2017 ANNUAL REPORT

SIN GHEE HUAT
CORPORATION

MOVING BEYOND **THE STORM**

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COMPANY **PROFILE**

A MAJOR "ONE-STOP" DISTRIBUTOR OF STAINLESS STEEL PRODUCTS

Sin Ghee Huat Corporation Ltd is a public company listed on the mainboard of Singapore Exchange Securities Trading Limited. We have a track record of more than 30 years in the sales and distribution of stainless steel products and have grown to be a major stockist and "one-stop" distributor of 304/304L and 316/316L grades of austenitic stainless steel as well as duplex steel products and specialty metals. These include pipes, fittings, plates, bars, tubes and flanges which we source from reputable suppliers in China, Europe, Japan, South Korea and Taiwan.

Our main warehouse facilities in Singapore are located at 62 Tuas Basin Link Singapore 638776 and 32 Gul Crescent Singapore 629537. Our warehouse facility in China is located at Suzhou Industrial Park, PRC.

BOARD OF **DIRECTORS**

MR GOH CHEE WEE, 71

Mr Goh Chee Wee was first appointed an Independent Director and Non- Executive Chairman of the Company on 28 October 2009, and was last re-elected a Director on 21October 2015. He is currently also a director of Beng Kuang Marine Ltd, Chailease Holding Company Ltd, King Wan Corporation Ltd and Stamford Tyres Corporation Ltd, all of which are listed companies.

Mr Goh was formerly a Member of Parliament and Minister of State for Trade & Industry, Labour and Communications. He holds a Bachelor of Science (First Class Honours) degree and a Diploma in Business Administration from the then University of Singapore, and a Master of Science (Engineering) degree from the University of Wisconsin, USA.

MR KUA GHIM SIONG, 39

Mr Kua Ghim Siong, our Chief Executive Officer ("CEO"), was appointed an Executive Director of the Company on 25 October 2012. He was appointed Interim CEO of the Company on 1 September 2012 and subsequently appointed CEO of the Company on 1 August 2013. He is responsible for corporate strategic direction and general management of the Group, and concurrently oversees the purchasing functions. He joined the Company as Sales Executive in April 2004 after graduation, and assumed the role of Assistant Purchasing Manager in October 2006. Ghim Siong was promoted to Purchasing and Logistics Manager on 1 August 2010 and was Senior Manager, Purchasing & Logistics/China Operations from 1 August 2011 to 24 October 2012. He holds a Bachelor of Commerce from the University of Western Australia.

TAN LYE HENG PAUL, 51

Tan Lye Heng Paul was appointed an Independent Director of the Company on 1 March 2007, and was last re-elected a Director on 19 October 2016. He is a practising public accountant and a Director of CA TRUST PAC. He has over 25 years of auditing experience working as an auditor in public accounting firms and a 2-year stint as an internal auditor of a large Singapore public listed company. He is a Practising Management Consultant of Singapore Business Advisors & Consultants Council. Paul holds a Master Degree in Business Administration (MBA) from the University of Birmingham, United Kingdom. He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom, and a Fellow of the Institute of Singapore Chartered Accountants.

Paul is also an Independent Director of Serial System Ltd, Second Chance Properties Ltd and China Sunsine Chemical Holdings Ltd, the shares of which are traded on the Singapore Exchange.

MR HOON TAI MENG, 65

Mr Hoon Tai Meng was appointed an Independent Director of the Company on 1 March 2007, and was last re-elected a Director on 19 October 2016. He is currently an Executive Director of Chip Eng Seng Corporation Ltd and an Independent Director of Pavillon Holdings Ltd. He was formerly a partner with M/s KhattarWong until June 2011.

Besides having around 15 years of experience in legal practice, Tai Meng also has approximately 20 years of experience in financial planning and management, audit and tax functions. He has a Bachelor of Commerce degree in accountancy from the then Nanyang University and a LLB (Honours) degree from the University of London. Tai Meng is a Fellow of the Chartered Institute of Management Accountants (United Kingdom), a Fellow of the Association of Chartered Certified Accountants (United Kingdom), a Fellow member of the Institute of Singapore Chartered Accountants and a Barrister-at-Law (Middle Temple, United Kingdom).

MR KUA CHEE SENG, 67

Mr Kua Chee Seng, our Business Development Director, was appointed a Director of the Company on 11 July 1979, and was last re-elected a Director on 21 October 2015. He is responsible for development of new business opportunities of the Company. Since the establishment of our Company in 1977, he has been involved in various aspects of our operations. Chee Seng holds a Bachelor of Commerce degree from the then Nanyang University.

MR KUA PENG CHUAN, 34

Mr Kua Peng Chuan, our Market Development Director, was appointed a Director of the Company on 25 October 2011, and was last re-elected a Director on 10 October 2014. He was Alternate Director to Kua Chee Hong from 11 December 2009 to 25 October 2011. Peng Chuan manages sales operations and market development. He joined the Company as Sales Executive in October 2004 after completing his National Service. He assumed the role of Sales & Marketing Manager cum Head of Market Development on 1 August 2010, and was promoted to Senior Manager, Sales & Marketing/Head of Market Development on 1 August 2011. He holds a diploma in Chemical Engineering from Temasek Polytechnic.

KEY EXECUTIVES

CHIA HUA MENG, 66

Mr Chia Hua Meng is our Chief Financial Officer. He is responsible for financial management and oversees administration functions, risk management and investor relations. Hua Meng has around 35 years of experience in financial management, accounting and general administration. Prior to joining the Company on 3 February 2010, he was Financial Controller and Secretary of another company listed on Singapore Exchange. He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and a member of the Institute of Singapore Chartered Accountants.

KUA ENG BEE, 65

Mr Kua Eng Bee is our Senior Manager for Sales and Marketing. He is responsible for the sales of our products in Singapore. He has been involved in sales and marketing since joining us in 1980. Prior to joining us, Eng Bee was with Sembawang Shipyard and Sembawang Engineering, working on-board ships and taking on a variety of responsibilities relevant to the fabrication of oil and gas offshore structures. Eng Bee completed his GCE 'O' level at Upper Thomson Secondary School.

KUA CHEE KOK, 56

Mr Kua Chee Kok is our Senior Manager for Warehouse. He is responsible for the management of our warehouse operations. Prior to the establishment of our Company in 1977, Chee Kok had worked in the Kua family business, which was involved in the supply of general hardware items in Singapore. He did his secondary education at Thomson Secondary School. He was appointed to head our warehouse operations in 2000.

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS,

The oil supply-demand imbalance continues to linger on three years into the global oil crisis. Amid the prolonged economic downturn, Sin Ghee Huat (the "Group" or "Company") slipped into the red with a net loss of $274,000 for the financial year ended 30 June 2017 ("FY2017"). Group revenue shrank 36% to $33.13 million compared with $51.43 million recorded in the preceding financial year ended 30 June 2016 ("FY2016").

Many of our customers are part of the network of supply chains for the offshore and marine sectors. So is the Group, which has thrived on stainless steel as its core business for several decades. The dampening effects of the oil price slump sweeping across oil-related industries inevitably cascade down to almost all of our geographical segments in varying magnitudes.

The Group's domestic market in Singapore suffered a 24% cut in revenue for the year. Yet hardest hit were the segments beyond the Singapore shores. Rising trade protectionism posed another challenge besides competition.

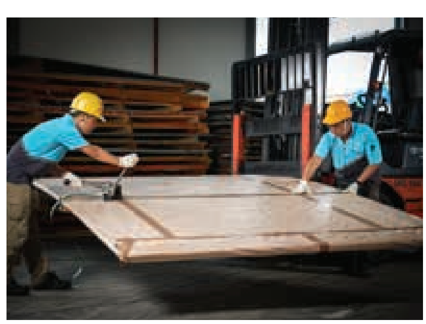
The Suzhou subsidiary managed to trim its loss to $138,000 (FY2016: $370,000) for FY2017. It was an improvement, albeit small in quantum and still a loss. More importantly, it has secured sales contracts from certain established and reputable customers for the supply of stainless steel materials for their production needs. These sales contracts will progressively translate to an increase in revenue stream beginning in the ensuing year. They provide a much needed impetus to the entity to recover lost ground and get on to a turnaround track.

The Board of Directors (the "Board") had, in the preceding year, signified that the continued presence of the Suzhou operations in China would be contingent upon achieving tangible results. Having given due consideration to the foregoing development, the Board decides that the Suzhou entity will continue with its business operations at this crucial juncture.

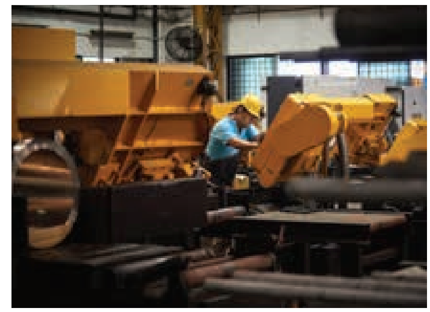
First Break SG Metals, our joint venture in New Zealand, did not fare as well as it did in its first two years of operations. The market demand turned soft in FY2017. Nevertheless, the joint venture entity is gearing up to expand its customer base and strengthen its business model moving forward.

The Group's business plan for specialty metals, which is to be part of the supply chain for the offshore subsea and oilfield sub-segments of the oil and gas sector, will take a longer time to bear fruits in light of the prolonged headwinds brewing in the industry.

We are delighted that the Group has obtained approval from Jurong Town Corporation for an extension of the lease for the warehouse located at 32 Gul Crescent. The lease extension is for a 20-year period commencing May 2021 when the present lease term expires. Following the approval of the lease extension, the warehouse will be redeveloped. When completed in about two years' time, the warehouse facility will provide enhanced storage capacity for our materials. Coupled with automation to ramp up productivity, the facility will augur well for the Group.



LETTER TO SHAREHOLDERS



The Group is blessed with a healthy balance sheet even as the equity decreased slightly to $84.47 million from $85.86 million a year ago. Net asset value was 38.1 cents (FY2016: 38.7 cents) per share.

The pace of business activities, by and large, hinges on the conditions and sentiments prevailing in the market. It will be a while before the market recovers from the current doldrums. Even then, the reality is that economic uncertainties and challenges are not going away any time soon. Come what may, the Group will stay vigilant and be resilient and responsive to the challenges ahead.

The Group has so far focused on the implementation of management systems pertaining to occupational health and safety and the environment under the ISO 14001:2004 and OHSAS 18001:2007 Standards. Going forward, our plan is to move on to the next level of sustainability governance that will dovetail with the new reporting framework as applicable to the Group's business operations.

DIVIDEND

The Company's dividend policy is to distribute not less than 50% of its net profit after tax as dividends, taking into considerations such factors as projected capital expenditure requirements, investment plans, cash balances and financial performance of the Group.

In view of the healthy cash position, the Board has recommended the payment of a Final one-tier tax exempt dividend of 0.2 cents per share in respect of the financial year ended 30 June 2017. If approved by the shareholders at the forthcoming Annual General Meeting to be held on 19 October 2017, the proposed dividend amounting to $444,000 will be paid out entirely from accumulated past earnings.

APPRECIATION

On behalf of the Board, we would like to thank all our valued shareholders for your understanding and continued support. We also thank our customers and business associates for their support and patronage. To the management and staff of the Group, we express our sincere appreciation for their dedication and hard work during this difficult time. With the understanding and support of all stakeholders, we will together ride out the storm.

Goh Chee Wee
Chairman

Kua Ghim Siong
Chief Executive Officer

OPERATING AND **FINANCIAL REVIEW**

REVENUE

In the face of a prolonged depressed market, the Group's revenue fell 36% to $33.13 million for the financial year ended 30 June 2017 ("FY2017") compared with $51.43 million posted in FY2016, the preceding financial year ended 30 June 2016. The persistent slump in oil-related business activities cut across the various industries which many of the Group's customers operate in or supply the products to.

	FY2017	FY2016	Increase/ (decrease)	
	$'000	$'000	$'000	%
Marine and shipbuilding	**3,196**	7,890	(4,694)	(59)
Oil & gas and petrochemical	**4,816**	3,545	1,271	36
Building and construction	**2,243**	2,320	(77)	(3)
Machining and processing	**7,376**	19,567	(12,191)	(62)
Trading and others	**15,499**	18,110	(2,611)	(14)
Total	**33,130**	51,432	(18,302)	(36)

The market sentiments remained muted. Revenue pertaining to the marine and shipbuilding industry declined to $3.20 million (FY2016: $7.89 million). Customers in the "machining and processing" industry cut back their orders as market demand for their services to support the offshore & marine and oil & gas sectors dwindled. Changes in regulations in a certain jurisdiction compounded the adverse impact on the Group's business.

Revenue for the Singapore segment declined 24% to $20.73 million compared with $27.44 million recorded in the preceding year. The drop in revenue mirrored the plight of the local offshore and marine sector affected by big spending cuts among oil majors. Whilst shipments to Indonesia dipped substantially, sales to the rest of ASEAN region hovered around the preceding year's level.

	FY2017	FY2016	Increase/ (decrease)	
	$'000	$'000	$'000	%
Singapore	**20,725**	27,442	(6,717)	(24)
Indonesia	**2,497**	9,609	(7,112)	(74)
Rest of ASEAN	**6,356**	6,171	185	3
Others	**3,552**	8,210	(4,658)	(57)
Total	**33,130**	51,432	(18,302)	(36)

The Singapore segment, our core market, accounted for 63% (FY2016: 53%) of the Group's total revenue in FY2017.

GROSS PROFIT

Gross profit amount was lower at $7.71 million (FY2016: $8.80 million) mainly due to lower sales revenue. In spite of the 36% decline in revenue for FY2017, the drop in gross profit amount was less proportionate at 12% year on year, whilst gross profit margin rose to 23% (FY2016: 17%).

A number of factors contributed to the higher gross profit margin. Certain materials were purchased at lower prices whilst some of the product items fetched better selling prices. There were less "project orders" (which were generally secured with low profit margin) in FY2017. These helped bring about a higher gross profit margin on average relative to the preceding year.

The inventory impairment provision was lower at $372,000 (FY2016: $663,000). The provisioning of inventory impairment takes into consideration the age of the inventories and the market condition prevailing in the stainless steel industry.

DISTRIBUTION COSTS AND ADMINISTRATIVE EXPENSES

Distribution costs and administrative expenses collectively decreased 5% to $8.74 million (FY2016: $9.16 million) mainly due to lower sales, manpower costs and rental expenses.

OTHER INCOME AND EXPENSES

Other operating income increased to $260,000 (FY2016: $247,000) mainly due to higher exchange gain and recovery of bad debts, as offset by a reduction in grants and subsidies. Foreign exchange gain was $100,000 (FY2016: $77,000) and bad debt recovered was $16,000 (FY2016: $nil).

Other operating expenses were lower at $44,000 (FY2016: $176,000) mainly due to lower provisions for doubtful debts.

Finance income, which mainly comprised interest earned on investment in bond securities and fixed deposits, for FY2017 was higher at $339,000 (FY2016: $307,000) mainly because of increased interest-bearing cash and cash equivalents during the year.

OPERATING AND FINANCIAL REVIEW

PROFIT AND TAX

The Group recorded a pre-tax loss of $592,000 as opposed to a pre-tax profit of $5,000 in FY2016, as the reduced gross profit resulting from lower sales revenue was insufficient to cover distribution costs and administrative expenses.

Tax credit for the year was higher at $318,000 (FY2016: $36,000) mainly due to an increase in deferred tax assets. A significant portion of the deferred tax assets was attributed to tax losses which are available for offset against future taxable profits.

The result was a net loss of $274,000 for FY2017 compared with a net profit of $41,000 a year ago.

WORKING CAPITAL

Total inventories decreased 5% to $36.87 million (FY2016: $38.78 million). In view of the weak market demand, inventory purchases and replenishments were further reduced during the year. Average inventory turnover was higher at 543 days (FY2016: 358 days) as the inventories moved slower amid lower sales activities.

Trade and other receivables decreased by 10% to $10.23 million (FY2016: $11.33 million). The decrease was largely due to lower sales revenue. Receivable turnover for FY2017 was higher 103 days (FY2016: 75 days) mainly because the customers generally took a longer time to pay during this downturn.

