AEI CORPORATION LTD.

Annual Report 2020

CONTENTS

CHAIRMAN'S STATEMENT

2020 marks a new milestone year for the Company. We have embarked on our first major initiative for diversification and growth with the announcement on the proposed acquisition of MTBL Global Pte. Ltd. ("MTBL").

Dear Fellow Shareholders,

2020 marks a new milestone year for the Company. We have embarked on our first major initiative for diversification and growth with the announcement on the proposed acquisition of MTBL Global Pte. Ltd. ("MTBL").

Progress with our business transformation through diversification

MTBL owns the exclusive global distribution rights (excluding mainland China) to market and sell one of the world's most valuable spirit brands, Moutai Bulao, up to 31 December 2027. MTBL as a distributor of Moutai Bulao and other liquors and alcoholic beverages presents a great opportunity for the Group not only to gain entry into the liquor and beverage industry, but also to acquire a business that employs innovative marketing and leverages on technology for sustainability and growth. MTBL has co-developed smart vending machines that will leverage on IT concept, digital networking infrastructure and big data collection and analysis. To be located in partners' outlets in various geographical markets, this network of smart vending machines will serve as MTBL's main sales channel for liquor and other beverages. MTBL will continue to expand its product range to be marketed through its smart vending machines as well as other sales channels. The proposed acquisition of MTBL is subject to various conditions, including the approval of shareholders at an EGM to be held.

Mr Yeung Koon Sang alias David Yeung
Non-Executive Chairman and
Independent Director

During the year, the Group had also brought in VRAI, the first and only United States Department of Agriculture ("USDA") certified 5.5% organic premium hard seltzer in the United States and the first and only vodka-based organic alcoholic beverage. The Company partnered MTBL in hosting the VRAI Asia Grand Launch in Singapore on 29 January 2021.

Completion of the sale of Penjuru property
Proposed capital reduction and cash distribution to shareholders

As announced, the sale of our Penjuru property was completed on 31 March 2021. This satisfies a key condition for the proposed capital reduction and cash distribution of S$0.36 for each ordinary share in the capital of the Company held by shareholders. The proposed capital reduction and cash distribution is still subject to shareholders' approval at an EGM to be held, and the approval of the High Court for the capital reduction.

The Board has ensured that with the proposed cash distribution and assuming the MTBL Acquisition is completed, the Company will still retain sufficient capital for its business and operational needs.

Our capital and cash reserves have seen some increase as a result of proceeds from the exercise of the Company's existing warrants which will be expiring on 27 May 2021. Arising from the exercise of the warrants, our share capital has increased from 57,732,159 shares as at 31 December 2020 to 61,150,925 shares as at 5 April 2021, and the subscriptions from warrant holders have added S$3,418,766 to our cash reserves. The number of outstanding warrants as at 5 April 2021 was 23,700,893. Assuming all the outstanding warrants are exercised, the total subscriptions will amount to S$23,700,893.

Board refreshment

We welcome Mr Siow Chee Keong and Mr Chua Wei Ming, new Independent Directors who joined the Board in 2021 They are well qualified and have considerable experience which will benefit the Board greatly. I and Dr Vasoo will retire at the forthcoming annual general meeting confident that with the capabilities of the renewed Board to lead the Group towards its goal to achieve revenue and profitability for the Group. The renewed Board includes new Directors to offer fresh perspectives; Mr Teng Cheong Kwee with his institutional memory and valuable insights into the Group gained over the years of service with the Board; and Mr Sun Quan who has worked arduously to lead the Group's diversification supported by Mr Wu Pingwei and Mr Li Zibo.

On behalf of the Board and Company, I would like to thank Dr Vasoo for his useful insights and contributions for the Group's development direction during these years and wish him all the best in his retirement years.

Appreciation

It has been a great honour for me to serve on the Board and Board Committees over the years. I am proud as one of the Board members who collectively saw the Company and Group through its challenging development over the years.

I would like to extend my sincere gratitude to my fellow Directors, management and staff for their unstinting support during my tenure on the Board.

On behalf of the Board, I would also like to express gratitude to all our shareholders, contractors, suppliers, customers, business partners and colleagues for their continuous support.

BOARD OF DIRECTORS

YEUNG KOON SANG ALIAS DAVID YEUNG | SUN QUAN | WU PINGWEI | LI ZHIBO

TENG CHEONG KWEE | DR VASOO SUSHILAN | SIOW CHEE KEONG | CHUA WEI MING

YEUNG KOON SANG ALIAS DAVID YEUNG

is a Non-Executive Chairman and an Independent Director of the Group. He was first appointed on 26 December 2003. He was last re-elected on 25 April 2019 as an Independent Director. He is the Audit Committee Chairman and a member of the Nominating and Remuneration Committees. Mr Yeung was appointed as the Lead Independent Director with effect from 20 March 2019. He has over 30 years' experience in public accountancy and is currently a public accountant with Kreston David Yeung PAC which he founded in 1987 and a Director with Daxin Yeung PAC.

He was conferred the Public Service Medal by the President of the Republic of Singapore in 2001. Mr Yeung holds a Master of Social Science (Accounting) from the University of Birmingham, England. He is also a Fellow of the Institute of Singapore Chartered Accountants and a Fellow of the Association of Chartered Certified Accountants, United Kingdom.

Mr Yeung also holds directorships in other Singapore-listed companies, namely, Citic Envirotech Limited (formerly known as United Envirotech Limited), Ace Achieve Infocom Limited, Southern Packaging Group Limited and CNA Group Limited. Mr Yeung is a non-executive chairman of Mary Chia Holdings Limited. Mr Yeung's past directorships was with China Flexible Packaging Holdings Limited and Shanghai Turbo Enterprises Ltd.

SUN QUAN

is the Executive Director of the Company. He was first appointed as a Director of the Company on 30 April 2018. He was last re-elected on 25 April 2019 as a Director. Mr Sun has more than 25 years of investment and management experience, specializing in M&A. He has focused his business operation mainly in Greater China Region, Singapore, USA, Malaysia, Thailand and Indonesia, covering a variety of areas including high technology, pharmaceuticals, electronics, real estate, natural resources, chemical and food & beverage industries.

Mr Sun has been largely instrumental in promoting the networking, cooperation and collaboration in areas of economic, educational and cultural exchanges between China and several Southeast Asian countries.

Mr Sun serves as the Executive Director and CEO of China Capital Impetus Asset Management Pte Ltd, Executive Director of MTBL Global Fund (f.k.a. New Impetus Strategy Fund). He also holds Non-Executive Director of The Place Holdings Limited (E27, a Singapore Mainboard Listed Company) and Non-Executive Director of RHB GC Millennium Capital Pte Ltd.

Mr Sun holds his EMBA from Tsinghua University and Bachelor of Engineering from Beijing University of Technology.

WU PINGWEI

is our Executive Director and was first appointed as a Director on 16 May 2018. He was last re-elected on 29 June 2020 as an Executive Director. He has a wealth of knowledge and experience in management and operations. Mr Wu is also a Director and CEO of Beijing Aozhong Shimao Property Management Co., Ltd. He is also a Director of Beijing Aozhong Xingye Real Estate Development Co., Ltd. and Beijing Aozhong Jiye Real Estate Development Co., Ltd.

Mr Wu holds a Bachelor of Philosophy from Capital Normal University.

LI ZHIBO

is our Non-Executive Director and was first appointed as a Director of the Company on 16 December 2019. He was last re-elected on 29 June 2020 as a Director. Mr Li graduated from Cornell University, Ithaca, New York in Master degree major in Applied Statistics in 2005. He also holds a Bachelor degree with triple major in Finance, Information Systems, and Economics from The Ohio State University Fisher College of Business, Columbus, Ohio.

BOARD OF DIRECTORS

Mr Li was the Head of Greater China/ Head of Structured Finance in APAC (Singapore) Markit Group from 2007 to 2011. From 2012 to 2015, he was General Manager, International Business (Shanghai) in Sino-Australian International Trust (a Macquarie Group JV). From 2015 to 2019, he was Senior Managing Director, Global Capital Markets (Shanghai) in Ping An Trust (a Ping An Group subsidiary).

Mr Li has been serving as the CEO of First Plus Financial Holdings Pte. Ltd. since January 2020. First Plus Financial Holdings is a Singapore based holding company, providing Asset Management services through its subsidiaries.

