice) of the place and hour of such adjourned meeting shall be given in like manner Provided Always that when a meeting is adjourned for thirty days or more, notice of the adjourned meeting shall be given as in the case of an original meeting.

72. Any Member entitled to be present and vote at a meeting or his proxy may submit any resolution to any General Meeting, provided that at least for the prescribed time before the day appointed for the meeting he shall have served upon the Company a notice in writing by him containing the proposed resolution, and stating his intention to submit the same. The prescribed time abovementioned shall be such that, between the date that the notice is served and the day appointed for the meeting, there shall be not less than three nor more than fourteen intervening days.

73. Upon receipt of any such notice as in the last preceding Article mentioned, the Secretary shall include in the notice of the meeting in any case where the notice of intention is received before the notice of the meeting is issued, and shall in any other case issue as quickly as possible to the Members notice that such resolution will be proposed.

74. The accidental omission to give any notice to or non-receipt of any notice by any Member shall not invalidate the meeting or any resolution passed or proceedings at any such meeting.

Proceedings at General Meetings

75. All business shall be deemed special that is transacted at an Extraordinary General Meeting and also all business that is transacted at an Annual General Meeting with the exception of the consideration of the accounts, balance sheets and reports (if any) of the Directors and Auditors, the fixing of the remuneration of Directors, the election of Directors in the place of those retiring, the declaration of dividends and the appointment of and the fixing of the remuneration of the Auditors.

76. Save as is herein otherwise provided, two Members present in person or by proxy shall be a quorum for a General Meeting and no business shall be transacted at any General Meeting unless the quorum is present at the commencement of the business. A corporation being a Member shall be deemed to be personally present if represented in accordance with the provisions of Article 91.

77. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of Members, shall be dissolved; in any other case it shall stand adjourned to the same day in the next week, at the same time and place. At the adjourned meeting, any two or more Members present in person or by proxy shall be a quorum.

78. The Chairman (if any) of the Board of Directors shall preside as Chairman at every General Meeting, but if there be no such Chairman, or if at any meeting he shall not be present within fifteen minutes after the time appointed for holding the same, or shall be unwilling to act as Chairman, the Members present shall choose some Director or, if no Director be present or if all the Directors present decline to take the chair, one of themselves to be Chairman of the meeting.

79. The Chairman may with the consent of any meeting at which a quorum is present (and shall if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place.

80. At every General Meeting a resolution put to the vote of the meeting shall be decided on a show of hands by the Members present in person and entitled to vote, unless before or upon the declaration of the result of the show of hands a poll be demanded by:–

(a) the Chairman of the meeting; or

(b) not less than two Members present in person or by proxy and entitled to vote; or

(c) a Member or Members present in person or by proxy, holding or representing, as the case may be:–

(i) not less than one-tenth of the total voting rights of all Members entitled to vote at the meeting; or

(ii) shares in the Company conferring a right to vote at the meeting being shares on which an aggregate sum has been paid up equal to not less than one-tenth of the total sum paid up on all the shares conferring that right.

81. (1) If a poll is duly demanded it shall be taken in such manner as the Chairman directs, and the results of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded.

(2) No poll shall be demanded on the election of a Chairman of a meeting or on a question of adjournment. A poll demanded on any other question shall be taken at such time as the Chairman of the meeting directs.

82. Unless a poll be so demanded, a declaration by the Chairman of the meeting that a resolution has been carried, or has been carried by a particular majority, or lost, or not carried by a particular majority shall be conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

83. (1) No objection shall be raised as to the admissibility of any vote except at the meeting or adjourned meeting, as the case may be, at which the vote objected to is or may be given, tendered or cast, and every vote not disallowed at such meeting shall be valid for all purposes. Any such objection shall be referred to the Chairman of the meeting whose decision shall be final and conclusive.

(2) If any votes shall be counted which ought not to have been counted, or might have been rejected, the error shall not vitiate the result of the voting unless it be pointed out at the same meeting, or at any adjournment thereof, and unless in the opinion of the Chairman at the meeting or at any adjournment thereof as the case may be, it shall be of sufficient importance to vitiate the result of the voting.

84. In case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place or at which the poll is demanded, as the case may be, shall have a second or casting vote.

Votes of members

85. (1) Subject to and without prejudice to any special privileges or restriction as to voting for the time being attached to any special class of shares for the time being forming part of the capital of the Company:–

(a) every Member who is present in person or by proxy shall have one vote on a show of hands, the Chairman to decide which proxy shall be entitled to vote where a Member is represented by two proxies; and

(b) every Member who is present in person or by proxy, in case of a poll, shall have one vote for every share which he holds or represents and upon which all calls or other sums due thereon to the Company have been paid.

(2) For the purpose of determining the number of votes which a Member, being a Depositor, or his proxy may cast at any General Meeting upon a poll being called, the number of shares held or represented shall, in relation to the shares of that Depositor, be the number of shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company.

86. In the case of joint holders the vote of the senior who tenders a vote whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders; and for this purpose seniority shall be determined by the order in which the names stand in the Register or the Depository Register, as the case may be.

87. Unless the Directors otherwise determine, no person other than a Member who shall have paid everything for the time being due from him and payable to the Company in respect of his shares, shall be entitled to be present or to vote on any question either personally or by proxy at any General Meeting.

88. A Member of unsound mind, or in respect of whom an order has been made by any Court having jurisdiction in lunacy, may vote, whether on a show of hands or on a poll by the committee, curator bonis, or other person in the nature of committee or curator bonis appointed by that Court, and any such committee, curator bonis, or other person may, on a poll, vote by proxy.

89. On a poll, votes may be given either personally or by proxy and a person entitled to more than one vote need not use all his votes or cast all the votes he uses in the same way.

90. (1) A proxy need not be a Member.

(2) A Member shall not be entitled to appoint more than two proxies to attend and vote at the same General Meeting Provided Always that where the Member is a Depositor, the Company shall be entitled and bound:–

(a) to reject any instrument of proxy lodged if the Depositor is not shown to have any shares entered against his name in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company;

(b) to accept as the maximum number of votes which in aggregate the proxy or proxies appointed by the Depositor is or are able to cast on a poll a number which is the number of shares entered against the name of that Depositor in the Depository Register as at the Cut-Off Time as certified by the Depository to the Company, whether that number be greater or smaller than the number specified in any instrument of proxy executed by or on behalf of that Depositor; and

(c) in determining rights to vote and other matters in respect of a completed instrument of proxy submitted to it, to have regard to the instructions (if any) given by and the notes (if any) set out in the instrument of proxy.

(3) In any case where a form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.

92. An instrument appointing a proxy shall be in writing in any usual or common form (including the form approved from time to time by the Depository) or in any other form which the Directors may approve and:–

(1) in the case of an individual shall be signed by the appointer or his attorney;

(2) in the case of a corporation shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation.

93. Where an instrument appointing a proxy is signed on behalf of the appointer by an attorney, the letter or the power of attorney or other authority, if any, or a duly certified copy thereof shall (failing previous registration with the Company) if required by law, be duly stamped and be deposited at the Office, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.

94. The signature on an instrument of proxy need not be witnessed.

95. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal or revocation of the proxy or transfer of the share in respect of which the vote is given Provided Always that no notice in writing of the death or revocation or transfer shall have been received at the Office one hour at least before the time fixed for holding the meeting.

96. An instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll and to speak at the meeting.

97. Where the capital of the Company consists of shares of different monetary denominations, voting rights shall be prescribed in such manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.

Corporations acting by representatives

91. Any corporation which is a Member may, by resolution of its directors or other governing body, authorise any person to act as its representative at any meetings of the Company or any class of Members of the Company, and such representative shall be entitled to exercise the same powers on behalf of the corporation which he represents as if he had been an individual shareholder.

3. RIGHTS OF SHAREHOLDERS IN RESPECT OF DIVIDENDS

Dividends

135. The profits of the Company, subject to any special rights relating thereto created or authorised to be created by these Articles and subject to the provisions of these Articles as to the reserve fund shall be divisible among the Members in proportion to the shares held by them respectively.

136. The Company in General Meeting may by Ordinary Resolution declare a dividend on or in respect of any share to the Members according to their rights and interest in the profits and may fix the time for payment. No larger dividend shall be declared than is recommended by the Directors but the Company in General Meeting may declare a smaller dividend.

137. No dividend shall be payable except out of the profits of the Company. No dividend shall carry interest.

138. The declaration of the Directors as to the net profits of the Company shall be conclusive.

139. The Directors may from time to time pay to the Members such interim dividends as in their judgment the position of the Company justifies provided no such dividends shall be declared more than once in six months.

140. The Directors may retain any dividends on which the Company has a lien and may apply the same in or towards satisfaction of the debts, liabilities, or engagements in respect of which the lien exists.

141. A transfer of shares shall not pass the right to any dividend declared thereon before the registration of the transfer or the entry of the shares against the Depositor's name in the Depository Register, as the case may be.

142. Any General Meeting declaring a dividend may direct payment of such dividend wholly or in part by the distribution of specific assets, and in particular of wholly or partly paid-up shares, debentures, or debenture stock of the Company, or wholly or partly paid-up shares, debentures, or debenture stock of any other company, or in any one or more of such ways, and the Directors shall give effect to such resolution; and where any difficulty arises in regard to the distribution, they may settle the same as they think expedient, and in particular may issue fractional certificates, and may fix the value for distribution of such specific assets, or any part thereof and may determine that cash payments shall be made to any Member upon the footing of the value so fixed, in order to adjust the rights of all parties, and may vest any such specific assets in trustees upon such trusts for the persons entitled to the dividends as may seem expedient to the Directors. Where requisite, a proper contract shall be filed in accordance with Section 63 of the Act, and the Directors may appoint any person to sign such contract on behalf of the persons entitled to the dividend, and such appointment shall be effective.

143. The Directors may retain the dividends payable upon shares in respect of which any person is under the provisions as to the transmissions of shares hereinbefore contained entitled to become a Member, or which any person under those provisions is entitled to transfer until such person shall become a Member in respect of such shares or shall duly transfer the same.

144. In case several persons are registered in the Register or entered in the Depository Register, as the case may be, as the holders of any share, any resolution of the Directors or the Company in General Meeting declaring a dividend on shares of any class may specify that the dividend shall be payable to such persons at the close of business on a particular date and thereupon the dividend shall be payable in accordance with their respective holdings so registered. Any person registered in the Register or in the Depository Register, as the case may be, as the holder or joint holder of any share or is entitled jointly to a share in consequence of the death or bankruptcy of the holder may give effectual receipts for dividends, bonuses, other moneys payable or properties distributable and payment on account of dividends on or in respect of such shares.