Provision for doubtful debts was lower at $44,000 (FY2016: $193,000) in respect of specific trade receivables accounts the collection of which was uncertain. A total of $163,000 (FY2016: $144,000) of provision was written off as the debts were deemed irrecoverable.

The relative changes in operating assets and liabilities, namely trade and other receivables, inventories as well as trade and other payables, resulted in $3.59 million in net cash from operating activities compared with $11.80 million in FY2016.

The investment in joint venture was reduced to $nil (30 June 2016: $84,000) at Group level due to the loss incurred by the joint venture.

Expenditure on plant and equipment for FY2017 increased to $357,000 (FY2016: $240,000) mainly attributed to upgrading and implementation of a new ERP system.

Other financial assets were lower at $3.04 million (30 June 2016: $4.09 million) because certain bonds securities were redeemed by the issuer before maturity in FY2017. One of the bond securities has been reclassified to current assets as the Group had received notification of redemption from the bond issuer, and it has since been redeemed after the close of FY2017.

Net cash from investing activities was a positive of $989,000 (FY2016: $1.08 million) which largely comprised proceeds from redemption of the bond of $1.00 million (FY2016: $1.00 million).

The above contributed positively to the higher cash and cash equivalents of $29.74 million compared with $26.00 million a year ago.

EQUITY

The Group's financial position has remained healthy. The shareholders' fund stood at $84.47 million compared with $85.86 million a year ago. This translates to 38.1 cents per share as of 30 June 2017, slightly lower than 38.7 cents per share as of 30 June 2016. The net assets substantially comprised current assets.

SUBSIDIARIES AND JOINT VENTURE

The Suzhou subsidiary recorded an improvement in results during the year. It managed to cut its loss by 63% to $138,000 (FY2016: 370,000). We are cautiously optimistic of its achieving further improvement as it gets onto a turnaround path.

The New Zealand joint venture encountered a slowdown in market demand, resulting in the Group having to record a share of loss of the joint venture of $58,000 in FY2017 compared with a share of profit of $16,000 in the preceding year. Nevertheless, intensified efforts are underway to increase its customer base.

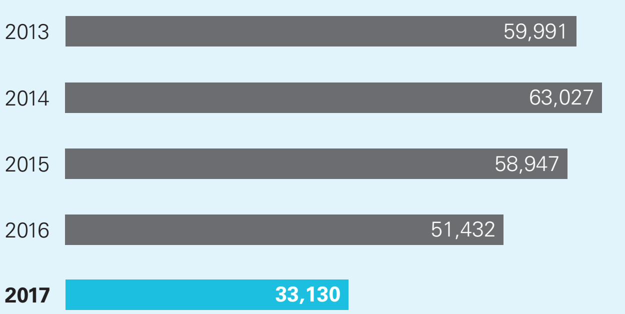
FINANCIAL HIGHLIGHTS

	FY2013	FY2014	FY2015	FY2016	FY2017
Income Statement ($'000)					
Sales revenue	59,991	63,027	58,947	51,432	**33,130**
Profit/(Loss) before tax	5,298	4,427	4,134	5	**(592)**
Profit/(Loss) after tax	4,292	3,676	3,543	41	**(274)**
Balance Sheet and Cash Flow ($'000)					
Inventories	36,415	38,231	44,749	38,776	**36,865**
Trade receivables	16,972	19,408	15,777	10,500	**9,333**
Cash and cash equivalents	23,048	18,677	16,870	26,003	**29,737**
Current assets	79,088	79,064	80,102	76,104	**77,850**
Investments in bonds	5,191	5,135	5,095	4,088	**3,038**
Total assets	92,560	92,473	94,177	88,504	**87,690**
Current liabilities	4,384	4,566	5,023	2,644	**3,218**
Total liabilities	4,384	4,640	5,066	2,644	**3,218**
Total equity	88,176	87,833	89,111	85,860	**84,472**
Net cash from operations	1,280	1,046	1,912	12,493	**3,639**
Financial Statistics					
Gross profit margin (%)	21.2%	20.1%	21.3%	17.1%	**23.3%**
Net profit margin (%)	7.2%	5.8%	6.0%	0.1%	**-0.8%**
Return on assets (%)[2]	4.6%	4.0%	3.8%	0.0%	**-0.3%**
Return on equity (%)[2]	4.9%	4.2%	4.0%	0.0%	**-0.3%**
Earnings per share (cents)	1.93	1.66	1.60	0.02	**(0.12)**
Net asset value per share (cents)	39.72	39.56	40.14	38.68	**38.05**
Dividends per share (cents)	1.80	1.50	1.50	0.50	**0.20**
Dividends amount ($'000)	3,996	3,330	3,330	1,110	**444**
Current ratio (times)	18.0	17.3	15.9	28.8	**24.2**
Inventory turnover (days)[1]	263	271	327	358	**543**
Receivables turnover (days)[2]	103	112	98	75	**103**
Payables turnover (days)[2]	18	20	19	14	**31**

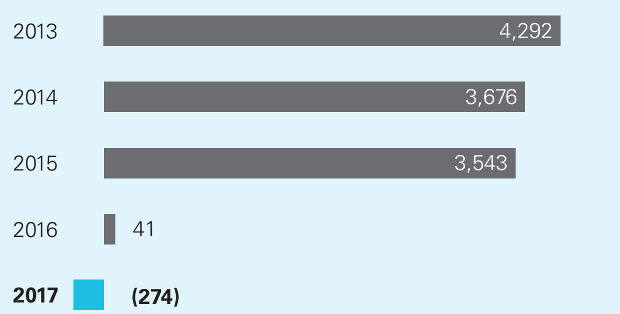
[1] average basis
[2] ending balance basis, trade

FINANCIAL **HIGHLIGHTS**

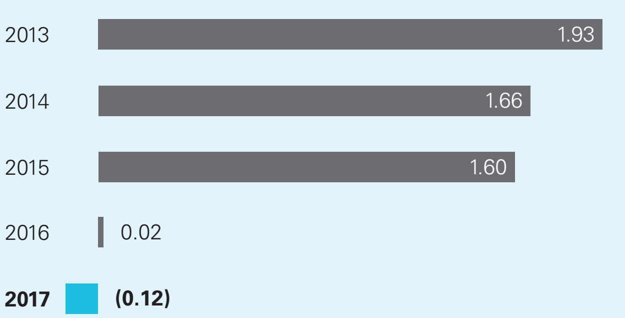
SALES REVENUE ($'000)



PROFIT AFTER TAX ($'000)

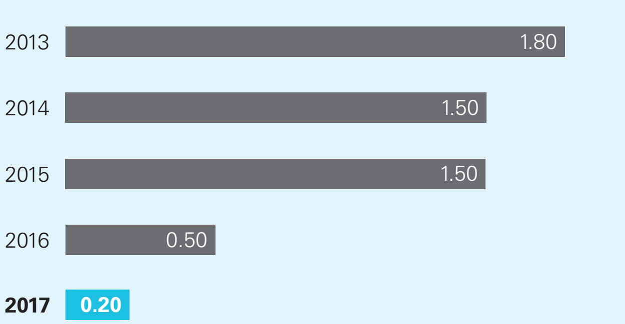


EARNINGS PER SHARE (CENTS)

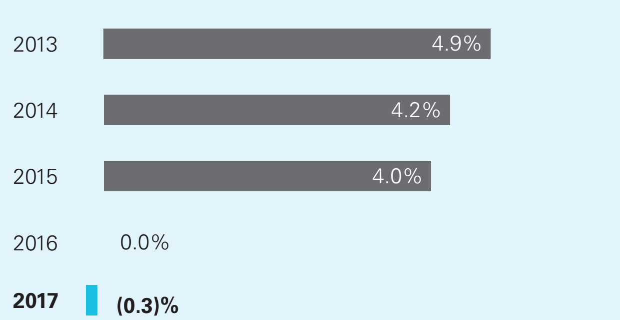


NET ASSET VALUE PER SHARE (CENTS)

DIVIDENDS PER SHARE (CENTS)



RETURN ON EQUITY (%)



CORPORATE **INFORMATION**

BOARD OF DIRECTORS

GOH CHEE WEE
Non-Executive Chairman and Independent Director

KUA GHIM SIONG
Chief Executive Officer and Executive Director

KUA CHEE SENG
Executive Director

KUA PENG CHUAN
Executive Director

HOON TAI MENG
Non-Executive and Independent Director

TAN LYE HENG PAUL
Non-Executive and Independent Director

AUDIT COMMITTEE

TAN LYE HENG PAUL (Chairman)

HOON TAI MENG

GOH CHEE WEE

NOMINATING COMMITTEE

HOON TAI MENG (Chairman)

TAN LYE HENG PAUL
GOH CHEE WEE

REMUNERATION COMMITTEE

GOH CHEE WEE (Chairman)

HOON TAI MENG

TAN LYE HENG PAUL

COMPANY SECRETARIES

JOANNA LIM LAN SIM

LOTUS ISABELLA LIM MEI HUA

REGISTERED OFFICE AND PRINCIPAL PLACE OF BUSINESS

32 Penhas Road #01-01
Singapore 208191
Tel: 6398 1118
Fax: 6398 1119
Email: enquiries@singheehuat.com.sg
Website: www.singheehuat.com.sg

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

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

AUDITORS

KPMG LLP
Public Accountants and Chartered Accountants Singapore
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

Audit Partner: Tan Yek Lee Doreen
(Appointed since financial year ended 30 June 2016)

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited
CIMB Bank Berhad
DBS Bank Limited
Bank of China, Suzhou, China

FINANCIAL **CONTENTS**

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the "Board" or the "Directors") of Sin Ghee Huat Corporation Ltd. (the "Company") recognises the importance of sound corporate governance in protecting the interests of its shareholders as well as strengthening investors' confidence in its management and financial reporting. The Company, together with its subsidiaries (the "Group"), is committed to maintaining a high standard of corporate governance to enhance corporate accountability and transparency.

This statement describes the Company's corporate governance processes and activities with specific reference to the Code of Corporate Governance 2012 (the "Code"). The Company has complied substantially with the requirements of the Code and will continue to review its practices on an ongoing basis. Where there are deviations from the Code, appropriate explanations are provided in this report or in other sections of this Annual Report. Please read this report in conjunction with the other sections of the Annual Report.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The primary role of the Board is to provide leadership, set strategic objectives and ensure that the necessary financial and human resources are in place for the Group to meet its objectives; establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the company's assets; review management performance; identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation; set the Group's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and consider sustainability issues, such as environmental and social factors, as part of its strategic formulation.

All Directors exercise due diligence and independent judgement, and are obliged to act in good faith and in the best interests of the Group.

To facilitate effective management, certain functions have been delegated to the respective board committees, namely the Audit Committee ("AC"), the Nominating Committee ("NC") and the Remuneration Committee ("RC"), each of whose members is drawn from members of the Board (together "Board Committees" and each a "Board Committee"). Each of these Board Committees has its own written terms of reference and its actions are reported to and monitored by the Board. All the Board Committees are actively engaged and play an important role in ensuring good corporate governance in the Company and within the Group.

The day-to-day management of the affairs of the Group is delegated by the Board to the Management team headed by the Chief Executive Officer.

A schedule of all the Board and Board Committees meetings for the calendar year is usually prepared in advance and distributed to the Directors. Besides the scheduled meetings, where circumstances require, ad-hoc meetings are held. All meetings are conducted in Singapore and attendance by the Directors has been regular. The attendances of the Directors at meetings of the Board and Board Committees as well as the number of such meetings during the financial year ended 30 June 2017 ("FY2017") are set out on the next page.

CORPORATE GOVERNANCE STATEMENT

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name of Directors	**No. of meetings**	**Attendance**	**No. of meetings**	**Attendance**	**No. of meetings**	**Attendance**	**No. of meetings**	**Attendance**
Goh Chee Wee	4	4	4	4	1	1	1	1
Kua Ghim Siong	4	4	NA	NA	NA	NA	NA	NA
Kua Chee Seng	4	4	NA	NA	NA	NA	NA	NA
Kua Peng Chuan	4	4	NA	NA	NA	NA	NA	NA
Tan Lye Heng Paul	4	4	4	4	1	1	1	1
Hoon Tai Meng	4	4	4	4	1	1	1	1

NA: Not Applicable.

The Company's Articles of Association (the "Articles") allow a Board meeting to be conducted by means of telephone and video conference or similar communications equipment.

The Company has formulated guidelines setting forth matters reserved for the Board's decision. The management of the Company (the "Management") is also given clear directions on matters (including set thresholds for certain operational matters relating to subsidiaries) that require the Board's approval.

Certain material corporate actions that require the Board's approval are as follows:

- Approval of quarterly and full-year financial results announcements;
- Approval of annual reports and financial statements;
- Recommendation of dividends and other returns to shareholders;
- Nomination of directors for appointment to the Board and appointment of key personnel;
- Convening of shareholders' meetings;
- Authorisation of material acquisitions and disposal of assets;
- Authorisation of major transactions; and
- Approval of internal audit report.

The Board likewise reviews and approves all corporate actions for which shareholders' final approval is required.

CORPORATE GOVERNANCE STATEMENT

The directors may attend courses, conferences and seminars and participate in discussion groups, the costs of which will be borne by the Company, to keep abreast of the latest developments which are relevant to their roles. They may also visit the Group's operational facilities and meet with the Management to gain a better understanding of the Group's business operations.

The Directors are updated on key changes in relevant regulatory requirements and financial reporting standards. New releases issued by the Singapore Exchange Securities Trading Limited ("SGX-ST") and Accounting and Corporate Regulatory Authority which are relevant to the Directors are circulated to the Board.

Annually, the external auditors update the AC and the Board on new or revised financial reporting standards, in particular, standards that could have a material impact on the Group's consolidated financial statements.

New directors, upon appointment, will be briefed on the business and organisation structure of the Group to ensure that they are familiar with the Group's structure, businesses and operations. A formal appointment letter would be issued to any new director upon his appointment setting out his duties and obligations as a director.

Principle 2: Board Composition and Guidance

The Board comprises three Executive Directors and three Independent Directors as at the date of this report. Key information regarding the Directors can be found under the "Board of Directors" section of this Annual Report. The independence of each Independent Director is reviewed annually by the NC.

The NC is of the view that the Board, with Independent Directors comprising at least one-third of the Board, has an independent element ensuring objectivity in the exercise of judgement on corporate affairs independently from the Management. The NC is also of the view that no individual or small group of individuals dominates the Board's decision-making process.

Currently, Mr Tan Lye Heng Paul and Mr Hoon Tai Meng have served on the Board for more than nine years from the date of their first appointment. In view thereof, the Board has conducted a particularly rigorous review of Mr Tan Lye Heng Paul's and Mr Hoon Tai Meng's independence. In doing so, the Board has considered the character and background of Mr Tan Lye Heng Paul and Mr Hoon Tai Meng (being long serving and who are familiar with the Group's history as well as business) and also noted that they have no relationship with the Company, its related corporations or its officers and are also independent from the executive functions of the Company as well as from the substantial shareholders of the Company.

Taking into account the views of the NC, the Board concurs that Mr Tan Lye Heng Paul and Mr Hoon Tai Meng have continued to exercise strong independence in character and judgement in their deliberations in the interests of the Company and maintains their objectivity and independence at all times in the discharge of their duties as directors of the Company. In addition, the independence of character and judgement of Mr Tan Lye Heng Paul and Mr Hoon Tai Meng were not in any way affected or impaired by the length of service. Furthermore, they have continued to express their individual viewpoints, debated issues and objectively scrutinised and challenged Management. They have sought clarification and amplification as they deemed required, including through direct access to Management.

CORPORATE GOVERNANCE STATEMENT

The Board is satisfied with the continued independence of character and judgement of Mr Tan Lye Heng Paul and Mr Hoon Tai Meng and recommends that Mr Tan Lye Heng Paul and Mr Hoon Tai Meng continue on the Board as non-executive independent directors of the Company.

The Directors consider that the Board is of the appropriate size and with the right mix of skills and experience, taking into account the nature and the scope of operations of the Group.