TENG CHEONG KWEE

is an Independent Director of the Group and was first appointed on 26 December 2003. He was last re-elected on 29 June 2020 as an Independent Director. He is the Nominating Committee Chairman and a member of the Audit and Remuneration Committees. Mr Teng started his career in the Singapore Government Administrative Service, and subsequently served as Assistant Director and Deputy Director in the Monetary Authority of Singapore, and as Secretary of the Securities Industry Council. From 1989 to 1999, he was Executive Vice President of the Stock Exchange of Singapore. From 1999 to 2000, Mr Teng was with the Singapore Exchange as Executive Vice President and Head, Risk Management and Regulatory Division. Mr Teng graduated from the University of Newcastle, Australia, in Bachelor of Engineering (Industrial) with First Class Honours, and Bachelor of Commerce in 1977.

Mr Teng also serves as an Independent Director of First Resources Limited, a Singapore-listed company. He is also a director of several unlisted companies.

DR VASOO SUSHILAN

is an Independent Director of the Group and was first appointed on 26 December 2003. He was last re-elected on 25 April 2019. He is the Remuneration Committee Chairman and a member of the Audit and Nominating Committees. He is currently Emeritus Professor of National University of Singapore and Director, Taurx Pharmaceuticals Ltd. Dr Vasoo serves as an advisor to a number of social and community organisations.

MR SIOW CHEE KEONG

is an Independent Director of the Group and was first appointed on 19 February 2021. He is a member of the Audit, Nominating and Remuneration Committees. Mr Siow graduated from the University of Warwick, England, with a Master of Business Administration. He qualified as a Chartered Certified Accountant and is a non-practicing member of the Institute of Singapore Chartered Accountants.

MR CHUA WEI MING

is an Independent Director of the Group and was first appointed on 19 February 2021. He has a wealth of experience in business consulting and advisory services. Mr Chua graduated from National University of Singapore, in BSc Computer Science and holds an MBA from University of Liverpool, UK.

OPERATIONS REVIEW

RECAP OF FINANCIAL YEAR ENDED 31 DECEMBER 2020

2020 has been an extremely challenging year for the Group's existing extrusion business, against the backdrop of significant uncertainty and substantial adversity caused by the COVID-19 pandemic. Many countries adopted a lockdown to contain the COVID-19 spread and this in turn caused great disruption in the global supply and demand chain. In Singapore, notwithstanding government grant received through COVID-19 relief packages, the Group incurred expenses to comply with safe-distancing and staggered work measures, operational efficiency was also affected due to split team and work from home measures imposed by the Government amidst the lockdown. Many industries have been hard hit by this viral outbreak and continue to struggle with their employees adjusting to the new norm of working.

In FY2020, the Group's revenue increased by 9% to $9.9 million and the Group managed to record a gross profit of $0.7 million, compared to a gross loss of $0.02 million in FY2019. This was due to the long-awaited qualification for some HDD programs which turned into orders. However, margins remain thin because of stiff competition from lower competitive pricing by overseas competitors. The HDD sector continues to be weak with most of their products going into cloud/data centre storage devices.

We have developed other aluminium products with the automotive and heat sink markets which are slowly coming to light and orders slowly increasing. However, margins in these sectors remain thin. The aviation market has come to a standstill due to COVID-19 and we hope this will come back in 2021.

ALUMINIUM PRICE

Ongoing fluctuations in raw material costs, in addition to energy prices and currencies will continue to have a significant impact on our bottom line and will be monitored closely.

LME Aluminium price at the start of the year was US$1,772 per metric ton, and ended at $2,018 as at December 2020. This upward trend is expected continue into 2021 due to the world business and demand picking up after introduction of the vaccine.

STATEMENT OF CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance and has adopted the corporate governance practices contained in the 2018 Code of Corporate Governance ("**Code**") so as to ensure greater transparency and protection of shareholders' interests.

This report outlines the Company's corporate governance practices with reference to the Code.

BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS

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

The present Board comprises eight members, two of whom are Executive Directors, one Non-Executive Director and five are Independent Directors.

	Board appointments			Board committees		
Name of director	Non-Executive Director	Executive Director	Independent Director	Audit Committee	Nominating Committee	Remuneration Committee
Mr Yeung Koon Sang alias David Yeung[1]			Board Chairman	Chairman	Member	Member
Mr Sun Quan[2]		*				
Mr Wu Pingwei		*				
Mr Li Zhibo[3]	*					
Dr Vasoo Sushilan			*	Member	Member	Chairman
Mr Teng Cheong Kwee			*	Member	Chairman	Member
Mr Siow Chee Keong[4]			*	Member	Member	Member
Mr Chua Wei Ming[4]			*	Member	Member	Member

1 Mr David Yeung was appointed Chairman w.e.f. 23 March 2020

2 Mr Sun Quan relinquished his position as Chairman w.e.f. 23 March 2020

3 Mr Li Zhibo was redesignated from Executive to Non-Executive Director w.e.f 16 March 2020

4 Mr Siow Chee Keong and Mr Chua Wei Ming were appointed Independent Directors and members of the Audit, Nominating and Remuneration Committees on 19 February 2021

Provision 1.1
Board's Role
The Board's primary role is not only to protect but also to enhance long-term shareholder value. It provides entrepreneurial leadership, sets the strategies for the Company, establishes goals for management, and sets workable and sustainable policies and procedures. To fulfil its role, the Board ensures that the necessary resources are in place to enable the Company to drive, manage and meet its strategic business objectives and governance. It also ensures that the Company has a sound risk management framework in place to monitor and manage risks. The Board supervises the management and reviews its performance.

The Board is responsible for the overall corporate governance of the Company. The Directors are fiduciaries who must act objectively in the best interests of the Company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organizational culture, and ensures proper accountability within the Company. Directors facing conflicts of interest must declare their interest and recuse themselves from discussions and decisions involving such matters.

The Board sets the Company's values and standards to ensure that conduct and transactions undertaken serve the interest of the Company and its shareholders as a whole, and that obligations to shareholders and other stakeholders are understood and met. The Group also strives to strike a balance between its business sustainability and the need of the society and the environment in which the Group operates. In accordance with the listing rules of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Group will issue its sustainability report in respect of its financial year ended 31 December 2020 by end May 2021 and will upload the full Sustainability Report in its website, www. aei.com.sg.

Provision 1.2
Directors' Duties and Responsibilities
The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group.

The Directors recognize that it is their duty to ensure that they have a full understanding of the Company's business as well as their directorship duties (including their roles as executive, non-executive or independent directors, as the case may be). The Company has in place a process of induction, training and development for new and existing directors as set out herein.

The Directors are mindful of their obligations to ensure compliance with the Listing Rules of the SGX-ST. Each Director has signed the required undertaking in the form set out in Appendix 7.7 of the Listing Manual to use his best endeavors to comply with the Listing Rules and to procure that the Company shall so comply. The Directors have also procured a similar undertaking by the Chief Financial Officer ("**CFO**"), also acting as Company Secretary, in her capacity as Executive Officer.

Continuous Training and Development of Directors
A new incoming Director will be issued a formal letter of appointment setting out his duties and obligations and, where appropriate, incorporating processes to deal with possible conflicts of interest that may arise.

An incoming Director will be given briefing by the management, the Company Secretary and, where appropriate, the Company's legal advisers, on his duties and obligations as director, and on the Group's organization structure, business and governance practice and arrangements, including the Company's policies relating to the disclosure of interests in securities, disclosure of conflicts of

STATEMENT OF CORPORATE GOVERNANCE

interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information. First-time Directors appointed to the Board will undergo training in the roles and responsibilities of a director of a listed issuer in the first year of his appointment as prescribed by the SGX-ST.

Mr Siow Chee Keong and Mr Chua Wei Ming were appointed Independent Directors of the Company on 19 February 2021. They were issued letters of appointment and had received briefings from the Nominating Committee and management to orientate them in the Company's business and governance practices. Mr Siow is currently a Director of two foreign public listed companies and had held directorships in listed companies in Singapore. Mr Chua, as a first-time director of a listed company, will undergo the prescribed training in his first year of appointment.

The Directors are continually and regularly updated on the Group's business and governance practices, as well as changes to the accounting standards and regulatory requirements. The Company Secretary circulates to the Board articles, reports and press releases to keep the Directors updated on current industry trends, developments and issues. Our Directors are also encouraged to become members of the Singapore Institute of Directors (SID) and participate in courses and seminars offered by SID. In FY2020, the Directors had received various briefings, updates and training, including:

- Briefings given by the external auditors to the AC members at each AC meeting on developments in accounting and auditing standards, and governance requirements;
- Briefings given by the Company Secretary to the Board on changes to the requirements of the SGX-ST Listing Manual ("**Listing Manual**"), the Code of Corporate Governance and relevant legislation, including amendments to the Companies Act;
- Briefings and updates given by the Management to the Board at each meeting on business and strategic developments on salient issues, including risk management considerations and industry developments; and
- Appropriate courses, conferences and seminars, including those organized by the Singapore Exchange, the Singapore Institute of Directors, Institute of Singapore Chartered Accountants and auditing firms, which the Directors had attended in their personal capacity or in their capacity as directors of the Company.