145. Notice of declaration of any dividend, whether interim or otherwise, may be given by advertisement.

146. Unless otherwise directed, any dividend may be paid by cheque, dividend warrant or Post Office Order, sent through the post to the registered address appearing in the Register or the Depository Register, as the case may be, of the Member or person entitled, or where two or more persons are registered in the Register or entered in the Depository Register, as the case may be, as joint holders or are entitled to the dividend as a result of the death or bankruptcy of the holder, to that one whose name shall stand first on the Register or the Depository Register, as the case may be, in respect thereof and every cheque, dividend warrant or Post Office Order so sent shall be made payable to the order of the person to whom it is sent or to any person and address as such Member(s) or persons(s) may direct in writing. The Company shall not be responsible for the loss of any cheque, dividend warrant or Post Office Order, which shall be sent by post duly addressed to and at the sole risk of the Member or person for whom it is intended. Payment of the cheque, dividend warrant or Post Office Order by the bank upon which they are respectively drawn shall be a full and valid discharge to the Company. Notwithstanding the provisions of these Articles, payment by the Company to the Depository of any dividend payable to a Depositor shall also be a full and valid discharge of the Company from liability to the Depositor in respect of that payment to the extent of the payment made to the Depository.

147. The Depository will hold all dividend unclaimed for six years after having been declared and paid before release to the Directors, and the Directors may invest or otherwise make use of the unclaimed dividends for the benefit of the Company until claimed.

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INDEPENDENT AUDITORS' REPORT

Members of the Company
Sin Ghee Huat Corporation Ltd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sin Ghee Huat Corporation Ltd (the 'Company') and its subsidiaries (the 'Group'), which comprise the statements of financial position of the Group and the Company as at 30 June 2020, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 39 to 99.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the 'Act') and Singapore Financial Reporting Standards (International) ('SFRS(I)s') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITORS' REPORT

Valuation of inventories (Group: S$47,814,000; Company: S$39,972,000) (Refer to Note 9 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
Inventories contribute to 54% and 43% of the Group's and Company's total assets respectively. The write-down of inventories to the lower of cost and net realisable value is based on the age of these inventories, prevailing market conditions in stainless steel industry and historical provisioning experience, which requires management judgement and significant estimates. This process is carried out by the management and approved by the Audit Committee and the Board of Directors.	We evaluated the appropriateness of the management's policy relating to the write down for slow moving and/or obsolete inventories. We also selected samples to test if inventories were recorded at the lower of their cost and net realisable value by checking to the latest transaction prices. We also observed the inventories' condition during inventory counts for samples selected. Based on procedures performed, we found the resulting estimates to be reasonable.
Valuation of trade and other receivables (Group: S$9,454,000; Company: S$18,216,000) (Refer to Note 10 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
Trade and other receivables represent 11% and 20% of the Group's and Company's total assets as at 30 June 2020. Any significant impairment of trade and other receivables could have a material impact on the results. In accordance with SFRS(I) 9 *Financial Instruments*, the Group is required to recognise loss allowances on expected credit losses (ECL) on financial assets. The estimate of impairment loss requires significant judgement and estimates to determine whether the financial asset is credit impaired, which includes the development of ECL model, analysis of the age of these receivables, credit-worthiness of the customers, collection patterns and the historical default rates. The estimation of impairment loss is performed by the management and approved by the Audit Committee and the Board of Directors.	We reviewed and assessed the appropriateness of the assumptions and inputs of the ECL model by considering historical, current and forecast information. We selected samples to test the ageing of receivable balances. We challenged management as to the recoverability of the significant long outstanding amounts, by reviewing and checking the historical payment records and credit risk assessment of each customer made by management. We also assessed whether disclosures in respect of the credit risk of trade and other receivables are adequate. Based on procedures performed, we found the estimates to be reasonable and the disclosures to be appropriate.

INDEPENDENT AUDITORS' REPORT

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report.

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 identified above 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 on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' 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 auditors' 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 AUDITORS' REPORT

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

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

- Obtain an understanding of internal controls 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 controls.

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

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' 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 auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.

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

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls 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 auditors' 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 AUDITORS' 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 auditors' report is Tan Yek Lee Doreen.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
18 September 2020



STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

	Note	Group		Company	
		2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	4	**16,065**	8,663	**16,054**	8,538
Right-of-use assets	24	**4,084**	–	**4,063**	–
Investment in subsidiaries	5	**–**	–	**5,026**	6,524
Investment in joint venture	6	**–**	–	**–**	50
Trade and other receivables	10	**–**	1,334	**6,157**	7,491
Deferred tax assets	8	**428**	329	**342**	244
		20,577	10,326	**31,642**	22,847
Current assets					
Inventories	9	**47,814**	49,883	**39,972**	37,074
Trade and other receivables	10	**9,454**	14,408	**12,059**	15,721
Other financial assets	7	**–**	1,001	**–**	1,001
Cash and cash equivalents	11	**10,852**	15,101	**9,628**	13,521
		68,120	80,393	**61,659**	67,317
Total assets		**88,697**	90,719	**93,301**	90,164
Equity attributable to equity holders of the Company					
Share capital	12	**45,750**	45,750	**45,750**	45,750
Reserves	13	**(40)**	(37)	**–**	–
Retained earnings		**34,497**	39,991	**36,717**	40,141
Total equity		**80,207**	85,704	**82,467**	85,891
Non-current liabilities					
Deferred grant liabilities	15	**788**	–	**788**	–
Lease liabilities	24	**4,022**	–	**4,004**	–
		4,810	–	**4,792**	–
Current liabilities					
Trade and other payables	14	**3,102**	4,483	**5,482**	3,751
Deferred grant liabilities	15	**395**	–	**395**	–
Lease liabilities	24	**125**	–	**122**	–
Current tax liabilities		**58**	532	**43**	522
		3,680	5,015	**6,042**	4,273
Total liabilities		**8,490**	5,015	**10,834**	4,273
Total equity and liabilities		**88,697**	90,719	**93,301**	90,164

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

CONSOLIDATED STATEMENT OF **PROFIT OR LOSS**

YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Revenue	17	**37,475**	49,856
Cost of sales		**(32,821)**	(37,793)
Gross profit		**4,654**	12,063
Other operating income	18	**754**	158
Distribution costs		**(5,573)**	(5,844)
Administrative expenses		**(3,114)**	(3,433)
Impairment loss on trade and other receivables		**(904)**	(237)
Other operating expenses		**–**	(14)
Results from operating activities		**(4,183)**	2,693
Finance income	19	**100**	246
Finance cost	19	**(173)**	(38)
(Loss)/Profit before tax	20	**(4,256)**	2,901
Tax credit/(expense)	21	**94**	(506)
(Loss)/Profit for the year (attributable to equity holders of the Company)		**(4,162)**	2,395
Earnings per share	22		
Basic (cents)		**(1.87)**	1.08
Diluted (cents)		**(1.87)**	1.08

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



CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

YEAR ENDED 30 JUNE 2020

	2020 $'000	2019 $'000
(Loss)/Profit for the year	**(4,162)**	2,395
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences arising from consolidation	**(3)**	(57)
Total comprehensive income for the year	**(4,165)**	2,338
Attributable to:		
Equity holders of the Company	**(4,165)**	2,338
Total comprehensive income for the year	**(4,165)**	2,338

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

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

YEAR ENDED 30 JUNE 2020

	Share capital $'000	Currency translation reserve $'000	Retained earnings $'000	Total attributable to equity holders of the Company $'000
Group				
At 1 July 2018	45,750	20	38,262	84,032
Profit for the year	–	–	2,395	2,395
Other comprehensive income				
Foreign currency translation difference	–	(57)	–	(57)
Total comprehensive income for the year	–	(57)	2,395	2,338
Transactions with owners of the Company, recognised directly in equity				
Dividends paid to owners of the Company	–	–	(666)	(666)
Total transactions with owners of the Company	–	–	(666)	(666)
At 30 June 2019	45,750	(37)	39,991	85,704
At 1 July 2019	45,750	(37)	39,991	85,704
Loss for the year	–	–	(4,162)	(4,162)
Other comprehensive income				
Foreign currency translation difference	–	(3)	–	(3)
Total comprehensive income for the year	–	(3)	(4,162)	(4,165)
Transactions with owners of the Company, recognised directly in equity				
Dividends paid to owners of the Company	–	–	(1,332)	(1,332)
Total transactions with owners of the Company	–	–	(1,332)	(1,332)
At 30 June 2020	**45,750**	**(40)**	**34,497**	**80,207**

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



CONSOLIDATED STATEMENT OF **CASH FLOW**

YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
(Loss)/Profit for the year		**(4,162)**	2,395
Adjustments for:			
Depreciation of property, plant and equipment	20	**856**	886
(Gain)/Loss on sale of property, plant and equipment	20	**(16)**	14
Depreciation of right-of-use assets	24	**167**	–
Finance income	19	**(100)**	(246)
Finance cost	19	**173**	38
Tax (credit)/expense	21	**(94)**	506
		(3,176)	3,593
Changes in:			
Trade and other receivables		**6,288**	(1,543)
Trade and other payables		**(1,381)**	1,353
Inventories		**2,069**	(8,864)
Deferred grant liabilities		**1,183**	–
Net cash generated from/(used in) operations		**4,983**	(5,461)
Tax paid		**(478)**	(176)
Net cash from/(used in) operating activities		**4,505**	(5,637)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**34**	3
Acquisition of property, plant and equipment		**(8,276)**	(3,020)
Proceeds from redemption of debt securities		**1,000**	–
Interest received		**100**	246
Net cash used in investing activities		**(7,142)**	(2,771)
Cash flows from financing activities			
Dividends paid		**(1,332)**	(666)
Interest paid		**(173)**	(38)
Proceeds from borrowings		**2,992**	1,556
Lease principal payment		**(104)**	–
Repayment of borrowings		**(2,992)**	(3,560)
Net cash used in financing activities	16	**(1,609)**	(2,708)
Net decrease in cash and cash equivalents		**(4,246)**	(11,116)
Cash and cash equivalents at beginning of year		**15,101**	26,274
Effect of exchange rate fluctuations on cash held		**(3)**	(57)
Cash and cash equivalents at end of year	11	**10,852**	15,101

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 18 September 2020.

1 DOMICILE AND ACTIVITIES

Sin Ghee Huat Corporation Ltd (the 'Company') is incorporated in the Republic of Singapore and has its registered office at 32 Penhas Road, #01-01, Singapore 208191.

The principal activities of the Company relate to stockholding and sale of stainless steel products and investment holding. The principal activities of the subsidiaries are disclosed in note 5 to the financial statements.