As a group, the Directors bring with them a broad range of expertise and experience in areas such as accounting, law, finance, business and management, industry knowledge, strategic planning and customer-based experience and knowledge. The diversity of the Directors' experience allows for the useful exchange of ideas and views.

The Independent/Non-Executive Directors aim to assist in the development of proposals on strategies by constructively challenging the Management. They also review the performance of Management in meeting agreed goals and objectives and monitor the performance.

Where warranted, the Independent/Non-Executive Directors meet without the presence of Management or the Executive Directors to review any matters that must be raised privately.

Principle 3: Chairman and Chief Executive Officer

The roles of the Chairman and the Chief Executive Officer are separate and their responsibilities are clearly defined to ensure a balance of power, increased accountability and greater capacity of the Board for independent decision making.

The Chairman of the Board is Mr Goh Chee Wee. As Chairman of the Board, Mr Goh Chee Wee leads the Board to ensure its effectiveness on all aspects of its role, including the setting of the agenda and ensuring that adequate time is available for discussion of all agenda items, in particular strategic issues; promoting a culture of openness and debate at the Board; ensuring that the directors receive complete, adequate and timely information; ensuring effective communication with shareholders; encouraging constructive relations within the Board and between the Board and Management; facilitating effective contribution of the Independent/Non-Executive Directors and; promoting high standards of corporate governance.

The Chief Executive Officer ("CEO") of the Company is Mr Kua Ghim Siong. As CEO of the Company, Mr Kua Ghim Siong leads the management team and has full executive responsibilities for the business and operational decisions of the Group.

As the Chairman, Mr Goh Chee Wee is independent and non-executive and does not have any relationship with the executive management of the Group. There is therefore no requirement for the Company to appoint a lead independent Director.

Principle 4: Board Membership

The NC, regulated by a set of written terms of reference, comprises Mr Hoon Tai Meng, Mr Tan Lye Heng Paul and Mr Goh Chee Wee, all of whom are independent/Non-Executive Directors. Mr Hoon Tai Meng, is the Chairman of the NC.

CORPORATE GOVERNANCE STATEMENT

The principal functions of the NC stipulated in its terms of reference are summarised as follows:

(a) Reviews and makes recommendations to the Board on relevant matters relating to: (i) all board appointments; (ii) board succession plans for directors, the Chairman and the CEO; (iii) process for board performance evaluation; and (iv) board training and professional development programs;

(b) Reviews the Board structure, size and composition and makes recommendations to the Board with regards to any adjustments that are deemed necessary;

(c) Reviews and determines the independence of the Board;

(d) Assesses the effectiveness of the Board and the academic and professional qualifications of each individual director; and

(e) Reviews and recommends directors retiring by rotation for re-election at each Annual General Meeting ("AGM").

In accordance with Article 107 of the Company's Articles of Association, all Directors (except for the Chief Executive Officer of the Company, which is equivalent to the position of Managing Director) shall retire from office at least once every three years by rotation. All newly appointed directors will have to retire at the next AGM following their appointments. The retiring directors are eligible to offer themselves for re-election.

The NC has reviewed the independence of each Independent Director for FY2017 in accordance with the Code's definition of independence as well as the respective director's self-declaration in the statement of director's independence.

Based on the recommendation of the NC, the Board having reviewed the relationships and length of service of each non-executive director, considers Mr Goh Chee Wee to be independent as he does not have any existing business or professional relationship with the Group or its officers that could, or be reasonably perceived to, interfere with the exercise of the director's independent business judgement with a view to the best interest of the Company. The Board also considers Mr Tan Lye Heng Paul and Mr Hoon Tai Meng (having served on the Board as non-executive independent directors beyond nine years) to be independent for the reasons as set out under "Principle 2: Board Composition and Guidance" above.

Where a Director has multiple board representations, the NC also considers whether or not the Director is able to and has adequately carried out his duties as a director of the Company. The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Company, notwithstanding that some of the directors have multiple board representations. The Board does not prescribe a maximum number of listed company board representations which any Director with multiple board representations may hold and would review the matter on a case-by-case basis taking into account the ability and performance of each Director in his performance and discharge of duties and responsibilities.

No alternate director was appointed to the Board during the year.

CORPORATE GOVERNANCE STATEMENT

The NC is responsible for identifying and recommending new board members to the Board, after considering the necessary and desirable competencies of the candidates which include (i) academic and professional qualifications; (ii) industry experience; (iii) number of directorships; (iv) relevant experience as a director; and (v) ability and effectiveness in carrying out duties and responsibilities.

The NC leads the process for board appointments and makes recommendations to the Board. The process of appointment includes:

(a) developing a framework on desired competencies and diversity on board;

(b) assessing current competencies and diversity on board;

(c) developing desired profiles of new directors;

(d) initiating search for new directors including external search, if necessary;

(e) shortlisting and interviewing potential candidates;

(f) recommending appointments to and retirements from the board; and

(g) election at general meeting.

The profiles of all Board members are set out in the section entitled "Board of Directors" which includes the date of the directors' initial appointment and last re-election and their directorships. Except as disclosed therein, there were no other directorships or chairmanships held by the Directors over the preceding three years in other listed companies.

Principle 5: Board Performance

The Board has, through the NC, implemented an annual evaluation process to assess the effectiveness of the Board as a whole and the contribution of each individual Director. The NC is also responsible for deciding how the Board's performance may be evaluated and proposes objective performance criteria for the Board's approval and implementing corporate governance measures to achieve good stewardship of the Company.

The NC sets objective performance criteria and adopts a formal system of evaluating the Board as a whole annually. These performance criteria are reviewed and approved by the Board to ensure that they allow for comparison with industry peers and address how the Board has enhanced long-term shareholder value. The assessment parameters for Board performance evaluation include evaluation of the Board's composition and conduct, Board processes and procedures, Board accountability, evaluation and succession planning. The annual evaluation exercise provides an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes had allowed him to discharge his duties effectively and to propose changes which may be made to enhance the Board effectiveness as a whole.

CORPORATE GOVERNANCE STATEMENT

The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole has been satisfactory. Although some of the Directors have other Board representations, the NC is satisfied that these Directors are able to and have effectively carried out their duties as Directors of the Company. The Board has experienced minimal competing time commitments among its members as Board meetings are planned and scheduled well in advance. In fact, the NC has noted that its members have contributed significantly in terms of time, effort and commitments during FY2017.

Taking into account the results of the assessment of the effectiveness of the Board and of the individual Directors and the respective Directors' conduct on the Board, the NC is satisfied that all the Directors have adequately carried out their duties as Directors.

Principle 6: Access to Information

Prior to Board meetings and on timely basis, Management provides the Board with meetings papers and relevant information which are necessary to enable the Board to fulfil their duties and responsibilities. The Company Secretary/Management circulates copies of the minutes of the Board meetings to all members of the Board. The Board is informed of all material events and transactions as and when they occur. These include relevant information and explanatory notes on matters that are presented to the Board, such as budgets, forecasts and business models. In relation to budgets, any material variances between projections and actual results are disclosed and explained. Timely updates on developments in accounting matters, legislation, government policies and regulations affecting the Group's business operations are provided to all directors.

The Board has separate and independent access to the Management of the Company and the Company Secretary at all times.

The Company Secretary prepares meeting agendas, attends and prepares minutes of all Board and Board Committees meetings and is responsible for ensuring that Board procedures are followed and that the Articles and relevant rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary, with the support of the Management, ensures good information flows within the Board and the Board Committees and between the Management and Independent/Non-Executive Directors.

The appointment and replacement of the Company Secretary is a matter for the Board.

The Directors, in fulfilling its responsibilities, will, as a group or individually, when deemed fit, direct the Company to appoint professional advisers to render professional advice. The costs associated with such professional services will be borne by the Company.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The RC, regulated by a set of written terms of reference, comprises Mr Goh Chee Wee, Mr Hoon Tai Meng and Mr Tan Lye Heng Paul, all of whom are Independent/Non-Executive Directors. Mr Goh Chee Wee is the Chairman of the RC.

CORPORATE GOVERNANCE STATEMENT

The principal functions of the RC stipulated in its terms of reference are summarised as follows:

(a) To review and recommend to the Board a formal and transparent framework of remuneration for the Board and key management personnel, review and make remuneration recommendations, in consultation with the Chairman of the Board the specific remuneration packages for:

- Executive Director;
- Non-Executive and Non-Independent Director;
- Independent Director;
- the key management personnel of the Group (who are not also directors or the CEO), as appropriate; and
- employees who are immediate family members of a director or CEO, as appropriate.

(b) To review the design of any long term incentive schemes for approval by the Board and shareholders and to determine whether executive directors and key management personnel should be eligible for benefits under long-term incentives schemes.

(c) To review 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. The RC should aim to be fair and avoid rewarding poor performance.

(d) To review and determine the link between remuneration paid to executive Directors and key management personnel with performance taking into account long-term and short-term incentive schemes.

(e) To review the ongoing appropriateness and relevance of the remuneration policy in place for the Officers described in (a) above.

The RC's recommendation for directors' fees had been endorsed by the Board, following which it will be tabled for shareholders' approval at the Company's AGM. No member of the RC or the Board participated in the deliberation of his own remuneration.

The RC would obtain professional advice on remuneration matters when there is a need to do so.

The Executive Directors and key management personnel have entered into service agreements/contracts of service with the Company. The service agreements/contracts of service cover the terms of employment, specifically salary, performance-based incentive/bonus and other benefits. The service agreements of the Executive Directors include terms for termination with a notice period not exceeding six months. The contracts of service of key management personnel include terms for termination with a notice period of two months.

CORPORATE GOVERNANCE STATEMENT

Principle 8: Level and Mix of Remuneration

The remuneration policy of the Group seeks to reward good performance and attract, retain and motivate all employees, including Directors and key management personnel of the Company.

The RC reviews the Service Agreements of the Company's Executive Directors and the Service Contracts of key management personnel periodically, including the compensation commitments and notice period for termination to ensure that they are not excessively long. The Company has entered into separate Service Agreements with the Executive Directors, Mr Kua Ghim Siong, Mr Kua Peng Chuan and Mr Kua Chee Seng.

The Company has a share option scheme known as Sin Ghee Huat Share Option Scheme (the "Scheme") which was approved by the shareholders on 27 February 2007. The Scheme was granted for a maximum of 10 years and it has expired on 26 February 2017. No options have been granted since the adoption of the Scheme up till its expiration. Details of the Sin Ghee Huat Share Option Scheme are provided on page 32 of this Annual Report.

The Independent/Non-Executive Directors are paid Directors' fees of an agreed amount, which are determined by the Board, appropriate to the level of their contributions, taking into account factors such as efforts and time spent and their responsibilities. The fees are subject to shareholders' approval at the AGM. Except as disclosed, the Independent/Non-Executive Directors do not receive any other remuneration from the Company.

The Company has in place a policy which will enable the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company or fraud by Executive Directors or key management personnel.

Principle 9: Disclosure on Remuneration

Details of remuneration of the Directors for the financial year ended 30 June 2017 are set out below:

Name of Directors	Fixed Component	Variable Component	Directors' Fee	Total
Below $250,000				
Kua Ghim Siong[(1)]	100%	–	–	100%
Kua Chee Seng	100%	–	–	100%
Kua Peng Chuan	100%	–	–	100%
Goh Chee Wee	–	–	100%	100%
Hoon Tai Meng	–	–	100%	100%
Tan Lye Heng Paul	–	–	100%	100%

(1) In addition, the Company has provided Kua Ghim Siong with a car.

Saved as disclosed above, no Director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the Director or with a firm of which he is a member or with a company in which he has a substantial financial interest.

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Details of remuneration of the key management personnel (who are not directors or the CEO) of the Company for the financial year ended 30 June 2017 are set out below:

Name of Key Management Personnel	Designation	Fixed Component	Variable Component	Total
Below $250,000				
Chia Hua Meng	Chief Financial Officer	100%	–	100%
Kua Chee Kok[(1)]	Senior Manager (Warehouse)	100%	–	100%
Kua Eng Bee[(2)]	Senior Manager (Sales and Marketing)	100%	–	100%

(1) Kua Chee Kok is a sibling of Kua Chee Seng; and an uncle of Kua Ghim Siong and Kua Peng Chuan.
(2) Kua Eng Bee is a cousin of Kua Chee Seng; and an uncle of Kua Ghim Siong and Kua Peng Chuan.

There were only three key management personnel (who are not directors or the CEO) whom the Company considered as top key management personnel (who are not directors or the CEO). The total remuneration in aggregate paid to the top key management personnel (who are not directors or the CEO) referred to in the foregoing paragraph as required by Guideline 9.3 was $484,000.

The Board has deliberated as regards the Code's recommendations to fully disclose the remuneration of directors and the top key management personnel (who are not directors or the CEO). The Board is of the opinion that, in view of the confidentiality and sensitivity on remuneration matters, such disclosure would not be in the best commercial interest of the Company.

The employees whose remuneration exceeded $50,000 for the financial year ended 30 June 2017 and who are immediate family members of the Directors or the CEO are as follows:

$50,000 to $150,000
Kua Chee Meng[(1)]
Kua Eng Wah (deceased)[(2)]
Kua Bee Hong[(3)]
Kua Choo Geok[(4)]

(1) Kua Chee Meng is a sibling of Kua Chee Seng; and an uncle of Kua Ghim Siong and Kua Peng Chuan.
(2) Kua Eng Wah (deceased) was the father of Kua Ghim Siong; a cousin of Kua Chee Seng; and an uncle of Kua Peng Chuan.
(3) Kua Bee Hong is a sibling of Kua Chee Seng; an aunt of Kua Ghim Siong; and Kua Peng Chuan.
(4) Kua Choo Geok is a sibling of Kua Peng Chuan; a niece of Kua Chee Seng; and a cousin of Kua Ghim Siong.

In view of the confidential nature and sensitivity of employee remuneration and the Company's concern over pouching of employees by competitors, the Company has opted to disclose the remuneration of employees (who are immediate family members of the Directors or the CEO) in incremental bands of $100,000 rather than in incremental bands of $50,000. The Board is of the view that such disclosure would be sufficient to provide an overview of their remuneration.

The RC has reviewed and approved the remuneration packages of the Directors and the key management personnel, having regard to their contributions as well as the financial performance of the Group and has ensured that the Directors and key management personnel are adequately but not excessively remunerated.

CORPORATE **GOVERNANCE STATEMENT**

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board is mindful of its obligations to provide shareholders with a balanced assessment of the Company's performance and prospects and ensure timely disclosure of material information in compliance with statutory reporting requirements. Price sensitive information is first publicly released after the review by the Board, either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual reports are announced or issued within legally prescribed periods.

Management provides the Board with management accounts of the Group's performance and prospects regularly and upon request. The Management provides the Board and Board Committees with a continual flow of relevant information on a timely basis in order that it may effectively discharge its duties and responsibilities.

Principle 11: Risk Management and Internal Controls

Management strives to maintain a sound system of internal controls to safeguard shareholders' investment in the Company and the Group's assets. The Board acknowledges that it is responsible for the overall internal control framework, and works with Management to ensure that the system of internal controls maintained by Management is sound, adequate and effective.

A system of internal controls is designed to manage, rather than eliminate, the risk of failure to achieve business objectives. It aims to provide reasonable, rather than absolute, assurance against material misstatement or loss, as no cost-effective internal control system would preclude all errors and irregularities. The Group's system of internal controls includes documented policies and procedures, segregation of duties, approval procedures and authorities, as well as checks-and-balances built into the business and operational processes.

The Board has established a Risk Management Committee ("RMC"), which is a sub-committee of the AC. The RMC comprises Mr Kua Ghim Siong, Mr Kua Chee Seng, Mr Kua Peng Chuan and Mr Chia Hua Meng. Mr Kua Ghim Siong is the Chairman of the RMC.

The principal functions of the RMC are:

- To review, formulate and make recommendations to the Management on risk matters and risk management;
- To oversee the risk management function and the Enterprise Risk Management framework.

The RMC works closely with the AC to ensure that an effective internal control and risk management system, encompassing financial, operational, compliance and information technology ("IT") controls within the Group, is in place.

