ASIA ENTERPRISES HOLDING LIMITED

Annual Report 2018

CORPORATE **PROFILE**

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

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

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

The Group was listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST") on 1 September 2005.

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MESSAGE TO **SHAREHOLDERS**

DEAR SHAREHOLDERS,

The operating environment in 2018 continued to pose challenges as business sentiment was still cautious while competition remained intense in the steel distribution industry within Singapore and the region. The silver lining in this difficult backdrop was the slight recovery of crude oil prices which helped to shore up business activities in the marine and offshore industry and hence, demand for steel materials.

For the year ended 31 December 2018 ("FY2018"), the Group's sales climbed 23% to S$37.8 million. This was achieved on higher average selling prices ("ASP") of steel materials and a modest improvement in sales volume despite the slow business conditions and highly competitive environment.

We maintained a flexible sales strategy by pursuing opportunities in steel end-user markets that show greater demand prospects. At the same time, we are cognisant of the importance of balancing the Group's sales objectives with our emphasis on profitability and credit quality. This prudent approach is the core of the Group's business values which have enabled Asia Enterprises to build and sustain a sound financial position.

Based on our strategy, we saw a notable shift in the Group's sales mix in FY2018 with the Singapore market accounting for a higher 63% of total revenue as compared to 50% in the previous year. Sales in Singapore jumped 56% to S$23.8 million in FY2018. This offset lower sales from the Indonesia market which contributed 21% to Group revenue in FY2018 as compared to 39% in FY2017.

In terms of end-user industries, the marine and offshore segment was the key revenue driver with sales climbing 38% to S$20.0 million to account for 53% of revenue in FY2018. The Group's revenue was also lifted by higher contributions from the construction and engineering/ fabrication segments.

In line with the increase in international steel prices between FY2017 and FY2018, the cost of replenishing our stock of steel products rose. This drove up the Group's weighted average cost of inventory and resulted in our gross profit margin narrowing to 20.9% in FY2018 from 27.8% in FY2017.

Nevertheless, the Group's net profit attributable to shareholders ("PATMI") gained 23% to S$1.7 million in FY2018. The Group is pleased to share its results with Shareholders by recommending a final dividend of 0.5 cents per share in respect of FY2018, which translates to a dividend pay-out of 100%. Since listing in 2005, Asia Enterprises has consistently paid dividends representing at least 40% of its earnings every year.

The recovery in the prices of crude oil has lifted market sentiment for shipyards and engineering companies in the oil and gas supply chain. However, this mood is being tempered by worries over the impact of trade tensions and political risks on the global economy. In addition, business conditions of shipyards in the region can vary significantly, resulting in uneven steel demand from customers in the marine and offshore industry.

As such, the Group expects the operating environment to remain challenging. Intense competition in the steel distribution industry is likely to prevail while fluctuations in international steel prices will continue to have an effect on the Group's weighted average cost of inventory and selling prices.

We believe our financial strength better positions the Group against adverse changes in market conditions, and also ensures we have resources to respond quickly when a recovery of the steel market is firmly in place. At the end of FY2018, the Group had a sound balance sheet comprising cash and cash equivalents of S$48.8 million and zero borrowings.

The Group will continue to monitor the flow of business activities of our key steel end-user market segments and seek opportunities with existing and new customers. We will remain in close engagement with our customers to understand their needs and demand trends to ensure we maintain a relevant portfolio of steel products to provide just-in-time delivery.

On behalf of the Board of Directors, we would like to express our appreciation to our Shareholders, valued customers, principal banks, business partners and suppliers for their continued support. We would also like to acknowledge and thank our fellow Directors, management and staff for their dedication, unwavering efforts and invaluable contributions to the Group.

LEE CHOON BOK
Executive Chairman

LEE YIH CHYI, YVONNE
Managing Director

FINANCIAL AND **BUSINESS REVIEW**

FINANCIAL REVIEW

Notwithstanding that business conditions in the steel distribution industry remained slow and highly competitive, the Group's revenue for FY2018 rose 23% to S$37.8 million from S$30.8 million in FY2017. This was attributed to higher ASP of steel products and a modest increase in sales volume in FY2018. During FY2018, the Group registered increased sales to customers in the marine and offshore, construction and engineering/fabrication sectors which offset lower sales to other stockists and traders.

Gross profit for FY2018 eased 8% to S$7.9 million from S$8.6 million in FY2017. Correspondingly, the Group's gross profit margin softened to 20.9% in FY2018 compared to 27.8% in FY2017. This was due mainly to the increase in weighted average cost of inventory sold as the cost of stock replenishment has risen in tandem with the increase in international steel prices.

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

Other income increased to S$1.0 million in FY2018 from S$0.8 million in FY2017 as a result of higher interest income and foreign exchange adjustment gain.

Marketing and distribution costs of S$0.3 million in FY2018 were similar to FY2017. Administrative expenses in FY2018 reduced slightly to S$7.3 million from S$7.5 million in FY2017.

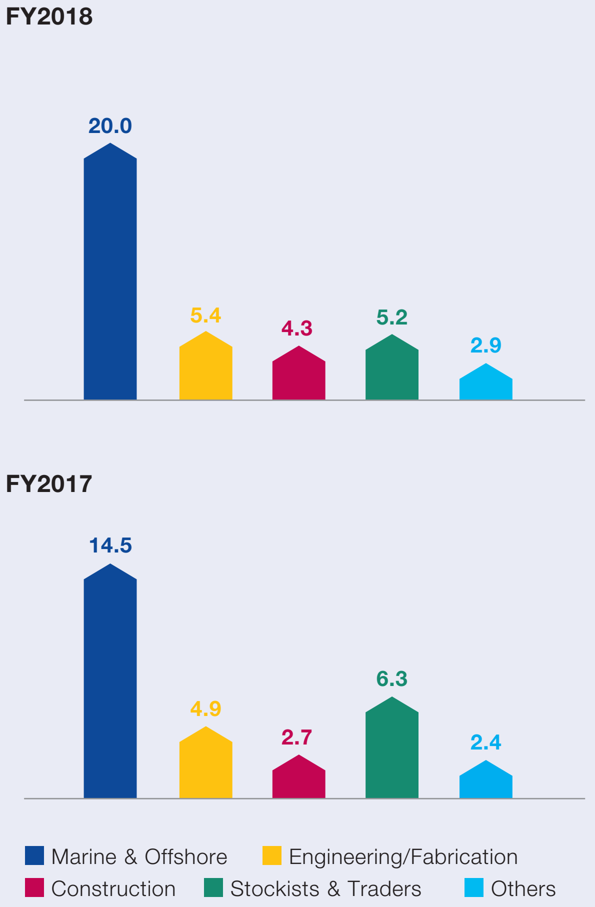
The Group did not incur other losses in FY2018 as compared to other losses of S$0.4 million in FY2017. This was because the Group registered a foreign exchange adjustment gain in FY2018 as opposed to a foreign exchange adjustment loss in FY2017.

As a result of the above factors, the Group's PATMI increased 23% to S$1.7 million from S$1.4 million in FY2017. Earnings before interest, tax, depreciation and amortisation attributable to equity holders ("EBITDA") also improved slightly to S$3.0 million from S$2.9 million in FY2017.

The Board of Directors is recommending the payment of a final dividend of 0.5 cents per share with respect to FY2018, which is the same as the final dividend for FY2017. The proposed dividend is subject to Shareholders' approval at the forthcoming Annual General Meeting to be held on 18 April 2019.

The Group's financial position remained sound with cash and cash equivalents of S$48.8 million and zero borrowings as at 31 December 2018. Shareholders' equity stood at S$93.6 million, which translated to net asset value of 27.43 cents per share.

Revenue Breakdown by Customer Segment
(S$ million)



Property, plant and equipment decreased slightly to S$20.7 million from S$22.7 million as at 31 December 2017 as a result of depreciation charges.

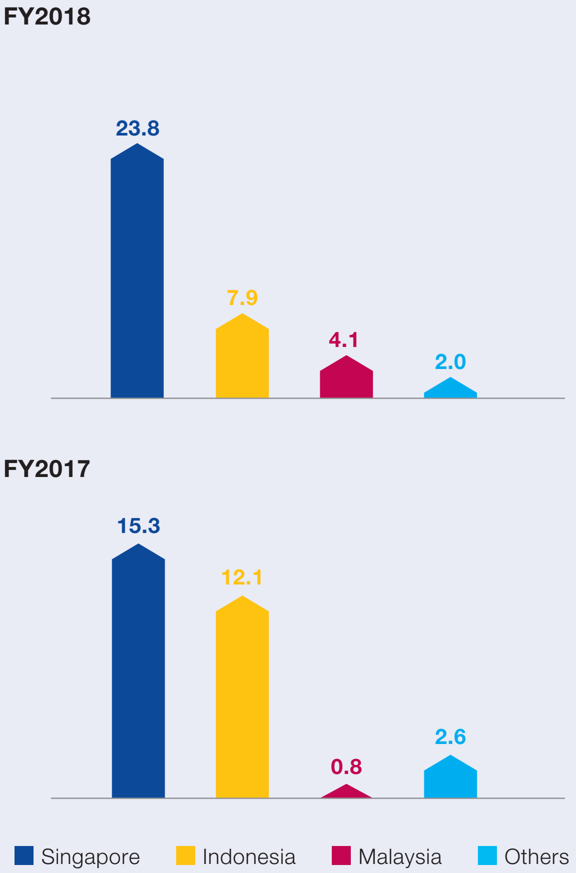
Other financial assets as at 31 December 2018 increased to S$6.7 million from S$2.6 million as at 31 December 2017 due to additional investments in fixed-income securities.

As at 31 December 2018, trade and other receivables increased to S$8.7 million from S$7.1 million at the end of December 2017 in line with higher sales. Trade and other payables decreased to S$4.4 million from S$4.6 million as at 31 December 2017 due to settlement of outstanding trade payables.

Deferred tax liabilities declined to S$0.6 million from S$0.7 million as at 31 December 2017 due to accounting for unutilised tax losses.

FINANCIAL AND **BUSINESS REVIEW**

Revenue Breakdown by Geographical Market*
(S$ million)



** based on shipment destination*

BUSINESS REVIEW

Performance by Customer Segment

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

In FY2018, the Group's sales to the marine and offshore segment climbed 38% to S$20.0 million. This was achieved on the back of higher ASP, as well as improved sales volume driven by increased shipbuilding and ship repair activities during FY2018. As a result, the marine and offshore segment's revenue contribution expanded to 53% in FY2018 from 47% in FY2017.

Sales derived from the construction segment in FY2018 also gained 59% to S$4.3 million as the Group benefited from higher customer orders and better ASP. The engineering/fabrication segment also recorded a 10% increase in sales to S$5.4 million. As a percentage of Group revenue, sales from the construction and engineering/fabrication segments made up 11% and 14% respectively in FY2018, as compared to 9% and 16% previously in FY2017.

Performance by Geographical Market

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

The Group's sales to Singapore jumped 56% to S$23.8 million in FY2018 and accounted for the largest share of total revenue with a contribution of 63%. This increase was driven by higher sales to shipyards, and customers in the local construction and engineering industries.

Sales generated from the Malaysia market in FY2018 also improved to S$4.1 million from S$0.8 million in FY2017 in tandem with the pick-up in shipbuilding activities there. As a result, Malaysia's contribution to Group revenue was lifted to 11% from 3% in FY2017. The sales performances of the Singapore and Malaysia markets more than offset the decline in sales to Indonesia which slowed by 35% to S$7.9 million in FY2018.

Inventory Management

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

As at 31 December 2018, the Group's inventories increased to S$18.4 million from S$14.3 million at the end of December 2017 in tandem with the Group's sales and inventory replenishment activities. For FY2018, inventory turnover shortened to 225 days from 234 days in FY2017.