Provision 1.3
Matters Requiring Board Approval
Matters which are specifically reserved for the Board's approval:

- half-yearly and year-end results announcement;
- annual operating plan and budget;
- annual reports and accounts;
- strategic policies of the Group;
- share issuances, dividends and other returns to shareholders;
- convening of shareholders' meetings;
- taking steps for audit control;
- material acquisitions and disposal of assets; and
- major investments, key human resource matters and funding.

Provision 1.4
Delegation of Authority to Board Committees
To ensure efficient discharge of its responsibilities and to provide independent oversight of management, the Board has established the following Board Committees: the Audit Committee ("**AC**"), Nominating Committee ("**NC**"), and Remuneration Committee ("**RC**").

The various Board Committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The Board also constantly reviews the effectiveness of each Committee. The composition and activities of the NC, RC and AC are set out in the following segments of this report under Principle 4 to 10.

To facilitate operational and management efficiency, the Board has delegated certain of its powers and authority to the management. Subject to such delegation of authority, certain matters, such as major acquisitions, investments and disposals, and funding decisions require the approval of the Board.

Provision 1.5
Meetings of Board and Board Committees
The Board meets at regular intervals, and at such times as warranted by particular circumstances or as deemed appropriate by the Board members. The Company Secretary is present at such meetings to record the proceedings.

The Company's Constitution allows the Board meetings to be conducted by way of telephonic or video conference meetings.

The table below sets out the number of Board and Board Committee meetings which were held during FY2020:

Besides formal meetings, Board members also had informal meetings to discuss specific issues related to the Company's development. While the Board considers Directors' attendance at Board meetings to be important, it does not consider that to be the only criterion to measure their contributions. Other than participating in these meetings, Board members also rendered comments, guidance and advice on various matters relating to the Group and convened discussions when needed.

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held	7	2	1	1
Name of Directors	**Number of meetings attended**			
Mr Yeung Koon Sang @ David Yeung[1]	7	2	1	1
Mr Sun Quan[2]	7	2*	N.A.	N.A.
Mr Wu Pingwei	3	N.A.	N.A.	N.A.
Mr Li Zhibo[3]	3	N.A.	N.A.	N.A.
Dr Vasoo Sushilan	7	2	1	1
Mr Teng Cheong Kwee	7	2	1	1

STATEMENT OF CORPORATE GOVERNANCE

1 Mr David Yeung was appointed Chairman w.e.f. 23 March 2020
2 Mr Sun Quan relinquished his position as Chairman w.e.f. 23 March 2020
3 Mr Li Zhibo was redesignated from Executive to Non-Executive Director w.e.f 16 March 2020
* attended by invitation
N.A. – Not applicable, as the Directors are non-members of the Board Committees.
The table excludes Mr Siow Chee Keong and Mr Chua Wei Ming who were appointed Independent Directors on 19 February 2021

Provision 1.6
Board's Access to information
All Directors are, from time to time and when necessary, furnished with information concerning the Company and its affairs and on matters to be put before the Board and its Committees to enable them to be apprised of the decisions and actions of the Company's executive management and of major developments in the Group. The Board has unrestricted access to the Company's records and information.

Senior members of the management staff are available to provide further information and details via informal briefings to the Directors or formal presentations at Board meetings. Where external consultants or advisers are engaged on specific projects, arrangements will be made for the consultants or advisers to provide briefings to the Board, and to address any questions and issues that the Board members may have.

Provision 1.7
Board's Access to Management, Company Secretary and External Advisers
The Board has separate and independent access to the Company Secretaries and to other senior management executives of the Group at all times in carrying out their duties.

The Company Secretaries attended all meetings of the Board and Board Committees of the Company and they ensured that meeting procedures were followed and that applicable rules and regulations were complied with. The minutes of all Board and Committee meetings are circulated to the Board. The appointment and removal of the Company Secretary is subject to the approval of the Board.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order that he would be able to fulfill his duties and responsibilities as Director.

BOARD COMPOSITION AND GUIDANCE

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

Provision 2.1
Independent element on the board
The Board of Directors currently comprises eight Directors comprising two Executive Directors, one Non-Executive Director and five Independent Directors. The Chairman is an Independent Director. As at the date of this Report, the Board members are: -

Mr Yeung Koon Sang alias David Yeung[1]	(Independent Chairman)
Mr Sun Quan[2]	(Executive Director)
Mr Wu Pingwei	(Executive Director)
Mr Li Zhibo[3]	(Non-Executive Director)
Dr Vasoo Sushilan	(Independent Director)
Mr Teng Cheong Kwee	(Independent Director)
Mr Siow Chee Keong[4]	(Independent Director)
Mr Chua Wei Ming[4]	(Independent Director)

1. Mr David Yeung was appointed Chairman w.e.f 23 March 2020
2. Mr Sun Quang relinquished his appointment as Chairman on 23 March 2020
3. Mr Li Zhibo was redesignated from Executive to Non-Executive Director w.e.f 16 March 2020
4. Mr Siow Chee Keong and Mr Chua Wei Ming were appointed Independent Directors on 19 February 2021

The criterion for independence is based on the definition given in the Code. The Code has defined an "Independent" Director as one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the Company. Under the Listing Rules of SGX-ST, an independent director is not one who is or has been employed by the Company or any of its related corporations for the current or any of the past three financial years; or not one who has an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related corporations and whose remuneration is determined by the RC;

Dr Vasoo Sushilan, Mr David Yeung and Mr Teng Cheong Kwee, who had served as Independent Directors in FY2020, have each confirmed their independence. Dr Vasoo, Mr Yeung and Mr Teng have confirmed that they have no relationship or association with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment and they are independent in accordance with the Listing Rules. The NC reviews the independence of each Director annually. Taking into consideration the declaration provided by each Director and his participation, conduct and exercise of judgment at the Board and Committee meetings held during the financial year, the NC considered Dr Vasoo, Mr Yeung and Mr Teng to be independent.

STATEMENT OF CORPORATE GOVERNANCE

Dr Vasoo, Mr Yeung and Mr Teng have each served on the Board as Independent Directors for more than nine years. Taking into account the views of the NC, the Board concurred with the NC that the length of service of a Director should not determine the effectiveness of independence of an Independent Director. The NC and the Board considered it more appropriate to have regard to the Director's contribution in terms of professionalism, integrity, objectivity and the actual display of objectivity and independence in his exercise of judgment in the interest of the Company. The Board is of the view that Dr Vasoo, Mr Yeung and Mr Teng have over the years developed significant insights into the Group's business and operations, and that they continued to provide independent views and judgement, contributing significantly to the Board's deliberations as a whole. The Board considered that notwithstanding that each of these independent Directors has served more than 9 years, it has not, in any way, compromised their exercise of judgement independently and objectively in the interest of the Company and its shareholders.

In its review of the effectiveness of independence of the Independent Directors, the Board conducted a rigorous review of the relationship between the independent Directors and the key management team, and the Independent Directors' participation on the Board, their exercise of judgement and the discharge of their duties and responsibilities as Directors. Specifically, the review included critical examination of any conflicts of interest, as well as each director's participation in deliberations and discussions in board and committee meetings, including views and comments expressed and decisions taken on matters and proposals put before the Board. The review also took into account findings of board performance evaluation and assessment of director's performance, as well as feedback from fellow directors including executive directors. Through this exercise, the Board sought to ascertain the independence of each Independence director, and his contribution to the effectiveness of the Board's oversight role and in the discharge of its duties and responsibilities in ensuring that the Company is run and managed in the interest of the Company and that of its shareholders. In assessing the independence of the Independent Directors, the NC and the Board had also noted that there had been a change in controlling shareholder and key management structure at the Company following the subscription of new shares by New Impetus Strategy Fund ("NISF") (now known as MTBL Global Fund) in April 2018. Following the share subscription, two representatives of NISF were appointed to the Board, namely Mr Sun Quan as the then Non-Executive Chairman and Mr Wu Pingwei as Executive Director. The Independent Directors' involvement as directors of the Company under the new shareholder's control and management has thus been fairly recent. None of the Independent Directors have any relationship with or interest, direct or indirect, in NISF nor its representatives on the Board.

Dr Vasoo, Mr Yeung and Mr Teng had each abstained from the NC's and Board's deliberation on the matter pertaining to their individual position.

Dr Vasoo and Mr Yeung who are due to retire by rotation at the conclusion of the forthcoming annual meeting ("AGM") pursuant to the Company's Constitution, have indicated they will not seek re-election as directors.