The Group's Enterprise Risk Management Framework ("ERM Framework") governs the risk management process within the Group. The ERM Framework enables the identification, prioritisation, assessment, management and monitoring of key or significant risks applicable to the Group's business. The risk management process covers, inter alia, financial, operational, IT and compliance risks relevant to the Group.

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The AC, with the assistance of the internal and external auditors, reviews the adequacy and effectiveness of the Group's internal control systems including financial, operational, compliance and IT controls and risk management systems.

The process used by the AC to monitor and review the effectiveness of the system of internal controls and risk management includes:

(a) discussions with Management on risks identified;

(b) the audit processes;

(c) the review of internal and external audit plans; and

(d) the review of significant issues, if any, arising from internal and external audits.

The Board has received assurance from the CEO and the Chief Financial Officer ("CFO") that the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances as well as the effectiveness of the Company's risk management and internal control systems.

Based on (i) the Group's framework of management control, (ii) the internal control policies and procedures established and maintained by the Group, as well as (iii) the regular audits, monitoring and reviews performed by the internal and external auditors, the Board, with the concurrence of the AC, is of the opinion that the systems of internal controls and risk management within the Group are adequate and effective, including the financial, operational, compliance and IT controls and risk management which have been maintained by the Group's management and which were in place during the financial year ended 30 June 2017.

Principle 12: Audit Committee

The AC, regulated by a set of written terms of reference, comprises three Independent/Non-Executive Directors, Mr Tan Lye Heng Paul, Mr Hoon Tai Meng and Mr Goh Chee Wee, all of whom have the appropriate accounting experience or related financial management expertise or experience. Mr Tan Lye Heng Paul is the Chairman of the AC.

The AC has explicit authority to investigate any matter within its terms of reference, full access to and the co-operation of Management and has full discretion to invite any director or executive officer to attend its meetings, and has been given adequate resources to enable it to discharge its functions.

The AC holds periodic meetings to perform the following functions:

(a) review with the external and internal auditors their audit plans, their evaluation of the relevant system of internal controls, audit report, management letter and management's response;

CORPORATE GOVERNANCE STATEMENT

(b) review the annual and quarterly financial statements of the Company and the Group before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with financial reporting standards as well as compliance with the statutory/regulatory requirements of the SGX-ST, Companies Act of Singapore and such other regulations under the laws of Singapore;

(c) review the internal control and procedures and ensure co-ordination between the external auditors and the Management, review the assistance given by the management to the auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of the Management where necessary);

(d) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results and/or financial position and the management's response;

(e) consider the appointment or re-appointment of the external auditors and matters relating to resignation or dismissal of the auditors;

(f) review transactions falling within the scope of Chapter 9 and Chapter 10 of the Listing Manual of the SGX-ST;

(g) review any potential conflict of interests;

(h) review and approve any procedures for entering into hedging transactions;

(i) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

(j) generally to undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, and by such amendments made thereto from time to time.

In the event that a member of the AC is interested in any matter being considered by the AC, he will abstain from reviewing that particular transaction or voting on that particular resolution.

The AC meets with the external auditors and internal auditors, in the absence of Management, at least once a year.

Where the external auditors also supply a substantial volume of non-audit services, the AC will conduct a review to satisfy that the nature and extent of such services do not prejudice the independence and objectivity of the external auditors. The AC will constantly bear in mind the need to maintain a balance between the independence and objectivity of the external auditors and the work carried out by the external auditors based on value-for-money considerations. The external auditors have unrestricted access to the AC.

CORPORATE GOVERNANCE STATEMENT

The AC reviews annually the non-audit services provided by external auditors and determines whether the provision of such services affects their independence. The breakdown of fees (audit and non-audit services) paid to auditors is set out on page 73 of the financial statements.

Having reviewed the nature and extent of non-audit services rendered by the external auditors to the Group for the year ended 30 June 2017, the AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC had therefore recommended to the Board the nomination of Messrs KPMG LLP, for re-appointment as external auditors of the Company at the forthcoming AGM. The external auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

In recommending the re-appointment of the external auditors, the AC considered and reviewed various factors including the adequacy of resources, experience of supervisory and professional staff to be assigned to the audit, the size and complexity of the Group and its businesses and operations.

The Group has in place a whistle-blowing policy which provides a channel for employees of the Group to report and raise, in good faith and in confidence, their concerns, if any, about possible improprieties in financial or other matters. To facilitate independent investigation of such matters and appropriate follow-up actions, the Group's employees may raise their concerns directly to the AC members via email or at their address.

A summary of the AC's activities for the financial year ended 30 June 2017 is as follows:

(a) reviewed the financial statements of the Company and the Group before the announcement of the quarterly and full-year results;

(b) reviewed the key areas of Management judgment applied for adequate provisioning and disclosure, critical accounting policies and any significant changes made that would have a material impact on the financial statements;

(c) reviewed and approved both the Group's internal auditors' and external auditors' plans to ensure that the plans covered sufficiently in terms of audit scope in reviewing the significant internal controls comprising financial, operational, IT and compliance controls of the Group;

(d) reviewed the independence and objectivity of the internal and external auditors through discussions with the internal and external auditors;

(e) reviewed non-audit fees;

(f) reviewed the appointment of different auditors for the Group's subsidiaries;

(g) reviewed the accounting, auditing and financial reporting matters so as to ensure that an effective system of control is maintained in the Group;

(h) reviewed the internal audit functions and discussed accounting implications of major transactions including significant financial reporting issues; and

(i) reviewed interested party transactions.

CORPORATE GOVERNANCE STATEMENT

The AC and the Board have reviewed the appointment of different auditors for the Group's subsidiaries and are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Company. The AC is satisfied that the Company has complied with the Listing Rules 712, 715 and 716.

No former partner or director of the Company's existing auditing firm is a member of the AC.

FINANCIAL REPORTING AND KEY AUDIT MATTER	
The following key audit matters were discussed between external auditors and management, and reviewed by the AC.	
Key audit matter	**How the matter was addressed by the AC**
Valuation of inventories	The AC considered the approach, methodology and assumptions used by management for assessing the inventory valuation including the policy relating to a write-down for slow moving and/or obsolete inventories. The AC also discussed with management and the external auditors and was of the view that the inventory valuation at lower of cost and net realisable value was reasonable.
Valuation of trade and other receivables	The AC considered the approach and methodology adopted by management for assessing allowance for doubtful debts. The AC sought clarification from management on collectability of receivables which were past due. The AC also discussed with the external auditors on the valuation of the trade and other receivables and found the allowance for doubtful debts to be adequate and the valuation of the trade and other receivables to be appropriate.

Principle 13: Internal Audit

The Group has outsourced its internal audit function to Baker Tilly TFW, an external professional firm, to perform the review and test of controls of its processes. The internal auditors report directly to the Chairman of the AC.

The AC approves the appointment, termination, evaluation and compensation of the internal auditors. The internal auditors have unfettered access to the Company's documents, records and personnel.

The AC assesses periodically the adequacy of internal control function in terms of resources needed and its appropriate standing within the Group.

The AC is assured that Baker Tilly TFW meets the standards set out by both nationally and internationally recognised professional bodies, and is satisfied that the internal auditors are qualified and experienced personnel.

The internal auditors plan their internal audit work in consultation with the AC. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. The internal auditors conducted an annual review of the effectiveness of the Group's systems of internal controls, including financial, operational and compliance risks, and reported their findings to the AC. There was no significant risk or material weakness in internal controls reported by the internal auditors to the AC for the financial year.

CORPORATE GOVERNANCE STATEMENT

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholders Rights
Principle 15: Communication with Shareholders
Principle 16: Conduct of Shareholder Meetings

The Board recognises the importance of regular and timely communication with the shareholders.

The Company does not practise selective disclosure. In line with continuous obligations of the Company pursuant to the Listing Manual of the SGX-ST, it is the Board's policy that all shareholders should be equally informed, on a timely basis, of all major developments within the Group. Price-sensitive information and results are released to the public through SGXNET on a timely basis in accordance with the requirements of SGX-ST.

The Company keeps its website updated and maintains an Investor Relations section for shareholders' convenience. Announcements made through SGXNET are also posted on the Company's website.

The Company is reviewing its investor relations policy with a view to improving communication with the shareholders and will keep the shareholders informed.

Shareholders are encouraged to attend the general meetings to stay informed of the Company's strategies and goals and to ensure a high level of accountability by the Management. Notice of general meetings is despatched to shareholders, together with explanatory notes or a circular on items of special business (if necessary), at least 14 days or 21 days, as the case maybe, before the meeting. The Board welcomes questions from shareholders who have an opportunity to raise issues either informally or formally before or at general meetings.

Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Articles allow each shareholder to appoint up to two proxies to attend AGMs and any other general meeting.

The Company's dividend policy seeks to balance return to shareholders with the need for long-term sustainable growth whilst aiming for an efficient capital structure. The current Company's dividend policy is to distribute not less than 50% of its net profit after tax as dividends, subject to factors such as projected capital expenditure requirements, investment plans, cash balance and financial performance of the Company.

At general meetings, shareholders are given the opportunity to communicate their views and direct questions to Directors and Management regarding the Company.

The Chairmen of the Board Committees are present at the AGM and other general meetings of shareholders to assist the Board in addressing shareholders' questions. The external auditors are also present at AGM to assist the Board with enquiries relating to the conduct of the audit and the preparation and content of the auditors' report.

Shareholders have the opportunity to participate effectively and to vote at the AGM either in person or by proxy.

The Company is not implementing absentia voting methods such as voting via mail, e-mail or fax until security, integrity and other issues are satisfactorily resolved. This is also subject to legislative amendment to recognise electronic voting.

CORPORATE GOVERNANCE STATEMENT

Resolutions to be passed at general meetings are always separate and distinct in terms of issue and are consistent with the Code's recommendation that companies avoid 'bundling' resolutions unless the resolutions are interdependent and linked so as to form one significant proposal.

The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the proposed resolutions and/or ask the Directors or the Management questions regarding the Company and its operations. The minutes of general meetings are prepared and made available to shareholders upon their request.

To have greater transparency in the voting process, the Company has conducted the voting of all resolutions by poll at all its general meetings. Detailed voting results of each of the resolutions tabled are announced on the same day after the meetings. The total numbers of votes cast for or against the resolutions are also announced after the meetings via SGXNET.

DEALINGS IN SECURITIES

The Company has adopted an internal policy to govern the conduct of securities transactions by its directors, officers and employees. All directors, officers and employees of the Company and its subsidiaries who have access to price sensitive information are required to refrain from dealing in the Company's securities at all times as provided under the provisions of the Securities and Futures Act Chapter 289.

The Company has issued a guideline on share dealings to all directors, officers and employees setting out the code of conduct on transactions in the Company's shares by these persons, the implications of insider trading and general guidance on the prohibition against such dealings.

Pursuant to the policy, the directors, officers and employees of the Company are prohibited from dealing in the Company's shares during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year, or one month before the full financial year, as the case may be, and ending on the date of the announcement of the relevant announcements. The directors, officers and employees are also prohibited from dealing in the Company's shares on short-term considerations under the policy.

In addition, the Company regularly reminds the directors, officers and employees that, under the provisions of the Securities and Futures Act (Cap 289), it is an offence to deal in the Company's securities while they are in possession of unpublished, price-sensitive information.

INTERESTED PERSONS TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported to the AC and that they are transacted on an arm's length basis, on normal commercial terms and will not be prejudicial to the interests of its minority shareholders.

During the financial year ended 30 June 2017, there were no material transactions entered into with interested persons which required disclosure pursuant to Rule 907 of the SGX-ST Listing Manual.

CORPORATE GOVERNANCE STATEMENT

MATERIAL CONTRACTS

Save for the Service Agreements entered into with Mr Kua Ghim Siong, Mr Kua Chee Seng and Mr Kua Peng Chuan, which are still subsisting as at the end of FY2017, there are no material contracts involving the interests of the CEO, the directors or controlling shareholders entered into by the Group which are still subsisting as at the end of the financial year or entered into during the financial year.

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 30 June 2017.

In our opinion:

(a) the financial statements set out on pages 39 to 87 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2017, and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

Directors

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

Goh Chee Wee	(Independent Director and Chairman)
Kua Ghim Siong	(Executive Director and Chief Executive Officer)
Kua Chee Seng	(Executive Director)
Kua Peng Chuan	(Executive Director)
Hoon Tai Meng	(Independent Director)
Tan Lye Heng Paul	(Independent Director)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Companies Act, Chapter 50 (the 'Act'), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations are as follows:

	Holdings in the name of the director		Holdings in which the director is deemed to have an interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
The Company				
Ordinary shares				
Kua Chee Seng	115,238	115,238	165,238	165,238
Hoon Tai Meng	40,000	40,000	–	–
Tan Lye Heng Paul	40,000	40,000	–	–
Kua Peng Chuan	11,102,000	11,102,000	–	–

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

DIRECTORS' STATEMENT

There were no changes in the above-mentioned interests between the end of the financial year and 21 July 2017.

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

Share Option Scheme

On 27 February 2007, the shareholders approved an employee share option scheme known as the Sin Ghee Huat Share Option Scheme (the 'Scheme') which shall continue to be in force for a maximum of 10 years commencing from the date of adoption. The Scheme is open to confirmed full-time employees and directors of the Company and its subsidiaries.

The Scheme is administered by the Remuneration Committee of the Company.

The Scheme entitles the option holders to exercise their options and subscribe for new ordinary shares in the Company at a fixed price or at a price set at a discount not exceeding 20% of the market price. Where an option is granted at fixed price, the exercise price is fixed to a price equal to the average of the last dealt prices of the shares for the five consecutive market days preceding the grant of the option, and the option may be exercised on the first anniversary from the date of grant of the option. Where exercise price is set at a discount, the option may be exercised on the second anniversary from the date of grant of the option. The total number of shares that may be issued shall not exceed 15% of the issued share capital of the Company.

The Scheme lapsed on 26 February 2017 on the expiry of the maximum 10-year period.

No share options have been granted since the Scheme was adopted up to the date of expiry.

During the financial year and up to the date of the expiry, no share options were granted to any of the Directors, key management personnel or employees of the Company.

Audit Committee

The Audit Committee comprises three independent and non-executive directors. The members of the Audit Committee at the date of this statement are:

Tan Lye Heng Paul (Chairman)
Hoon Tai Meng
Goh Chee Wee

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX Listing Manual and the Code of Corporate Governance.

DIRECTORS' STATEMENT

The Audit Committee has held four meetings since the last directors' statement. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

(1) assistance provided by the Company's officers to the internal and external auditors;

(2) quarterly financial information and annual financial statements of the Company and its subsidiaries prior to their submission to the directors of the Company for adoption; and

(3) interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

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

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712, 715 and 716 of the SGX Listing Manual.

Auditors

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

On behalf of the Board of Directors

Kua Ghim Siong
Director

Kua Chee Seng
Director

31 August 2017

INDEPENDENT AUDITORS' REPORT

Members of the Company
Sin Ghee Huat Corporation Ltd

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Sin Ghee Huat Corporation Ltd (the 'Company') and its subsidiaries (the 'Group'), which comprise the statements of financial position of the Group and the Company as at 30 June 2017, statements of profit or loss, comprehensive income, changes in equity and cash flow of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 39 to 87.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the 'Act') and Financial Reporting Standards in Singapore ('FRSs') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2017 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

INDEPENDENT **AUDITORS' REPORT**

Valuation of inventories (Group: S$36,865,000; Company: S$27,253,000) (Refer to Note 9 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
Inventories contribute to 42% and 31% of the Group's and Company's total assets respectively. The write-down of inventories to the lower of cost and net realisable value is based on the age of these inventories, prevailing market conditions in stainless steel industry and historical provisioning experience, which requires management judgement. This process is carried out by the management and approved by the Audit Committee and the Board of Directors.	We evaluated the appropriateness of the management's policy relating to the write down for slow moving and/or obsolete inventories. We also selected samples to test if current inventories were recorded at the lower of their cost and net realisable value by checking to the latest transaction prices. We also observed the inventories' condition during inventory counts for samples selected. Based on procedures performed, we found the resulting estimates to be balanced.