FINANCIAL **HIGHLIGHTS**

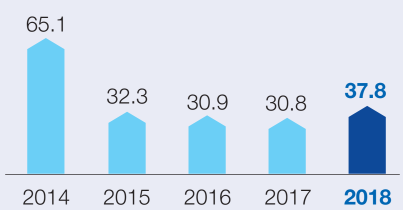
FINANCIAL YEAR ENDED 31 DECEMBER

(S$ million)	FY2018	FY2017	Change (%)
Revenue	**37.8**	30.8	23
Gross Profit Margin	**20.9%**	27.8%	–
Net Profit	**1.5**	1.2	22
Net Profit Attributable to Shareholders (PATMI)	**1.7**	1.4	23
PATMI before interest, tax and depreciation (EBITDA)	**3.0**	2.9	0.4
Net Gearing	**Zero borrowings**	Zero borrowings	–

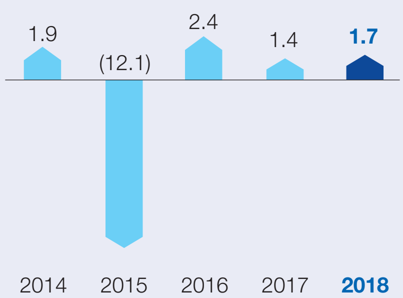
Per Share Data*		
Earnings Per Share (Cents)	**0.50**	0.41
Proposed Dividend Per Share (Cents)	**0.50**	0.50
Net Asset Value Per Share (Cents)	**27.43**	27.43

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

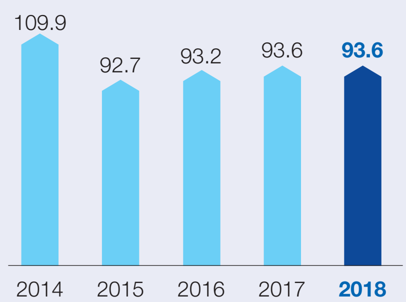
Revenue (S$ million)



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



Shareholders' Equity (S$ million)



Dividend Payments (cents per share)

BOARD OF DIRECTORS

LEE CHOON BOK
Executive Chairman

Mr Lee Choon Bok, 77, was appointed to the Board on 20 January 2005. He was last re-elected on 19 April 2018. Mr Lee, together with our Managing Director, is responsible for charting our Group's strategic direction. He was invited to join Asia Enterprises (Private) Limited as its Managing Director in 1973 and was instrumental in building its steel distribution business. In 1985, he co-founded and was appointed Managing Director of Asia-Beni Steel Industries (Pte) Ltd and developed it into a profitable steel processing business. Prior to joining our Group, he was a sales executive with Siong Huat Hardware Pte Ltd, where he marketed steel products from 1971 to 1973. Mr Lee is currently the Association Advisor to the Singapore Metal & Machinery Association. He holds a Bachelor of Arts from Nanyang University.

LEE YIH CHYI, YVONNE
Managing Director

Ms Lee Yih Chyi, Yvonne, 49, was appointed to the Board on 22 July 2005. She was last re-elected on 20 April 2017. Ms Lee is primarily responsible for the overall management and business operations of our Group. She joined our Group on 1 May 2003 as General Manager. Prior to that, Ms Lee was General Manager at Metal Commerz Pte Ltd where she was responsible for trading, operations and office administration. From 1995 to 1999, she was a Senior Manager in charge of steel trading and operations at VSST Far East Pte Ltd. Ms Lee holds a Master of Business Administration from the Charles Sturt University, Australia.

HARMAIDY
Non-Executive Director

Mr Harmaidy, 66, was appointed to the Board on 22 July 2005 and was last re-elected on 21 April 2016. He is a member of the Remuneration Committee. He has been a director of Asia Enterprises (Private) Limited since 1984 and is also a director of Asia-Beni Steel Industries (Pte) Ltd. He is currently a director of Sin Hock Chong Company Private Limited, an investment holding company dealing mainly with property investments, and is responsible for its operations and management. Mr Harmaidy holds a Diploma in Electronic Engineering from Ngee Ann Polytechnic.

TEO KENG THWAN
Non-Executive Director

Mr Teo Keng Thwan, 74, was appointed to the Board on 20 January 2005 and was last re-elected on 19 April 2018. He was redesignated from Independent Director to Non-Executive Director on 1 January 2019. He is a member of the Audit and Nominating Committees. Mr Teo was a director of Asia Enterprises (Private) Limited from 1986 to 2014. In addition, he has been a director of Minh-Chieh Investments Pte Ltd, an investment holding company, since 1989. From the late 1980s to 1995, he was a Vice President and Regional Manager at United Overseas Bank Ltd in Singapore. Mr Teo holds a Bachelor of Arts (Hons) from the University of Singapore.

TAN KEH YAN, PETER
Lead Independent Director

Mr Tan Keh Yan, Peter, 70, was appointed as an Independent Director on 22 July 2005. He was last re-elected on 20 April 2017. Mr Tan has been the Lead Independent Director since 28 January 2014. He is Chairman of the Audit and Nominating Committees and a member of the Remuneration Committee. From 2001 to 2003, Mr Tan was a Managing Director of the Enterprise Banking department in DBS Bank Ltd, where he was responsible for business development of banking solutions to small and medium sized enterprises. Prior to that, Mr Tan was the Executive Director of DBS Finance Ltd from 1998 to 2001. He is currently an Independent Director of Sin Heng Heavy Machinery Ltd and the Lead Independent Director of Maxi-Cash Financial Services Ltd. He holds a Master of Business Administration from the University of California, Los Angeles.

LEE BON LEONG, PBM, BBM, JP
Independent Director

Mr Lee Bon Leong, 72, was appointed as an Independent Director on 3 May 2012 and was last re-elected on 21 April 2016. He is Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees. Mr Lee is the Founding Consultant of Lee Bon Leong & Co (Advocates & Solicitors). Appointed as a Justice of the Peace in Singapore since November 1998, Mr Lee previously served as a member of the Board of Visiting Justices and the Board of Inspection. Mr Lee is the Chairman of the Home Detention Advisory Committee 2. He is also the Chairman of the Board of Visitors for the SCDF Detention Barracks and the SPF Detention Barracks. He is currently an Independent Director of AnnAik Limited and MegaChem Limited. Mr Lee holds a Master of Laws from the University of Singapore.

EXECUTIVE **OFFICERS**

LIM LIAN PENG

Group Financial Controller

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

ENG JIAT CHENG

Group Administrative Manager

Ms Eng Jiat Cheng joined our Group in 1978. As our Group Administrative Manager, her current responsibilities are to provide business support in various areas including procurement, contract management and trade finance administration. Before assuming her present role, Ms Eng was in charge of our Group's office administration, human resource and import and export documentation for more than 30 years.

LEE YIH LIN

General Manager

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

TEO KAH KHENG

General Manager (Head of Sales)

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

LEE CHOON YAM

Head of Production

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

HAJI RAZEMAN BIN HAJI HAMZAH

Head of Logistics

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

FINANCIAL **CONTENTS**

CORPORATE **GOVERNANCE**

INTRODUCTION

The Board of Directors of Asia Enterprises Holding Limited is committed to upholding high standards of corporate governance, accountability and transparency to protect and enhance the interests of shareholders.

This report describes Asia Enterprises' corporate governance policies and practices in accordance with the guidelines set out in the Code of Corporate Governance 2012 ("the Code") released by the Council on Corporate Disclosure and Governance in May 2012. This report also includes disclosure requirements under the Best Practices Guide and the Interested Person Transactions in the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual.

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

On 6 August 2018, the Monetary Authority of Singapore issued a revised Code of Corporate Governance (the "2018 Code") and accompanying Practice Guidance. The 2018 Code supersedes and replaces the Code and will apply to annual reports covering financial years from 1 January 2019. The Company will review and set out the corporate practices in place to comply with the 2018 Code, where appropriate, in the next Annual Report.

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with management to achieve this objective and management remains accountable to the Board.

The Board oversees the business affairs of Asia Enterprises and sets the strategic direction and performance objectives of the Group as well as considers sustainability issues as part of its strategic formulation and ensures that the necessary financial and human resources are in place for the Company to meet its objectives. In addition, the Board sets the Company's values and standards (including ethical standards), ensures that obligations to shareholders and other stakeholders are understood and met. The Board also identifies the key stakeholder groups and recognises that their perceptions affect the Company's reputation.

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

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company.

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

The attendance of Directors at the Board and Board Committees meetings for FY2018 is as follows:

CORPORATE **GOVERNANCE**

Name of Director	Board Meeting		Audit Committee		Remuneration Committee		Nominating Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Lee Choon Bok	4	4	4	4*	2	2*	1	1*
Lee Yih Chyi, Yvonne	4	4	4	4*	2	2*	1	1*
Harmaidy	4	4	4	4*	2	2	1	1*
Teo Keng Thwan	4	4	4	4	2	2*	1	1
Tan Keh Yan, Peter	4	4	4	4	2	2	1	1
Lee Bon Leong	4	4	4	4	2	2	1	1

Note:
(*) By invitation.

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

There was no new Director appointed in the financial year ended 31 December 2018. The Board recognises the importance of appropriate training for its Directors. Newly appointed Directors are provided with a company orientation and are fully briefed on the Group's business activities, strategic direction and performance objectives. First-time Directors are provided training opportunities in areas such as accounting, legal and industry-specific knowledge as appropriate, as well as compliance, regulatory and corporate governance matters. New incoming Directors will receive a formal letter explaining their statutory duties and responsibilities as a director.

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

BOARD COMPOSITION AND GUIDANCE

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgement on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board comprises two (2) Independent Directors, two (2) Non-Executive Directors and two (2) Executive Directors.

The Board considers an "Independent Director" as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers who could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company.

The independence of each Director is reviewed annually by the NC in accordance with the Code's definition of independence. Each Director is required to complete a 'Confirmation of Independence' form to confirm his independence. The said form, which was drawn up based on the definitions and guidelines set forth in Guideline 2.3 in the Code and the Guidebook for Audit Committees in Singapore (Second Edition) ("Guidebook"), requires each Director to assess whether he considers himself independent despite not having any of the relationships identified in the Code.

CORPORATE **GOVERNANCE**

In line with Guideline 2.4 of the Code, the independence of Mr Tan Keh Yan, Peter who has served on the Board beyond nine (9) years from the date of his first appointment, was subject to particularly rigorous review by members of the Board. The relevant factors that were taken into consideration in assessing the independence of Mr Tan Keh Yan, Peter are set out under Principle 4. The NC with the concurrence of the Board is satisfied that Mr Tan Keh Yan, Peter, despite having served on the Board for more than 9 years, continues to be considered independent. Mr Tan Keh Yan, Peter abstained from the rigorous review of his independence.

The Board notes that there should be a strong and independent element on the Board to exercise objective judgement on corporate affairs independently. The Independent Directors should make up at least half of the Board where the Chairman of the Board ("Chairman") is part of the management team and is not an Independent Director. The Board noted that the Company is required to comply with the requirement for Independent Directors to make up at least half of the Board, and is in the midst of making arrangements to change the Board composition.

Four (4) out of the six (6) Directors of the Board are non-independent. They are Mr Lee Choon Bok (Executive Chairman), Ms Lee Yih Chyi, Yvonne (Managing Director), Mr Harmaidy and Mr Teo Keng Thwan. Mr Lee Choon Bok and Ms Lee Yih Chyi, Yvonne are Executive Directors. Mr Harmaidy and Mr Teo Keng Thwan are Non-Executive Directors.

The NC has reviewed and confirmed the independence of the Independent Directors, Mr Tan Keh Yan, Peter and Mr Lee Bon Leong.