Under Rule 210(5)(d)(iii) of the Listing Rules which will take effect from 1 January 2022, an independent director will not be considered independent if he has served on the Board for an aggregate period of more than nine years unless prior to 1 January 2022 he has obtained approval from shareholders to continue in office under a two-tier voting by (a) all shareholders; and (b) shareholders, excluding the directors and the chief executive officer and their associates.

The Board has endorsed the NC's recommendation to seek shareholders' approval for Mr Teng to continue as Independent Director from 1 January 2022. The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. The Board will continue to benefit from Mr Teng's knowledge and experience and his insights into the Group gained over the years.

Provisions 2.2 and 2.3
Composition of Independent Directors and Non-Executive Directors on the Board
Under the Listing Rules of SGX-ST, the Independent Directors should make up one-third of the Board. Under Provision 2.3 of the Code, the Non-Executive Directors should make up a majority of the Board.

The current five Independent Directors make up more than one-third of the Board of eight members. The composition of the Board complies with the requirements of the Listing Rules of SGX-ST. The six Non-Executive Directors (of whom five are Independent Directors) make up the majority of the Board in compliance with Provision 2.3 of the Code.

The Board believes that given the current structure on the Board with an Independent Chairman, and with Independent Directors making up half the Board and with all the Board Committees comprising Independent Directors, there is a strong independent element on the Board.

Provision 2.4
Composition and Competency of the Board
The Board currently comprises eight members with the recent appointments of Mr Siow Chee Keong and Mr Chua Wei Ming as Directors but will revert to six members following the retirement of Mr Yeung and Dr Vasoo at the conclusion of the forthcoming AGM.

The NC is of the view that the Board size of six members is adequate for effective decision making, taking into account the nature, size and scope of the Company's operations.

The Board supports a board diversity policy to ensure that the Board has an appropriate level of diversity of thought and background to enable wider perspectives which encourage more effective discussions and better decision-making.

The current Board members comprise persons who, as a group, possess diverse skills and experience, and core competencies such as finance and accounting, business management, industry knowledge and strategic planning. On an annual basis, the NC would review the composition of the Board with a view to considering if it has the appropriate mix of expertise and experience and if, collectively, it possesses the necessary core competencies for effective functioning and informed decision-making. The Board also considers that talent diversity, including gender diversity, can contribute to the quality of its decision making.

The Board had had diversity of representation that included a female member on its Board since its listing in 2004 until the resignation of the female Board member in November 2019. The Board remains fully supportive of the policy of Board diversity, including gender diversity, and together with the NC will set the relevant objectives to promote diversity to ensure an appropriate balance of perspectives, skills and experience to support the long-term success of the Company. Toward this end, the Board, when reviewing new appointments, will consider each candidate's merits and suitability as well as how it can contribute to its objective for diversity.

STATEMENT OF CORPORATE GOVERNANCE

Key information regarding the Board and their appointments on various Board Committees are presented under the profile of the Board of Directors in the annual report.

Provision 2.5
Role of Non-Executive Directors
At Board and committee meetings as well as at informal meetings held in the course of the year, the Non-Executive Directors participated in the review and discussion of matters placed before them, including business strategies and proposals put forward by management. The Non-Executive Directors reviewed the matters, provided comments, raised questions and sought clarifications on the bases, assumptions and justifications, and, where appropriate, raised modified or alternative scenarios or approaches for consideration and debate. The Non-Executive Directors served as a constructive sounding board to the Management's ideas and proposals, drawing upon their expertise and experience. As part of the Board, they help monitor Management's progress in implementing agreed plans and business strategies.

For the year under review, the Non-Executive Directors had, on various occasions, held discussions among themselves without the presence of Management to consider specific issues, including business strategy and operational developments. Following the discussions, inputs and proposals, where appropriate, would be presented to the Board and Management. The Management has ready access to the Directors for guidance and exchange of views both within and outside the formal confine of the Board and Board committee meetings.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Provisions 3 .1 and 3.2
Separate role of Chairman and CEO
Mr David Yeung was appointed Independent Chairman w.e.f 23 March 2020 in place of Mr Sun Quan who relinquished his position as the Non-Executive and Non-Independent Chairman on 23 March 2020. Mr Sun Quan relinquishes his position as Non-Executive Chairman and was re-designated Executive Director w.e.f. 23 March 2020 with responsibility for management oversight.

Mr Sun Quan in his role as Executive Director and de facto CEO heads the management and is responsible for the day-to-day management and business affairs of the Group. He reports to the Board and is responsible for ensuring that policies and strategies adopted by the Board are implemented.

The Non-Executive Chairman ensures that the board meetings are held when necessary and sets the board meeting agenda in consultation with the CEO. The Non-Executive Chairman and the CEO ensure that Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully apprised of the affairs of the Company and to make informed judgment on matters tabled before the Board. Board papers incorporating sufficient information from the management are forwarded to the Board members in advance of a Board Meeting to enable each member to be adequately prepared.

Provision 3.3
Lead Independent Director
Mr Yeung Koon Sang @ David Yeung was appointed the Lead Independent Director on 20 March 2019 to 23 March 2020. With Mr Yeung's appointment as Independent Chairman with effect from 23 March 2020, there is no longer a requirement for a designated Lead Independent Director under the Code. The Company ceased to have a Lead Independent Director on 23 March 2020.

As Lead Independent Director during the appointed period, Mr Yeung was available to shareholders where the normal channels of the Chairman and CEO or CFO failed to resolve their concerns or was inappropriate. The independent directors, led by the Lead Independent Director, would meet amongst themselves without the presence of the other Directors and the Lead Independent Director would then provide feedback, if any, to the Chairman after the meetings.

BOARD MEMBERSHIP

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

Provisions 4.1 and 4.2
Nominating Committee
The NC comprises five members, all of whom, including the Chairman, are independent. The members of the NC are:

Chairman	Mr Teng Cheong Kwee	(Independent Director)
Member	Mr Yeung Koon Sang alias David Yeung	(Independent Director)
Member	Dr Vasoo Sushilan	(Independent Director)
Member	Mr Siow Chee Keong	(Independent Director)
Member	Mr Chua Wei Ming	(Independent Director)

The NC operates in accordance with its terms of reference, which sets out the key functions of the NC as follows:

(a) review and recommend the nomination or re-nomination of Directors (including Independent Directors of the Company);

(b) determine annually whether a Director is independent, in accordance with the guidelines in the Code;

(c) review Board succession plans for Directors, in particular, the appointment and/or replacement of the Chairman, CEO and key management personnel;

(d) develop a process for evaluation of the performance of the Board, its committees and Directors, and undertake assessment of the effectiveness of the Board, Board Committees and individual Directors, including reviewing multiple board representations of Directors;

STATEMENT OF CORPORATE GOVERNANCE

(e) review the training and professional development programs for the Directors;

(f) review the composition of the Board to consider if the Board possesses the appropriate mix of expertise and experience, and whether, collectively, it possesses the necessary core competencies for effective functioning and informed decision-making. Where appropriate, the NC will consider new appointments or Board renewal as part of its review of Board succession plans for Directors. The NC will also review succession planning for the CEO.

Succession planning

The NC is responsible for reviewing Board succession plans, and will seek to refresh the Board membership in an orderly manner where it deems it necessary. The NC will also ensure that the Company has succession planning for its Executive Directors and key management personnel, including appointing, training and mentoring successors. The NC has reviewed contingency arrangements for any unexpected incapacity of the CEO or any of the top management personnel and is satisfied with procedures in place to ensure a transition to a full operational management team. In preparation for the retirement of Mr Yeung and Dr Vasoo at the forthcoming AGM, the Board had taken steps to bring in two new Independent Directors. Mr Siow Chee Keong and Mr Chua Wei Ming were subsequently appointed as Independent Directors following reviews and approval by the NC and the Board.

Provision 4.3
Process for the Selection, Appointment of New Directors
When it is required to source and appoint a new Director to the Board, the NC would, in consultation with the Board and management, identify the core competencies in terms of the skills and experience that such a candidate should possesses. The Company would then source for candidates who would meet the established criteria through a network of contacts. Where necessary, external consultants would be engaged. The NC will review the candidates' curriculum vitae and background, including references, and conduct interviews with short-listed candidates to assess their suitability and capacity to contribute to the needs of the Board. Selected candidate will be nominated to the Board for consideration and approval for appointment as a Director.

The Constitution of the Company requires one-third of the Board to retire from office at the Annual General Meeting ("**AGM**"). Accordingly, the Directors will retire and may submit themselves for re-nomination and re-election at least once every three years.

Mr David Yeung and Dr Vasoo will retire by rotation pursuant to Article 104 of the Constitution of the Company at the conclusion of the forthcoming AGM and would not seek re-election as mentioned under Provision 2.1

The Constitution of the Company requires a Director appointed by the Board to retire and be eligible for appointment at the first general meeting following their appointment. Accordingly, Mr Siow Chee Keong and Mr Chua Wei Ming who were recently appointed on 19 February 2021 will retire pursuant to Article 108 of the Constitution, and being eligible have consented to be put up for re-election at the forthcoming AGM. The NC has recommended their nomination for re-election.