Valuation of trade and other receivables (Group: S$10,233,000; Company: S$15,839,000) (Refer to Note 10 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
Trade and other receivables represent 12% and 18% of the Group's and Company's total assets as at 30 June 2017. Any impairment of significant trade and other receivables could have a material impact on the results. The estimate of impairment loss is based on the historical trend of these receivables, which includes analysis of the age of these receivables, credit-worthiness of the customers, collection patterns and the historical default rates. The estimation of impairment loss is performed by the management and approved by the Audit Committee and the Board of Directors.	We selected samples to test the ageing of receivable balances. We challenged management as to the recoverability of the significant older unprovided amounts, by reviewing and corroborating to the historical payment records and credit risk assessment of each customer made by management. We also assessed whether disclosures in respect of the credit risk of trade and other receivables are adequate. Based on procedures performed, we found the estimates to be balanced and the disclosures to be appropriate.

INDEPENDENT AUDITORS' REPORT

Other information

Management is responsible for the other information contained in the annual report. Other information is defined as all information in the annual report other than the financial statements and our auditors' report thereon.

We have obtained all other information prior to the date of this auditors' report except for the Statistics of shareholdings ('*the Reports*') which is expected to be made available to us after that date.

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

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the Reports, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance and take appropriate actions in accordance with SSAs.

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 FRSs, 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.

INDEPENDENT **AUDITORS' REPORT**

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:

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our 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 Tan Yek Lee Doreen.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
31 August 2017

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2017

	Note	Group		Company	
		2017	2016	2017	2016
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	4	**7,499**	8,149	**7,170**	7,775
Investment in subsidiaries	5	**–**	–	**6,666**	6,963
Investment in joint venture	6	**–**	84	**50**	50
Other financial assets	7	**2,038**	4,088	**2,038**	4,088
Deferred tax assets	8	**303**	79	**217**	67
		9,840	12,400	**16,141**	18,943
Current assets					
Inventories	9	**36,865**	38,776	**27,253**	28,814
Trade and other receivables	10	**10,233**	11,325	**15,839**	16,238
Other financial assets	7	**1,000**	–	**1,000**	–
Current tax recoverables		**15**	–	**17**	–
Cash and cash equivalents	11	**29,737**	26,003	**26,929**	24,212
		77,850	76,104	**71,038**	69,264
Total assets		**87,690**	88,504	**87,179**	88,207
Equity attributable to equity holders of the Company					
Share capital	12	**45,750**	45,750	**45,750**	45,750
Reserves	13	**2,996**	3,000	**2,916**	2,916
Retained earnings		**35,726**	37,110	**36,193**	37,889
Total equity		**84,472**	85,860	**84,859**	86,555
Current liabilities					
Trade and other payables	14	**2,769**	2,345	**2,320**	1,528
Borrowings	15	**449**	172	**–**	–
Current tax liabilities		**–**	127	**–**	124
		3,218	2,644	**2,320**	1,652
Total liabilities		**3,218**	2,644	**2,320**	1,652
Total equity and liabilities		**87,690**	88,504	**87,179**	88,207

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Revenue	16	**33,130**	51,432
Cost of sales		**(25,419)**	(42,629)
Gross profit		**7,711**	8,803
Other operating income	17	**260**	247
Distribution costs		**(5,464)**	(5,930)
Administrative expenses		**(3,277)**	(3,229)
Other operating expenses		**(44)**	(176)
Results from operating activities		**(814)**	(285)
Finance income	18	**339**	307
Finance cost	18	**(59)**	(33)
Share of (loss)/profit of joint venture		**(58)**	16
(Loss)/Profit before tax	19	**(592)**	5
Tax credit	20	**318**	36
(Loss)/Profit for the year (attributable to equity holders of the Company)		**(274)**	41
Earnings per share	21		
Basic (cents)		**(0.12)**	0.02
Diluted (cents)		**(0.12)**	0.02

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

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2017

	2017 $'000	2016 $'000
(Loss)/Profit for the year	**(274)**	41
Other comprehensive income		
Items that will not be reclassified to profit or loss:		
Revaluation gain on property, plant and equipment	**–**	71
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences arising from consolidation	**(4)**	(33)
Total comprehensive income for the year	**(278)**	79
Attributable to:		
Equity holders of the Company	**(278)**	79
Total comprehensive income for the year	**(278)**	79

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
YEAR ENDED 30 JUNE 2017

	Share capital $'000	Revaluation reserve $'000	Currency translation reserve $'000	Retained earnings $'000	Total attributable to equity holders of the Company $'000
Group					
At 1 July 2015	45,750	2,845	117	40,399	89,111
Profit for the year	–	–	–	41	41
Other comprehensive income					
Revaluation gain on property, plant and equipment	–	71	–	–	71
Foreign currency translation difference	–	–	(33)	–	(33)
Total comprehensive income for the year	–	71	(33)	41	79
Transactions with owners of the Company, recognised directly in equity					
Dividends paid to owners of the Company	–	–	–	(3,330)	(3,330)
Total transactions with owners of the Company	–	–	–	(3,330)	(3,330)
At 30 June 2016	45,750	2,916	84	37,110	85,860
At 1 July 2016	45,750	2,916	84	37,110	85,860
Loss for the year	–	–	–	(274)	(274)
Other comprehensive income					
Foreign currency translation difference	–	–	(4)	–	(4)
Total comprehensive income for the year	–	–	(4)	(274)	(278)
Transactions with owners of the Company, recognised directly in equity					
Dividends paid to owners of the Company	–	–	–	(1,110)	(1,110)
Total transactions with owners of the Company	–	–	–	(1,110)	(1,110)
At 30 June 2017	**45,750**	**2,916**	**80**	**35,726**	**84,472**

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

CONSOLIDATED STATEMENT OF
CASH FLOW

YEAR ENDED 30 JUNE 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
(Loss)/Profit for the year		**(274)**	41
Adjustments for:			
Depreciation of property, plant and equipment	19	**1,006**	1,072
Gain on sale of property, plant and equipment	17	**(6)**	(9)
Finance income	18	**(339)**	(307)
Finance cost	18	**59**	33
Reversal of provision for impairment in investment in securities	19	**–**	(19)
Share of loss/(profit) of joint venture		**58**	(16)
Elimination of unrealised profit	6	**26**	–
Tax credit	20	**(318)**	(36)
		212	759
Changes in:			
Trade and other receivables		**1,092**	7,158
Trade and other payables		**424**	(1,397)
Inventories		**1,911**	5,973
Net cash generated from operations		**3,639**	12,493
Tax paid		**(48)**	(690)
Net cash from operating activities		**3,591**	11,803
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**7**	11
Acquisition of property, plant and equipment		**(357)**	(240)
Proceeds from redemption of debt securities		**1,000**	1,000
Interest received		**339**	307
Net cash from investing activities		**989**	1,078
Cash flows from financing activities			
Dividends paid		**(1,110)**	(3,330)
Interest paid		**(9)**	(9)
Proceeds from borrowings		**1,403**	1,401
Repayment of borrowings		**(1,126)**	(1,777)
Net cash used in financing activities		**(842)**	(3,715)
Net increase in cash and cash equivalents		**3,738**	9,166
Cash and cash equivalents at beginning of year		**26,003**	16,870
Effect of exchange rate fluctuations on cash held		**(4)**	(33)
Cash and cash equivalents at end of year	11	**29,737**	26,003

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

NOTES TO THE FINANCIAL STATEMENTS

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 31 August 2017.

1 DOMICILE AND ACTIVITIES

Sin Ghee Huat Corporation Ltd (the 'Company') is incorporated in the Republic of Singapore and has its registered office at 32 Penhas Road, #01-01, Singapore 208191.

The principal activities of the Company relate to stockholding and sale of stainless steel products and investment holding. The principal activities of the subsidiaries are disclosed in note 5 to the financial statements.

The consolidated financial statements relate to the Company and its subsidiary corporations (together referred to as the 'Group') and the Group's interest in equity-accounted investees.

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with the Singapore Financial Reporting Standards ('FRSs').

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- Note 5 – recoverability of investment in subsidiaries
- Note 9 – net realisable value of inventories
- Note 10 – recoverability of trade receivables

NOTES TO THE FINANCIAL STATEMENTS

2 BASIS OF PREPARATION (CONTINUED)

2.5 Changes in accounting policies

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning on 1 July 2016 and have been applied in preparing these financial statements. None of these has a significant effect on the financial statements of the Group and Company.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest ('NCI') in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the date of acquisition and included in the consideration transferred. If the contingent consideration that meets the definition of a financial instrument is classified as equity, it is not remeasured and settlement is accounted for within equity. Otherwise, other contingent consideration is remeasured at fair value at each reporting date and subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Investments in joint ventures (equity-accounted investees)

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

Investments in joint ventures are accounted for using the equity method. They are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income ('OCI') of equity-accounted investees, after adjustments to align the accounting policies with those of the Group, from the date that joint control commences until the date that joint control ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions within equity-accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries and joint ventures in the separate financial statements

Investments in subsidiaries and joint ventures are stated in the Company's statement of financial position at cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currencies

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at the exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to the functional currency at the exchange rate at the reporting date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to the functional currency at the exchange rate at the date on which the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of monetary items that in substance form part of the Group's net investment in a foreign operation.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rate at the reporting date. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the exchange rates at the reporting date. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity. When a foreign operation is disposed such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal.

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item that are considered to form part of a net investment in a foreign operation are recognised in other comprehensive income, and are presented in the translation reserve in equity.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments

(i) Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: held-to-maturity financial assets, cash and cash equivalents and loans and receivables.

Held-to-maturity financial assets

If the Group has the positive intent and ability to hold debt securities to maturity, then such financial assets are classified as held-to-maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses. Any sale or reclassification of a more than an insignificant amount of held-to-maturity investments not close to their maturity would result in the reclassification of all held-to-maturity investments as available-for-sale. It would also prevent the Group from classifying investment securities as held-to-maturity for the current and the following two financial years.

Held-to-maturity financial assets comprise debt securities.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables, and cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(i) Non-derivative financial assets (Continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are excluded whilst bank overdrafts that are repayable on demand and that form an integral part of the Group's cash management are included in cash and cash equivalents.

(ii) Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group currently has a legally enforceable right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: trade and other payables and borrowings.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

(iii) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity, net of any tax effects.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment

Recognition and measurement

Property, plant and equipment are initially recognised at cost. Freehold premises are subsequently carried at the revalued amount less accumulated depreciation and any accumulated impairment losses. All other items of property, plant and equipment are subsequently measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold premises are revalued at least every 5 years to ensure that their carrying amounts do not differ materially from their fair values as at the end of the reporting period. When an asset is revalued, any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset. The net amount is then restated to the revalued amount of the asset.

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

Components of cost

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The projected cost of dismantlement, removal or restoration is recognised as part of the cost of property, plant and equipment if such obligation is incurred either when the item is acquired or as a consequence of using the asset during a particular year for purposes other than to produce inventories during that year.

Depreciation

Depreciation is based on the costs of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment, unless it is included in the carrying amount of another asset. Leased assets are depreciated over the shorter of the leased term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

NOTES TO THE
FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

Depreciation (Continued)

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use.

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at the end of each reporting period. The effects of any revision are recognised in profit or loss when the changes arise.

Fully depreciated property, plant and equipment which are still in use are retained in the financial statements.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate those depreciable amounts over their estimated useful lives for the current and comparative years as follows:

Freehold premises	50 years
Leasehold properties	18 to 23 years
Furniture, fixture and fittings	5 and 10 years
Motor vehicles	5 years
Plant and machinery	5 years
Office equipment	2 to 10 years

Subsequent expenditure

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

Disposal

The gain or loss on disposal of an item of property, plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment, and is recognised net within other income/other expense in profit or loss. When revalued assets are sold, any related amount included in the revaluation reserve is transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated selling expenses.

3.6 Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables and held-to-maturity investment securities

The Group considers evidence of impairment for loans and receivables and held-to-maturity investment securities at both a specific asset and collective level. All individually significant loans and receivables and held-to-maturity investment securities are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

Loans and receivables and held-to-maturity investment securities (Continued)

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired assets continues to be recognised through the unwinding of the discount. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Joint venture

An impairment loss in respect of a joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 3.6(ii). An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash-generating unit ('CGU') is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGUs.

An impairment loss is recognised if the carrying amount of an asset or its CGU exceeds its estimated recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(ii) Non-financial assets (Continued)

An impairment loss in respect of assets recognised in prior periods is assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised.

3.7 Employee's benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss as incurred.

Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. An accrual is made for the estimated liability for leave as a result of services rendered by employees up to the end of the reporting period.

Short-term benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.8 Provision

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and where appropriate, the risk specific to the liability.

3.9 Revenue recognition

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, goods and services taxes or other sales taxes, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

3.10 Finance income and cost

Finance income comprises interest income on other financial assets and deposits with financial institutions. Interest income is recognised as it accrues, using the effective interest method.

Finance costs comprise amortisation of bond premium and interest on borrowings. Interest expense is recognised using the effective interest method.

3.11 Government grants

Government grants are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

3.12 Operating lease

Lease of office equipment and warehouse where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

When an operating lease is terminated before the lease term has expired, any payments required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Tax expense

Tax expense comprises current and deferred tax. Current tax and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years. The amount of current tax payable or receivable is the best estimate of the tax amount expected to be paid or received that reflects uncertainty related to income taxes, if any.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss to the extent that it is probable that they will not reverse in the foreseeable future. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax positions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors, including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period that such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares.

3.15 Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's Chief Executive Officer include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets (primarily the Company's headquarters), head office expenses, and tax assets and liabilities.

3.16 New standards and interpretations not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2016 and earlier application is permitted; however, the Group has chosen not to adopt earlier application of the following new or amended standards in preparing these financial statements.

The Group is currently assessing the potential impact of adopting these new standards and interpretations on the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 New standards and interpretations not yet adopted (Continued)

Applicable to year ending 30 June 2019 financial statements

New standards

Summary of the requirements	**Potential impact on the financial statements**
FRS 115 *Revenue from Contracts with Customers*	
FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*. FRS 115 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. FRS 115 offers a range of transition options including full retrospective adoption where an entity can choose to apply the standard to its historical transactions and retrospectively adjust each comparative period presented in its 2018 financial statements. When applying the full retrospective method, an entity may also elect to use a series of practical expedients to ease transition.	During the year, the Group performed an initial assessment of the potential impact on the Group's financial statements. Overall, the Group does not expect a significant impact on adoption of FRS 115. **Variable consideration** – The Group currently recognises revenue from the sale of goods at the fair value of the consideration received or receivable, net of returns and trade discounts on the basis that the level of expected return of goods and amount of trade discounts can be estimated reliably. Such clauses represent variable consideration under FRS 115 and revenue is recognised to the extent that it is highly probable that there will be no significant reversal in the event of an uncertainty if any. The Group expects any impact on adoption of FRS 115 on its financial statements to be immaterial. **Transition** – The Group expects the transition adjustments to be insignificant on adoption of FRS 115 when it becomes effective in 2018 and the impact on its financial statements is expected to be immaterial.

NOTES TO THE
FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 New standards and interpretations not yet adopted (Continued)

Applicable to year ending 30 June 2019 financial statements (Continued)

New standards

Summary of the requirements	**Potential impact on the financial statements**
FRS 109 *Financial Instruments*	
FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from FRS 39. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early adoption permitted. Retrospective application is generally required, except for hedge accounting. For hedge accounting, the requirements are generally applied prospectively, with some limited exceptions. Restatement of comparative information is not mandatory. If comparative information is not restated, the cumulative effect is recorded in opening equity as at 1 January 2018.	During the year, the Group performed an initial assessment of the impact on the Group's financial statements. Overall, the Group does not expect a significant impact on adoption of FRS 109, except for the effect of applying the impairment requirements of FRS 109 for which the Group expects to record a higher impairment loss allowance. The Group's initial assessment of the three elements of FRS 109 is as described below. **Classification and measurement** – The Group does not expect any significant change to the measurement basis arising from adopting the new classification and measurement model under FRS 109. Loans and receivables and held-to-maturity debt securities that are currently accounted for at amortised cost will continue to be accounted for using amortised cost model under FRS 109. **Impairment** – The Group plans to apply the simplified approach and record lifetime expected impairment losses on all trade receivables and any contract assets arising from the application of FRS 109. On adoption of FRS 109, the Group expects an increase in the impairment loss allowance as it does not require collateral in respect of its loans and receivables. The Group is currently refining its impairment loss estimation methodology to quantify the impact on its financial statements. **Transition** – The Group plans to adopt the standard when it becomes effective in 2018 without restating comparative information; and is gathering data to quantify the potential impact arising from the adoption.