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

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

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

The Independent Directors and Non-Executive Directors have met without the presence of the Executive Directors and management at least once annually so as to facilitate a more effective check on management.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

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

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

As the Executive Chairman of the Group, Mr Lee Choon Bok will assume responsibility for:

(a) leading the Board to ensure its effectiveness in all aspects of its role;

(b) charting the strategic direction of the Group;

(c) ensuring Board meetings are held when necessary to enable the Board to perform its duties and facilitate the Company's operations;

(d) setting Board meeting agendas, reviewing all Board papers and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues;

(e) promoting a culture of openness and debate at the Board and encouraging constructive relations within the Board and between the Board and management;

(f) ensuring there is adequate, timely and relevant materials and Board papers to Board members to improve flow of information between management and the Board; and

(g) ensuring compliance with the Company's guidelines on corporate governance.

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

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

BOARD MEMBERSHIP

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

Nominating Committee

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

Tan Keh Yan, Peter (Chairman)	Lead Independent Director
Lee Bon Leong	Independent Director
Teo Keng Thwan	Non-Executive Director

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

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

(a) reviewing Board succession plans for Directors, including selection, appointment, re-election, re-appointment and termination of Directors, in particular, for the Chairman and the Managing Director;

(b) assessing and determining the independence of Directors on an annual basis;

(c) developing a process for evaluation of the performance of the Board, its Board Committees and individual Directors and making recommendations on matters arising from the results of the Board's performance evaluation;

(d) reviewing the structure, size and composition of the Board;

(e) assessing whether any Director, who has multiple listed company board representation, is able to and has been adequately carrying out his duties; and

(f) reviewing of training and professional development programs for the Board.

CORPORATE **GOVERNANCE**

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

(a) the considerable amount of experience, required expertise in the relevant industry and wealth of knowledge that the Independent Director brings to the Company;

(b) the attendance and participation of the Independent Director in the proceedings and decision making process of the Board and Board Committees meetings;

(c) the qualification and expertise of the Independent Director to provide reasonable checks and balances for the management to act as safeguard for the protection of the Company's assets and shareholders' interests;

(d) the Independent Director has provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company; and

(e) the Independent Director is able to act independently and provides overall guidance to the management.

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

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

Under the Company's Constitution, one-third of the Directors is required to retire from office by rotation every year and each Director shall retire from office at least once every three (3) years, and subject themselves to re-election by Shareholders at the Company's annual general meeting. All Directors to be re-elected have to be assessed and recommended by the NC before submission to the Board for approval.

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

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

The NC has reviewed and recommended the re-election of Mr Lee Bon Leong and Mr Harmaidy who are retiring at the forthcoming Annual General Meeting ("AGM") to be held on 18 April 2019. The Board has accepted the recommendations and the retiring Directors will be offering themselves for re-election at the forthcoming AGM.

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

CORPORATE **GOVERNANCE**

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

Name of Director	**Lee Bon Leong**	**Harmaidy**
Date of appointment	3 May 2012	22 July 2005
Date of last re-election	21 April 2016	21 April 2016
Age	72	66
Country of principal residence	Singapore	Singapore
The Board's comments on the NC's recommendation for re-election	The Board has accepted the NC's recommendation, who has reviewed and considered Mr Lee Bon Leong's performance as an Independent Director of the Company	The Board has accepted the NC's recommendation, who has reviewed and considered Mr Harmaidy's performance as a Non-Executive Director of the Company
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job title	Independent Director, Chairman of Remuneration Committee, Member of Audit Committee and Nominating Committee	Non-Executive Director, Member of Remuneration Committee
Professional qualifications	Master of Laws from the University of Singapore	Diploma in Electronic Engineering from Ngee Ann Polytechnic
Working experience and occupation(s) during the past 10 years	• Founding Consultant of Lee Bon Leong & Co (Advocates & Solicitor) (2018 – Present) • Practising Solicitor in Lee Bon Leong & Co (Advocates & Solicitor) (1971 – 2018)	• Director of Sin Hock Chong Company Private Limited (1984 – Present)
Shareholding interest in the listed issuer and its subsidiaries	Nil	Mr Harmaidy holds 18,539,650 shares of the Company, and is deemed to have an interest in the 21,332,375 shares held by Sin Hock Chong Company Private Limited.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 720(1))	Yes	Yes

CORPORATE **GOVERNANCE**

Name of Director	Lee Bon Leong	Harmaidy
Other Principal Commitments Including Directorships	**Other Principal Commitment:** Nil **Present Directorship:** • Independent Director of AnnAik Limited • Independent Director of MegaChem Limited • Director of Kien Lee Investment Pte. Ltd. • Director of King Tower Investment Pte. Ltd. • Director of Li Lee Investment Pte. Ltd. • Director of Rectron Investments Pte. Ltd. • Director of Solid Gold Pte Ltd • Director of Sing Hup Leong Investment Pte Ltd **Past Directorship (for the past 5 years):** Nil	**Other Principal Commitment:** Nil **Present Directorship:** • Director of Asia Enterprises (Private) Limited • Director of Asia-Beni Steel Industries (Pte) Ltd **Past Directorship (for the past 5 years):** Nil
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes
If yes, please provide details of prior experience.	• Independent Director of AnnAik Limited • Independent Director of MegaChem Limited	He has been a Director of the Company since 22 July 2005
If no, please state if the director has attended or will be attending training on the roles and responsibilities of a listed issuer as prescribed by the Exchange.	N.A.	N.A.
Please provide details of relevant experience and the NC's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

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

CORPORATE **GOVERNANCE**

BOARD PERFORMANCE

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

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

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

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

ACCESS TO INFORMATION

Principle 6: In order to fulfil their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

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

The Directors, either individually or as a group, are encouraged to engage independent professional advice in the furtherance of their duties, if necessary, and at the Company's expense.

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

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

CORPORATE **GOVERNANCE**

REMUNERATION MATTERS

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Principle 8: The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Principle 9: Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

Remuneration Committee

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

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

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

(a) reviewing and recommending to the Board for approval a framework of remuneration and the specific remuneration packages which cover all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards and benefits-in-kind for all Directors and key management personnel, such that a significant proportion of the Executive Directors' and key management personnel's remuneration is structured to link rewards to corporate and individual performance;

(b) reviewing the Company's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous; and

(c) reviewing the remuneration packages of employees who are related to any Director(s) and/or substantial shareholder(s).

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

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

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

CORPORATE **GOVERNANCE**

The Board notes that there was an omission of an aggregate amount of S$12,000 of Director's fees due to Mr Teo Keng Thwan. The omission arose from the computation of the Directors' fees in accordance to the fee structure for Independent Director. The shortfall which amounted to S$12,000 in aggregate is included in the Directors' fees of S$192,000 tabled for the Shareholders' approval at the Company's forthcoming AGM.

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

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

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

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

Remuneration Report

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

Name of Director	Base Salary	Variable Payments	Other Benefits	Fees	Total
S$500,000 to S$749,999					
Lee Choon Bok	90%	8%	<1%	2%	100%
S$250,000 to S$499,999					
Lee Yih Chyi, Yvonne	86%	8%	3%	3%	100%
Below S$250,000					
Harmaidy	–	–	–	100%	100%
Teo Keng Thwan	–	–	–	100%	100%
Tan Keh Yan, Peter	–	–	–	100%	100%
Lee Bon Leong	–	–	–	100%	100%

The Company supports and is aware of the need for transparency. However, taking into consideration the relative size of the Company, the competitive business environment in which it operates and the sensitive nature of such disclosure, the Board is of the opinion that a full disclosure may have a negative impact on the Company. Nevertheless, the aggregate remuneration paid and fees payable to Directors of the Company is S$884,000 and S$192,000 respectively for FY2018.

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

CORPORATE **GOVERNANCE**

Based on the bands established above, the remuneration of each key management personnel who is not a Director or CEO is below S$250,000. However, due to the competitive nature of the industry that the Group operates in, the Board believes it is unwise to disclose the breakdown of the remuneration of these key management personnel. The aggregate compensation to the named key management personnel of the Company is S$768,000 for FY2018.

None of the Directors (including the Managing Director) and the top key management personnel (who are not Directors or the Managing Director) of the Company has received any termination, retirement, post-employment benefits for FY2018.

Below are employees in the Group, being an immediate family member of a Director, whose remuneration exceeded S$50,000 during the year.

Name of Employee	Relationship with the Relevant Director
S$200,000 to S$249,999	
Lee Yih Lin	Son of Lee Choon Bok and brother of Lee Yih Chyi, Yvonne
S$50,000 to S$99,999	
Lee Kee Chong	Brother of Lee Choon Bok and uncle of Lee Yih Chyi, Yvonne
Lee Chon Poh	Brother of Lee Choon Bok and uncle of Lee Yih Chyi, Yvonne
Lee Choon Yam	Brother of Lee Choon Bok and uncle of Lee Yih Chyi, Yvonne
Lee Choon Hock	Brother of Lee Choon Bok and uncle of Lee Yih Chyi, Yvonne

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

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

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

Disclosure to shareholders and investors is addressed in the section "Communication with Shareholders" below.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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

The AC is assigned to oversee the risk management framework and policies of the Group. The Group has implemented an enterprise risk management framework which the management reviews for adequacy and effectiveness on an annual basis. The management identifies, manages and monitors areas of significant business risks as shown on pages 25 and 26, and reports to the Board and AC on a quarterly basis.

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

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

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

AUDIT COMMITTEE

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

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

Tan Keh Yan, Peter (Chairman)	Lead Independent Director
Lee Bon Leong	Independent Director
Teo Keng Thwan	Non-Executive Director

CORPORATE **GOVERNANCE**

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

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

(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements and any formal announcements relating to the Company's financial performance before submission to the Board for approval;

(b) reviewing and reporting to the Board, at least once annually, once the adequacy and effectiveness of the internal controls, addressing financial, operational, compliance and information technology risks, and risk management systems established by management;

(c) reviewing the internal and external auditors' audit plans, scope of work and reports, reviewing management's responses and discussing any issues arising from the internal and external audits;

(d) meeting with internal and external auditors, in each case without the presence of management, at least once annually, to discuss any matters arising from the internal and external audits;

(e) reviewing the independence of the external auditor annually and making recommendations to the Board on the appointment, re-appointment and removal of the external auditor, and approving the remuneration and terms of engagement;

(f) reviewing any suspected fraud or irregularity or suspected infringement of any relevant laws, rules or regulations and reporting to the Board; and

(g) reviewing interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual.

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

The AC has direct access to the internal and external auditors and has met with them without the presence of management in FY2018.

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

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

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

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

The fees payable to RSM Chio Lim LLP, the external auditor, for FY2018 are as follows:

Services	
Audit	$77,000
Non-audit	$10,400
Total	$87,400

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

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

Whistle-blowing Framework

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

(a) independent investigations are carried out in an appropriate and timely manner;

(b) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and

(c) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balanced and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle-blowing in good faith and without malice.

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

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

INTERNAL AUDIT

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

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

(a) an effective system of internal controls is in place;

(b) the controls are functioning as intended; and

(c) operations are conducted in an effective and efficient manner.

CORPORATE **GOVERNANCE**

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

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

The AC, on an annual basis, will assess the adequacy and the effectiveness of the internal audit by examining the internal auditor's scope of work and its independence, the qualification and experiences of the internal audit team assigned and the internal auditor's report.

SHAREHOLDER RIGHTS AND COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company believes it is important to treat all shareholders fairly and equitably, and does not practice selective disclosure. In line with continuous obligations of the Company pursuant to the SGX-ST Listing Manual, the Board's policy is to ensure that all material information is disclosed to all shareholders in an adequate and timely manner.

Information is disseminated to shareholders on a timely basis through:

(a) announcements and news releases on the SGXNet;

(b) annual reports prepared and issued to all shareholders;

(c) advertisements of notices of shareholders' meetings are published in the local newspapers and announced via SGXNet; and

(d) the Group's corporate website at www.asiaenterprises.com.sg.

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

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

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

To enhance and encourage communication with investors, the Company provides IR contact information (email address and telephone number) in its annual reports, announcements and website. Shareholders and investors can send their enquiries to the Company's IR Consultants who can be reached by email or telephone.