In accordance with the Listing Rules of SGX-ST, the information as set out in Appendix 7.4.1 of the Listing Manual in respect of Mr Siow Chee Keong and Mr Chua Wei Ming are provided on pages 34 to 36 of this Annual Report.

Provision 4.4
Determining Directors' Independence
The NC has conducted an annual review of the independence of the Independent Directors, using the criteria of independence in the Listing Rules of SGX-ST and as set out under Provision 2.2 of the Code, and taking into consideration their participation in Board and Committee discussions and deliberations, and their exercise of judgment in the discharge of their duties as directors, has ascertained that they are independent.

Guideline 4.4
Multiple Board Representations
The NC ensures that new directors are aware of their duties and obligations and will be able to devote sufficient time in discharging the same. In assessing a Director's commitment to devote sufficient time and attention to the affairs of the Company in discharge of his duties, the Board is of the view that it would not be appropriate to set a limit on the number of listed company Board representations that a Director may hold. Each Director should personally determine the demands of his competing directorships and obligations and ensure that sufficient time and attention is given to the affairs of the Group. The Board is of the view that it is more appropriate to consider and assess if a Director has been able to devote sufficient time and attention to the affairs of the Company. In this respect, the Board, having reviewed each Director's involvement and participation in meetings of the Board, and Committee, where applicable, is satisfied that each Director is able to and has been adequately carrying out his duties as a Director of the Company. The NC would continue to review from time to time the Board representations and other principal commitments of each Director to ensure that the Directors continue to be able to meet the commitment of time, attention and diligence required from each Director in the discharge of their duties as a director of the Board.

There are currently no Alternative Directors on the Board.

Details of the Directors' principal commitments and outside directorships are set out on page 5 to 6 of this Annual Report.

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

Provisions 5.1 and 5.2
Conduct of Board Performance
The NC carried out an evaluation exercise to assess the performance of the Board and Board Committees as well as the contributions of each Director to the effectiveness of the Board. The assessment carried out was based on the framework and process that the Board has adopted.

STATEMENT OF CORPORATE GOVERNANCE

This process entailed having each Director complete a performance evaluation to assess the performance and effectiveness of the Board and of each Board Committee in key aspects of the functions and responsibilities of the Board and Board Committees. It also included a self-assessment by each Director of his own performance as a Director. The Company Secretary compiles the evaluation into a consolidated report which was submitted to the NC.

The NC, with the participation of the Executive Directors, reviewed and discussed the results of the evaluation at a meeting of the NC. The Board received a report of the NC's deliberations on the matter, and also discussed areas where enhancements could be considered.

Performance Criteria for Board Evaluation
The performance criteria cover various aspects of Board performance, including Board's level of governance, effective delegation to the Board committees, leadership and accountability, conduct of meetings, involvement in strategy formulation, risk management and internal controls, and communication with stakeholders.

Evaluation of the Board and Board Committees
For the year under review, based on the consolidated results of evaluation and the discussion at the NC meeting, with the participation of the Executive Directors, the NC is satisfied that the Board and its Board Committees have been effective in the discharge of their duties and that the directors have each contributed to the effectiveness of the Board and Board committees. The Board received a report of the NC's deliberations on the matter, and also discussed areas where enhancements could be considered.

Evaluation of Individual Director
The NC evaluated individual Director's performance in the year under review. The assessment of individual Director encompassed his knowledge of the Group's business and operations, business acumen, knowledge of corporate governance, contribution and engagement, communication and integrity. In respect of a Director who has multiple board representations, the NC reviewed the Director's participation in the Board and Committee meetings and his contributions to the discussions and decision making to assess if he has been adequately carrying out his duties as a Director of the Company.

Taking into account the report and assessment of the NC, the Board is satisfied that each Director has discharged their duties satisfactorily and has devoted sufficient time and resources to the affairs of the Company.

The Company does not use any external professional facilitator for the assessment of the Board, Board Committees and individual Directors. It will consider the use of such facilitator as and when it considers it necessary.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Provisions 6.1 and 6.2
Remuneration Committee
The RC comprises five members all of whom, including the Chairman, are independent.

Chairman	Dr Vasoo Sushilan	(Independent Director)
Member	Mr Yeung Koon Sang alias David Yeung	(Independent Director)
Member	Mr Teng Cheong Kwee	(Independent Director)
Member	Mr Siow Chee Keong	(Independent Director)
Member	Mr Chua Wei Ming	(Independent Director)

The RC carried out its duties in accordance with the terms of reference approved by the Board and which included the following:

(a) review and recommend to the Board a framework for remuneration for the directors and key management personnel of the Company.

(b) review and recommend Directors' fees for approval at the AGM.

(c) determine specific remuneration packages for each Executive Director as well as key management personnel.

(d) review the Group'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.

(e) review the remuneration of employees who are immediate family members of a director or the CEO to ensure that the remuneration of each such employee is commensurate with his or her duties and responsibilities, and no preferential treatment is given to him or her.

STATEMENT OF CORPORATE GOVERNANCE

The Company has in place a framework for the Directors' and Executives Officers' remunerations recommended by the RC and which the Board had approved. Each year, the RC would review and determine the specific remuneration package for each Executive Director, taking into consideration the Company's annual performance. The RC would also review and recommend Director's fee to be paid, and submit it for the Board's review and approval.

Provision 6.3
Review of remuneration
During the year under review, the RC reviewed and recommended the remunerations of the Executive Directors. The remunerations included, but are not limited to Director's fee, salaries, allowances, bonus, ex-gratia payments, options and benefits in kind. The RC's recommendations were submitted for endorsement by the Board. No member of the RC or any Director was involved in the deliberations and decision in respect of any remuneration, compensation, options or any form of benefits to be granted to him.

The RC also reviewed the remuneration of key management personnel.

Each of the Executive Directors and key management personnel have a service agreement or employment contract with the Company which can be terminated by either party giving notice of resignation/termination. Each appointment is on a continuing basis and not subject to onerous removal clauses.

Provision 6.4
Engagement of remuneration consultants
The RC is provided with access to expert professional advice on remuneration matters as and when necessary. The expenses of such service shall be borne by the Company.

For the year under review, the RC did not use any external remuneration consultant and will consider the use of such consultant as and when appropriate.

LEVEL AND MIX OF REMUNERATION

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

Provision 7.1
Remuneration of Executive Directors and Key Management Personnel
The Executive Directors and key management personnel have service agreements. The service agreements cover the terms of employment, salaries and a variable bonus, which is tied to the level of the group profits, and other benefits.

The RC considers that the level and structure of remuneration of the Executive Directors is aligned with the long-term interest and risk policies of the company, and is appropriate, in the Company's current financial circumstances, and are adequate to attract, retain and motivate the key management personnel to successfully manage the company.

There are no contractual provisions in the Company's service agreements or employment contracts that would enable the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel. The Board is of the view that as the Group pays performance bonuses based on the actual performance of the operating unit (and not on forward-looking results) as well as the performance of the individual employee, it may not be essential or appropriate to incorporate "claw-back" provisions in the service agreements.

Provision 7.2
Remuneration of Non-Executive Directors
The Non-Executive Directors have no service contract, other than letters of appointment as non-Executive Directors. In setting remuneration packages, the RC will take into consideration the director fee levels within the industry and in comparable companies. The Company submits the proposed quantum of Directors' fee each year to the shareholders for approval at each AGM.

The RC has reviewed the fee structure for the directors taking into account their responsibilities and work commitments, as well as the operating and financial performance of the Company. The proposed directors' fee for Financial Year 2020 will be subject to shareholders' approval at the Company's forthcoming annual general meeting.

Provision 7.3
Appropriate remuneration to attract, retain and motivate key management personnel and Directors
The Company has in place share incentive schemes, namely AEI Performance Share Plan ("**APSP**"). The objective of the share schemes is to attract, retain and motivate key management personnel and, where applicable, Executive Directors and Non-Executive Directors.

Apart from employees, Non-Executive Independent Directors and Non-Executive Non-Independent Directors are also eligible for participation in the above share scheme. No share awards have been granted since inception of the schemes.