NOTES TO THE FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 New standards and interpretations not yet adopted (Continued)

Convergence with International Financial Reporting Standards (IFRS)

In addition, the Accounting Standards Council ('ASC') announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange ('SGX') will apply a new financial reporting framework identical to the International Financial Reporting Standards (referred to as SG-IFRS in these financial statements) for the financial year ending 31 December 2018 onwards.

The Group has performed a preliminary assessment of the impact of SG-IFRS 1 *First-time adoption of International Financial Reporting Standards* for the transition to the new reporting framework. Based on the Group's preliminary assessment, the Group expects that the impact on adoption of SG-IFRS 15 *Revenue from Contracts with Customers* and SG-IFRS 9 *Financial Instruments* will be similar to adopting FRS 115 and FRS 109 as described in this Note.

Other than arising from the adoption of new and revised standards, the Group does not expect to change its existing accounting policies on adoption of the new framework.

The Group is currently performing a detailed analysis of the available policy choices, transitional optional exemptions and transitional mandatory exceptions under SG-IFRS 1 and the preliminary assessment may be subject to changes arising from the detailed analyses.

NOTES TO THE
FINANCIAL STATEMENTS

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 New standards and interpretations not yet adopted (Continued)

Applicable to year ending 30 June 2020 financial statements

New standards

Summary of the requirements	**Potential impact on the financial statements**
FRS 116 *Leases*	
FRS 116 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use ('ROU') assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. FRS 116 substantially carries forward the lessor accounting requirements in FRS 17 *Leases*. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for these two types of leases using the FRS 17 operating lease and finance lease accounting models respectively. However, FRS 116 requires more extensive disclosures to be provided by a lessor. When effective, FRS 116 replaces existing lease accounting guidance, including FRS 17, INT FRS 104 *Determining whether an Arrangement contains a Lease*, INT FRS 15 *Operating Leases – Incentives*, and INT FRS 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. FRS 116 is effective for annual periods beginning on or after 1 January 2019, with early adoption permitted if FRS 115 is also applied.	The Group has performed a preliminary high-level assessment of the new standard on its existing operating lease arrangements as a lessee (refer to Note 24). Based on the preliminary assessment, the Group expects these operating leases to be recognised as ROU assets with corresponding lease liabilities under the new standard. The operating lease commitments on an undiscounted basis amount to approximately 2% of the consolidated total assets and 45% of consolidated total liabilities. Assuming no additional new operating leases in future years until the effective date, the Group expects the amount of ROU asset and lease liability to be lower due to discounting and as the lease terms run down. The Group plans to adopt the standard when it becomes effective in 2019. The Group will perform a detailed analysis of the standard, including the transition options and practical expedients in 2018. The Group expects that the impact on adoption of IFRS 16 *Leases* to be similar to adopting SG-FRS 116, after the transition to SG-IFRS in 2018 as described above.

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT

	Freehold premises $'000	Leasehold properties $'000	Furniture, fixtures and fittings $'000	Office equipment $'000	Motor vehicles $'000	Plant and machinery $'000	Total $'000
Group							
Cost/Valuation							
At 1 July 2015	5,090	5,635	1,643	762	1,284	1,419	15,833
Revaluation deficit	(80)	–	–	–	–	–	(80)
Additions	–	–	14	98	–	128	240
Disposals	–	–	(6)	–	–	(52)	(58)
At 30 June 2016	5,010	5,635	1,651	860	1,284	1,495	15,935
Additions	–	–	10	337	–	10	357
Disposals	–	–	–	(7)	(32)	(40)	(79)
At 30 June 2017	**5,010**	**5,635**	**1,661**	**1,190**	**1,252**	**1,465**	**16,213**
Accumulated depreciation							
At 1 July 2015	–	3,713	1,133	534	832	709	6,921
Revaluation adjustment	(151)	–	–	–	–	–	(151)
Depreciation charge	151	323	102	97	156	243	1,072
Disposals	–	–	(3)	–	–	(53)	(56)
At 30 June 2016	–	4,036	1,232	631	988	899	7,786
Depreciation charge	152	323	90	114	124	203	1,006
Disposals	–	–	–	(6)	(32)	(40)	(78)
At 30 June 2017	**152**	**4,359**	**1,322**	**739**	**1,080**	**1,062**	**8,714**
Carrying amounts							
At 1 July 2015	5,090	1,922	510	228	452	710	8,912
At 30 June 2016	5,010	1,599	419	229	296	596	8,149
At 30 June 2017	**4,858**	**1,276**	**339**	**451**	**172**	**403**	**7,499**

NOTES TO THE FINANCIAL STATEMENTS

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold premises $'000	Leasehold properties $'000	Furniture, fixtures and fittings $'000	Office equipment $'000	Motor vehicles $'000	Plant and machinery $'000	Total $'000
Company							
Cost/Valuation							
At 1 July 2015	5,090	5,635	1,273	693	1,248	1,021	14,960
Revaluation deficit	(80)	–	–	–	–	–	(80)
Additions	–	–	12	87	–	125	224
Disposals	–	–	(6)	–	–	(85)	(91)
At 30 June 2016	5,010	5,635	1,279	780	1,248	1,061	15,013
Additions	–	–	–	302	–	6	308
Disposals	–	–	–	(14)	(32)	(40)	(86)
At 30 June 2017	**5,010**	**5,635**	**1,279**	**1,068**	**1,216**	**1,027**	**15,235**
Accumulated depreciation							
At 1 July 2015	–	3,713	921	499	796	552	6,481
Revaluation adjustment	(151)	–	–	–	–	–	(151)
Depreciation charge	151	323	77	87	155	173	966
Disposals	–	–	(3)	–	–	(55)	(58)
At 30 June 2016	–	4,036	995	586	951	670	7,238
Depreciation charge	152	323	66	100	124	140	905
Disposals	–	–	–	(6)	(32)	(40)	(78)
At 30 June 2017	**152**	**4,359**	**1,061**	**680**	**1,043**	**770**	**8,065**
Carrying amounts							
At 1 July 2015	5,090	1,922	352	194	452	469	8,479
At 30 June 2016	5,010	1,599	284	194	297	391	7,775
At 30 June 2017	**4,858**	**1,276**	**218**	**388**	**173**	**257**	**7,170**

The Company's leasehold properties are located at 62 Tuas Basin Link and 32 Gul Crescent, Singapore.

The Company's freehold premises at 32 Penhas Road, Singapore were last revalued by an independent professional valuer on 27 June 2016 based on the property's open market value using the comparative method of valuation at 27 June 2016. If this asset had been carried at cost less accumulated depreciation, the carrying amount as at the end of the financial year would have been as follows:

	Group and Company 2017 $'000	Group and Company 2016 $'000
Freehold premises	**2,863**	2,952

NOTES TO THE FINANCIAL STATEMENTS

5 INVESTMENT IN SUBSIDIARIES

	Company	
	2017	**2016**
	$'000	**$'000**
Equity investments at cost	**8,000**	8,000
Allowance for impairment loss	**(1,334)**	(1,037)
	6,666	6,963

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation and place of business	Effective equity held by the Group	
			2017	**2016**
			%	**%**
Held by the Company				
SG Metals Pte. Ltd[(1)]	Stockholding and sales of stainless steel products	Singapore	**100**	100
SG Specialty Metals Pte. Ltd[(1)]	Stockholding and sales of specialty metal products	Singapore	**100**	100
Held by a Subsidiary				
SG Metals (Suzhou) Ltd[(2)]	Stockholding and sales of stainless steel products	People's Republic of China	**100**	100

(1) Audited by KPMG LLP Singapore.

(2) Audited by Suzhou Mingcheng CPAs. Co. Ltd., Certified Public Accountants, PRC.

Impairment of investment in subsidiaries

Significant judgement is required in determining the impairment of these subsidiaries at each reporting date and this requires the management to make estimates and assumptions that affect the financial statements.

Management is required to exercise judgement in determining whether there is objective evidence that an impairment loss has occurred.

Management has performed an impairment review to assess the recoverable amount of the subsidiaries. The estimates of the recoverable amount of the investments have been determined by management mainly based on the net asset value of the subsidiaries as at 30 June 2017, which approximates the recoverable amount of the investment in the subsidiaries. Impairment loss recognised for the year ended 30 June 2017 was $297,000 (30 June 2016: $501,000). Net asset of these subsidiaries comprises mainly inventories, receivables and payables.

NOTES TO THE FINANCIAL STATEMENTS

6 INVESTMENT IN JOINT VENTURE

First Break SG Metals 2015 Limited (FBSGM) is an unlisted joint arrangement in which the Group has joint control via an investors' agreement and 50% (2016: 50%) ownership interest. FBSGM is structured as a separate vehicle and the Group has residual interest in its net assets. Accordingly, the Group has established its interest in this entity as a joint venture which is equity accounted.

	Group	
	2017	**2016**
	$'000	**$'000**
Group's interest in net assets of investee at beginning of the year	**84**	68
Group's share of:		
– (loss)/profit from continuing operations	**(58)**	16
– total comprehensive income	**(58)**	16
Elimination of unrealised profit on downstream sales	**(26)**	–
Carrying amount of interest in investee at end of the year	**–**	84

	Company	
	2017	**2016**
	$'000	**$'000**
Unquoted shares, at cost	**50**	50

Information relating to the joint venture company is set out below:

Name of company	**Principal activity**	**Country of incorporation and place of business**	**% of paid-up capital held**	
			2017	**2016**
			%	**%**
First Break SG Metals 2015 Limited	Trading of stainless steel products	New Zealand	**50**	50

NOTES TO THE **FINANCIAL STATEMENTS**

7 OTHER FINANCIAL ASSETS

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Non-current investments		
Held-to-maturity		
– Debt securities	**2,038**	4,088
Current investments		
Held-to-maturity		
– Debt securities	**1,000**	–

The non-current debt securities bear interests at 4.25% (2016: 3.15% to 4.25%) per annum and mature between 30 October 2019 and 13 September 2022.

A debt security which bears interest at 3.15% had been reclassified to current because the issuer has called for an early redemption of the bond.

The Group's and Company's exposure to interest rate risk and fair value information related to other financial assets are disclosed in notes 26 and 27 respectively.

8 DEFERRED TAX

Movements in deferred tax assets and liabilities (prior to offsetting of balances) during the year are as follows:

	At 1 July 2015 $'000	Recognised in income statement (Note 20) $'000	At 30 June 2016 $'000	Recognised in income statement (Note 20) $'000	At 30 June 2017 $'000
Group					
Deferred tax liability					
Property, plant and equipment	(180)	12	(168)	(14)	**(182)**
Deferred tax assets					
Inventories	119	111	230	115	**345**
Provisions	18	(1)	17	–	**17**
Tax losses	–	–	–	123	**123**
	(43)	122	79	224	**303**

NOTES TO THE FINANCIAL STATEMENTS

8 DEFERRED TAX (CONTINUED)

	At 1 July 2015 $'000	Recognised in income statement $'000	At 30 June 2016 $'000	Recognised in income statement $'000	At 30 June 2017 $'000
Company					
Deferred tax liability					
Property, plant and equipment	(154)	12	(142)	(17)	**(159)**
Deferred tax assets					
Inventories	119	73	192	54	**246**
Provisions	18	(1)	17	–	**17**
Tax losses	–	–	–	113	**113**
	(17)	84	67	150	**217**

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. The amounts determined after appropriate offsetting are included in the balance sheet as follows:

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Deferred tax assets	**485**	247	**376**	209
Deferred tax liabilities	**(182)**	(168)	**(159)**	(142)
Net deferred tax assets	**303**	79	**217**	67

Unrecognised deferred tax assets

The following temporary differences have not been recognised:

	Group	
	2017 $'000	2016 $'000
Tax losses	**1,818**	1,588

As at 30 June 2017, the Group has tax losses which are available for set-off against future profits subject to tax laws and regulations prevailing in the domicile of a subsidiary and agreement by the tax authority. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

NOTES TO THE FINANCIAL STATEMENTS

9 INVENTORIES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Inventories	**36,461**	37,845	**26,946**	28,239
Goods-in-transit	**404**	931	**307**	575
	36,865	38,776	**27,253**	28,814

Where necessary, allowance for inventory obsolescence is set up for estimated losses which may result from obsolete or slow moving inventories held. The Group estimates the level of allowance based on prevailing market conditions, inventory ageing and historical provision experience. The required level of allowance could change significantly as a result of changes in market conditions.

In 2017, the write-down of inventories to net realisable value (NRV) amounted to $378,000 (2016: $663,000) for the Group and $316,000 (2016: $429,000) for the Company.

The reversal of write-downs by the Group and the Company during the year amounted to $6,000 (2016: $nil) due to inventories being sold above the carrying amounts during the year.

Inventories sold during the year amounted to $24,836,000 (2016: $41,464,000) were included in cost of sales.

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade receivables	**8,277**	10,164	**7,340**	8,913
Impairment losses	**(117)**	(252)	**(117)**	(211)
Net receivables	**8,160**	9,912	**7,223**	8,702
Amounts due from subsidiaries:				
– trade	**–**	–	**601**	259
– non-trade	**–**	–	**136**	56
– loan	**–**	–	**5,959**	5,940
Amount due from joint venture				
– trade	**1,173**	588	**1,172**	588
Sundry deposits	**170**	186	**12**	129
Other receivables	**69**	112	**110**	59
Loans and receivables	**9,572**	10,798	**15,213**	15,733
Prepayments	**661**	527	**626**	505
	10,233	11,325	**15,839**	16,238

NOTES TO THE FINANCIAL STATEMENTS

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

Amounts due from subsidiaries

Loans due from subsidiaries are unsecured, bear interest at 1% (2016: 1%) per annum and are repayable on demand.

Non-trade balance due from subsidiaries are unsecured, interest free and repayable on demand.

There is no allowance for doubtful debts arising from the outstanding balances.

Exposure to credit risk

The Group's primary exposure to credit risk arises through its trade receivables. The Group's historical experience in the collection of accounts receivable falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group's trade receivables.

The Group evaluates whether there is any objective evidence that trade receivables are impaired and determine the amount of impairment loss as a result of the inability of the debtors to make required payments. The Group bases the estimates on the ageing of the trade receivable balance, credit-worthiness of the debtors and historical write-off experience. If the financial conditions of the debtors were to deteriorate, actual write-off could be higher than estimated.

The ageing of loans and receivables at the reporting date is:

	Gross 2017 $'000	Impairment losses 2017 $'000	Gross 2016 $'000	Impairment losses 2016 $'000
Group				
Not past due	**4,758**	**–**	6,418	–
Past due 0-30 days	**2,555**	**–**	1,799	–
Past due 31-120 days	**1,815**	**–**	2,366	–
Past due 121-365 days	**355**	**(31)**	253	(43)
More than one year	**206**	**(86)**	214	(209)
	9,689	**(117)**	11,050	(252)
Company				
Not past due	**10,463**	**–**	11,646	–
Past due 0-30 days	**2,427**	**–**	1,588	–
Past due 31-120 days	**1,581**	**–**	2,176	–
Past due 121-365 days	**487**	**(31)**	325	(2)
More than one year	**372**	**(86)**	209	(209)
	15,330	**(117)**	15,944	(211)

The receivables that are impaired are not secured by any collateral.