The consolidated financial statements relate to the Company and its subsidiary corporations (together referred to as the 'Group') and the Group's interest in equity-accounted investees.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

This is the first set of the Group's annual financial statements in which SFRS(I) 16 *Leases* has been applied. The related changes to significant accounting policies are described in note 2.5.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

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

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

- Note 5 – Recoverability of investment in subsidiaries
- Note 9 – Assessment of net realisable value of inventories
- Note 28 – Impairment of trade and other receivables

2.5 Changes in significant accounting policies

New standards and amendments

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

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

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

SFRS(I) 16 *Leases*

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

2 BASIS OF PREPARATION (CONTINUED)

2.5 Changes in significant accounting policies (Continued)

Definition of a lease

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

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

As a lessee

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

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

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

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities incremental borrowing rates applicable to the leases as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all leases.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

2 BASIS OF PREPARATION (CONTINUED)

2.5 Changes in significant accounting policies (Continued)

As a lessee (Continued)

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

The Group does not hold leases which were classified as finance leases under SFRS(I) 1-17.

As a lessor

The Group leases out its own property and right-of-use assets. The Group has classified these leases as operating leases.

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

The Group sub-leases part of its properties. Under SFRS(I) 1-17, the head lease and sub-lease contracts were classified as operating leases. On transition to SFRS(I) 16, the right-of-use assets recognised from the head leases are presented in statement of financial position, and measured at fair value at that date. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use assets rather than the underlying asset, and concluded that they are operating leases under SFRS(I) 16.

Impact on financial statements

Impact on transition*

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

	1 July 2019 $'000
Right-of-use assets	4,036
Lease liabilities	(4,036)

- For the impact of SFRS(I) 16 on profit or loss for the period, see Note 24. For the details of accounting policies under SFRS(I) 16 and SFRS(I) 1-17, see Note 3.12.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

2 BASIS OF PREPARATION (CONTINUED)

2.5 Changes in significant accounting policies (Continued)

Impact on financial statements (Continued)

Impact on transition* (Continued)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 3.84%.

	1 July 2019 $'000
Operating lease commitments at 30 June 2019 as disclosed under SFRS(I) 1-17 in the Group's financial statements	7,562
Effects of discounting using incremental borrowing rate at 1 July 2019	(3,055)
Recognition exemption for leases with less than 12 months of lease term at transition	(471)
Discounted using incremental borrowing rate at 1 July 2019	4,036
Lease liabilities recognised at 1 July 2019	4,036

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

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

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Business combinations (Continued)

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

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

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

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

Subsidiaries

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

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Investments in joint ventures (equity-accounted investees)

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ('OCI') of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions within equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries and joint ventures in the separate financial statements

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

3.2 Foreign currencies

Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rate at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

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

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

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

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

Financial assets 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 FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

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

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

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

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

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

(iii) Derecognition

Financial assets

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

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(iii) Derecognition (Continued)

Financial liabilities

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

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

(iv) Offsetting

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

(v) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and short-term deposits with maturities of three months or less from the date of acquisition that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(vi) Share capital

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses.

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

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

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

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

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent cost

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

(iii) Depreciation

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the leased term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

(iii) Depreciation (Continued)

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment which are still in use are retained in the financial statements.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate those depreciable amounts over their estimated useful lives for the current and comparative years as follows:

Freehold premises	50 years
Leasehold properties	18 to 23 years
Furniture, fixture and fittings	5 and 10 years
Motor vehicles	5 years
Plant and machinery	5 years
Office equipment	2 to 10 years

(iv) Subsequent expenditure

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

(v) Disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/ other expense in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

3.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for expected credit loss (ECLs) on financial assets measured at amortised costs.

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

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

Simplified approach

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

General approach

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

Measurement of ECLs

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

Credit-impaired financial assets

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

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

- significant financial difficulty of the borrower or issuer;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

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

Write-off

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, except deferred tax assets and inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit ('CGU') is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

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

3.7 Employee's benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for leave as a result of services rendered by employees up to the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Employee's benefits (Continued)

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

3.8 Provision

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

3.9 Revenue recognition

Sale of goods

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

The transaction price is allocated on the basis of the relative standalone selling prices of the promised goods in accordance with the sales contract. A discount or variable consideration, if applicable, is allocated to one or more, but not all, of the performance obligations if it relates specifically those performance obligations.

3.10 Finance income and cost

Finance income comprises interest income on other financial assets and deposits with financial institutions. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise amortisation of bond premium and interest on borrowings. Interest expense is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Government grants

Government grants related to assets are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other operating income' on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other operating income' on a systematic basis in the same periods in which the expenses are recognised.

3.12 Leases

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

Policy applicable from 1 July 2019

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

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

(i) As a lessee

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Leases (Continued)

Policy applicable from 1 July 2019 (Continued)

(i) As a lessee (Continued)

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

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

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

- fixed payments, including in-substance fixed payments; and
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

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

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

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

Short-term leases and leases of low-value assets

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Leases (Continued)

Policy applicable from 1 July 2019 (Continued)

(ii) As a lessor

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

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

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

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

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

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16.

Leases – Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Leases (Continued)

Leases – Policy applicable before 1 July 2019 (Continued)

(i) As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

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

There was no sub-leased property in 2019.

3.13 Tax expense

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Tax expense (Continued)

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

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

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

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

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Earnings per share

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

3.15 Segment reporting

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

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

3.16 New standards and interpretations not yet adopted

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

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

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- Amendments to FRS 109, FRS 39 and FRS 107 *Interest Rate Benchmark Reform*

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

4 PROPERTY, PLANT AND EQUIPMENT

	Freehold premises $'000	Leasehold properties $'000	Furniture, fixtures and fittings $'000	Office equipment $'000	Motor vehicles $'000	Plant and machinery $'000	Construction in progress $'000	Total $'000
Group								
Cost or deemed cost								
At 1 July 2018	5,010	5,635	1,666	1,128	1,258	1,475	–	16,172
Additions	–	–	38	4	55	6	2,917	3,020
Disposals	–	–	(36)	(43)	–	(1)	–	(80)
At 30 June 2019	5,010	5,635	1,668	1,089	1,313	1,480	2,917	19,112
Additions	–	5,235	165	523	25	2,328	–	8,276
Reclassification	–	2,917	–	–	–	–	(2,917)	–
Disposals	–	–	(39)	(82)	(187)	–	–	(308)
At 30 June 2020	**5,010**	**13,787**	**1,794**	**1,530**	**1,151**	**3,808**	**–**	**27,080**
Accumulated depreciation								
At 1 July 2018	152	4,893	1,389	778	1,170	1,244	–	9,626
Depreciation charge	156	319	64	118	81	148	–	886
Disposals	–	–	(32)	(30)	–	(1)	–	(63)
At 30 June 2019	308	5,212	1,421	866	1,251	1,391	–	10,449
Depreciation charge	152	379	69	101	29	126	–	856
Disposals	–	–	(39)	(64)	(187)	–	–	(290)
At 30 June 2020	**460**	**5,591**	**1,451**	**903**	**1,093**	**1,517**	**–**	**11,015**
Carrying amounts								
At 1 July 2018	4,858	742	277	350	88	231	–	6,546
At 30 June 2019	4,702	423	247	223	62	89	2,917	8,663
At 30 June 2020	**4,550**	**8,196**	**343**	**627**	**58**	**2,291**	**–**	**16,065**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold premises $'000	Leasehold properties $'000	Furniture, fixtures and fittings $'000	Office equipment $'000	Motor vehicles $'000	Plant and machinery $'000	Construction in progress $'000	Total $'000
Company								
Cost or deemed cost								
At 1 July 2018	5,010	5,635	1,283	1,003	1,222	1,037	–	15,190
Additions	–	–	38	4	55	4	2,917	3,018
Disposals	–	–	(30)	(35)	–	(1)	–	(66)
At 30 June 2019	5,010	5,635	1,291	972	1,277	1,040	2,917	18,142
Additions	–	5,235	349	569	25	2,410	–	8,588
Reclassification	–	2,917	–	–	–	–	(2,917)	–
Disposals	–	–	(17)	(65)	(187)	–	–	(269)
At 30 June 2020	**5,010**	**13,787**	**1,623**	**1,476**	**1,115**	**3,450**	**–**	**26,461**
Accumulated depreciation								
At 1 July 2018	152	4,893	1,104	698	1,132	889	–	8,868
Depreciation charge	156	319	39	103	81	89	–	787
Disposals	–	–	(27)	(23)	–	(1)	–	(51)
At 30 June 2019	308	5,212	1,116	778	1,213	977	–	9,604
Depreciation charge	152	379	189	131	29	181	–	1,061
Disposals	–	–	(17)	(54)	(187)	–	–	(258)
At 30 June 2020	**460**	**5,591**	**1,288**	**855**	**1,055**	**1,158**	**–**	**10,407**
Carrying amounts								
At 1 July 2018	4,858	742	179	305	90	148	–	6,322
At 30 June 2019	4,702	423	175	194	64	63	2,917	8,538
At 30 June 2020	**4,550**	**8,196**	**335**	**621**	**60**	**2,292**	**–**	**16,054**

The Company's leasehold and freehold properties are located at 62 Tuas Basin Link, 32 Gul Crescent and 32 Penhas Road, Singapore.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

5 INVESTMENT IN SUBSIDIARIES

	Company	
	2020	**2019**
	$'000	**$'000**
Equity investments at cost	**8,000**	8,000
Allowance for impairment loss	**(2,974)**	(1,476)
	5,026	6,524

Details of the subsidiaries are as follows:

Name of subsidiaries	**Principal activities**	**Country of incorporation and place of business**	**Effective equity held by the Group**	
			2020	**2019**
			%	**%**
Held by the Company				
SG Metals Pte. Ltd.[1]	Stockholding and sales of stainless steel products	Singapore	**100**	100
SG Specialty Metals Pte. Ltd.[1]	Stockholding and sales of specialty metal products	Singapore	**100**	100
Held by a Subsidiary				
SG Metals (Suzhou) Ltd[2]	Stockholding and sales of stainless steel products	People's Republic of China	**100**	100

(1) Audited by KPMG LLP Singapore.

(2) Audited by Suzhou Mingcheng CPAs. Co. Ltd., Certified Public Accountants, PRC.

Impairment of investment in subsidiaries

Significant judgement is required in determining the impairment of these subsidiaries at each reporting date and this requires the management to make estimates and assumptions that affect the financial statements.

Management is required to exercise judgement in determining whether there is objective evidence that an impairment loss has occurred.

Management has performed an impairment review to assess the recoverable amounts of subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2020

5 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Impairment of investment in subsidiaries (Continued)

SG Specialty Metals Pte. Ltd.

In 2020, the recoverable amount of the investment was based on its value in use, determined by discounting, the pre-tax future cash flows to be generated by the investment. The carrying amount of the investment was determined to be higher than its recoverable amount of $1,134,000 and an impairment loss of $1,138,000 was recognised during the year.

Key assumptions used in the estimation of value in use were as follows:

	2020
Discount rate	**5.44%**
Budgeted revenue growth rate	**8% to 30%**

The five years of cash flows were discounted based on the Company's weighted average cost of capital. The discounted cash flows did not include terminal growth rate due to uncertainty of market development.