CORPORATE **GOVERNANCE**

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

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

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

A Relevant Intermediary[1] may appoint more than 2 proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified). An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

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

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

The Company prepares minutes of the general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and management. These minutes are available to shareholders upon their requests.

DEALINGS IN SECURITIES

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

(a) the Company had devised and adopted its own internal compliance code to provide guidance to its officers with regards to dealings by the Company and its officers in its securities;

(b) officers of the Company did not deal in the Company's securities on short-term considerations; and

(c) the Company and its officers did not deal in the Company's shares (i) during the periods commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements, ending on the date of the announcement of the relevant results, and (ii) if they are in possession of unpublished price-sensitive information of the Group.

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1 A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

CORPORATE GOVERNANCE

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

MATERIAL CONTRACTS

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

INTERESTED PERSON TRANSACTIONS

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

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

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
Penta Transport Services	$173,000	Nil

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

CONFLICT OF INTEREST POLICY

The Company has adopted a conflict of interest policy on 6 February 2018 to allow the Company and its subsidiaries to identify and properly address potential conflicts of interest that may influence decision making by Directors and key management personnel in favour of his/her interests.

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

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

(a) receives or may potentially receive a financial benefit; or

(b) exercises or may exercise influence over its decisions; and

(c) to provide all material facts in relation to such benefits and influence.

SUSTAINABILITY REPORT

The Company shall issue its sustainability report for the financial year ended 31 December 2018 via the SGXNet, no later than 5 months after the end of the financial year.

RISK **MANAGEMENT**

KEY RISKS IDENTIFIED BY THE MANAGEMENT

FLUCTUATIONS IN STEEL PRICES

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

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

HIGH INVENTORY HOLDING COSTS

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

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

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

FLUCTUATIONS IN FOREIGN EXCHANGE RATES

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

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

CREDIT RISKS OF OUR CUSTOMERS

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

RISK **MANAGEMENT**

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

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

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

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

For the reporting year ended 31 December 2018, approximately 53% of our Group’s revenue was derived from customers engaging in marine and offshore related activities. From time to time, different industries experience slowdowns due to cyclical fluctuations or a decline in the general economic conditions. In the event that there is a downturn in the industries that our customers operate, particularly the marine and offshore industry, demand for the steel products and services we supply could decline and materially affect our operating results.

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

THREAT OF CYBER-ATTACKS

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

STATEMENT **BY DIRECTORS**

The Directors of the Company are pleased to present the accompanying financial statements of the Company and of the Group for the reporting year ended 31 December 2018.

1. OPINION OF THE DIRECTORS

In the opinion of the Directors,

(a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the Company and, of the financial position and performance of the Group for the reporting year covered by the financial statements or consolidated financial statements; and

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

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

2. DIRECTORS

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

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

3. DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

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

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

The Directors' interests as at 21 January 2019 were the same as those at the end of the reporting year.

STATEMENT **BY DIRECTORS**

4. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

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

5. OPTIONS

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

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

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

6. INDEPENDENT AUDITOR

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

7. REPORT OF AUDIT COMMITTEE

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

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

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

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

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

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

STATEMENT **BY DIRECTORS**

8. DIRECTORS' OPINION ON THE ADEQUACY OF INTERNAL CONTROLS

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by the management, other committees of the Board and the Board, the Audit Committee and the Board are of the opinion that the Company's internal controls, addressing financial, operational, compliance and information technology risks, are adequate as at the end of the reporting year 31 December 2018.

9. SUBSEQUENT DEVELOPMENTS

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 29 January 2019, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On behalf of the Directors

....	....
Lee Choon Bok	Lee Yih Chyi, Yvonne
Executive Chairman	Managing Director

12 March 2019

INDEPENDENT **AUDITOR'S REPORT**

To the Members of ASIA ENTERPRISES HOLDING LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the accompanying financial statements of Asia Enterprises Holding Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS (I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

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

Determination of the net realisable values of inventories

Reference is made to Note 2 on accounting policy, Note 2C on critical judgements, assumptions and uncertainties, Note 17 on inventories, and the Audit Committee's views and responses to the reported Key Audit Matters under the Corporate Governance section of the Annual Report.

As at 31 December 2018, the Group held inventories of $18.4 million (2017: $14.3 million) which is a significant balance on the statement of financial position. Inventories are stated at the lower of cost and net realisable value. The determination of the net realisable value of these inventories requires the group to make a critical and reasonable judgement on the future realisable value, which is dependent on future market trends, including the demand and supply of steel products, as well as the trend of steel prices in its key operating markets and internationally. Persistent weak end-user demand and/or oversupply of steel products may exert downward pressure on transaction volumes and steel prices to the extent that the carrying amount of inventories could exceed future expected realisable value.

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

INDEPENDENT **AUDITOR'S REPORT**

OTHER INFORMATION

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

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

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

RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS

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

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

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

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

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

(b) obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;

(c) evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;

INDEPENDENT **AUDITOR'S REPORT**

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

(e) evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditor's report is See Ling Ling, Helen.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

12 March 2019

Engagement partner – effective from year ended 31 December 2015

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Notes	Group	
		2018	**2017**
		$'000	**$'000**
Revenue	5	**37,821**	30,798
Cost of sales		**(29,912)**	(22,231)
Gross profit		**7,909**	8,567
Other income and gains	6	**987**	819
Marketing and distribution costs		**(261)**	(317)
Administrative expenses		**(7,254)**	(7,472)
Finance costs	7	**–**	(2)
Other losses	6	**(3)**	(366)
Profit before tax from continuing operations		**1,378**	1,229
Income tax income	9	**134**	9
Profit from continuing operations for the year		**1,512**	1,238
Other comprehensive income for the year, net of tax		**–**	–
Total comprehensive income for the year		**1,512**	1,238
Profit attributable to owners of the parent, net of tax		**1,718**	1,401
Loss attributable to non-controlling interests, net of tax		**(206)**	(163)
Profit for the year		**1,512**	1,238
Total comprehensive income attributable to owners of the parent		**1,718**	1,401
Total comprehensive loss attributable to non-controlling interests		**(206)**	(163)
Total comprehensive income for the year		**1,512**	1,238
Earnings per share	10	**Cents**	Cents
Earnings per share currency unit			
Basic		**0.50**	0.41
Diluted		**0.50**	0.41

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

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2018

	Notes		Group	
		31.12.2018 $'000	31.12.2017 $'000	01.01.2017 $'000
ASSETS				
Non-current assets				
Property, plant and equipment	12	**20,678**	22,679	23,404
Investment property	13	**467**	486	506
Other financial assets, non-current	15	**4,878**	1,818	–
Other assets	16	**50**	50	50
Total non-current assets		**26,073**	25,033	23,960
Current assets				
Inventories	17	**18,416**	14,275	12,824
Trade and other receivables, current	18	**8,690**	7,096	5,845
Other financial assets, current	15	**1,788**	795	12
Cash and cash equivalents	19	**48,807**	57,225	60,470
Total current assets		**77,701**	79,391	79,151
Total assets		**103,774**	104,424	103,111
EQUITY AND LIABILITIES				
Equity attributable to owners of the parent				
Share capital	20	**58,856**	58,856	58,856
Treasury shares	20	**(138)**	(138)	(138)
Retained earnings		**34,287**	34,275	33,897
Capital reserve	21	**575**	575	575
Total equity attributable to owners of the parent		**93,580**	93,568	93,190
Non-controlling interests		**5,198**	5,484	5,767
Total equity		**98,778**	99,052	98,957
Non-current liability				
Deferred tax liabilities	9	**595**	742	742
Total non-current liability		**595**	742	742
Current liabilities				
Income tax payable		**15**	12	8
Trade and other payables, current	22	**4,386**	4,618	3,404
Total current liabilities		**4,401**	4,630	3,412
Total liabilities		**4,996**	5,372	4,154
Total equity and liabilities		**103,774**	104,424	103,111

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

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2018

	Notes		Company	
		31.12.2018 $'000	31.12.2017 $'000	01.01.2017 $'000
ASSETS				
Non-current assets				
Investments in subsidiaries	14	43,530	43,530	43,530
Other financial assets, non-current	15	2,311	257	–
Total non-current assets		45,841	43,787	43,530
Current assets				
Trade and other receivables, current	18	13,632	17,784	17,017
Other financial assets, current	15	1,009	261	–
Cash and cash equivalents	19	3,393	2,470	2,942
Total current assets		18,034	20,515	19,959
Total assets		63,875	64,302	63,489
EQUITY AND LIABILITIES				
Equity				
Share capital	20	58,856	58,856	58,856
Treasury shares	20	(138)	(138)	(138)
Retained earnings		4,898	5,340	4,536
Total equity		63,616	64,058	63,254
Current liabilities				
Income tax payable		15	12	8
Trade and other payables, current	22	244	232	227
Total current liabilities		259	244	235
Total liabilities		259	244	235
Total equity and liabilities		63,875	64,302	63,489

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

STATEMENTS OF **CHANGES IN EQUITY**

YEAR ENDED 31 DECEMBER 2018

	Total Equity $'000	Attributable to Parent Sub-Total $'000	Share Capital $'000	Treasury Shares $'000	Capital Reserve $'000	Retained Earnings $'000	Non-Controlling Interests $'000
Group							
Current year:							
Opening balance at 1 January 2018	**99,052**	**93,568**	**58,856**	**(138)**	**575**	**34,275**	**5,484**
Changes in equity:							
Total comprehensive income/(loss) for the year	**1,512**	**1,718**	**–**	**–**	**–**	**1,718**	**(206)**
Dividends (Note 11)	**(1,786)**	**(1,706)**	**–**	**–**	**–**	**(1,706)**	**(80)**
Closing balance at 31 December 2018	**98,778**	**93,580**	**58,856**	**(138)**	**575**	**34,287**	**5,198**
Previous year:							
Opening balance at 1 January 2017	98,957	93,190	58,856	(138)	575	33,897	5,767
Changes in equity:							
Total comprehensive income/(loss) for the year	1,238	1,401	–	–	–	1,401	(163)
Dividends (Note 11)	(1,143)	(1,023)	–	–	–	(1,023)	(120)
Closing balance at 31 December 2017	99,052	93,568	58,856	(138)	575	34,275	5,484

	Total Equity $'000	Share Capital $'000	Treasury Shares $'000	Retained Earnings $'000
Company				
Current year:				
Opening balance at 1 January 2018	**64,058**	**58,856**	**(138)**	**5,340**
Changes in equity:				
Total comprehensive income for the year	**1,264**	**–**	**–**	**1,264**
Dividends (Note 11)	**(1,706)**	**–**	**–**	**(1,706)**
Closing balance at 31 December 2018	**63,616**	**58,856**	**(138)**	**4,898**
Previous year:				
Opening balance at 1 January 2017	63,254	58,856	(138)	4,536
Changes in equity:				
Total comprehensive income for the year	1,827	–	–	1,827
Dividends (Note 11)	(1,023)	–	–	(1,023)
Closing balance at 31 December 2017	64,058	58,856	(138)	5,340

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

CONSOLIDATED STATEMENT OF **CASH FLOWS**

YEAR ENDED 31 DECEMBER 2018

	Group	
	2018 $'000	2017 $'000
Cash flows from operating activities		
Profit before tax	**1,378**	1,229
Adjustments for:		
Interest income	**(788)**	(649)
Finance costs	**–**	2
Depreciation of investment property	**19**	20
Depreciation of property, plant and equipment	**2,137**	2,175
Gain on disposal of plant and equipment	**–**	(43)
Operating cash flows before changes in working capital	**2,746**	2,734
Inventories	**(4,141)**	(1,451)
Trade and other receivables	**(1,594)**	(1,251)
Trade and other payables	**(232)**	1,214
Net cash flows (used in)/from operations	**(3,221)**	1,246
Income taxes (paid)/refunded	**(10)**	13
Net cash flows (used in)/from operating activities	**(3,231)**	1,259
Cash flows from investing activities		
Other financial assets – increase	**(4,053)**	(2,601)
Purchase of property, plant and equipment (Note 12)	**(136)**	(1,540)
Interest received	**788**	649
Proceed from disposal of property, plant and equipment	**–**	133
Net cash flows used in investing activities	**(3,401)**	(3,359)
Cash flows from financing activities		
Dividends paid to equity owners	**(1,706)**	(1,023)
Dividends paid by a subsidiary to non-controlling interests	**(80)**	(120)
Interest paid	**–**	(2)
Net cash flows used in financing activities	**(1,786)**	(1,145)
Net decrease in cash and cash equivalents	**(8,418)**	(3,245)
Cash and cash equivalents, statement of cash flows, beginning balance	**57,225**	60,470
Cash and cash equivalents, statement of cash flows, ending balance (Note 19)	**48,807**	57,225

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 DECEMBER 2018

1. GENERAL

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

The Board of Directors approved and authorised these financial statements for issue on the date of the statement by Directors.