NOTES TO THE FINANCIAL STATEMENTS

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

Exposure to credit risk (Continued)

The movement in the allowance for impairment loss in respect of trade receivables during the year is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Balance at 1 July	**252**	203	**211**	203
Impairment loss recognised	**44**	193	**44**	152
Recovered during the year	**(16)**	–	**(16)**	–
Written off during the year	**(163)**	(144)	**(122)**	(144)
Balance at 30 June	**117**	252	**117**	211

11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	**14,737**	20,003	**11,929**	18,212
Short-term bank deposits	**15,000**	6,000	**15,000**	6,000
	29,737	26,003	**26,929**	24,212

The effective interest rates of short-term bank deposits and cash at banks as at 30 June 2017 were 0.05% to 1.25% (2016: 0.05% to 1.70%) per annum.

12 SHARE CAPITAL

	Company			
	2017		**2016**	
	Number of shares '000	**Amount $'000**	**Number of shares '000**	**Amount $'000**
Issued and fully paid, with no par value				
At 1 July and 30 June	**222,000**	**45,750**	222,000	45,750

The holders of ordinary shares are entitled to receive dividends as declared by the Company from time to time and are entitled to one vote per share at general meetings of the Company. All shares rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

12 SHARE CAPITAL (CONTINUED)

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital and retained earnings of the Group. The Board of Directors monitors the return on capital as well as the level of dividends to ordinary shareholders. The Company is not subject to externally imposed capital requirements. There were no changes in the Company's approach to capital management during the year.

13 RESERVES

The reserves of the Group and the Company comprise the following balances:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Revaluation reserve	**2,916**	2,916	**2,916**	2,916
Currency translation reserve	**80**	84	**–**	–
	2,996	3,000	**2,916**	2,916

Revaluation reserve

The revaluation reserve relates to the revaluation of property, plant and equipment.

Currency translation reserve

The currency translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations.

14 TRADE AND OTHER PAYABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	**1,977**	1,410	**1,676**	698
Accrued expenses	**629**	679	**546**	615
Other payables	**163**	256	**98**	215
	2,769	2,345	**2,320**	1,528

Other payables of the Company include outstanding balances with subsidiaries of $nil (2016: $11,000) which are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

15 BORROWINGS

Borrowings comprise short-term invoice financing loans from a bank which are unsecured and have effective interest rates ranging from 2.75% to 2.82% (2016: 2.22% to 2.74%) per annum.

16 REVENUE

Revenue represents the invoiced value of goods sold less returns.

17 OTHER OPERATING INCOME

	Group	
	2017	**2016**
	$'000	**$'000**
Gain on sale of property, plant and equipment	**6**	9
Foreign currency exchange gain, net	**100**	77
Bad debts recovered	**16**	–
Government grant	**70**	140
Sundry income	**68**	21
	260	247

Government grants mainly related to subsidies for staff employment.

18 FINANCE INCOME AND COST

	Group	
	2017	**2016**
	$'000	**$'000**
Interest income:		
– deposits with financial institutions	**209**	126
– other financial assets	**130**	181
Finance income	**339**	307
Amortisation of premium on debt securities	**(50)**	(24)
Interest expense on trade financing	**(9)**	(9)
Finance cost	**(59)**	(33)
Net finance income recognised in profit or loss	**280**	274

NOTES TO THE FINANCIAL STATEMENTS

19 (LOSS)/PROFIT BEFORE TAX

The following items have been included in arriving at (loss)/profit before tax:

	Note	Group 2017 $'000	Group 2016 $'000
Auditors' remuneration:			
– Auditors of the Company		**(105)**	(96)
– Other auditors		**(1)**	(1)
Non-audit fees:			
– Auditors of the Company		**–**	–
– Other auditors		**(17)**	(20)
Depreciation of property, plant and equipment		**(1,006)**	(1,072)
Directors' fees	23	**(151)**	(151)
Staff costs	22	**(5,345)**	(5,411)
Operating lease expenses in respect of leasehold premises		**(583)**	(764)
Operating lease expenses in respect of office equipment		**(17)**	(19)
Allowance for doubtful debts		**(44)**	(193)
Reversal of provision for impairment in investment in securities		**–**	(19)

20 TAX CREDIT

	Group 2017 $'000	Group 2016 $'000
Current tax (credit)/expense		
Current year	**(14)**	127
Overprovision in prior years	**(80)**	(41)
	(94)	86
Deferred tax credit		
Movements in temporary differences	**(146)**	(122)
Recognition of tax effect of previously unrecognised temporary differences	**(78)**	–
Tax credit	**(318)**	(36)

Reconciliation of effective tax rate

	Group 2017 $'000	Group 2016 $'000
(Loss)/Profit before tax	**(592)**	5

NOTES TO THE FINANCIAL STATEMENTS

20 TAX CREDIT (CONTINUED)

	Group	
	2017	2016
	$'000	$'000
Tax using Singapore tax rate of 17% (2016: 17%)	**(101)**	1
Effect on different tax rates in foreign jurisdictions	**(11)**	(29)
Non-deductible expenses	**140**	118
Non-taxable income	**(1)**	(62)
Tax exempt income	**–**	(36)
Tax rebate	**–**	(25)
Tax incentives	**(197)**	(39)
Current year losses for which no deferred tax asset was recognised	**49**	120
Recognition of tax effect of previously unrecognised temporary differences	**(78)**	–
Overprovision in prior years	**(80)**	(41)
Others	**(39)**	(43)
	(318)	(36)

21 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net (loss)/profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

	Group	
	2017	2016
Net (loss)/profit attributable to equity holders of the Company ($'000)	**(274)**	41
Weighted average number of ordinary shares in issue ('000)	**222,000**	222,000
Basic and diluted earnings per share (cents)	**(0.12)**	0.02

There were no dilutive potential ordinary shares in issue during the year.

22 STAFF COSTS

	Group	
	2017	2016
	$'000	$'000
Salaries, bonuses and other costs	**4,756**	4,800
Central Provident Fund and other defined contributions	**589**	611
	5,345	5,411

NOTES TO THE FINANCIAL STATEMENTS

23 RELATED PARTY TRANSACTIONS

Key management personnel of the Group are those persons having authority and responsibility for planning, directing and controlling the activities of the Group. The directors and the senior management team of the Group are considered as key management personnel of the Group.

	Group	
	2017	**2016**
	$'000	**$'000**
Key management personnel compensation:		
Salaries, bonuses and other short-term employee benefits	**1,007**	1,008
Central provident fund and other defined contributions	**60**	56
Directors' fees	**151**	151
	1,218	1,215
Comprising:		
– Directors of the Company	**734**	731
– Other key management personnel	**484**	484
	1,218	1,215

In addition to the information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group and Company	
	2017	**2016**
	$'000	**$'000**
Immediate family members of the directors or substantial shareholders:		
Salaries, bonuses and other short-term employee benefits	**397**	391
Central provident fund and other defined contributions	**31**	29
	428	420

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Sales to subsidiaries	**–**	–	**(393)**	(189)
Purchases from subsidiaries	**–**	–	**1,284**	2,752
Sales to joint venture	**(1,583)**	(1,399)	**(1,583)**	(1,399)
Sales of plant and equipment to subsidiaries	**–**	–	**–**	(36)
Interest income on loans to subsidiaries	**–**	–	**(59)**	(66)

NOTES TO THE
FINANCIAL STATEMENTS

24 COMMITMENTS

The Group's and the Company's non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Payables:				
Within one year	**578**	603	**257**	283
After one year but not more than five years	**861**	1,433	**861**	1,103
After five years	**–**	7	**–**	7
	1,439	2,043	**1,118**	1,393

These lease commitments relate to warehouse premises and office equipment. The terms of the operating lease commitments range from 1 year to 5 years (2016: 1 year to 6 years).

25 DIVIDENDS

	Group and Company	
	2017	2016
	$'000	$'000
Final dividend (one-tier tax exempt) paid in respect of prior years	**1,110**	3,330

During the year ended 30 June 2017, the Group declared and paid a final one-tier tax exempt dividend of 0.5 cents per ordinary share in respect of the year ended 30 June 2016.

Subsequent to the year ended 30 June 2017, the directors proposed a final one-tier tax exempt dividend of 0.2 cents per ordinary share in respect of the year ended 30 June 2017, amounting to $444,000 (2016: $1,110,000) to be paid to the shareholders of the Company, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company on 19 October 2017. This dividend has not been provided for in the financial statements.

26 FINANCIAL INSTRUMENTS

Overview

The Group has exposure to the following risks from its use of financial instruments:

- foreign currency risk
- interest rate risk
- credit risk
- liquidity risk

The Group has adopted risk management policies that seek to mitigate these risks in a cost-effective manner.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL INSTRUMENTS (CONTINUED)

Overview (Continued)

Foreign currency risk

Foreign currency risk arises from a change in foreign currency exchange rate, which is expected to have an adverse effect on the Group in the current and future reporting period.

The Group is exposed to currency risk on sales and purchases that are denominated in a currency other than the functional currency of the Group's entities, primarily the Singapore dollar ('SGD'). The currencies in which these transactions primarily are denominated are SGD, United States dollar ('USD'), Euro ('EUR') and Renminbi ('RMB').

The risk management policy of the Group is to consider hedging for foreign exchange transactions based on the total foreign exchange exposure at the end of each month. The Group also holds cash and cash equivalents denominated in USD for working capital purposes. The Group's assets and liabilities denominated in a currency other than the functional currencies of the Group's entities are as follows:

	Group			Company	
	USD	**EUR**	**RMB**	**USD**	**EUR**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
2017					
Assets					
Cash and cash equivalents	**3,805**	**437**	**198**	**2,985**	**437**
Trade and other receivables	**4,246**	**–**	**207**	**3,840**	**–**
Amount due from subsidiaries	**–**	**–**	**–**	**706**	**–**
	8,051	**437**	**405**	**7,531**	**437**
Liabilities					
Trade and other payables	**(698)**	**(1,127)**	**(30)**	**(440)**	**(1,096)**
Borrowings	**(449)**	**–**	**–**	**–**	**–**
Net currency exposure	**6,904**	**(690)**	**375**	**7,091**	**(659)**
2016					
Assets					
Cash and cash equivalents	6,122	26	44	5,414	26
Trade and other receivables	3,178	64	148	2,246	64
Amount due from subsidiaries	–	–	–	673	–
	9,300	90	192	8,333	90
Liabilities					
Trade and other payables	(1,387)	(193)	–	(483)	(193)
Borrowings	(172)	–	–	–	–
Net currency exposure	7,741	(103)	192	7,850	(103)

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL INSTRUMENTS (CONTINUED)

Overview (Continued)

Foreign currency risk (Continued)

Sensitivity analysis

A 10% (2016: 10%) strengthening of the Singapore dollar, as indicated below, against the USD, EUR and RMB at 30 June would have increased/(decreased) profit by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group and the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2016, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below:

	Group Profit/(Loss) $'000	Company Profit/(Loss) $'000
30 June 2017		
USD	**(690)**	**(709)**
EUR	**69**	**66**
RMB	**(38)**	**–**
30 June 2016		
USD	(774)	(785)
EUR	10	10
RMB	(19)	–

A weakening of the Singapore dollar against the above currencies at 30 June would have had the equal but opposite effect to the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

Interest rate risk is the risk that changes in market interest rates will have an adverse financial effect on the Group's financial conditions and/or results. The Group's exposure to changes in market interest rates relates primarily to its bank deposits and debt securities.

The risk management policy of the Group is to obtain quotations of interest rates for comparison and to select the most favourable interest rates based on the terms and conditions available.

NOTES TO THE
FINANCIAL STATEMENTS

26 FINANCIAL INSTRUMENTS (CONTINUED)

Overview (Continued)

Interest rate risk (Continued)

As at 30 June 2017, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Variable rate instruments				
Assets				
Cash and cash equivalents	**14,737**	20,003	**11,929**	18,212
	14,737	20,003	**11,929**	18,212
Fixed rate instruments				
Assets				
Other financial assets	**3,038**	4,088	**3,038**	4,088
Cash and cash equivalents	**15,000**	6,000	**15,000**	6,000
Liabilities				
Borrowings	**(449)**	(172)	**–**	–
	17,589	9,916	**18,038**	10,088

Fair value sensitivity analysis for fixed rate instruments

The Group does not designate any fixed rate financial assets or liabilities as at fair value through profit or loss, nor as available-for-sale. Therefore, changes in interest rates of fixed rate instruments would not affect profit or loss and equity.

Cash flow sensitivity analysis for variable rate instruments

As at 30 June 2017, an increase/(decrease) in interest rate of 100 basis points would have resulted in an increase/(decrease) in equity and profit or loss by $147,370 (2016: $200,030) per annum for the Group, and $119,290 (2016: $182,120) per annum for the Company.

NOTES TO THE FINANCIAL STATEMENTS

26 FINANCIAL INSTRUMENTS (CONTINUED)

Overview (Continued)

Credit risk

Credit risk is the risk that companies and other parties will be unable to meet their obligations to the Group resulting in financial loss to the Group. The Group's exposure to credit risk arises mainly from trade receivables, primarily from Singapore and other ASEAN countries.

The objective of the Group is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group manages such risks by dealing with a diversity of creditworthy customers to mitigate any significant concentration of credit risk. Its credit policy includes the evaluation of the credit-worthiness of existing and new customers and the monitoring of credit excesses and overdue accounts.

As at 30 June 2017, the maximum exposure to credit risk in the event that counterparties fail to perform their obligations in relation to each class of financial assets is the carrying amount of these assets in the statements of financial position. There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The maximum exposure to credit risk for trade receivables at the reporting date by types of industries in which the customers operate is as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Marine and shipbuilding	**768**	1,927	**761**	1,922
Oil, gas and petrochemical	**1,819**	946	**1,714**	926
Building and construction	**521**	818	**521**	818
Machining and processing	**1,821**	3,140	**1,031**	1,992
Trading and others	**4,404**	3,669	**4,969**	3,891
	9,333	10,500	**8,996**	9,549

The Group's most significant customer, a trading and others customer, accounts for $1,173,000 (2016: $698,000 – a marine and shipbuilding customer) of the trade receivables at 30 June 2017.

The trade receivables that are past due and impaired amounting to $117,000 (2016: $252,000) for the Group and $117,000 (2016: $211,000) for the Company had been provided for. The trade receivables of the Group and the Company that are neither past due nor impaired relate substantially to credit-worthy customers amounting to $4,758,000 and $10,463,000 (2016: $6,418,000 and $11,646,000) respectively.

For financial assets such as cash and cash equivalents, the Group minimises credit risk by dealing exclusively with reputable financial institutions.

NOTES TO THE
FINANCIAL STATEMENTS

26 FINANCIAL INSTRUMENTS (CONTINUED)

Overview (Continued)

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset.

The Group maintains sufficient cash and cash equivalents to fulfil the Group's financial obligations as and when they fall due. As part of its liquidity risk management, the Group aims to maintain sufficient cash for working capital purposes.

The Group has sufficient cash and cash equivalents and adequate credit facilities to ensure necessary liquidity. As at 30 June 2017, the financial liabilities maturing within 12 months are as follows:

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Trade and other payables	**2,769**	2,345	**2,320**	1,528
Borrowings	**449**	172	**–**	–

Estimation of fair value

The carrying amounts of financial assets and liabilities with a maturity of less than one year are assumed to approximate their fair values because of the short period to maturity.

27 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Debt securities

The fair values of debt securities are determined by reference to their quoted closing bid price at the measurement date, or if unquoted, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using expected future cash flows and a market-related discount rate. Subsequent to initial recognition, the fair value of held-to-maturity investments is determined for disclosure purposes only.

NOTES TO THE FINANCIAL STATEMENTS

27 DETERMINATION OF FAIR VALUES (CONTINUED)

Other financial assets and liabilities

The notional amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents, borrowings and trade and other payables) are assumed to approximate their fair values due to the short-term maturity of these financial instruments. All other financial assets and liabilities are discounted to determine their fair value. This fair value is determined for disclosure purposes.