The anticipated annual revenue growth included in the cash flow projections was based on past performance and its expectation for market development.

In 2019, the estimate of the recoverable amounts of the investment was determined by management mainly based on the net asset value of the subsidiary as at 30 June 2019, which was a proxy of the recoverable amount of the investment in the subsidiary. Due to recovery of performance of the subsidiary, impairment losses of $575,000 was written back.

SG Metals Pte. Ltd.

The estimate of the recoverable amount of the investment has been determined by management mainly based on the net asset value of the subsidiary as at 30 June 2020, which approximates the recoverable amount of the investment in the subsidiary. Net assets of the subsidiary comprises mainly cash at bank, receivables and payables. The carrying amount of the subsidiary was determined to be higher than its recoverable amount of $3,890,000 and an impairment loss of $361,000 was recognised (2019: $327,000).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

6 INVESTMENT IN JOINT VENTURE

First Break SG Metals 2015 Limited (FBSGM) is an unlisted joint arrangement in which the Group has joint control via an investors' agreement and 50% (2019: 50%) ownership interest. FBSGM is structured as a separate vehicle and the Group has residual interest in its net assets. Accordingly, the Group has established its interest in this entity as a joint venture which is equity accounted. The Group's interest in investee has been reduced to nil (2019: nil) due to the Group discontinue to recognise further losses in excess of its cost of investment.

	Company	
	2020	**2019**
	$'000	**$'000**
Unquoted shares, at cost	**50**	50
Allowance for impairment loss	**(50)**	–
	–	50

Information relating to the joint venture company is set out below:

Name of subsidiaries	**Principal activities**	**Country of incorporation and place of business**	**Effective equity held by the Group**	
			2020	**2019**
			%	**%**
First Break SG Metals 2015 Limited	Trading of stainless steel products	New Zealand	**50**	50

The Group has not recognised losses and other comprehensive income totalling $253,000 (2019: $110,000) in relation to its interests in the joint venture.

7 OTHER FINANCIAL ASSETS

	Group and Company	
	2020	**2019**
	$'000	**$'000**
Amortised cost (debt securities)		
– Current	**–**	1,001

On 30 October 2019, debt securities classified as amortised cost has been redeemed by the Group.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

8 DEFERRED TAX

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

	At 1 July 2018 $'000	Recognised in income statement (Note 21) $'000	At 30 June 2019 $'000	Recognised in income statement (Note 21) $'000	At 30 June 2020 $'000
Group					
Deferred tax liability					
Property, plant and equipment	(131)	40	(91)	(125)	**(216)**
Deferred tax assets					
Inventories	417	(14)	403	195	**598**
Provision for unutilised leave	16	1	17	11	**28**
Others	–	–	–	18	**18**
	302	27	329	99	**428**
Company					
Deferred tax liability					
Property, plant and equipment	(113)	42	(71)	(138)	**(209)**
Deferred tax assets					
Inventories	330	(29)	301	207	**508**
Provision for unutilised leave	16	(2)	14	11	**25**
Others	–	–	–	18	**18**
	233	11	244	98	**342**

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

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Deferred tax assets	**644**	420	**551**	315
Deferred tax liabilities	**(216)**	(91)	**(209)**	(71)
Net deferred tax assets	**428**	329	**342**	244

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

8 DEFERRED TAX (CONTINUED)

Unrecognised deferred tax assets

The following temporary differences have not been recognised:

	Group	
	2020	**2019**
	$'000	**$'000**
Tax losses	**2,112**	1,553

As at 30 June 2020, the Group has tax losses which are available for set-off against future profits subject to tax laws and regulations prevailing in the domicile of a subsidiary and agreement by the tax authority. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

9 INVENTORIES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Inventories	**46,864**	47,587	**39,042**	34,980
Goods-in-transit	**950**	2,296	**930**	2,094
	47,814	49,883	**39,972**	37,074
Represented by:				
Inventories carried at:				
– Cost	**43,740**	48,457	**38,116**	36,181
– Net realisable value	**4,074**	1,426	**1,856**	893
	47,814	49,883	**39,972**	37,074

In 2020, the write-down of inventories to net realisable value (NRV) amounted to $4,662,000 (2019: $87,000) for the Group and $859,000 (2019: $nil) for the Company was recognised as expenses in 'cost of sales'.

The reversal of write-downs by the Group and the Company during the year amounted to $27,000 and $nil respectively (2019: $312,000 and $234,000) due to inventories being sold or expected to be sold above the carrying amounts during the year.

Inventories sold during the year amounting to $27,865,000 (2019: $37,898,000) were included in cost of sales.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2020

9 INVENTORIES (CONTINUED)

Assessment of net realisable value of inventories

Where necessary, allowance for inventory obsolescence is set up for estimated losses which may result from obsolete or slow moving inventories held. The Group estimates the level of allowance based on prevailing market conditions, inventory ageing and historical provisioning experience. The required level of allowance could change significantly as a result of changes in market conditions.

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables				
– subsidiaries	**–**	–	**3,168**	1,923
– joint venture (current)	**1,040**	696	**1,040**	629
– joint venture (non-current)	**–**	1,334	**–**	1,334
– affiliated company	**–**	1	**–**	1
– third parties	**6,867**	12,365	**6,103**	10,624
	7,907	14,396	**10,311**	14,511
Impairment losses	**(1,261)**	(569)	**(1,231)**	(535)
Net trade receivables carried forward	**6,646**	13,827	**9,080**	13,976
Net trade receivables brought forward	**6,646**	13,827	**9,080**	13,976
Amounts due from subsidiaries				
– non-trade	**–**	–	**280**	262
– loan (current)	**–**	–	**–**	994
– loan (non-current)	**–**	–	**6,157**	6,157
Grants receivables	**1,135**	–	**1,119**	–
Sundry deposits	**330**	340	**318**	328
Other receivables	**–**	65	**–**	22
Loans and receivables	**8,111**	14,232	**16,954**	21,739
GST recoverables	**142**	148	**147**	148
Prepayments	**1,201**	1,362	**1,115**	1,325
	9,454	15,742	**18,216**	23,212
Represented by:				
– Current	**9,454**	14,408	**12,059**	15,721
– Non-current	**–**	1,334	**6,157**	7,491
	9,454	15,742	**18,216**	23,212

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

Amounts due from subsidiaries

The current loans due from subsidiaries are unsecured, bear interest at 1% (2019:1%) per annum and are repayable on demand without fixed repayment terms.

The non-current loan due from a subsidiary is unsecured, bears interest at 1% (2019:1%) per annum and has no fixed terms of repayment. The settlement of the loan is neither planned nor likely to occur in the foreseeable future and hence the loans are classified as non-current.

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

11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	**10,852**	8,101	**9,628**	6,521
Short-term bank deposits	**–**	7,000	**–**	7,000
	10,852	15,101	**9,628**	13,521

The effective interest rates of short-term bank deposits and cash at banks as at 30 June 2020 were 0.05% to 0.60% (2019: 0.05% to 1.90%) per annum.

12 SHARE CAPITAL

	Company	
	2020	**2019**
	Number of shares	**Number of shares**
	'000	**'000**
Issued and fully paid, with no par value		
At 1 July and 30 June	**222,000**	222,000

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

12 SHARE CAPITAL (CONTINUED)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital and retained earnings of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

13 RESERVES

	Group	
	2020	**2019**
	$'000	**$'000**
Currency translation reserve	**(40)**	(37)

Currency translation reserve

The currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

14 TRADE AND OTHER PAYABLES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	**1,431**	2,942	**1,315**	2,483
Trade amount due to subsidiary	**–**	–	**2,699**	–
Accruals	**1,109**	1,107	**915**	1,001
Other payables	**549**	346	**553**	267
Deferred income	**13**	88	**–**	–
	3,102	4,483	**5,482**	3,751

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

15 DEFERRED GRANT LIABILITIES

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Non-current				
Deferred grant liabilities	**788**	–	**788**	–
Current				
Deferred grant liabilities	**395**	–	**395**	–
	1,183	–	**1,183**	–

Deferred grant liabilities pertain to Group's grants entitlement from Enterprise Singapore (ESG) and Job Support Scheme (JSS). ESG grants refer to Group's project on the purchase and operation of the Kasto Automated Storage and Retrieval System and are amortised over useful life of related asset of 10 years. JSS is a cash grant from Singapore Government as part of wage support to the Group during period of COVID-19 pandemic crisis and are amortised on systematic over the period of economic uncertainty from April 2020. Amortisation of deferred grants liabilities are recognised as government grant income under 'other operating income' (see Note 18).

16 BORROWINGS

Borrowings comprise of short-term invoice financing loans from bank which were unsecured and had effective interest ranging from 2.91% to 3.75% (2019: 3.76% to 4.39%). The borrowings were fully settled

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

	Lease liabilities $'000	Borrowings $'000	Retained earnings $'000	Total $'000
Balance as at 1 July 2018	–	2,004	38,262	40,266
Changes from financing cash flows				
Repayment of borrowings	–	(3,560)	–	(3,560)
Proceeds from borrowings	–	1,556	–	1,556
Dividend paid	–	–	(666)	(666)
Interest paid	–	(38)	–	(38)
Total changes from financing cash flows	–	(2,042)	(666)	(2,708)
Other changes				
Liability-related				
Interest expense	–	38	–	38
Total liability-related other changes	–	38	–	38
Total equity-related other changes	–	–	2,395	2,395
Balance at 30 June 2019	–	–	39,991	39,991

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

16 BORROWINGS (CONTINUED)

	Lease liabilities $'000	Borrowings $'000	Retained earnings $'000	Total $'000
Adjusted balance at 1 July 2019*	4,036	–	39,991	44,027
Changes from financing cash flows				
Repayment of borrowings	–	(2,992)	–	(2,992)
Proceeds from borrowings	–	2,992	–	2,992
Payment of lease liabilities	(104)	–	–	(104)
Dividend paid	–	–	(1,332)	(1,332)
Interest paid	(157)	(16)	–	(173)
Total changes from financing cash flows	(261)	(16)	(1,332)	(1,609)
Other changes				
Liability-related				
New leases	230	–	–	230
Early termination of lease	(15)	–	–	(15)
Interest expense	157	16	–	173
Total liability-related other changes	372	16	–	388
Total equity-related other changes	–	–	(4,162)	(4,162)
Balance at 30 June 2020	**4,147**	**–**	**34,497**	**38,644**

* Adjusted for impact arising from adoption of SFRS(I) 16

17 REVENUE

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

Nature of goods or services	Sale of stainless and specialty steel products
When revenue is recognised	Revenue is recognised at point in time when goods are delivered to the customers and all criteria for acceptance have been satisfied.
Significant payment terms	Payment is due when goods are delivered to the customers or on agreed payment terms ranging from 30 to 90 days whichever is applicable.
Obligations for returns and refunds, if any	Goods sold are not returnable or refundable except for defective goods pursuant to terms of sales contract.
Obligations for warranties	Warranty if any is subject to the terms expressly stipulated in the sales contract and limited to replacement of defective goods.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

17 REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, customers' industries segments, major product and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 30).