The Company is an investment holding company. It is listed on the SGX-ST.

The principal activities of the subsidiaries are described in the notes to the financial statements in Note 14.

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

Statement of compliance with financial reporting standards

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

Accounting convention

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

Basis of preparation of the financial statements

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

Basis of presentation

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 DECEMBER 2018

1. GENERAL (Cont'd)

Basis of presentation (Cont'd)

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

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

2. SIGNIFICANT ACCOUNTING POLICIES AND OTHER EXPLANATORY INFORMATION

2A. Significant accounting policies

Revenue recognition

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

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

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

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

Other income

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

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

2A. Significant accounting policies (Cont'd)

Employee benefits

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

Borrowing costs

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

Foreign currency transactions

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

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

2A. Significant accounting policies (Cont'd)

Income tax

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

Property, plant and equipment

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

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

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

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 DECEMBER 2018

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

2A. Significant accounting policies (Cont'd)

Investment property

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

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

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense.

Subsidiaries

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

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

2A. Significant accounting policies (Cont'd)

Business combinations

Business combinations are accounted for by applying the acquisition method. There were no acquisitions during the reporting year.

Non-controlling interests

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

Inventories

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

Impairment of non-financial assets

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 DECEMBER 2018

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

2A. Significant accounting policies (Cont'd)

Financial instruments

Recognition and derecognition of financial instruments:

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

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.

2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): As at end of the reporting year, there were no financial assets classified in this category.

3. Financial asset that is an equity investment measured at fair value through other comprehensive income (FVTOCI): As at end of the reporting year, there were no financial assets classified in this category.

4. Financial asset classified as measured at fair value through profit or loss (FVTPL): All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

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

2A. Significant accounting policies (Cont'd)

Financial instruments (Cont'd)

Classification and measurement of financial liabilities:

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

Cash and cash equivalents

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

Derivative financial instruments

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

Fair value measurement

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 DECEMBER 2018

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

2A. Significant accounting policies (Cont'd)

Fair value measurement (Cont'd)

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

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

2B. Other explanatory information

Segment reporting

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

Provisions

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 DECEMBER 2018

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

2B. Other explanatory information (Cont'd)

Treasury shares

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

2C. Critical judgements, assumptions and estimation uncertainties

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

Allowance for trade receivables:

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

Net realisable value of inventories:

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

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

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

Useful lives of property, plant and equipment:

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

3. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

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

3A. Members of a group:

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

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

3B. Related party transactions

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

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

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

Significant related party transactions:

	Group Other related parties	
	2018	**2017**
	$'000	**$'000**
Sale of goods and related services	**(9)**	(8)
Purchases of goods	**810**	545
Transport services	**173**	175
Management fees	**10**	10

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

3C. Key management compensation

	Group	
	2018	**2017**
	$'000	**$'000**
Salaries and other short-term employee benefits	**1,844**	1,970

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

	2018	**2017**
	$'000	**$'000**
Remuneration of Directors of the Company	**884**	910
Fees to Directors of the Company	**192**	177

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

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

4. FINANCIAL INFORMATION BY OPERATING SEGMENTS

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

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

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

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

(a) Steel distribution – procuring, distributing and trading of steel products.

(b) Provision of steel processing – processing of steel materials for sale.

(c) Corporate – investment and management activities.

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

NOTES TO THE **FINANCIAL STATEMENTS**

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

4A. Information about reportable segment profit or loss, assets and liabilities (Cont'd)

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

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

4B. Profit or loss from continuing operations and reconciliations

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

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

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

	Steel distribution $'000	Provision of steel processing $'000	Corporate $'000	Unallocated $'000	Total $'000
Group					
Continuing operations 2017					
Revenue by segment					
Total revenue by segment	27,063	4,378	55	–	31,496
Inter-segment sales	(141)	(502)	(55)	–	(698)
Total revenue	26,922	3,876	–	–	30,798
Recurring EBITDA	3,355	(242)	(379)	–	2,734
Depreciation	(1,900)	(295)	–	–	(2,195)
Interest income	–	–	–	649	649
Finance costs	–	–	–	(2)	(2)
ORBIT	1,455	(537)	(379)	647	1,186
Other unallocated items					43
Profit before tax from continuing operations					1,229
Income tax income					9
Profit from continuing operations					1,238
Non-controlling interests					163
Profit attributable to owners of the parent					1,401
Other material items and reconciliations:–					
Expenditure for non-current assets	1,323	217	–	–	1,540
Depreciation expense	1,900	295	–	–	2,195
Write-back of trade receivables	–	(127)	–	–	(127)
Assets and reconciliations:–					
Total assets for reportable segments	87,327	13,863	2,986	–	104,176
Unallocated assets	–	–	–	248	248
Total group assets	87,327	13,863	2,986	248	104,424
Liabilities and reconciliations:–					
Total liabilities for reportable segments	4,094	124	232	–	4,450
Other payables	–	–	–	168	168
Income tax payable	–	–	–	12	12
Deferred tax liabilities	–	–	–	742	742
Total group liabilities	4,094	124	232	922	5,372

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

4C. Geographical information

The Group's operations are located in Singapore.

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

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

	Revenue	
	2018 **$'000**	**2017** **$'000**
Singapore	**29,135**	21,638
Indonesia	**3,473**	6,458
Malaysia	**4,090**	782
Other regions	**1,123**	1,920
	37,821	30,798

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

	Non-current assets		
	31.12.2018 **$'000**	**31.12.2017** **$'000**	**01.01.2017** **$'000**
Singapore	**26,073**	25,033	23,960

5. REVENUE

	Group	
	2018 **$'000**	**2017** **$'000**
Sale of goods and related services	**35,974**	29,812
Services income	**1,500**	756
Rental income	**69**	71
Others	**278**	159
	37,821	30,798

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

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6. OTHER INCOME AND GAINS AND (OTHER LOSSES)

	Group	
	2018	**2017**
	$'000	**$'000**
Allowance for impairment on trade receivables – reversal	**5**	–
Bad debts written off and recovery costs – trade receivables	**(3)**	–
Recovery of bad debt written off	**–**	127
Dividend income	*****	*
Foreign exchange adjustments gains/(losses)	**194**	(366)
Gain on disposal of plant and equipment	**–**	43
Interest income from financial institutions	**654**	635
Other interest income	**134**	14
Net	**984**	453
Presented in profit or loss as:		
Other income and gains	**987**	819
Other losses	**(3)**	(366)
Net	**984**	453

* Less than $1,000

7. FINANCE COST

	Group	
	2018	**2017**
	$'000	**$'000**
Interest expense	**–**	2

8. EMPLOYEE BENEFITS EXPENSE

	Group	
	2018	**2017**
	$'000	**$'000**
Short-term employee benefits expense	**3,203**	3,357
Contributions to defined contribution plan	**281**	302
Other benefits	**120**	94
Total employee benefits expense	**3,604**	3,753

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9. INCOME TAX

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

	Group 2018 $'000	Group 2017 $'000
Current tax expense/(income)		
Current tax expense	**15**	12
Over adjustments in respect of prior periods	**(2)**	(21)
Subtotal	**13**	(9)
Deferred tax income		
Deferred tax income	**(147)**	–
Subtotal	**(147)**	–
Total income tax income	**(134)**	(9)

The reconciliation of income taxes below is determined by applying the Singapore corporate tax rate where the parent is situated. The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17.0% (2017: 17.0%) to profit or loss before income tax as a result of the following differences:

	Group 2018 $'000	Group 2017 $'000
Profit before tax	**1,378**	1,229
Income tax expense at the above rate	**234**	209
Expenses not deductible for tax purposes	**447**	475
Tax exemptions and rebate	**(24)**	(20)
Over adjustments to tax in respect of prior periods	**(2)**	(21)
Previously unrecognised deferred tax assets utilised this year	**(791)**	(652)
Other minor items less than 3% each	**2**	–
Total income tax income	**(134)**	(9)

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

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

	Group 2018 $'000	Group 2017 $'000
Excess of book over tax depreciation on plant and equipment	**84**	37
Tax loss carryforwards	**560**	652
Others	**–**	(37)
Previously unrecognised deferred tax assets utilised this year	**(791)**	(652)
Total deferred income tax income recognised in profit or loss	**(147)**	–

9. INCOME TAX (Cont'd)

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

	Group 31.12.2018 $'000	Group 31.12.2017 $'000	Group 01.01.2017 $'000
Deferred tax liabilities:			
Excess of net book value of plant and equipment over tax values	**826**	742	705
Others	**–**	–	37
Total deferred tax liabilities	**826**	742	742
Deferred tax assets:			
Tax loss carryforwards	**(310)**	(870)	(1,522)
Unrecognised deferred tax assets	**79**	870	1,522
Total deferred tax assets	**(231)**	–	–
Net total of deferred tax liabilities	**595**	742	742

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

	Tax losses 2018 $'000	Tax losses 2017 $'000	Tax losses 2016 $'000	Unrecognised deferred tax assets 2018 $'000	Unrecognised deferred tax assets 2017 $'000	Unrecognised deferred tax assets 2016 $'000
Unrecognised deferred tax assets:						
Unused tax losses available	**1,824**	5,118	8,953	**310**	870	1,522
Recognised deferred tax assets	**(1,359)**	–	–	**(231)**	–	–
Unrecognised deferred tax assets	**465**	5,118	8,953	**79**	870	1,522

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

10. EARNINGS PER SHARE

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

	Group 2018 $'000	Group 2017 $'000
Numerators: earnings attributable to equity:		
Profit for the year attributable to equity owners	**1,718**	1,401

	2018 '000	2017 '000
Denominators: weighted average number of equity shares		
Basic	**341,129**	341,129

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10. EARNINGS PER SHARE (Cont'd)

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

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

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

11. DIVIDENDS ON EQUITY SHARES

	Group and Company	
	2018	**2017**
	$'000	**$'000**
Final tax exempt (1-tier) dividend paid of 0.5 cents (2017: 0.3 cents) per share	**1,706**	1,023

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

12. PROPERTY, PLANT AND EQUIPMENT

	Leasehold Properties $'000	**Plant and Equipment $'000**	**Total $'000**
Group			
Cost:			
At 1 January 2017	26,746	9,125	35,871
Additions	1,167	373	1,540
Reclassifications	(3,205)	3,205	–
Disposals	–	(550)	(550)
At 31 December 2017	24,708	12,153	36,861
Additions	65	71	136
Disposals	–	(13)	(13)
At 31 December 2018	**24,773**	**12,211**	**36,984**
Accumulated depreciation:			
At 1 January 2017	3,968	8,499	12,467
Depreciation for the year	1,568	607	2,175
Disposals	–	(460)	(460)
At 31 December 2017	5,536	8,646	14,182
Depreciation for the year	1,575	562	2,137
Disposals	–	(13)	(13)
At 31 December 2018	**7,111**	**9,195**	**16,306**
Carrying value:			
At 1 January 2017	22,778	626	23,404
At 31 December 2017	19,172	3,507	22,679
At 31 December 2018	**17,662**	**3,016**	**20,678**

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

Allocation of the depreciation expense:

	31.12.2018 $'000	31.12.2017 $'000	01.01.2017 $'000
Cost of sales	**216**	211	209
Administrative expenses	**1,921**	1,964	216
	2,137	2,175	425

Certain motor vehicles at a carrying value of $309,000 (2017: $372,000) are held in trust by some of the Directors of the Company.