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets not carried at fair value but for which fair values are disclosed				
2017				
Held-to-maturity debt securities	**3,013**	**–**	**–**	**3,013**
2016				
Held-to-maturity debt securities	4,043	–	–	4,043

NOTES TO THE FINANCIAL STATEMENTS

27 DETERMINATION OF FAIR VALUES (CONTINUED)

Accounting classification and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the financial position, are as follows:

	Note	Loans and receivables $'000	Held-to-maturity $'000	Other financial liabilities within scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
Group						
30 June 2017						
Assets						
Other financial assets	7	**–**	**3,038**	**–**	**3,038**	**3,013**
Trade and other receivables*	10	**9,572**	**–**	**–**	**9,572**	**9,572**
Cash and cash equivalents	11	**29,737**	**–**	**–**	**29,737**	**29,737**
		39,309	**3,038**	**–**	**42,347**	**42,322**
Liabilities						
Trade and other payables	14	**–**	**–**	**(2,769)**	**(2,769)**	**(2,769)**
Borrowings	15	**–**	**–**	**(449)**	**(449)**	**(449)**
		–	**–**	**(3,218)**	**(3,218)**	**(3,218)**
30 June 2016						
Assets						
Other financial assets	7	–	4,088	–	4,088	4,043
Trade and other receivables*	10	10,798	–	–	10,798	10,798
Cash and cash equivalents	11	26,003	–	–	26,003	26,003
		36,801	4,088	–	40,889	40,844
Liabilities						
Trade and other payables	14	–	–	(2,345)	(2,345)	(2,345)
Borrowings	15	–	–	(172)	(172)	(172)
		–	–	(2,517)	(2,517)	(2,517)

NOTES TO THE FINANCIAL STATEMENTS

27 DETERMINATION OF FAIR VALUES (CONTINUED)

Accounting classification and fair values (Continued)

	Note	Loans and receivables $'000	Held-to-maturity $'000	Other financial liabilities within scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
Company						
30 June 2017						
Assets						
Other financial assets	7	**–**	**3,038**	**–**	**3,038**	**3,013**
Trade and other receivables*	10	**15,213**	**–**	**–**	**15,213**	**15,213**
Cash and cash equivalents	11	**26,929**	**–**	**–**	**26,929**	**26,929**
		42,142	**3,038**	**–**	**45,180**	**45,155**
Liabilities						
Trade and other payables	14	**–**	**–**	**(2,320)**	**(2,320)**	**(2,320)**
30 June 2016						
Assets						
Other financial assets	7	–	4,088	–	4,088	4,043
Trade and other receivables*	10	15,733	–	–	15,733	15,733
Cash and cash equivalents	11	24,212	–	–	24,212	24,212
		39,945	4,088	–	44,033	43,988
Liabilities						
Trade and other payables	14	–	–	(1,528)	(1,528)	(1,528)

* Excludes prepayment.

NOTES TO THE FINANCIAL STATEMENTS

28 SEGMENT INFORMATION

Segment information is presented based on the information reviewed by the Group's Chief Executive Officer (the chief operating decision maker) for performance assessment and resource allocation.

The Group's Chief Executive Officer assesses the Group's financial performance using performance indicators which include revenue, capital expenditure and cash flow of the Group.

The Group essentially has one business or operating segment, which is the trading and sales of stainless steel and specialty metal products where the risks and returns of the products are substantially similar.

These products comprise mainly bars, plates, pipes, flanges, tubes and fittings which are stainless steel materials of varying grades and specifications for use in the respective industries to which the Group sells its products.

Additional financial information relating to the respective industries that the Group's customers operate in is presented as follows:

	Marine and ship-building $'000	Oil, gas and petro-chemical $'000	Building and construction $'000	Machining and processing $'000	Trading and others $'000	Total $'000
Group						
2017						
Revenue	3,196	4,816	2,243	7,376	15,499	33,130
Gross profit	595	872	498	1,500	4,246	7,711
Unallocated costs						(8,844)
						(1,133)
Other operating income and finance income						599
Share of loss of joint venture						(58)
Loss before tax						(592)
Tax credit						318
Net loss for the year						(274)
Assets						
Trade receivables	768	1,819	521	1,821	4,404	9,333
Others – unallocated						78,357
						87,690
Liabilities – unallocated						3,218
Capital expenditure – unallocated						357
Depreciation of property, plant and equipment – unallocated						1,006

NOTES TO THE FINANCIAL STATEMENTS

28 SEGMENT INFORMATION (CONTINUED)

	Marine and ship-building $'000	Oil, gas and petro-chemical $'000	Building and construction $'000	Machining and processing $'000	Trading and others $'000	Total $'000
Group						
2016						
Revenue	7,890	3,545	2,320	19,567	18,110	51,432
Gross profit	1,078	714	457	2,202	4,352	8,803
Unallocated costs						(9,368)
						(565)
Other operating income and finance income						554
Share of profit of joint venture						16
Profit before tax						5
Tax credit						36
Net profit for the year						41
Assets						
Trade receivables	1,927	946	818	3,140	3,669	10,500
Others – unallocated						78,004
						88,504
Liabilities – unallocated						2,644
Capital expenditure – unallocated						240
Depreciation of property, plant and equipment – unallocated						1,072

NOTES TO THE FINANCIAL STATEMENTS

28 SEGMENT INFORMATION (CONTINUED)

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on sales to the respective geographical markets, while segment assets and capital expenditure are based on the geographical location of the assets.

Revenue by geographical markets:

	2017 $'000	2016 $'000
Singapore	**20,725**	27,442
Indonesia	**2,497**	9,609
Other ASEAN countries	**6,356**	6,171
Others*	**3,552**	8,210
	33,130	51,432

* Others mainly include China, Australia, New Zealand, India, South America and Middle East.

Assets and capital expenditure by geographical locations:

	Carrying amounts of segment assets		Capital expenditure	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Group				
Singapore	**83,338**	84,530	**345**	197
ASEAN	**2,626**	2,427	**–**	–
Others*	**1,726**	1,547	**12**	43
	87,690	88,504	**357**	240

* Others mainly include China, Australia, New Zealand, India, South America and Middle East.

STATISTICS OF SHAREHOLDINGS

AS AT 6 SEPTEMBER 2017

SHARE CAPITAL

Issued and Paid-Up Capital	:	$45,749,836.98
Total Number of Shares	:	222,000,000
Class of shares	:	Ordinary shares
Voting Rights	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS BY SIZE OF SHAREHOLDINGS

AS AT 6 SEPTEMBER 2017

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 to 99	–	0.00	–	0.00
100 to 1,000	63	5.45	57,700	0.03
1,001 to 10,000	463	40.09	3,273,400	1.47
10,001 to 1,000,000	612	52.99	42,915,833	19.33
1,000,001 and above	17	1.47	175,753,067	79.17
Total	1,155	100.00	222,000,000	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 6 SEPTEMBER 2017

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	2GS INVESTMENT PTE LTD	56,700,000	25.54
2	KUA GEOK LAY HOLDING PTE LTD	52,635,000	23.71
3	KUA CHEE HONG	13,599,000	6.13
4	KUA PENG CHUAN	11,102,000	5.00
5	CIMB SECURITIES (SINGAPORE) PTE LTD	7,828,800	3.53
6	DBS NOMINEES PTE LTD	5,845,400	2.63
7	DB NOMINEES (S) PTE LTD	5,450,000	2.45
8	KUA CHEE KENG	4,451,167	2.01
9	KUA PENG KOON	3,422,100	1.54
10	LER BEE CHIN	2,609,100	1.18
11	HSBC (SINGAPORE) NOMINEES PTE LTD	2,540,000	1.14
12	KUA CHOO SUAN	2,126,000	0.96
13	LEW WING KIT	1,895,600	0.85
14	YEO SENG CHONG	1,800,000	0.81
15	LAI WENG KAY	1,358,000	0.61
16	RAFFLES NOMINEES (PTE) LTD	1,298,700	0.59
17	UOB KAY HIAN PTE LTD	1,092,200	0.49
18	CHAI CHONG YII	1,000,000	0.45
19	ABN AMRO CLEARING BANK N.V.	951,300	0.43
20	GOH GUAN SIONG (WU YUANXIANG)	907,600	0.41
	TOTAL	**178,611,967**	**80.46**

STATISTICS OF SHAREHOLDINGS

AS AT 6 SEPTEMBER 2017

PUBLIC SHAREHOLDINGS

Based on the information available to the Company as at 6 September 2017, approximately 32.3% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited has been complied with.

SUBSTANTIAL SHAREHOLDERS AS AT 6 SEPTEMBER 2017

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
2GS Investment Pte. Ltd.	56,700,000	25.54	–	–
Kua Geok Lay Holding Pte. Ltd.	52,635,000	23.71	–	–
Kua Chee Hong (Note 1)	13,599,000	6.13	2,609,100	1.18
Ler Bee Chin (Note 1)	2,609,100	1.18	13,599,000	6.13
Kua Eng Watt (Note 2)	560,000	0.25	56,700,000	25.54
Kua Eng Bee (Note 2)	–	–	56,700,000	25.54
Kua Peng Chuan	11,102,000	5.00	–	–

Notes:

1. Kua Chee Hong and his wife, Ler Bee Chin are deemed interested in the shares held by each other.
2. Kua Eng Watt and Kua Eng Bee, who each owns 33.33% of the shareholding interest in 2GS Investment Pte. Ltd., are interested in the 56,700,000 shares in the Company held by 2GS Investment Pte. Ltd.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sin Ghee Huat Corporation Ltd. (the "Company") will be held at 32 Penhas Road, #01-01, Singapore 208191 on Thursday, 19 October 2017 at 11.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2017 and the Statement of Directors and the Report of the Auditors thereon. **Resolution 1**

2. To approve the Directors' fees of $151,000 (2017: $151,000) payable quarterly in arrear for the financial year ending 30 June 2018. **Resolution 2**

3. To re-elect the following Directors retiring in accordance with the Company's Articles of Association:

   (a) Mr Kua Chee Seng (retiring under Article 107) **Resolution 3**

   (b) Mr Kua Peng Chuan (retiring under Article 107) **Resolution 4**

   [See Explanatory Note (a) and (b)]

4. To declare a Final one-tier tax exempt dividend of 0.2 cents per share for the financial year ended 30 June 2017. **Resolution 5**

5. To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

6. To transact such other business which may be properly transacted at an annual general meeting of the Company.

AS SPECIAL BUSINESS

7. To consider and, if thought fit, to pass the following resolution (with or without amendments) as Ordinary Resolution:

   SHARE ISSUE MANDATE

   THAT pursuant to the Listing Rules of the SGX-ST and the Company's Articles of Association, authority be and is hereby given to the Directors to: **Resolution 7**

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

   (b) 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) warrants, debentures or other instruments convertible into shares; and/or

   (c) issue additional Instruments convertible into shares arising from adjustments made to the number of Instruments

NOTICE OF
ANNUAL GENERAL MEETING

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may, in their absolute discretion, deem fit; and (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors while this Resolution was in force, provided that:

(i) the aggregate number of shares and convertible securities to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares) of the Company, of which the aggregate number of shares and convertible securities (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro-rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company, and for the purpose of this Resolution, the issued share capital shall be the issued share capital of the Company at the time this Resolution is passed, after adjusting for:

(aa) new shares arising from the conversion or exercise of convertible securities;

(bb) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the SGX-ST; and

(cc) any subsequent consolidation or subdivision of shares; and

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

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of **SIN GHEE HUAT CORPORATION LTD.** will be closed on 31 October 2017 for the preparation of dividend warrants.

Duly completed transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services at 80 Robinson Road, #02-00, Singapore 068898 up to 5.00 p.m. on 30 October 2017 will be registered to determine shareholders' entitlements to the Final dividend. Shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares at 5.00 p.m. on 30 October 2017 will be entitled to the proposed dividend.

Payment of the dividend, if approved by the shareholders at the Annual General Meeting to be held on 19 October 2017, will be made on 15 November 2017.

BY ORDER OF THE BOARD

Ms Joanna Lim Lan Sim
Company Secretary

27 September 2017
Singapore

NOTICE OF
ANNUAL GENERAL MEETING

Explanatory Notes

(a) In relation to Ordinary Resolution 3 proposed in item 3 above, Mr Kua Chee Seng is uncle of Mr Kua Ghim Siong and Mr Kua Peng Chuan, sibling of Mr Kua Chee Kok and Mr Kua Chee Meng and cousin of Mr Kua Eng Watt, Mr Kua Eng Bee and Mr Kua Chee Hong. His other detailed information is set out in the Board of Directors section of the Company's Annual Report 2017.

(b) In relation to Ordinary Resolution no. 4 proposed in item 3 above, Mr Kua Peng Chuan is cousin of Mr Kua Ghim Siong, nephew of Mr Kua Chee Seng, Mr Kua Eng Watt, Mr Kua Eng Bee and son of Mr Kua Chee Hong and Ms Ler Bee Chin. His other detailed information is set out in the Board of Directors section of the Company's Annual Report 2017.

Statement Pursuant to Article 71 of the Company's Articles of Association

The effects of the resolution under the heading "As Special Business" in this Notice of the Annual General Meeting are:

1. Resolution no. 7, if passed, will authorise the Directors from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued shares (excluding treasury shares) of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company. Rule 806(3) of the Listing Rules of the SGX-ST currently provides that the percentage of issued share capital is based on the share capital of the Company at the time the mandate is passed after adjusting for:

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

   (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Rules of the SGX-ST; and

   (c) any subsequent consolidation or subdivision of shares.

   This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Notes:

(1) A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

(2) Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member.

(3) If a proxy is to be appointed, the instrument appointing a proxy must be duly deposited at the registered office at 32 Penhas Road, #01-01, Singapore 208191 not later than 48 hours before the time appointed for the holding of the Annual General Meeting.

(4) The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

(5) A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

SIN GHEE HUAT CORPORATION LTD.
Registration Number: 197700475Z
(Incorporated in the Republic of Singapore)

IMPORTANT
(a) 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.
(b) 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.

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

I/We ______________________________

of ______________________________

being a member/members of Sin Ghee Huat Corporation Ltd. (the "Company"), hereby appoint:–

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

and/or (delete where appropriate)

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

as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting of the Company to be held at 32 Penhas Road, #01-01, Singapore 208191 on Thursday, 19 October 2017 at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/their discretion.

Resolution No.	Ordinary Resolution	For	Against
1.	Adoption of Audited Financial Statements for the financial year ended 30 June 2017 and the Statement of Directors and the Reports of the Auditors.		
2.	Approval of Directors' Fees for financial year ending 30 June 2018.		
3.	Re-election of Mr Kua Chee Seng as Director of the Company.		
4.	Re-election of Mr Kua Peng Chuan as Director of the Company.		
5.	Declaration of Final Dividend for the financial year ended 30 June 2017.		
6.	Re-appointment of KPMG LLP as Auditors of the Company.		
7.	Approval of Share Issue Mandate.		

Dated this ________ day of ________________ 2017

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

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

IMPORTANT: Please read notes overleaf

Notes:–

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register, you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member (other than a Relevant Intermediary) entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two proxies to attend and vote on his behalf. A proxy need not be a member of the Company. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding to be represented by each proxy. If no such proportion or number is specified, the first named proxy may be treated as representing 100% of the shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid.
3. A member of the Company who is a Relevant Intermediary entitled to attend and vote at the AGM of the Company is entitled to appoint more than two (2) proxies to attend and vote in his/her stead, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares to be represented by each proxy must be stated.

   "**Relevant Intermediary**" means:

   (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

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The Company Secretary

SIN GHEE HUAT CORPORATION LTD.

32 Penhas Road
#01-01
Singapore 208191

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   (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 ("**CPF 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 CPF Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. The instrument appointing a proxy or proxies must be deposited at the registered office at 32 Penhas Road, #01-01, Singapore 208191 not less than 48 hours before the time set for the meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointer 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 under its common seal or under the hand of its officer or attorney duly authorised.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the letter or the power of attorney (or other authority) or a duly certified copy thereof shall (failing previous registration with the Company) if required by law, be duly stamped and be deposited at the registered office, not less than forty-eight hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.
7. 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, Cap. 50.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointer are not ascertainable from the instructions of the appointer specified on the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointer, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.
9. An investor who buys shares using CPF monies ("**CPF Investor**") and/or SRS monies ("**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.

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SIN GHEE HUAT CORPORATION LTD.
(Company registration no.197700475Z)

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