	Customers' industries segments				
	Marine and shipbuilding $'000	**Oil, gas and petrochemical $'000**	**Engineering and construction $'000**	**Trading and others $'000**	**Total $'000**
2020					
Primary geographical markets					
Singapore	**5,375**	**4,309**	**3,306**	**4,788**	**17,778**
Indonesia	**48**	**2,567**	**4,364**	**1,393**	**8,372**
China	**9**	**456**	**918**	**580**	**1,963**
Malaysia	**693**	**1,439**	**80**	**2,439**	**4,651**
Other ASEAN countries	**15**	**148**	**104**	**1,386**	**1,653**
Others*	**–**	**138**	**–**	**2,920**	**3,058**
Total	**6,140**	**9,057**	**8,772**	**13,506**	**37,475**
2019					
Primary geographical markets					
Singapore	4,892	5,486	5,519	7,262	23,159
Indonesia	79	103	8,357	838	9,377
China	73	357	4,790	309	5,529
Malaysia	465	1,610	121	3,826	6,022
Other ASEAN countries	2	1,125	238	534	1,899
Others*	–	343	–	3,527	3,870
Total	5,511	9,024	19,025	16,296	49,856

Others* mainly include Australia, New Zealand, India, South America and Middle East.

Transaction price allocated to remaining performance obligation

The Group applies the practical expedient in paragraph 121 of SFRS (I) 15 and does not disclose information about its remaining obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less;
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

Estimated amounts of consideration which are variable in nature are not included in the disclosure of transaction price allocated to the remaining performance obligations.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

18 OTHER OPERATING INCOME

	Group	
	2020	2019
	$'000	$'000
Foreign currency exchange gain, net	**175**	8
Gain on sale of property, plant and equipment	**16**	–
Bad debts recovered	**37**	73
Government grants	**479**	20
Sundry income	**47**	57
	754	158

19 FINANCE INCOME AND COST

	Group	
	2020	2019
	$'000	$'000
Interest income:		
– deposits with financial institutions	**86**	203
– other financial assets	**14**	43
Finance income	**100**	246
Lease interest expenses	**(157)**	–
Interest expense on invoice financing loans	**(16)**	(38)
Finance cost	**(173)**	(38)
Net finance (cost)/income recognised in profit or loss	**(73)**	208

20 (LOSS)/PROFIT BEFORE TAX

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

		Group	
	Note	2020	2019
		$'000	$'000
Auditors' remuneration:			
– Auditors of the Company		**(112)**	(110)
– Other auditors		**(1)**	(1)
Non-audit fees:			
– Auditors of the Company		**(20)**	(20)
– Other auditors		**(30)**	(15)
Depreciation of property, plant and equipment	4	**(856)**	(886)
Depreciation of right-of-use assets		**(167)**	–
Interest expense on lease payments		**(157)**	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

20 (LOSS)/PROFIT BEFORE TAX (CONTINUED)

	Note	Group 2020 $'000	2019 $'000
Gain/(loss) on sale of property, plant and equipment		**16**	(14)
Foreign exchange gain		**175**	8
Directors' fees	25	**(178)**	(166)
Operating lease expenses in respect of storage warehouse/leasehold premises		**(572)**	(894)
Operating lease expenses in respect of office and warehouse equipment		**(20)**	(42)
(Allowance)/reversal of inventory allowance	9	**(4,635)**	225

21 TAX EXPENSE

	Group 2020 $'000	2019 $'000
Current tax expense		
Current year	**15**	532
(Over)/Under provision in prior years	**(10)**	1
	5	533
Deferred tax credit		
Movements in temporary differences	**(99)**	(27)
Tax expense	**(94)**	506
Reconciliation of effective tax rate		
(Loss)/profit before tax	**(4,256)**	2,901
Tax using Singapore tax rate of 17% (2019: 17%)	**(723)**	493
Effect on different tax rates in foreign jurisdictions	**(30)**	(7)
Non-deductible expenses	**670**	240
Non-taxable income/tax exempt income/rebate/incentives	**(113)**	(192)
(Over)/Under provision in prior years	**(10)**	1
Unutilised tax losses from prior year	**–**	(62)
Current year losses for which no deferred tax was recognised	**95**	24
Others	**17**	9
	(94)	506

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

22 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	Group	
	2020	**2019**
Net profit attributable to equity holders of the Company ($'000)	**(4,162)**	2,395
Weighted average number of ordinary shares in issue ('000)	**222,000**	222,000
Basic and diluted earnings per share (cents)	**(1.87)**	1.08

There were no dilutive potential ordinary shares in issue during the year.

23 STAFF COSTS

	Group	
	2020	**2019**
	$'000	**$'000**
Salaries, bonuses and other costs	**4,626**	4,883
Central Provident Fund and other defined contributions	**543**	636
	5,169	5,519

24 LEASES

Leases as lessee (SFRS(I) 16)

The Group leases warehouse premises, office equipment and motor vehicle. The leases typically run for a period of 5 to 32 years. Lease payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Previously, the office and warehouse premises leases were classified as operating leases under SFRS(I) 1-17.

During the year, one of the leased properties has been sub-let by the Group. The sub-lease expires in January 2022.

The Group leases a storage warehouse and IT equipment. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

24 LEASES (CONTINUED)

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented in statement of financial position.

	Warehouse premises $'000	Office equipment $'000	Motor vehicle $'000	Total $'000
Group				
At 1 July 2019	4,016	20	–	4,036
Additions	–	135	95	230
Depreciation charge for the year	(145)	(16)	(6)	(167)
Derecognition of right-of-use assets*	–	(15)	–	(15)
At 30 June 2020	**3,871**	**124**	**89**	**4,084**
Company				
At 1 July 2019	4,016	20	–	4,036
Additions	–	113	95	208
Depreciation charge for the year	(145)	(15)	(6)	(166)
Derecognition of right-of-use assets*	–	(15)	–	(15)
At 30 June 2020	**3,871**	**103**	**89**	**4,063**

* Derecognition of the right-of-use assets during the year pertains to early termination of lease agreement.

Lease liabilities

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Non-current				
Lease liabilities	**4,022**	–	**4,004**	–
Current				
Lease liabilities	**125**	–	**122**	–
	4,147	–	**4,126**	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

24 LEASES (CONTINUED)

Amounts recognised in profit or loss

	$'000
Group	
2020 – Leases under SFRS(I) 16	
Interest on lease liabilities	**(157)**
Expenses relating to short-term leases	**(592)**
2019 – Operating leases under SFRS(I) 1-17	
Lease expense	(936)

Amounts recognised in statement of cash flows

	2020 $'000
Group	
Total cash outflow for leases	
Lease principal payment	**(104)**
Lease interest payment	**(157)**

Extension options

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

Leases as lessor

The Group leases out its property consisting of leased property to its one of subsidiary for storage and handling purposes. The lease is classified as operating lease from a lessor perspective.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

25 RELATED PARTY TRANSACTIONS

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The directors and the senior management team of the Group are considered as key management personnel of the Group.

	Group	
	2020	**2019**
	$'000	**$'000**
Key management personnel compensation:		
– Salaries, bonuses and other short-term employee benefits	**790**	962
– Central provident fund and other defined contributions	**50**	70
– Directors' fees	**178**	166
	1,018	1,198
Comprising		
– Directors of the Company	**717**	868
– Other key management personnel	**301**	330
	1,018	1,198

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

	Group and Company	
	2020	**2019**
	$'000	**$'000**
Immediate family members of the directors or substantial shareholders:		
– Salaries, bonuses and other short-term employee benefits	**45**	73
– Central provident fund and other defined contributions	**8**	8
	53	81

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Sales to subsidiaries	**–**	–	**(1,387)**	(854)
Purchases from subsidiaries	**–**	–	**1,414**	2,193
Sales to affiliated company	**(261)**	(140)	**(261)**	(140)
Purchases from affiliated company	**96**	112	**96**	112
Sales to joint venture	**(274)**	(940)	**(257)**	(584)
Interest income on loans to subsidiaries	**–**	–	**(65)**	(67)
Rental income from a subsidiary	**–**	–	**(35)**	–
Purchases of inventories from subsidiaries	**–**	–	**(3,653)**	–
Return of inventories from joint venture	**–**	–	**(889)**	–
Purchase of plant and equipment from a subsidiary	**–**	–	**(58)**	–

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

26 COMMITMENTS

The Group has capital commitment in respect of property, plant and equipment of $394,000 (2019: $6,973,000).

27 DIVIDENDS

	Group and Company	
	2020	2019
	$'000	$'000
Final dividend (one-tier tax exempt) paid in respect of prior years	**1,332**	666

During the year ended 30 June 2020, the Group declared and paid a final one-tier tax exempt dividend of 0.6 cents (2019: 0.3 cents) per ordinary share in respect of the year ended 30 June 2019.

28 FINANCIAL INSTRUMENTS

Overview

The Group has exposure to the following risks from its use of financial instruments:

- foreign currency risk
- interest rate risk
- credit risk
- liquidity risk

The Group has adopted risk management policies that seek to mitigate these risks in a cost-effective manner.

Foreign currency risk

Foreign currency risk arises from a change in foreign currency exchange rate, which is expected to have an adverse effect on the Group in the current and future reporting period.

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group's entities, primarily the Singapore dollar ('SGD'). The currencies in which these transactions primarily are denominated are SGD, United States dollar ('USD'), Euro ('EUR') and Renminbi ('RMB').