Fully depreciated plant still in use had an initial cost of $7,920,000 (2017: $7,496,000).

13. INVESTMENT PROPERTY

		Group	
	31.12.2018 $'000	31.12.2017 $'000	01.01.2017 $'000
At cost:			
At beginning of the year	**886**	886	886
At end of the year	**886**	886	886
Accumulated depreciation:			
At beginning of the year	**400**	380	360
Depreciation for the year	**19**	20	20
At end of the year	**419**	400	380
Net book value:			
At beginning of the year	**486**	506	526
At end of the year	**467**	486	506
Fair value for disclosure purposes only:			
Fair value at end of the year	**970**	999	1,648
Rental and service income from investment property	**69**	60	59
Direct operating expenses arising from investment property that generated rental income during the period	**(19)**	(20)	(20)

The investment properties are leased out under operating leases.

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

14. INVESTMENTS IN SUBSIDIARIES

		Company	
	31.12.2018 $'000	31.12.2017 $'000	01.01.2017 $'000
Unquoted shares at cost	**43,530**	43,530	43,530

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14. INVESTMENTS IN SUBSIDIARIES (Cont'd)

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

Name of subsidiaries, country of incorporation, place of operations and principal activities, and independent auditors	Cost in Books of Company 31.12.2018 $'000	31.12.2017 $'000	01.01.2017 $'000	Effective Percentage of Equity Held 31.12.2018 $'000	31.12.2017 $'000	1.1.2017 $'000
Held by the Company:						
Asia Enterprises (Private) Limited (1) Singapore Importing, exporting and marketing of steel products	**41,130**	41,130	41,130	**100**	100	100
Asia-Beni Steel Industries (Pte) Ltd (1) Singapore Processing and marketing of steel products	**2,400**	2,400	2,400	**60**	60	60

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

The subsidiary that have non-controlling interests are not considered material to the Group.

15. OTHER FINANCIAL ASSETS

	Group 31.12.2018 $'000	31.12.2017 $'000	01.01.2017 $'000
Balance is made up of:			
Non-current:			
A. Investments in debt assets instruments at amortised cost	**4,878**	1,818	–
Total non-current portion	**4,878**	1,818	–
Current:			
B. Investment at FVTPL	**12**	12	12
A. Investments in debt assets instruments at amortised cost	**1,776**	783	–
Total current portion	**1,788**	795	12
Total at end of the year	**6,666**	2,613	12

	Company 31.12.2018 $'000	31.12.2017 $'000	01.01.2017 $'000
Balance is made up of:			
Non-current:			
A. Investments in debt assets instruments at amortised cost	**2,311**	257	–
Total non-current portion	**2,311**	257	–
Current:			
A. Investments in debt assets instruments at amortised cost	**1,009**	261	–
Total current portion	**1,009**	261	–
Total at end of the year	**3,320**	518	–

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15. OTHER FINANCIAL ASSETS (Cont'd)

15A. Investments in debt asset instruments at amortised cost

Movements in balances

	Group		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Movements during the year – at amortised cost:			
Amortised cost at beginning of the year	**2,601**	–	–
Additions at cost	**5,452**	2,604	–
Redemption at cost	**(1,253)**	–	–
Deaccretion in amortised cost	**(146)**	(3)	–
Amortised cost at end of the year	**6,654**	2,601	–

	Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Movements during the year – at amortised cost:			
Amortised cost at beginning of the year	**518**	–	–
Additions at cost	**3,103**	518	–
Redemption at cost	**(250)**	–	–
Deaccretion in amortised cost	**(51)**	–	–
Amortised cost at end of the year	**3,320**	518	–

Disclosures relating to investments in debt asset instruments at amortised cost

	Group					
	31.12.2018 $'000	**%**	**31.12.2017 $'000**	**%**	**01.01.2017 $'000**	**%**
Investments in debt asset instruments:						
Quoted bonds in corporations with fixed interest of 6.00% and maturing on 29 August 2049 (effective rate 2.18%), Singapore – at amortised cost	**–**	**–**	783	30	–	–
Quoted bonds in corporations with fixed interest of 3.80% and maturing on 25 February 2166 (effective rate 2.93% – 3.00%), Singapore – at amortised cost	**508**	**7**	513	20	–	–
Quoted bonds in corporations with fixed interest of 3.65% and maturing on 22 May 2022 (effective rate 2.95%), Singapore – at amortised cost	**251**	**4**	–	–	–	–
Quoted bonds in corporations with fixed interest of 4.70% and maturing on 3 June 2166 (effective rate 2.39% – 2.44%), Singapore – at amortised cost	**759**	**11**	–	–	–	–
Quoted bonds in corporations with fixed interest of 5.90% and maturing on 29 December 2049 (effective rate 3.82% – 4.23%), Singapore – at amortised cost	**778**	**12**	–	–	–	–

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15. OTHER FINANCIAL ASSETS (Cont'd)

15A. Investments in debt asset instruments at amortised cost (Cont'd)

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

	Group					
	31.12.2018		**31.12.2017**		**01.01.2017**	
	$'000	**%**	**$'000**	**%**	**$'000**	**%**
Investments in debt asset instruments (Cont'd):						–
Quoted bonds in corporations with fixed interest of 4.75% and maturing on 1 April 2026 (effective rate 2.83% – 3.22%), Singapore – at amortised cost	**521**	**8**	–	–	–	–
Quoted bonds in corporations with fixed interest of 4.75% and maturing on 8 December 2165 (effective rate 4.15%), Singapore – at amortised cost	**510**	**7**	–	–	–	–
Quoted bonds in corporations with fixed interest of 4.45% and maturing on 17 December 2025 (effective rate 3.28% – 3.33%), Singapore – at amortised cost	**511**	**8**	–	–	–	–
Quoted bonds in corporations with fixed interest of 4.40% and maturing on 23 January 2026 (effective rate 3.10%), Singapore – at amortised cost	**258**	**4**	–	–	–	–
Quoted bonds in corporations with fixed interest of 4.30% and maturing on 19 May 2026 (effective rate 3.27%), Singapore – at amortised cost	**256**	**4**	–	–	–	–
Quoted bonds in corporations with fixed interest of 4.60% and maturing on 19 January 2026 (effective rate 2.63%), Singapore – at amortised cost	**262**	**4**	–	–	–	–
Quoted bonds in corporations with fixed interest of 4.20% and maturing on 18 September 2028 (effective rate 4.17%), Singapore – at amortised cost	**250**	**3**	–	–	–	–
Quoted bonds in corporations with fixed interest of 4.00% and maturing on 29 December 2049 (effective rate 2.96%), Singapore – at amortised cost	**512**	**8**	521	20	–	–
Quoted bonds in corporations with fixed interest of 4.75% and maturing on 19 May 2166 (effective rate 2.42%), Singapore – at amortised cost	**767**	**12**	784	30	–	–
Quoted bonds in corporations with fixed interest of 4.30% and maturing on 3 December 2025 (effective rate 3.15%), Singapore – at amortised cost	**511**	**8**	–	–	–	–
Total investments in debt assets instruments at amortised cost	**6,654**	**100**	2,601	100	–	–

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15. OTHER FINANCIAL ASSETS (Cont'd)

15A. Investments in debt asset instruments at amortised cost (Cont'd)

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

	Company					
	31.12.2018		**31.12.2017**		**01.01.2017**	
	$'000	**%**	**$'000**	**%**	**$'000**	**%**
Investments in debt asset instruments:						
Quoted bonds in corporations with fixed interest of 6.00% and maturing on 29 August 2049 (effective rate 2.18%), Singapore – at amortised cost	**–**	**–**	261	51	–	–
Quoted bonds in corporations with fixed interest of 3.80% and maturing on 25 February 2166 (effective rate 2.93%), Singapore – at amortised cost	**254**	**7**	257	49	–	–
Quoted bonds in corporations with fixed interest of 3.65% and maturing on 22 May 2022 (effective rate 2.95%), Singapore – at amortised cost	**251**	**7**	–	–	–	–
Quoted bonds in corporations with fixed interest of 4.70% and maturing on 3 June 2166 (effective rate 2.39% – 2.44%), Singapore – at amortised cost	**759**	**23**	–	–	–	–
Quoted bonds in corporations with fixed interest of 5.90% and maturing on 29 December 2049 (effective rate 3.82%), Singapore – at amortised cost	**260**	**8**	–	–	–	–
Quoted bonds in corporations with fixed interest of 4.75% and maturing on 1 April 2026 (effective rate 3.22%), Singapore – at amortised cost	**259**	**8**	–	–	–	–
Quoted bonds in corporations with fixed interest of 4.75% and maturing on 8 December 2165 (effective rate 4.15%), Singapore – at amortised cost	**255**	**8**	–	–	–	–

15. OTHER FINANCIAL ASSETS (Cont'd)

15A. Investments in debt asset instruments at amortised cost (Cont'd)

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

	Company					
	31.12.2018		31.12.2017		01.01.2017	
	$'000	%	$'000	%	$'000	%
Investments in debt asset instruments (Cont'd):						
Quoted bonds in corporations with fixed interest of 4.45% and maturing on 17 December 2025 (effective rate 3.28%), Singapore – at amortised cost	**256**	**8**	–	–	–	–
Quoted bonds in corporations with fixed interest of 4.40% and maturing on 23 January 2026 (effective rate 3.10%), Singapore – at amortised cost	**258**	**8**	–	–	–	–
Quoted bonds in corporations with fixed interest of 4.30% and maturing on 19 May 2026 (effective rate 3.27%), Singapore – at amortised cost	**256**	**8**	–	–	–	–
Quoted bonds in corporations with fixed interest of 4.60% and maturing on 19 January 2026 (effective rate 2.63%), Singapore – at amortised cost	**262**	**8**	–	–	–	–
Quoted bonds in corporations with fixed interest of 4.20% and maturing on 18 September 2028 (effective rate 4.17%), Singapore – at amortised cost	**250**	**7**	–	–	–	–
Total investments in debt assets instruments at amortised cost	**3,320**	**100**	518	100	–	–

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

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

15. OTHER FINANCIAL ASSETS (Cont'd)

15A. Investments in debt asset instruments at amortised cost (Cont'd)

Credit rating of the debt asset instruments at amortised cost

The debt investments carried at amortised cost are subject to the expected credit loss model under the standard on financial instruments. The debt investments at amortised cost are considered to have low credit risk, and the loss allowance recognised during the reporting year is limited to 12 months expected losses. Listed bonds are regarded as of low credit risk if they have an investment grade credit rating with one or more reputable rating agencies. Other bonds are regarded as of low credit risk if they have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. The methodology applied for impairment loss depends on whether there has been a significant increase in credit risk.

15B. Investments at FVTPL

Movements in balances

	2018 $'000	2017 $'000
Movements during the year:		
Fair value at beginning and end of the year	**12**	12

Disclosures relating to investments at FVTPL

	Level	31.12.2018 $'000	31.12.2017 $'000	01.01.2017 $'000
Quoted equity shares:				
Trading companies and distributors industry: Singapore	1	**12**	12	12

Sensitivity analysis for price risk of equity shares at FVTPL

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

16. OTHER ASSETS

	Group		
	31.12.2018 $'000	31.12.2017 $'000	01.01.2017 $'000
Club membership at cost	**300**	300	300
Allowance for impairment	**(250)**	(250)	(250)
	50	50	50
Movements in above allowance:			
Balance at beginning of the year	**(250)**	(250)	(200)
Charge to profit or loss included in other losses	**–**	–	(50)
Balance at end of the year	**(250)**	(250)	(250)

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

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

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17. INVENTORIES

	Group		
	31.12.2018	**31.12.2017**	**01.01.2017**
	$'000	**$'000**	**$'000**
Finished goods and goods for resale	**17,267**	13,250	11,733
Raw material and processed steel	**1,149**	1,025	1,091
	18,416	14,275	12,824
The amount of inventories charged to cost of sales	**28,541**	20,881	21,417

There are no inventories pledged as security for liabilities.