DISCLOSURE ON REMUNERATION

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

STATEMENT OF CORPORATE GOVERNANCE

Provision 8.1
Remuneration Report

Remuneration of Directors and the CEO
The remuneration paid to or accrued to each individual Director for FY2020 is as follows:

	Fee %	Salary %	AWS %	Other benefits %	Total %
Below $250,000					
Mr Yeung Koon Sang @ David Yeung	100.00	0.00	0.00	0.00	100.00
Dr Vasoo Sushilan	100.00	0.00	0.00	0.00	100.00
Mr Teng Cheong Kwee	100.00	0.00	0.00	0.00	100.00
Mr Sun Quan	100.00	0.00	0.00	0.00	100.00
Mr Wu Pingwei	100.00	0.00	0.00	0.00	100.00
Mr Li Zhibo	100.00	0.00	0.00	0.00	100.00

Remuneration of Key Management Personnel (who are not Directors or CEO)
Remuneration of key executives (who are not directors or the CEO) for FY2020 are set out in bands of $250,000.

	Fee %	Salary %	AWS %	Other benefits %	Total %
Below $250,000					
Employee 1	0.00	94.54	5.46	0.00	100.00
Employee 2	0.00	94.56	5.44	0.00	100.00
Employee 3	0.00	94.38	5.62	0.00	100.00
Employee 4	0.00	94.31	5.69	0.00	100.00
Employee 5	0.00	79.70	4.10	16.20	100.00

The aggregate remuneration including basic/fixed salary, variable bonuses, benefit-in-kinds, allowances, CPF etc. paid to the top five key management personnel (who are not Directors or the CEO) for the year ended 31 December 2020 were $878,327.

Given the keen competition for labour in the industry, coupled with sensitivity with regard to the remuneration of individual staff, the Company has only disclosed the remuneration mix and remuneration band of each individual Director on a named basis and, in the case of the key management staff, on an unnamed basis. The manpower landscape of the electronic industry in Singapore and the region has become more competitive in the recent years and as such any information on remuneration for key management staff could be used by competitors to poach talents which are critical for efficient manufacturing operation of the electronic end products.

The Board is of the view that the information disclosed would be sufficient for shareholders to have an adequate understanding of the Company's remuneration policies and practice, and the broad remuneration level of the key management staff. The Board believes that the disclosure provided is in the interest of the Company.

Provision 8.2
Remuneration of employees who are substantial shareholders or immediate family members of a substantial shareholder, Director or the CEO
There is no employee who is a substantial shareholder or an immediate family member of a Director or the CEO and whose remuneration exceeds S$100,000.

Provision 8.3
Employee Share Scheme

AEI Performance Share Plan
The Company has adopted the AEI Performance Share Plan ("APSP") which is intended to serve as a means to incentivize staff to achieve higher performance goals and to recognize exceptional achievement as well as to reward, retain and motivate employees. The APSP was approved by the shareholders at the Extraordinary General Meeting held on 28 April 2014. To date, no shares have been granted under the APSP.

ACCOUNTABILITY AND AUDIT
RISK MANAGEMENT AND INTERNAL CONTROLS
Principle 9: *The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.*

Provision 9.1
Risk Management and Internal Controls System
The Board is responsible for the governance of risk, including determining the nature and extent of the significant risks which the company is willing to take. The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC. Having considered the Company's business operations, taking into account its current nature, scope and scale, as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.

Risk-based internal audits are carried out with the primary objectives of:

(a) assessing if adequate systems of internal controls are in place to protect the funds and assets of the Company and to control commitment and disbursement of expenditure and other outlay;

(b) assessing if operations of the business processes under review are conducted efficiently and effectively, and in compliance with the Company's internal procedures and controls; and

(c) identifying internal control improvement opportunities.

STATEMENT OF CORPORATE GOVERNANCE

Provision 9.2
Assurances to the Board
The Board has received the following assurances from the Executive Director and CFO that as at 31 December 2020 that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and from the Executive Director and the CFO in her capacity as Chief Risk officer that the Group's risk management and internal control systems were adequate and effective to address key financial, operational, compliance and information technology risks.

Board's Comment on Adequacy and Effectiveness of Internal Controls
Based on the review of the key risks identified, and the internal controls established and information maintained by the Group, statutory audit review by the external auditors, the findings of the internal audit carried out, and the assurances from the Executive Director and the CFO on the effectiveness of the Group's risk management and internal control systems, and their assurance that the financial records have been properly maintained and that the financial statements give true and fair view of the Group's operations and finances, as well as reviews performed by management, various Board committees and the Board, the Board is of the opinion that the Group's risk management and internal control systems, including financial, operational, information technology and compliance controls, addressing financial, operational and compliance risks as at 31 December 2020 were adequate and effective. The AC concurs with the Board.

AUDIT COMMITTEE
Principle 10: *The Board has an Audit Committee which discharges its duties objectively.*

Provisions 10.1 and 10.2
AC Membership
The AC comprises the following five independent directors:

Chairman	Mr Yeung Koon Sang alias David Yeung	(Independent Director)
Member	Mr Teng Cheong Kwee	(Independent Director)
Member	Dr Vasoo Sushilan	(Independent Director)
Member	Mr Siow Chee Keong	(Independent Director)
Member	Mr Chua Wei Ming	(Independent Director)

Expertise of AC Members
The AC members bring with them extensive professional expertise in the accounting and financial management domains. The Chairman of the AC, Mr David Yeung, has over 20 years of experience in public accountancy and had worked previously with Deloitte & Touche, UK and Ernst & Young, Singapore. The other members of the AC have many years of experience in business management, finance and regulatory compliance. The Board is satisfied that the members of the AC have recent and relevant accounting or related financial management expertise or experience to discharge the AC's functions. The experience and qualifications of the AC members are set out in the Directors' Profile section of the annual report.

The AC members keep up to date with changes in accounting standards and issues through updates from the external auditors and, where appropriate, through attendance of relevant training courses and seminars.

Roles, Responsibilities and Authorities of AC
The AC functions under the terms of reference approved by the Board, and its responsibilities include:

(a) reviewing with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their audit report, their management letter and the management's response;

(b) reviewing with the internal auditor its internal audit plans and internal audit findings;

(c) reviewing the half-yearly and annual financial statements and results announcements before submission to the Board for approval, focusing in particular, on significant financial reporting issues and judgements, changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements so as to ensure the integrity of the financial statements of the Company.

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

(e) reviewing and discussing 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 Company's operating results or financial position, and the management's response;

(f) reviewing the assurance from the CEO or the Chairman (in the absence of an CEO) and the CFO on the financial records and financial statements;

(g) reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;

(h) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function;

(i) considering and recommending the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;

(j) reviewing interested person transactions falling within the scope of Chapter 9 of the Listing Manual;

(k) reviewing potential conflicts of interest, if any;

STATEMENT OF CORPORATE GOVERNANCE

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

(m) generally undertaking such other functions and duties as may be required by the statute or the Listing Manual, or by such amendments as may be made thereto from time to time.

In connection with the audit for FY2020, the external auditor has identified two key audit matters ("**KAM**") set out in the auditor's report for FY2020. The KAMs identified are: 1. Impairment of buildings and improvements, leasehold land and plant and equipment and in relation thereto, the external auditor has set out the work it performed to ensure that the accounting impact of the impairment is in accordance with accounting standards, and 2. Impairment of investment in subsidiary AEI Corporation (Singapore) Pte Ltd. The AC has considered the appropriateness of the external auditor's work and findings and concurs with the external auditor.

The AC has the power to conduct or authorize investigations into any matters within the AC's scope of responsibility. The AC is authorized to obtain independent professional advice if it deems it necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

Each member of the AC shall abstain from voting on any resolutions in respect of matters he is interested in.

Independence of External Auditors
The AC had reviewed and was satisfied that the engagement of Ernst & Young LLP as the external auditors of the Company and of its subsidiaries and the engagement of other suitable audit firms for its foreign subsidiaries was in compliance with Rules 712, 715 and 716 of the Listing Manual. The AC reviews the independence of the external auditors annually. During the year, the fees paid to the external auditors of the Company was approximately S$156,000 of which non-audit fees amounted to approximately S$41,000. Having reviewed the range and value of non-audit services performed by the Ernst & Young LLP, the AC was satisfied that the nature and extent of such services would not prejudice the independence and objectivity of the external auditors. The AC has recommended that Ernst & Young LLP be re-appointed as Auditors subject to approval of shareholders at the forthcoming AGM.

Whistle-blowing
The Company has in place a whistle-blowing procedure which allows staff of the Company to raise concerns about improprieties or potential improprieties to the AC Chairman on a confidential basis.

Employees are free to bring complaints to the attention of their supervisors or the Human Resources Department, as they would in any other workplace concern. The recipient of such complaints shall forward them promptly to the AC Chairman. The Group will treat all information received confidentially and protect the identity and the interest of all whistleblowers. Following investigation and evaluation of a complaint, the AC Chairman shall report to the AC on the outcome of the investigation, and where a breach or non-compliance was established, recommend disciplinary or remedial action, if any. The AC shall review the matter and report to the Board on its finding and recommendation on the action to be taken by the Board or by appropriate members of senior management.