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

28 FINANCIAL INSTRUMENTS (CONTINUED)

Overview (Continued)

Foreign currency risk (Continued)

The risk management policy of the Group is to consider hedging for foreign exchange transactions based on the total foreign exchange exposure at the end of each month. The Group also holds cash and cash equivalents denominated in USD for working capital purposes. The Group's assets and liabilities denominated in a currency other than the functional currencies of the Group's entities are as follows:

	Group			Company	
	USD	**EUR**	**RMB**	**USD**	**EUR**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
30 June 2020					
Assets					
Cash and cash equivalents	**1,652**	**2**	**471**	**1,365**	**2**
Trade and other receivables	**4,897**	**430**	**395**	**4,644**	**398**
	6,549	**432**	**866**	**6,009**	**400**
Liabilities					
Trade and other payables	**(2,379)**	**(10)**	**(202)**	**(2,379)**	**(6)**
Amount due to subsidiaries	**–**	**–**	**–**	**(91)**	**–**
Net currency exposure	**4,170**	**422**	**664**	**3,539**	**394**
30 June 2019					
Assets					
Cash and cash equivalents	3,425	74	30	2,952	74
Trade and other receivables	7,881	79	681	7,076	79
Amount due from subsidiaries	–	–	–	876	–
	11,306	153	711	10,904	153
Liabilities					
Trade and other payables	(3,068)	(548)	(94)	(2,792)	(548)
Net currency exposure	8,238	(395)	617	8,112	(395)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

28 FINANCIAL INSTRUMENTS (CONTINUED)

Overview (Continued)

Foreign currency risk (Continued)

Sensitivity analysis

A 10% (2019: 10%) strengthening of the Singapore dollar, as indicated below, against the USD, EUR and RMB at 30 June would have increased/(decreased) profit by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group and the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2019, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below:

	Group Profit/(Loss) $'000	**Company Profit/(Loss) $'000**
30 June 2020		
USD	**(417)**	**(354)**
EUR	**(42)**	**(39)**
RMB	**(66)**	**–**
30 June 2019		
USD	(824)	(811)
EUR	40	40
RMB	(62)	–

A weakening of the Singapore dollar against the above currencies at 30 June would have had the equal but opposite effect to the above currencies to the amounts shown above, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

28 FINANCIAL INSTRUMENTS (CONTINUED)

Overview (Continued)

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will have an adverse financial effect on the Group's financial conditions and/or results. The Group's exposure to changes in market interest rates relates primarily to its bank deposits and debt securities.

The risk management policy of the Group is to obtain quotations of interest rates for comparison and to select the most favourable interest rates based on the terms and conditions available.

As at 30 June 2020, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, is as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Variable rate instruments				
Cash and cash equivalents	**10,852**	8,101	**9,628**	6,521
Fixed rate instruments				
Assets				
Other financial assets	**–**	1,001	**–**	1,001
Cash and cash equivalents	**–**	7,000	**–**	7,000
Liabilities				
Lease liabilities	**4,147**	–	**4,126**	–
	4,147	8,001	**4,126**	8,001

Fair value sensitivity analysis for fixed rate instruments

The Group does not designate any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, changes in interest rates of fixed rate instruments would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

As at 30 June 2020, an increase/(decrease) in interest rate of 100 basis points would have resulted in an increase/(decrease) in profit or loss by $108,520 (2019: $81,010) per annum for the Group, and $96,280 (2019: $65,210) per annum for the Company.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2020

28 FINANCIAL INSTRUMENTS (CONTINUED)

Overview (Continued)

Credit risk

Credit risk is the risk that companies and other parties will be unable to meet their obligations to the Group resulting in financial loss to the Group. The Group's exposure to credit risk arises mainly from trade receivables, primarily from Singapore and other ASEAN countries.

The objective of the Group is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group manages such risks by dealing with a diversity of creditworthy customers to mitigate any significant concentration of credit risk. Its credit policy includes the evaluation of the credit-worthiness of existing and new customers and the monitoring of credit excesses and overdue accounts.

As at 30 June 2020, the maximum exposure to credit risk in the event that counterparties fail to perform their obligations in relation to each class of financial assets is the carrying amount of these assets in the statements of financial position. There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The ageing of trade and other receivables (excluding GST recoverables and prepayment) at the reporting date is:

	2020		**2019**	
	Gross carrying amount $'000	**Impairment loss allowance $'000**	**Gross carrying amount $'000**	**Impairment loss allowance $'000**
Group				
Not past due	**6,050**	**(221)**	8,031	(168)
Past due 0-30 days	**1,089**	**(29)**	2,773	(44)
Past due 31-120 days	**957**	**(26)**	1,631	(34)
Past due 121-365 days	**365**	**(74)**	1,278	(118)
More than one year	**911**	**(911)**	1,088	(205)
	9,372	**(1,261)**	14,801	(569)
Company				
Not past due	**15,048**	**(195)**	16,122	(150)
Past due 0-30 days	**981**	**(26)**	2,407	(39)
Past due 31-120 days	**880**	**(26)**	1,266	(24)
Past due 121-365 days	**365**	**(73)**	1,305	(117)
More than one year	**911**	**(911)**	1,174	(205)
	18,185	**(1,231)**	22,274	(535)

The receivables that are impaired are not secured by any collateral.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

28 FINANCIAL INSTRUMENTS (CONTINUED)

Overview (Continued)

Trade receivables

The maximum exposure to credit risk for trade receivables at the reporting date by types of industries in which the customers operate is as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Marine and shipbuilding	**1,299**	1,755	**1,279**	1,714
Oil, gas and petrochemical	**1,708**	2,749	**1,308**	1,523
Engineering and construction	**1,438**	4,788	**1,246**	4,454
Trading and others	**2,201**	4,535	**5,247**	6,285
	6,646	13,827	**9,080**	13,976

The Group's most significant customer, an engineering and construction customer, accounts for $732,000 (2019: $1,661,000) of the trade receivables at 30 June 2020.

Expected credit loss assessment for trade customers

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to customers' industry, external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement.

Loss rates are calculated for exposures in different industries based on the default risk associated with the industries, which approximate the industries in which the customers operate, as these factors may have an influence on credit risk. The Group takes into account the forward-looking overlay adjustments on the uncertainties in existing market conditions including the potential effects of COVID-19 pandemic on the industry.

For the year ended 30 June 2020, the COVID-19 pandemic outbreak continues to evolve. The outcome of COVID-19 may affect the Group's financial performance and affect the measurement of its financial assets and financial liabilities. The risk of credit losses arising from the Group's financial assets may increase if the COVID-19 pandemic deteriorates beyond the Group's current expectations.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

28 FINANCIAL INSTRUMENTS (CONTINUED)

Expected credit loss assessment for trade customers (Continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2020:

	Group		
Customers' industries segment	**Weighted average loss rate %**	**Gross carrying amount $'000**	**Impairment loss allowance $'000**
2020			
Marine and shipbuilding	**0.78%**	**1,321**	**22**
Oil, gas and petrochemical	**8.49%**	**1,871**	**163**
Engineering and construction	**0.73%**	**1,524**	**86**
Trading and others	**2.96%**	**3,191**	**990**
		7,907	**1,261**
2019			
Marine and shipbuilding	0.69%	1,823	68
Oil, gas and petrochemical	3.05%	2,911	200
Engineering and construction	0.69%	4,950	164
Trading and others	2.30%	4,712	137
		14,396	569

	Company		
Customers' industries segment	**Weighted average loss rate %**	**Gross carrying amount $'000**	**Impairment loss allowance $'000**
2020			
Marine and shipbuilding	**0.78%**	**1,301**	**22**
Oil, gas and petrochemical	**8.49%**	**1,443**	**135**
Engineering and construction	**0.73%**	**1,332**	**86**
Trading and others	**2.96%**	**6,235**	**988**
		10,311	**1,231**
2019			
Marine and shipbuilding	0.69%	1,782	68
Oil, gas and petrochemical	3.05%	1,655	169
Engineering and construction	0.69%	4,616	164
Trading and others	2.30%	6,458	134
		14,511	535

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

28 FINANCIAL INSTRUMENTS (CONTINUED)

Expected credit loss assessment for trade customers (Continued)

Movements in allowance for impairment in respect of trade receivables

	Group	Company
	$'000	**$'000**
At 1 July 2018	422	422
Impairment loss recognised	237	203
Recovered during the year	(73)	(73)
Amounts written off	(17)	(17)
At 30 June 2019	569	535
Impairment loss recognised	904	908
Recovered during the year	(37)	(37)
Amounts written off	(175)	(175)
At 30 June 2020	**1,261**	**1,231**

Cash and cash equivalents

For financial assets such as cash and cash equivalents, the Group minimises credit risk by dealing exclusively with reputable financial institutions. Cash is placed with regulated financial institutions which are reputable and have low credit risk.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Loan and non-trade amounts due from subsidiaries

The Company held loan and non-trade receivables from its subsidiaries of $6,437,000 (2019: $7,413,000). These balances are amounts lent to subsidiaries to meet short-term funding requirements. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2020

28 FINANCIAL INSTRUMENTS (CONTINUED)

Expected credit loss assessment for trade customers (Continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group maintains sufficient cash and cash equivalents to fulfil the Group's financial obligations as and when they fall due. As part of its liquidity risk management, the Group aims to maintain sufficient cash for working capital purposes.

The Group has sufficient cash and cash equivalents and adequate credit facilities to ensure necessary liquidity. As at 30 June 2020, the financial liabilities maturing within 12 months are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Trade and other payables[#]	**3,089**	4,395	**5,482**	3,751
Lease liabilities	**125**	–	**122**	–

Excludes deferred income.

29 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Debt securities

The fair values of debt securities are determined by reference to their quoted closing bid price at the measurement date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate. Subsequent to initial recognition, the fair value of debt securities is determined for disclosure purposes only.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

29 DETERMINATION OF FAIR VALUES (CONTINUED)

Other financial assets and liabilities

The fair value of non-current loan amounts is approximately equal to the nominal amount as it is repayable on demand.

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, other financial assets, cash and cash equivalents, and trade and other payables) are assumed to approximate their fair values due to the short-term maturity of these financial instruments. All other financial assets and liabilities are discounted to determine their fair value. This fair value is determined for disclosure purposes.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: 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); and
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets not carried at fair value but for which fair values are disclosed				
30 June 2019				
Held-to-maturity debt securities	1,001	–	–	1,001

Accounting classification

The carrying amounts of financial assets and liabilities, shown in the financial position, are as follows:

	Note	Amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000
Group				
30 June 2020				
Assets				
Trade and other receivables*	10	**8,111**	**–**	**8,111**
Cash and cash equivalents	11	**10,852**	**–**	**10,852**
		18,963	**–**	**18,963**
Liabilities				
Trade and other payables#	14	**–**	**(3,089)**	**(3,089)**

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2020

29 DETERMINATION OF FAIR VALUES (CONTINUED)

Other financial assets and liabilities (Continued)

Accounting classification (Continued)

	Note	Amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000
Group				
30 June 2019				
Assets				
Other financial assets	7	1,001	–	1,001
Trade and other receivables*	10	14,232	–	14,232
Cash and cash equivalents	11	15,101	–	15,101
		30,334	–	30,334
Liabilities				
Trade and other payables#	14	–	(4,395)	(4,395)

* Excludes GST recoverables and prepayment.
\# Excludes deferred income.

	Note	Amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000
Company				
30 June 2020				
Assets				
Trade and other receivables*	10	**16,954**	**–**	**16,954**
Cash and cash equivalents	11	**9,628**	**–**	**9,628**
		26,582	**–**	**26,582**
Liabilities				
Trade and other payables	14	**–**	**(5,482)**	**(5,482)**
30 June 2019				
Assets				
Other financial assets	7	1,001	–	1,001
Trade and other receivables*	10	21,739	–	21,739
Cash and cash equivalents	11	13,521	–	13,521
		36,261	–	36,261
Liabilities				
Trade and other payables	14	–	(3,751)	(3,751)

* Excludes GST recoverables and prepayment.
\# Excludes deferred income.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

30 SEGMENT INFORMATION

Segment information is presented based on the information reviewed by the Group's Chief Executive Officer (the chief operating decision maker) for performance assessment and resource allocation.