18. TRADE AND OTHER RECEIVABLES, CURRENT

	Group		
	31.12.2018	**31.12.2017**	**01.01.2017**
	$'000	**$'000**	**$'000**
Trade receivables:			
Outside parties	**9,741**	8,227	6,985
Less allowance for impairment	**(1,323)**	(1,328)	(1,328)
Related party (Note 3)	**–**	–	2
Net trade receivables – subtotal	**8,418**	6,899	5,659
Other receivables:			
Other receivables	**261**	188	177
Deposits to secure services	**11**	9	9
Net other receivables – subtotal	**272**	197	186
Total trade and other receivables	**8,690**	7,096	5,845

	Company		
	31.12.2018	**31.12.2017**	**01.01.2017**
	$'000	**$'000**	**$'000**
Other receivables:			
Subsidiary (Note 3)[(a)]	**12,403**	16,029	16,000
Dividends receivable from a subsidiary	**1,200**	1,749	1,000
Other receivables	**29**	6	17
	13,632	17,784	17,017

	Group		
	31.12.2018	**31.12.2017**	**01.01.2017**
	$'000	**$'000**	**$'000**
Movement in above allowance:			
Balance at beginning of the year	**(1,328)**	(1,328)	(1,433)
Reversal to profit or loss included in other gains	**5**	–	105
Balance at end of the year	**(1,323)**	(1,328)	(1,328)

(a) The interest charged for the unsecured loan to subsidiary is between 1.31% to 1.80% (2017: 1.25% to 1.30%) per annum. There is no fixed term for the repayment of the loan.

NOTES TO THE **FINANCIAL STATEMENTS**

18. TRADE AND OTHER RECEIVABLES, CURRENT (Cont'd)

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

	Gross amount		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Group			
Trade receivables			
Current	**4,831**	3,478	4,491
1 to 30 days past due	**1,238**	2,738	269
31 to 60 days past due	**463**	295	236
Over 60 days past due	**3,209**	1,716	1,991
Total	**9,741**	8,227	6,987

The loss allowance balance as at end of the reporting year is $1,323,000 (31.12.17: $1,328,000 and 01.01.2017: $1,328,000). This loss allowance balance represented 41.2% (31.12.17: 77.4% and 01.01.2017: 66.7%) over the trade receivables past due more than 60 days.

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

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

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

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivables customers is 30 to 90 days (2017: 30 to 90 days). But some customers take a longer period to settle the amount.

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

	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Group			
Top 1 customer	**2,043**	3,389	1,012
Top 2 customers	**3,649**	3,789	1,594
Top 3 customers	**4,142**	4,047	1,913

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

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

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19. CASH AND CASH EQUIVALENTS

	Group		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Not restricted in use	**48,807**	57,225	60,470

	Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Not restricted in use	**3,393**	2,470	2,942

The rates of interest on interest earning balances of $48,807,000 (2017: $57,225,000) for the group was between 1.70% and 2.87% (2017: 0.5% and 1.7%) per annum.

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

20. SHARE CAPITAL

	Number of shares issued '000	**Share capital $'000**	**Treasury shares $'000**	**Total $'000**
Group and Company				
Ordinary shares of no par value:				
Balance at the beginning of 1 January 2017 and end of the year 31 December 2017 and 31 December 2018	341,129	58,856	(138)	58,718

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

Capital management

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

20. SHARE CAPITAL (Cont'd)

Capital management (Cont'd)

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

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

21. CAPITAL RESERVE

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

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

22. TRADE AND OTHER PAYABLES, CURRENT

	Group		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Trade payables:			
Outside parties and accrued liabilities	**4,116**	4,445	3,352
Related parties (Note 3)	**4**	5	27
Trade payables – subtotal	**4,120**	4,450	3,379
Other payables:			
Advance from customers	**33**	23	–
Others	**233**	145	25
Other payables – subtotal	**266**	168	25
Total trade and other payables	**4,386**	4,618	3,404

	Company		
	31.12.2018 $'000	**31.12.2017 $'000**	**01.01.2017 $'000**
Trade payables:			
Outside parties and accrued liabilities	**244**	232	227

NOTES TO THE **FINANCIAL STATEMENTS**

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23. FORWARD CURRENCY EXCHANGE CONTRACTS

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

	Principal US$'000	Reference Currency	Maturity	Fair Value (Loss)/Gain $'000
Group				
31.12.2018				
Forward currency contracts				
Sell Singapore Dollar for United States Dollar	**3,029**	**US$**	**4 March 2018 to 6 October 2019**	**–**[a]
31.12.2017				
Forward currency contracts				
Sell Singapore Dollar for United States Dollar	4,585	US$	30 January 2018 to 26 June 2018	–[a]
01.01.2017				
Forward currency contracts				
Sell Singapore Dollar for United States Dollar	1,137	US$	4 January 2017 to 4 April 2017	–[a]

(a) Amount less than $1,000.

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

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

24. ITEMS IN PROFIT OR LOSS

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

	Group 2018 $'000	Group 2017 $'000
Audit fees to the independent auditor of the Company	**77**	76
Other fees to the independent auditor of the Company	**10**	10
	87	86

NOTES TO THE **FINANCIAL STATEMENTS**

25. OPERATING LEASE PAYMENT COMMITMENTS – AS LESSEE

At the end of the reporting year, the total of future minimum lease payment commitments under non-cancellable operating leases is as follows:

	Group	
	2018	**2017**
	$'000	**$'000**
Not later than one year	**956**	987
Later than one year and not later than five years	**3,066**	3,376
Later than five years	**10,977**	12,108
Rental expense for the year	**963**	1,016

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

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS

26A. Categories of financial assets and liabilities

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

		Group	
	31.12.2018	**31.12.2017**	**01.01.2017**
	$'000	**$'000**	**$'000**
Financial assets:			
Financial assets at amortised cost	**64,151**	66,922	66,315
Financial assets at fair value through profit or loss	**12**	12	12
At end of the year	**64,163**	66,934	66,327
Financial liabilities:			
Financial liabilities measured at amortised cost	**4,386**	4,618	3,404
At end of the year	**4,386**	4,618	3,404

		Company	
	31.12.2018	**31.12.2017**	**01.01.2017**
	$'000	**$'000**	**$'000**
Financial assets:			
Financial assets at amortised cost	**20,345**	20,772	19,959
At end of the year	**20,345**	20,772	19,959
Financial liabilities:			
Financial liabilities measured at amortised cost	**244**	232	227
At end of the year	**244**	232	227

Further quantitative disclosures are included throughout these financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**

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26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (Cont'd)

26B. Financial risk management

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

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

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

26C. Fair values of financial instruments

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

26D. Credit risk on financial assets

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

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

Note 19 discloses the maturity of the cash and cash equivalents balances. Cash and cash equivalents are also subject to the impairment requirements of the standard on financial instruments. There was no identified impairment loss.

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (Cont'd)

26E. Liquidity risk – financial liabilities maturity analysis

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be settled at their contractual maturity. There are no liabilities contracted to fall due after twelve months at the end of the reporting year. The average credit period taken to settle trade payables is about 46 days (2017: 73 days). The other payables are with short-term durations. The classification of the financial assets is shown in the statement of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

		Group	
	31.12.2018	**31.12.2017**	**01.01.2017**
	$'000	**$'000**	**$'000**
Bank facilities:			
Undrawn borrowing facilities	**74,228**	70,296	83,928
Banker's guarantee	**12**	5	32

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

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

26F. Interest rate risk

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

		Group	
	31.12.2018	**31.12.2017**	**01.01.2017**
	$'000	**$'000**	**$'000**
Financial assets with interest:			
Floating rate	**7,957**	6,638	16,506
Fixed rate	**47,504**	53,188	43,964
Total at end of the year	**55,461**	59,826	60,470

		Company	
	31.12.2018	**31.12.2017**	**01.01.2017**
	$'000	**$'000**	**$'000**
Financial assets with interest:			
Floating rate	**12,646**	16,149	16,492
Fixed rate	**6,470**	2,868	2,450
Total at end of the year	**19,116**	19,017	18,942

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

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

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26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (Cont'd)

26F. Interest rate risk (Cont'd)

Sensitivity analysis:

	Group 31.12.2018 $'000	Group 31.12.2017 $'000	Group 01.01.2017 $'000
Financial assets:			
A hypothetical increase in interest rates by 100 basis points with all other variables held constant, would have an increase in pre-tax profit for the year by	**80**	66	165

	Company 31.12.2018 $'000	Company 31.12.2017 $'000	Company 01.01.2017 $'000
Financial assets:			
A hypothetical increase in interest rates by 100 basis points with all other variables held constant, would have an increase in pre-tax profit for the year by	**126**	161	165

26G. Foreign currency risk

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

Analysis of amounts denominated in non-functional currency:

	Group - US$ 31.12.2018 $'000	Group - US$ 31.12.2017 $'000	Group - US$ 01.01.2017 $'000
Financial assets:			
Cash and cash equivalents	**4,387**	7,104	1,853
Loans and receivables	**1,683**	20	16
Total financial assets	**6,070**	7,124	1,869
Financial liabilities:			
Trade and other payables	**(1,542)**	(2,327)	(23)
Total financial liabilities	**(1,542)**	(2,327)	(23)
Net financial assets at end of the year	**4,528**	4,797	1,846

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

26. FINANCIAL INSTRUMENTS: INFORMATION ON FINANCIAL RISKS (Cont'd)

26G. Foreign currency risk (Cont'd)

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

Sensitivity analysis:

	Group		
	31.12.2018	**31.12.2017**	**01.01.2017**
	$'000	**$'000**	**$'000**
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the US$ with all other variables held constant would have an adverse effect on post-tax profit/(loss) of	**(453)**	(480)	(185)

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

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

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

27. CHANGES AND ADOPTION OF FINANCIAL REPORTING STANDARDS

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements. The date of transition to SFRS(I)s is 1 January 2017. The statement of financial position as at 1 January 2017 is also presented. Its last financial statements in accordance with previous GAAP were for the year ended 31 December 2017.

SFRS (I) No.	Title
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)
SFRS(I) 9	Financial Instruments
SFRS(I) 15	Revenue from Contracts with Customers.
	Amendments to, Clarifications to SFRS(I) 15 Revenue from Contracts with Customers

SFRS 109 Financial Instruments:

The standard on financial instruments contains requirements for the classification and measurement of financial assets and financial liabilities, impairment, hedge accounting and derecognition. It requires all recognised financial assets to be subsequently measured at amortised cost or fair value (through profit or loss or through other comprehensive income), depending on their classification. For financial liabilities, it also has requirements to cases where the fair value option is taken. For the impairment of financial assets, it introduces an ECL model; recognition of a credit loss should no longer wait for there to be objective evidence of impairment. For hedge accounting, it allows financial statements to better reflect how risk management activities are undertaken when hedging financial and non-financial risk exposures. Prior reporting periods need not be restated. The entity may restate prior periods if, and only if, it is possible without the use of hindsight. Therefore, the standard has been applied for the reporting year ended 31 December 2018 only. There are no restatement made to the carrying amount at 1 January 2018 in the opening retained earnings/equity.

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

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

SFRS No.	Title	Effective date for periods beginning on or after
SFRS(I) 16	Leases (and Leases – Illustrative Examples & Amendments to Guidance on Other Standards)	1 January 2019

The financial reporting standard on leases is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessor, the accounting remains largely unchanged. As for the finance leases of a lessee, as the financial statements have already recognised an asset and a related finance lease liability for the lease arrangement, the application of the new reporting standard on leases is not expected to have a material impact on the amounts recognised in the financial statements. For the lessee almost all leases will be brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. For the entity's non-cancellable operating lease commitments as at 31 December 2018 shown in Note 25, the entity will have to recognise a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements. However, it is not practicable to provide a reasonable financial estimate of that effect until the detailed review by management is completed.