The policy is communicated to all employees as part of the Group's efforts to promote awareness of fraud control.

Provision 10.3
Partners or Directors of the Company's Auditing Firm
No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

Provision 10.4
Internal Audit Function
The Company outsourced internal audit function to a Nexia TS Risk Advisory Pte Ltd, which is independent of the Company's directors and management. The internal auditors report to the Chairman of the AC. The AC is satisfied that the internal audit function is independent and adequately resourced. There was an internal audit carried out in FY2020. The AC reviewed the report of the internal audit carried out and the findings as well as any remedial actions to be taken by Management to address any inadequacies identified by the internal auditor.

Risks arising from the Group's financial operations are separately discussed in Note 32 to the Financial Statements on pages 110 to 121.

Adequacy and Effectiveness of Internal Controls and Risk Management Systems
For the financial year ended 31 December 2020, the Board has received letters of assurance from the Executive Director and the CFO that the financial records had been properly maintained and that the financial statements gave a true and fair view of the Group's operations and finances, and regarding the effectiveness of the company's risk management systems and internal controls system.

In assessing the effectiveness of internal controls, the AC's key objectives are to check that material assets are properly safeguarded, fraud or errors in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.

The Audit Committee has reviewed the Company's internal control assessment and based on the internal audit report, the external auditors' reports, the assurance from the Executive Director and CFO that the internal controls in place, it is satisfied that its internal controls (including operational, financial, compliance and information technology controls) are adequate and effective to meet the needs of the Group in its current business environment.

Provision 10.5:
Meeting with external and internal auditors without presence of the Management
The AC meets with both the internal and external auditors without the presence of the Management at least once a year. The AC met once with the external and internal auditors without the presence of the Management to provide a forum for the external and internal auditors to exchange views and information in confidence regarding or arising from their audit.

STATEMENT OF CORPORATE GOVERNANCE

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

Provision 11.1

Providing Opportunity for Shareholders to Participate and Vote at General Meetings

The Company's AGM, and Extraordinary General meeting ("**EGM**") when that is required to be held for specific purpose, are the principal forums for dialogues with shareholders.

Shareholders are encouraged to attend AGM / EGM to stay apprised of the Group's business developments, strategy and goals, and to seek additional information or clarifications on the Company's business and operations. Notice of the meetings will be advertised in newspapers and announced on SGXNET at least 14 days before the meeting so that sufficient notice of meeting is given to shareholders to attend the meeting or appoint proxies to attend and vote in their stead.

All resolutions at general meetings are put to a vote by electronic poll to allow greater transparency and more equitable participation by shareholders. Voting and vote tabulation procedures are disclosed at the general meetings. Votes cast for, or against, each resolution will be displayed live-on-screen to shareholders immediately at the general meetings. The total numbers of votes cast for or against the resolutions are also announced after the general meetings via SGXNET. An independent scrutineer firm would be present to validate the votes at the last AGM. The results of the electronic poll voting on each resolution to be tabled at the AGM, including the total number of votes cast for or against each resolution, would also be announced after the said meeting via SGXNet.

In view of the COVID-19 situation, the AGM in 2020 was held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live audio-visual webcast or live audio only stream), submission of questions to the Chairman of the Meeting in advance of the AGM, addressing of substantial and relevant questions at, or prior to, the AGM and voting by appointing the Chairman of the Meeting as proxy at the AGM, were put in place for that AGM. The Company will be conducting the forthcoming AGM in similar manner.

Provision 11.2

Separate resolutions at general meetings

The Company will have separate resolutions at general meetings on each distinct issue. For resolutions that are special business, explanations will be given in the accompanying notes to the Notice of the AGM. For resolutions on the election or re-election of directors, information on the Directors as set out in Appendix 7.4.1 of the Listing Manual is provided in this Annual Report.

Provision 11.3
Attendance of Directors and auditors at general meetings
In 2020, the Company held one general meeting, namely the Annual General Meeting. Members of the Board, including the chairperson of each Board Committee was present at the meeting to address shareholders' queries. The external auditors were also present to assist the Board in addressing any relevant queries from the shareholders.

Provision 11.4
Absentia voting
The Company's Constitution allows a member (other than a relevant intermediary as defined in section 181 of the Companies Act) to appoint one or two proxies to attend and vote at its general meetings on his behalf in his absence. The Companies Act allows relevant intermediaries which include CPF and/or SRS Approved Nominees to appoint multiple proxies, and empower CPF and/or SRS investors to attend and vote at general meetings of the Company as their CPF Approved Nominees' proxies. This would enable holders of shares purchased through CPF Investment Scheme to attend and exercise their voting right at general meetings. A CPF or SRS Investor who is unable to attend the AGM but who would like to vote may inform his CPF or SRS Approved Nominees to appoint the Chairman of the Meeting to act as his proxy, in which case, the CPF or SRS Investor shall be precluded from attending the AGM.

Provision 11.5
Minutes of general meetings
The Company prepares minutes of general meetings detailing the proceedings and questions raised by shareholders and answers given by the Board and Management. The minutes will be published in the Company's corporate website at www.aei.com.sg.

Provision 11.6
Dividends
The details of dividend payment, if any, would be disclosed via the release of the announcements through SGXNET. The Company does not have a policy on payment of dividend. The Board will consider the Group's operating and financial results, its level of cash and retained earnings and projected capital expenditure and investments when deciding whether to propose the payment of a dividend.

ENGAGEMENT WITH SHAREHOLDERS

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

Provision 12.1
Avenues for communication between the Board and shareholders
In accordance with the Listing Rules of the SGX-ST, the Board's policy is to make timely public announcement of all major developments that may have a material impact on the Group. The Company does not practice selective disclosure and price sensitive information is publicly released on an immediate basis where required under the Listing Rules.

STATEMENT OF CORPORATE GOVERNANCE

Information is disseminated to shareholders on a timely basis through:

a. SGXNET announcements and news release;
b. Annual Report prepared and issued to all shareholders;
c. Press release on major developments of the Group;
d. Notice of and explanatory memorandum for AGM and extraordinary general meetings ("EGM"); and
e. Company's website at www.aei.com.sg where shareholders can access information on the Group.

The Company's annual general meeting is a forum for the shareholders to engage the Board to ask questions on the resolutions tabled at the annual general meeting and to express their views.

The Company will consider the use of other forums such as analyst briefings as and when appropriate.

Provisions 12.2 and 12.3
Investor Relations
The Company's investor relations policy is to communicate with its shareholders and the investment community through the timely release of announcements to the SGX-ST via SGXNET. The Company does not practice selective disclosure and price sensitive information is publicly released on an immediate basis where required under the Listing Rules.

Price sensitive information will be publicly released 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. The Board seeks to ensure timely and full disclosure of material corporate developments to shareholders. The Board also reviews regulatory compliance reports from management to ensure that the Group complies with the relevant regulatory requirements.

To further enhance its communication with the investors, the Company's website allows the public to have access to information on the Group including the Company's announcements made to the SGX-ST and the contact email, aei@aei.com.sg.

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

Provisions 13.1 and 13.2
Engage with its material stakeholder groups
The Group's material stakeholders are its shareholders, customers, employees, business partners and the community and the Company engages with them through its sustainability initiatives and corporate social responsibility programmes as set out in its Sustainability Report for FY2019 posted on SGXNET on 29 May 2020.

The Group's sustainability efforts are guided by our Board of Directors. The Board ensures that sustainability thinking is integrated into the Group's strategies, and provides direction for the formulation of policies and best practices. The senior management team and department heads are jointly responsible for the execution of sustainability in the Group's daily operations. The key areas of focus in relation to the management of stakeholder relationships are corporate governance, social responsibility and sustainable environment.

Please refer to the Sustainability Report for FY2019 for details. The Company will release its Sustainability Report for FY2020 by end May 2021.

Provision 13.3
Corporate website to communicate and engage with stakeholders
The Group maintains a corporate website at www.aei.com.sg which stakeholders can access information on the Group. The website provides, inter alia, corporate announcements, press releases and profiles of the Group. Shareholders and stakeholders are provided with an investor relations contact at aei@aei.com.sg to contact the Company.

OTHER CORPORATE GOVERNANCE MATTERS

Interested Person Transactions
The Company has established internal control policies to ensure that transactions with interested persons are properly reviewed and approved and are conducted at arms' length basis. During the year, the Company had entered into the following interested persons transactions.