The Group's Chief Executive Officer assesses the Group's financial performance using performance indicators which include revenue, capital expenditure and cash flow of the Group.

The Group essentially has one business or operating segment, which is the trading and sales of stainless steel and specialty metal products where the risks and returns of the products are substantially similar.

These products comprise mainly bars, plates, pipes, flanges, tubes and fittings which are stainless steel materials of varying grades and specifications for use in the respective industries to which the Group sells its products.

Additional financial information relating to the respective industries that the Group's customers operate in is presented as follows:

	Marine and shipbuilding $'000	Oil, gas and petro-chemical $'000	Engineering and construction $'000	Trading and others $'000	Total $'000
Group					
2020					
Revenue	**6,140**	**9,057**	**8,772**	**13,506**	**37,475**
Gross profit	**1,286**	**(970)**	**904**	**3,434**	**4,654**
Unallocated costs					**(9,764)**
					(5,110)
Other operating income and finance income					**854**
Loss before tax					**(4,256)**
Tax credit					**94**
Net profit for the year					**(4,162)**
Assets					
Trade receivables	**1,299**	**1,708**	**1,438**	**2,201**	**6,646**
Others – unallocated					**82,051**
					88,697
Liabilities – unallocated					**8,490**
Capital expenditure – unallocated					**8,276**
Depreciation of property, plant and equipment – unallocated					**856**

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

30 SEGMENT INFORMATION (CONTINUED)

	Marine and shipbuilding $'000	Oil, gas and petro-chemical $'000	Engineering and construction $'000	Trading and others $'000	Total $'000
Group					
2019					
Revenue	5,511	9,024	19,025	16,296	49,856
Gross profit	1,497	2,648	2,740	5,178	12,063
Unallocated costs					(9,566)
					2,497
Other operating income and finance income					404
Profit before tax					2,901
Tax expense					(506)
Net profit for the year					2,395
Assets					
Trade receivables	1,755	2,749	4,788	4,535	13,827
Others – unallocated					76,892
					90,719
Liabilities – unallocated					5,015
Capital expenditure – unallocated					3,020
Depreciation of property, plant and equipment – unallocated					886

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

30 SEGMENT INFORMATION (CONTINUED)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on sales to the respective geographical markets, while segment assets and capital expenditure are based on the geographical location of the assets.

Revenue by geographical markets is disclosed in note 17:

Non-current assets and capital expenditure by geographical locations:

	Carrying amounts of segment non-current assets#		Capital expenditure	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Group				
Singapore	**20,144**	8,646	**8,276**	3,017
China	**5**	17	**–**	3
	20,149	8,663	**8,276**	3,020

Non-current assets exclude trade and other receivables and deferred tax assets.

31 SUBSEQUENT EVENTS

COVID-19 Pandemic

On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the Group's financial statements for the year ended 30 June 2020, the Group assessed the impact of COVID-19 and considered whether the economic uncertainties and market volatility have or will affect accounting conclusions, in particular on the cash flow projections used in assessing the impairment on investment of the Group's subsidiaries, the Group's going concern assessment, for the write-down of inventories, and the expected credit losses on trade receivables. The provisions and cash flow projections reflected the impact of COVID-19 and lower sales demand. Management's cash flow projection for the next financial year are considered healthy to support the funding requirements and day to day operations.

Liquidation of subsidiary

Subsequent to the financial year ended 30 June 2020, SG Metals Suzhou Ltd, a wholly-owned subsidiary of the Group, has ceased operations and will commence winding-up process in accordance with the legislations of the People's Republic of China. An external consultant based in the People's Republic of China has been engaged to advise the process.

SIN GHEE HUAT CORPORATION LTD
Company Registration No:197700475Z
Incorporated in Singapore

UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE HALF-YEAR ENDED 31 DECEMBER 2020

Part I - Information Required for Quarterly (Q1, Q2 & Q3), Half-Year and Full Year Announcements.

1(a)(i) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Profit or Loss

	Group		
	Half-Year Ended		*Increase/*
	31-Dec-20	31-Dec-19	*(decrease)*
	S$'000	S$'000	*%*
Revenue	13,307	21,447	*(38)*
Cost of sales	(10,155)	(16,378)	*(38)*
Gross profit	**3,152**	**5,069**	*(38)*
Other operating income	531	71	*>600*
Distribution costs	(1,989)	(2,740)	*(27)*
Administrative expenses	(1,237)	(1,514)	*(18)*
Impairment on trade and other receivables	(11)	(433)	*(97)*
Other operating expenses	(243)	(86)	*183*
Results from operating activities	**203**	**367**	*(45)*
Finance income	14	70	*(80)*
Finance cost	(78)	(86)	*(9)*
Profit before tax	**139**	**351**	*(60)*
Tax expense	(44)	(16)	*175*
Net profit for the period	**95**	**335**	*(72)*
Earnings per share			
Basic (cents)	0.04	0.15	
Diluted (cents)	0.04	0.15	

Consolidated Statement of Comprehensive Income

	Group		
	Half-Year Ended		*Increase/*
	31-Dec-20	31-Dec-19	*(decrease)*
	S$'000	S$'000	*%*
Net profit for the period	**95**	**335**	*(72)*
Other comprehensive income:			
Foreign currency translation difference arising from consolidation	19	(15)	*NM*
Total comprehensive income for the period	**114**	**320**	*(64)*
Attributable to:			
Equity holders of the Company	114	320	*(64)*
Total comprehensive income for the period	**114**	**320**	*(64)*

1(a)(ii) Net profit for the period has been arrived at after crediting / (charging) the following:

	Half-Year Ended		*Increase /*
	31-Dec-20	31-Dec-19	*(decrease)*
	S$'000	S$'000	*%*
Depreciation of property, plant and equipment	(647)	(320)	*102*
Depreciation of right-of-use assets	(93)	(81)	*15*
Interest income	14	70	*(80)*
Reversal / (allowance) of inventory impairment, net	506	(163)	*NM*
Allowance of doubtful debts, trade	(11)	(433)	*(97)*
Classified as other operating income			
Government grants	440	5	*NM*
Recovery of doubtful debts, trade	45	9	*400*
Sundry income	41	25	*64*
Gain on disposal of property, plant and equipment	5	32	*(84)*
Classified as other operating expenses			
Foreign exchange loss, net	(243)	(86)	*183*

NA denotes not applicable
NM denotes not meaningful

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

Statement of Financial Position

	Group		Company	
	31-Dec-20 S$'000	30-Jun-20 S$'000	31-Dec-20 S$'000	30-Jun-20 S$'000
Non-current assets				
Property, plant and equipment	15,793	16,065	15,790	16,054
Right-of-use assets	3,951	4,084	3,933	4,063
Investment in subsidiaries	–	–	5,026	5,026
Trade and other receivables	–	–	6,157	6,157
Deferred tax assets	387	428	301	342
	20,131	**20,577**	**31,207**	**31,642**
Current assets				
Inventories	43,498	47,814	36,330	39,972
Trade and other receivables	8,145	9,454	11,688	12,059
Cash and cash equivalents	14,459	10,852	12,176	9,628
	66,102	**68,120**	**60,194**	**61,659**
Total assets	**86,233**	**88,697**	**91,401**	**93,301**
Equity attributable to equity holders of the Company				
Share capital	45,750	45,750	45,750	45,750
Reserves	(21)	(40)	–	–
Retained earnings	34,592	34,497	37,281	36,717
Total equity	**80,321**	**80,207**	**83,031**	**82,467**
Non-current liabilities				
Deferred grant liabilities	751	788	751	788
Lease liabilities	3,919	4,022	3,903	4,004
	4,670	**4,810**	**4,654**	**4,792**
Current liabilities				
Trade and other payables	1,008	3,102	3,501	5,482
Deferred grant liabilities	91	395	91	395
Lease liabilities	126	125	124	122
Current tax liabilities	17	58	–	43
	1,242	**3,680**	**3,716**	**6,042**
Total liabilities	**5,912**	**8,490**	**8,370**	**10,834**
Total equity and liabilities	**86,233**	**88,697**	**91,401**	**93,301**

1(b)(ii) Aggregate amount of group's borrowings and debt securities

	At 31-Dec-20		At 30-Jun-20	
	Secured S$'000	Unsecured S$'000	Secured S$'000	Unsecured S$'000
Amount repayable in one year or less, or on demand	–	–	–	–
Amount repayable after one year	–	–	–	–
	–	–	–	–

Details of any collateral

The Group's banking and credit facilities are secured by a corporate guarantee.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Cash Flow

	Group	
	Half-Year Ended	
	31-Dec-20	31-Dec-19
Cash flows from operating activities	**S$'000**	**S$'000**
Profit for the period	**95**	**335**
Adjustments for :		
Depreciation of property, plant and equipment	647	320
Gain on disposal of property, plant and equipment	(5)	(32)
Depreciation of right-of-use assets	93	81
Finance income	(14)	(70)
Finance cost	78	86
Tax expense	44	16
	938	736
Changes in operating assets and liabilities:		
Trade and other receivables	1,309	1,992
Trade and other payables	(2,095)	1,220
Inventories	4,316	(2,504)
Deferred grant liabilities	(341)	–
Net cash generated from operations	**4,127**	**1,444**
Income tax paid	(44)	(269)
Net cash generated from operating activities	**4,083**	**1,175**
Cash flows from investing activities		
Proceeds from sale of property, plant and equipment	10	32
Acquisition of property, plant and equipment	(379)	(4,747)
Proceeds from redemption of debt securities	–	1,000
Interest received	14	70
Net cash used in investing activities	**(355)**	**(3,645)**
Cash flows from financing activities		
Dividend paid	–	(1,332)
Interest paid	(78)	(85)
Proceeds from borrowings	–	1,427
Lease principal payment	(62)	(50)
Repayment of borrowings	–	(533)
Net cash used in financing activities	**(140)**	**(573)**
Net increase / (decrease) in cash and cash equivalents	**3,588**	**(3,043)**
Cash and cash equivalents at beginning of the period	10,852	15,101
Effect of exchange rate fluctuations	19	(15)
Cash and cash equivalents at end of the period	**14,459**	**12,043**
Cash and cash equivalents comprise:		
Cash and bank balances	14,459	10,043
Short-term bank deposits	–	2,000
	14,459	**12,043**

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity, or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Consolidated Statement of Changes in Equity

	Group			
	Share capital	Translation reserve	Retained earnings	Total
	S$'000	S$'000	S$'000	S$'000
As 1 July 2019	**45,750**	**(37)**	**39,991**	**85,704**
Total comprehensive income for the period	–	(15)	335	**320**
Dividend paid	–	–	(1,332)	**(1,332)**
At 31 December 2019	**45,750**	**(52)**	**38,994**	**84,692**
At 1 July 2020	**45,750**	**(40)**	**34,497**	**80,207**
Total comprehensive income for the period	–	19	95	**114**
At 31 December 2020	**45,750**	**(21)**	**34,592**	**80,321**

Statement of Changes in Equity

	Company		
	Share capital	Retained earnings	Total
	S$'000	S$'000	S$'000
At 1 July 2019	**45,750**	**40,141**	**85,891**
Total comprehensive income for the period	–	220	**220**
Dividend paid	–	(1,332)	**(1,332)**
At 31 December 2019	**45,750**	**39,029**	**84,779**
At 1 July 2020	**45,750**	**36,716**	**82,466**
Total comprehensive income for the period	–	565	**565**
At 31 December 2020	**45,750**	**37,281**	**83,031**

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buybacks, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There was no change in the Company's share capital since the end of the previous financial year reported on.