STATISTICS OF **SHAREHOLDINGS**

AS AT 19 MARCH 2019

SHAREHOLDERS' INFORMATION

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

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

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

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 –99	23	1.41	1,166	0.00
100 – 1,000	67	4.10	34,315	0.01
1,001 – 10,000	499	30.56	2,382,982	0.70
10,001 – 1,000,000	1,010	61.85	61,768,142	18.11
1,000,001 and above	34	2.08	276,942,282	81.18
	1,633	100.00	341,128,887	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1	Shenton Investment Pte Ltd	127,377,350	37.34
2	Sin Hock Chong Company Private Limited	21,332,375	6.25
3	Harmaidy	18,539,650	5.43
4	Minh-Chieh Investments Pte Ltd	17,337,708	5.08
5	Koh Suew Leng	14,346,067	4.21
6	Tan Wai See	8,920,000	2.61
7	DBS Nominees (Private) Limited	7,608,300	2.23
8	Phillip Securities Pte Ltd	6,404,152	1.88
9	DB Nominees (Singapore) Pte Ltd	5,850,000	1.71
10	HSBC (Singapore) Nominees Pte Ltd	4,601,250	1.35
11	Lee Choon Bok	3,816,216	1.12
12	Yap Hwee Hong	3,434,616	1.01
13	Yeo Seng Chong	2,750,000	0.81
14	Koh Siak Lin, Victor	2,584,408	0.76
15	Raffles Nominees (Pte.) Limited	2,261,000	0.66
16	Lew Wing Kit	2,237,900	0.66
17	Ang Hao Yao (Hong Haoyao)	2,091,350	0.61
18	Chua Leong Hai @ Chua Leang Hai	2,080,000	0.61
19	Tan Pei Hong Alex (Chen Peifeng)	2,068,900	0.61
20	Estate of Yeo Eng Hock, Deceased	2,020,708	0.59
	Total:	257,661,950	75.53

STATISTICS OF **SHAREHOLDINGS**

AS AT 19 MARCH 2019

PERCENTAGE OF SHAREHOLDING IN PUBLIC HANDS

Based on the information provided to the Company as at 19 March 2019, approximately 44.49% of the issued ordinary shares of the Company are held by the public. Accordingly the Company has complied with Rule 723 of the SGX-ST Listing Manual.

LIST OF SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 19 March 2019)

Name of Substantial Shareholder	Number of Shares (Direct Interest)	Number of Shares (Deemed Interest)	Total	%
Shenton Investment Pte Ltd	127,377,350	–	127,377,350	37.34
Sin Hock Chong Company Private Limited	21,332,375	–	21,332,375	6.25
Minh-Chieh Investments Pte Ltd	17,337,708	–	17,337,708	5.08
Lee Choon Bok (a director)	3,816,216	127,377,350[1]	131,193,566	38.46
Lee Yih Chyi, Yvonne (a director)	70,000	131,193,566[2]	131,263,566	38.48
Harmaidy (a director)	18,539,650	21,332,375[3]	39,872,025	11.69
Teo Keng Thwan (a director)	77,958	17,375,208[4]	17,453,166	5.12
Lee Yih Hwan	660,000	131,193,566[2]	131,853,566	38.65

Notes:

1. Deemed interest arises from shares held by Shenton Investment Pte Ltd.
2. Deemed interest arises from 127,377,350 shares held by Shenton Investment Pte Ltd and 3,816,216 shares held by Lee Choon Bok.
3. Deemed interest arises from shares held by Sin Hock Chong Company Private Limited.
4. Deemed interest arises from 17,337,708 shares held by Minh-Chieh Investments Pte Ltd and 37,500 shares held by Yu Ming Hsuan, spouse of Teo Keng Thwan.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Asia Enterprises Holding Limited (the "Company") will be held at 3 Pioneer Sector Walk, Singapore 627897, on Thursday, 18 April 2019 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2018 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a first and final tax-exempt (one-tier) dividend of 0.5 cents per ordinary share for the financial year ended 31 December 2018. (2017: 0.5 cents per ordinary share) **(Resolution 2)**

3. To re-elect Mr Harmaidy, a Director who is retiring pursuant to Regulation 104 of the Constitution of the Company. **(Resolution 3)**

   [See Explanatory Note (i)]

4. To re-elect Mr Lee Bon Leong, a Director who is retiring pursuant to Regulation 104 of the Constitution of the Company. **(Resolution 4)**

   [See Explanatory Note (ii)]

5. To approve the payment of Directors' fees of S$192,000 for the financial year ended 31 December 2018. (FY2017: S$177,000) **(Resolution 5)**

6. To re-appoint RSM Chio Lim LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

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

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as an Ordinary Resolution, with or without any modifications:

8. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST Listing Manual")**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the SGX-ST Listing Manual the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("shares") whether by way of rights issue, bonus issue or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

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

   (the "***Share Issue Mandate***")

NOTICE OF **ANNUAL GENERAL MEETING**

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraph (1) above, the total number of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

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

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

(Resolution 7)

[See Explanatory Note (iii)]

By Order of the Board

Chew Kok Liang/Seah Hai Yang
Company Secretaries
Singapore, 2 April 2019

NOTICE OF **ANNUAL GENERAL MEETING**

Explanatory Notes:

(i) Mr Harmaidy, will upon re-election as a Director of the Company remain as a Non-Executive Director, and a member of the Remuneration Committee. Please refer to Corporate Governance Report on pages 13 to 14 of the Annual Report for the detailed information required pursuant to Rule 720(6) of the SGX-ST Listing Manual.

(ii) Mr Lee Bon Leong, will upon re-election as a Director of the Company remain as an Independent Director, Chairman of the Remuneration Committee, and a member of the Audit and Nominating Committees. Mr Lee Bon Leong will be considered independent pursuant to Rule 704(8) of the SGX-ST Listing Manual. Please refer to Corporate Governance Report on pages 13 to 14 of the Annual Report for the detailed information required pursuant to Rule 720(6) of the SGX-ST Listing Manual.

(iii) Ordinary Resolution 7, if passed, will empower the Directors of the Company from the date of this Annual General Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company.

For determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

Notes:

1. A Member of the Company (other than a Relevant Intermediary*) entitled to attend and vote at the Annual General Meeting (the "Meeting") may appoint not more than two proxies to attend and vote in his/her stead. A member of the Company, which is a corporation, is entitled to appoint its authorised representative or proxy to vote on its behalf. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (which number and class of shares shall be specified.)

3. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at 3 Pioneer Sector Walk Singapore 627897 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

*A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

PERSONAL DATA PRIVACY

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

NOTICE OF **BOOKS CLOSURE**

NOTICE OF BOOKS CLOSURE FOR THE FIRST AND FINAL TAX-EXEMPT (ONE-TIER) DIVIDEND

Reference is made to the Results Announcement on 29 January 2019 for the financial year ended 31 December 2018.

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 17 May 2019 for the purpose of determining the entitlements of the Company's shareholders (the "Shareholders") to a first and final tax-exempt (one-tier) dividend of 0.5 cent per ordinary share.

For the avoidance of doubt, in the case where the registered Shareholder is the Central Depository (Pte) Limited ("CDP") the dividend warrants shall be issued to the CDP and credited to the depositors' securities accounts with the CDP in proportion to the number of shares of the Company standing to the credit of each depositor's securities account with the CDP as at 5.00 pm (Singapore time) on 16 May 2019.

Duly completed registrable transfers received by the Company's Share Registrar, RHT Corporate Advisory Pte. Ltd., at 9 Raffles Place #29-01 Republic Plaza Tower 1 Singapore 048619 up to 5.00 p.m. on 16 May 2019 will be registered to determine entitlements to the said dividend.

Payment of the dividend, if approved by the Members at the Annual General Meeting to be held on 18 April 2019 will be made on 29 May 2019.

By Order of the Board

Chew Kok Liang/Seah Hai Yang
Company Secretaries
Singapore, 2 April 2019

ASIA ENTERPRISES HOLDING LIMITED
(Company Registration No. 200501021H)
(Incorporated in the Republic of Singapore)

PROXY FORM
(Please see notes overleaf before completing this Form)

IMPORTANT:
1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We*, ______________________ (Name) ______________ (NRIC/Passport Number/Company Regn. No.)

of ____ (Address)

being a member/members* of ASIA ENTERPRISES HOLDING LIMITED (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or* failing him/her* (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing him/her/them*, the Chairman of the meeting as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the Annual General Meeting ("**AGM**") of the Company to be held at 3 Pioneer Sector Walk, Singapore 627897 on 18 April 2019 at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for or against the Resolutions proposed at the AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies* will vote or abstain from voting at his/her/their* discretion.

(If you wish to exercise all your votes "For" or "Against", please indicate with a tick (✓) within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions relating to:	For	Against
Ordinary Business			
1	Audited Financial Statements for the financial year ended 31 December 2018		
2	Payment of proposed first and final tax-exempt (one-tier) dividend		
3	Re-election of Mr Harmaidy as a Director		
4	Re-election of Mr Lee Bon Leong as a Director		
5	Approval of Directors' fees amounting to S$192,000 for the financial year ended 31 December 2018		
6	Re-appointment of RSM Chio Lim LLP as Auditors		
Special Business			
7	Authority to allot and issue new shares		

Dated this ______ day of ______________ 2019

Total number of Shares held

____
Signature(s) of Shareholder(s)
And/or Common Seal of Corporate Shareholder

*Delete where inapplicable

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members of the Company, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A Member of the Company (other than a Relevant Intermediary*), entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 3 Pioneer Sector Walk, Singapore 627897 not less than 48 hours before the time appointed for holding the Meeting.
4. Where a Member (other than a Relevant Intermediary*) appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
5. A Relevant Intermediary* may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him/her (which number or class of shares shall be specified).
6. Subject to note 9, completion and return of this instrument appointing a proxy shall not preclude a Member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a Member attends the Meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its common seal or under the hand of an attorney or duly authorised officer. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.
9. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or Supplementary Retirement Scheme ("SRS Investor") (as may be applicable) may attend and cast his/her vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as his/her proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

*A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act, Chapter 19 of Singapore or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act, Chapter 289 of Singapore, and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act, Chapter 36 of Singapore, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the Member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the Member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 2 April 2019.

CORPORATE **INFORMATION**

BOARD OF DIRECTORS
Lee Choon Bok *Executive Chairman*
Lee Yih Chyi, Yvonne *Managing Director*
Harmaidy *Non-Executive Director*
Teo Keng Thwan *Non-Executive Director*
Tan Keh Yan, Peter *Lead Independent Director*
Lee Bon Leong *Independent Director*

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

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

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

COMPANY SECRETARIES
Chew Kok Liang (LLB) (Hons)
Seah Hai Yang (FCA)

REGISTERED OFFICE
3 Pioneer Sector Walk
Singapore 627897
Tel (65) 6223 6377
Fax (65) 6861 9486
www.asiaenterprises.com.sg

SHARE REGISTRAR
RHT Corporate Advisory Pte. Ltd.
9 Raffles Place #29-01
Republic Plaza Tower 1
Singapore 048619
Tel (65) 6381 6888
Fax (65) 6381 6967

AUDITORS
RSM Chio Lim LLP
8 Wilkie Road, #03-08
Wilkie Edge
Singapore 228095
See Ling Ling, Helen
Partner-in-charge
(Appointed with effect from financial year ended 31 December 2015)

INVESTOR RELATIONS CONSULTANT
Octant Consulting
7500A Beach Road
The Plaza #04-329
Singapore 199591
Tel (65) 6296 3583

ASIA ENTERPRISES HOLDING LIMITED
COMPANY REG NO: 200501021H

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