The Company did not have any outstanding options, convertibles or treasury shares and subsidiary holdings as at 31 December 2020 and 31 December 2019.

1(d)(iii) To show the number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year:

222,000,000 ordinary shares were issued as at 31 December 2020 and 30 June 2020.

There were no treasury shares as at the end of the current financial period and as at the end of the immediately preceding financial year.

1(d)(iv) A statement showing all sales, transfers, cancellation and/or use of treasury shares as at the end of the current financial period report on:

Not applicable. The Company did not have any treasury shares during and as at the end of current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period report on:

Not applicable. The Company did not have any subsidiary holdings during and as at the end of current financial period reported on.

2. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors of the Company.

3. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).

Not applicable.

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.

Save as disclosed in Paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the Group's financial statements for the current financial period compared to the most recently audited financial statements for the financial year ended 30 June 2020.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.

With effect from 1 July 2020, the Group has adopted the new Singapore Financial Reporting Standards (International) ("SFRS(I)"): i) Amendments to References to the Conceptual Framework in SFRS(I) Standards; ii) Amendments to SFRS(I) 3: Definition of a Business; iii) Amendments to SFRS(I) 1-1 and SFRS(I) 1-8: Definition of Material. The adoption of the new accounting standards is not expected to have any material impact on the financial information.

6. Earnings per ordinary share of the group for the current financial period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends:

Earnings per Share

	Group	
	Half-Year Ended	
	31-Dec-20	31-Dec-19
Profit attributable to equity holders of the Company (S$'000)	95	335
Weighted average number of ordinary shares used in the computation of basic and diluted EPS ('000)	222,000	222,000
Basic and fully diluted earnings per share (Singapore cents)	0.04	0.15

The diluted and basic EPS are the same for 1H2021 and 1H2020 as there were no potentially dilutive ordinary shares as at 31 December 2020 and 31 December 2019.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the: (a) current financial period reported on; and (b) immediately preceding financial year.

Net Asset Value per Ordinary Share[1]

	Group		Company	
	31-Dec-20 Singapore Cents	30-Jun-20 Singapore Cents	31-Dec-20 Singapore Cents	30-Jun-20 Singapore Cents
Net asset value per ordinary share based on issued share	0.36	0.36	0.37	0.37

[1] *The net asset value per ordinary share for the Group and the Company as at 31 December 2020 and 30 June 2020 is computed based on the share capital of the Company of 222,000,000 shares.*

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following: (a) any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and (b) any material factors that affected the cash flow, working capital, assets and liabilities of the group during the current financial period reported on.

Consolidated Statement of Profit & Loss
For the half-year ended 31 December 2020 (1H2021) vs. half-year ended 31 December 2019 (1H2020)

Group revenue decreased by S$8.1 million or 38% to S$13.3 million for 1H2021 compared with S$21.4 million for the corresponding half-year of the preceding financial year (1H2020). The decrease was registered across all 4 industry groups, with the most significant drop in Oil & Gas and Petrochemical of S$3.1 million and Marine & Shipbuilding of S$1.9 million.

Cost of sales decreased by S$6.2 million or 38% to S$10.2 million in 1H2021 (1H2020: S$16.4 million), in line with the decrease in revenue.

Gross profit decreased by S$1.9 million to S$3.2 million for 1H2021 (1H2020: S$5.1 million), mainly due to lower sales in 1H2021. Gross margin has remained constant at 24% for both 1H2021 and 1H2020.

Other operating income increased by S$460,000 or approximately 7 times to S$531,000 (1H2020: S$ 71,000), mainly due to higher government grant recognised and recovery of doubtful debts.

Distribution costs decreased by S$0.7 million or 27% to S$2.0 million for 1H2021 (1H2020: S$2.7 million), mainly due to lower warehouse rental of $0.4 million as the temporary warehouse was returned after the completion of our redeveloped office cum warehouse building located at 32 Gul Crescent and payroll-related costs of S$0.7 million, offset by an increase in distribution depreciation on property, plant and equipment of S$0.3 million.

Administrative expenses decreased by S$0.3 million or 18% to S$1.2 million for 1H2021 (1H2020: S$1.5 million), mainly due to lower payroll costs.

Impairment loss on trade and other receivables of S$11,000 was recorded for 1H2021 (1H2020: S$433,000). The decrease of S$423,000 or 97% was mainly due to absence of allowance for impairment of trade receivable incurred in last year in respect of the cessation of our joint-venture entity in New Zealand.

Foreign exchange loss (classified as other operating expenses) increased by S$157,000 or 183% to S$243,000 in 1H2021 (1H2020: S$86,000), mainly due to the weakening of USD against SGD.

Finance income decreased by S$56,000 or 80% to S$14,000 for 1H2021 (1H2020: S$70,000), mainly due to lower interest rate environment and short-term bank deposits.

Finance cost decreased by S$8,000 or 9% to S$78,000 in 1H2021 (1H2020: S$86,000) mainly due to lower interest charges for trade financing in respect of a subsidiary company.

Tax expense of S$44,000 was recognised for 1H2021 compared with S$16,000 for 1H2020. Despite a decrease in profit before tax for 1H2021, tax expense has increased by S$28,000 mainly due to reduction of deferred tax asset recognised as at 31 December 2020.

Due to the above factors, net profit for the Group decreased by S$0.2 million or 72% to S$0.1 million for 1H2021 (1H2020: S$0.3 million).

Statement of Financial Position

Non-current assets
Non-current assets decreased by S$0.5 million to S$20.1 million as at 31 December 2020 compared with S$20.6 million as at 30 June 2020, mainly due to decrease in property, plant and equipment (PPE) and right-of-use (ROU) assets of S$0.3 million and S$0.1 million respectively.

The decrease in PPE and ROU assets were mainly attributable to depreciation charges for the period.

Current assets
Current assets decreased by S$2.0 million to S$66.1 million as at 31 December 2020 (30 June 2020: S$68.1 million), due to decrease in inventories of S$4.3 million and decrease in trade and other receivables of S$1.3 million, offset by increase in cash and cash equivalents of S$3.6 million.

Inventories decreased mainly due to continuous efforts to reduce stock through sales. The decrease in trade and other receivables was largely attributable to receipt of government grants (recorded as other receivables as at 30 June 2020) and refund of security deposits for our rented warehouse during 1H2021. The increase in cash and cash equivalents will be explained under the Statement of Cash Flow section.

Non-current liabilities
Non-current liabilities decreased by S$140,000 mainly due to amortisation of lease liabilities and recognition of government grants in line with our accounting policy.

Current liabilities
Current liabilities decreased by S$2.5 million to S$1.2 million as at 31 December 2020 (30 June 2020: S$3.7 million), mainly due to decrease in trade and other payables of S$2.1 million and deferred grant liabilities of S$0.3 million.

The decrease in trade and other payables was mainly due to reduction in trade payables of S$1.2 million due to lesser inventory purchases, and reduction in other payables from payroll-related accruals of S$0.6 million. The decrease in deferred grant liabilities was due to recognition of government grants income in 1H2021.

Shareholders' equity
As at 31 December 2020, the shareholders' equity stood at S$80.3 million (30 June 2020: S$80.2 million). The increase of S$0.1 million was mainly attributable to net profit for the current financial period of S$0.1 million.

Consolidated Statement of Cash Flow
Half-year ended 31 December 2020 (1H2021)

For 1H2021, net cash generated from operating activities was S$4.1 million. This was mainly due to operating cash inflows of S$0.9 million, adjusted for net cash inflows from changes in operating assets and liabilities of S$3.2 million.

The net cash inflows from changes in operating assets and liabilities were due to decrease in inventories of S$4.3 million and trade and other receivables of S$1.3 million, offset by decrease in trade and other payables of S$2.1 million and deferred grant liabilities of S$0.3 million.

Cash flows used in investing activities was S$0.4 million, mainly due to capital expenditures on warehouse storage systems.

Cash flows used in financing activities was S$0.1 million due to lease liabilities expenses.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group's results for 1H2021 was consistent with what was disclosed under Paragraph 10 of the Company's results announcement for the financial year ended 30 June 2020.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

The global economic landscape continues to be plagued by uncertainties brought on by the Covid-19 pandemic even as we enter into 2021; with resurgence of new infections and variants that will hinder any hopes of possible recovery of business activities to pre-pandemic level.

The Group expects business conditions to remain challenging in FY2021 as demand from our customers is still muted. We will also continue to monitor our costs structure and take appropriate measures as necessary.

We will continue to monitor the situation and capitalise on any opportunities when the market recovers.

11. Dividend

(a) Current Financial Period Reported On.
No

(b) Corresponding Period of the Immediately Preceding Financial Year.
No

(c) Date payable:
Not applicable

(d) Books closure date
Not applicable

12. If no dividend has been declared (recommended), a statement to that effect and the reason(s) for the decision.

No dividend has been declared for the financial period ended 31 December 2020. The Board of Directors will consider the recommendation of dividend payment, if any, after the results for the full year ending 30 June 2021.

13. If the Group has obtained a general mandate from shareholders for interested persons transactions ("IPT") the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group does not have a general mandate from shareholders for IPTs.

14. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

The Company confirms that it has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1) of the SGX-ST Listing Manual.

Confirmation by Directors

Pursuant to Rule 705(5) of the SGX-ST Listing Manual, we, the undersigned, on behalf of the Board of Directors of the Company, confirm that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the financial results for the half year ended 31 December 2020 to be false or misleading in any material aspect.

Kua Ghim Siong	Kua Peng Chuan
Chief Executive Officer	Executive Director

BY ORDER OF THE BOARD

Kua Ghim Siong
Chief Executive Officer
11 February 2021

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