Name of Interested Person	Nature of relationship	Aggregate value of all interested person transactions conducted (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
MTBL Global Pte Ltd	Associated with a director	$1,263,000 *	NIL

• one-off business joint venture promotional event

DEALINGS IN SECURITIES

In line with SGX-ST Listing Rule 1207(19) on Dealings in Securities, the Company has in place a policy prohibiting share dealings by Directors and employees of the Company for the period of one month before the announcement of the Company's half yearly and yearly financial statements. Directors and employees who are in possession of unpublished material price-sensitive and trade-sensitive information of the Group should not deal in the Company's securities on short term consideration and are expected to observe the insider trading laws at all times even when dealing in securities outside the restricted trading period.

The Company has complied with the best practice pursuant to Listing Rule 1207(19)(c) in not dealing in its own securities during the restricted trading periods.

MATERIAL CONTRACTS

The Company has not entered into any contract during the financial year that involved the interests of the Chief Executive Officer, a Director or the controlling shareholder.

DIRECTOR'S INFORMATION

Information on Directors nominated for re-election at the forthcoming annual general meeting as set out in Appendix 7.4.1 pursuant to Rule 720(6) of the SGX-ST Listing Manual.

	Name of directors to be re-elected	
	Siow Chee Keong	**Chua Wei Ming**
Date of appointment	19 February 2021	19 February 2021
Date of last re-appointment (if applicable)	N.A.	N.A.
Age	67	54
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Siow Chee Keong as the Independent Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experiences and overall contribution since his appointment.	The re-election of Mr Chua Wei Ming as the Independent Director was recommended by the Nominating Committee and the Board has accepted the recommendation, after taking into consideration his qualifications, expertise, past experiences and overall contribution since his appointment.
Whether appointment is executive, if so, the area of responsibility	Non-executive	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC member, etc.)	Independent Director, Member of Audit Committee, Member of Remuneration Committee and Member of Nominating Committee	Independent Director, Member of Audit Committee, Member of Remuneration Committee and Member of Nominating Committee
Professional qualifications	1) University of Warwick, Business School, Master of Business Administration 2) INSEAD, Business School, International Directors Programme 3) National University of Singapore, Business School, Strategic Management Programme 4) Chartered Accountant, Institute of Singapore Chartered Accountants	1) University of Liverpool, UK, MBA 2) National University of Singapore, BSc Computer Science

	Name of directors to be re-elected	
	Siow Chee Keong	**Chua Wei Ming**
Working experience and occupation(s) during the past 10 years	**2019 to Present:** 365 Cancer Prevention Society (non-profit community) Hon. Treasurer and Chairman, Finance Committee **2017 to 2018:** 365 Cancer Prevention Society (non-profit community) Chairman, Audit and Risk Committee **2005 to Present:** Virtus Assure Pte Ltd Company Director	**2005 to 2015:** Business Consultant & Investor Clients include Fragrance Foodstuff Singapore, Singapore subsidiary of Canadian Walton Land Banking Group **2015 to 2019:** Managing Director Equities First Holdings Singapore, subsidiary of US Family Fund **2019 to Present:** Personal Advisor (Confidential Engagement)
Shareholding interest in the listed issuer and its subsidiaries	No	Direct interest of 9,200 shares and deemed interest of 5,000 shares of the Company.
Any relationship (including immediate family relationships) with any existing director, existing executive office, the issuer and/or substantial shareholder of the listed issuer or of any of its principle subsidiaries	No	No
Conflict of interests (including any competing business)	No	No
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7))	Yes	Yes

DIRECTOR'S INFORMATION

	Name of directors to be re-elected	
	Siow Chee Keong	**Chua Wei Ming**
Other Principal Commitments[1] including Directorship	• **Past (for the last 5 years):** - Sunvic Chemical Holdings Ltd - Epicentre Holdings Ltd - ABT Capital Pte Ltd - ERCG Systems Pte Ltd - C K Siow Pte Ltd • **Present:** - Pico (Thailand) Public Company Limited - Compass Venture Inc. - Virtus Assure Pte Ltd - NGF BioEnterprise Pte Ltd	• **Past (for the last 5 years):** - Equities First Holdings Singapore Pte Ltd • **Present:** - Nil
Information required under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual	Mr Siow's responses under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual are all "No".	Mr Chua's responses under items (a) to (k) of Appendix 7.4.1 of the SGX-ST Listing Manual are all "No".

[1] Includes all commitments which involve significant time commitment such as full-time occupation, consultancy work, committee work, non-listed company board representations and directorships and involvement in non-profit organisations. Where a director sits on the boards of non-active related corporations, those appointments should not normally be considered principal commitments.

FINANCIAL REVIEW

CONTENTS

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of AEI Corporation Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2020.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company 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 31 December 2020 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date, and

(ii) 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.

DIRECTORS

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

Yeung Koon Sang alias David Yeung	
Sun Quan	
Wu Pingwei	
Li Zhibo	
Dr Vasoo Sushilan	
Teng Cheong Kwee	
Siow Chee Keong	(Appointed on 19 February 2021)
Chua Wei Ming	(Appointed on 19 February 2021)

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares and warrants of the Company as stated below:

	Ordinary shares of the Company			
	Direct interest		Deemed interest	
Name of director	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
Yeung Koon Sang alias David Yeung	10,000	10,000	–	–
Sun Quan	–		28,787,400	28,787,400
Wu Pingwei	–		–	–
Li Zhibo	–		–	–
Dr Vasoo Sushilan	10,000	10,000	–	–
Teng Cheong Kwee	10,000	10,000	–	–

	Warrants carrying right to subscribe for ordinary shares Held in the name of directors			
	Direct interest		Deemed interest	
Name of director	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
Yeung Koon Sang alias David Yeung	10,000	10,000	–	–
Dr Vasoo Sushilan	10,000	10,000	–	–
Teng Cheong Kwee	10,000	10,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2021.

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

DIRECTORS' STATEMENT

DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director of the Company 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 the director is a member, or with a company in which the director has a substantial financial interest.

AEI PERFORMANCE SHARE PLAN

At an Extraordinary General Meeting held on 28 April 2014, shareholders approved the adoption of AEI Performance Share Plan ("Plan") as a compensation scheme that promotes higher performance goals and recognizes exceptional achievement. The Company believes the Plan will strengthen the overall effectiveness of the Group's remuneration and benefits to its employees.

The Plan is administered by the Remuneration Committee and the Plan continues in force at the discretion of the Remuneration Committee, subject to a maximum period of up to ten years.

No share has been issued under the Plan.

AUDIT COMMITTEE

The audit committee (AC) carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the external auditors of the Group and the Company
- Reviewed the half-yearly and annual financial statements and the external auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor
- Reviewed the nature and extent of non-audit services provided by the external auditor

DIRECTORS' STATEMENT

AUDIT COMMITTEE (CONT'D)

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

AUDITOR

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors:

Yeung Koon Sang alias David Yeung	**Sun Quan**
Chairman	Director

Singapore
5 April 2021

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF AEI CORPORATION LTD.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

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

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the financial 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 (ACRA) *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Key audit matters (cont'd)

Impairment assessment of building and improvements, leasehold land and plant and equipment

As at 31 December 2020, the Group's building and improvements, leasehold land and plant and equipment have an aggregate net carrying amount of $6.1 million. During the year ended 31 December 2020, pursuant to the impairment assessment, the Group recognised an aggregate impairment loss of $2.3 million in which $0.7 million and $1.6 million relate to building and improvements, and plant and equipment respectively. The impairment assessment of the building and improvements, leasehold land and plant and equipment were significant to the audit due to the magnitude, heightened level of estimation uncertainty associated with current market and economic condition and the assessment involved significant judgment applied by the management and the independent professional appraiser ("External Appraiser).

Management estimated the recoverable amount of building and improvements and leasehold land (collectively, the "Tuas South Property") based on fair value less cost of disposal and engaged the External Appraiser to perform the valuation. The External Appraiser determined the fair value of this property based on direct comparison approach using sales and listing of similar properties in the vicinity as guides to values after relevant adjustments were made for differences in characteristics such as location, land area, and conditions of the building and improvements. The External Appraiser also performed an allocation of the fair value of the Tuas South Property between the land and building elements using the depreciated replacement cost method.

As part of our audit procedures, we obtained an understanding of management's process of revaluing building and improvements and identifying the indicators of impairment, the selection of valuation methodologies and the basis of determining recoverable amount of the Tuas South Property. We evaluated the objectivity, independence and expertise of the External Appraiser. We discussed with management and External Appraiser to obtain an understanding of the basis for the key assumptions and inputs used in the valuations and basis for allocation of fair value of the Tuas South Property between the land and building elements. We also reviewed the valuation reports issued by the External Appraiser. We involved our internal valuation specialist to assist us in assessing the appropriateness of the valuation method used, the basis to allocate fair value of the Tuas South Property between the land and building elements, and the reasonableness of the key inputs and assumptions used. These key inputs and assumptions include transaction prices of comparable properties, land size, building condition and location adjustment factors, replacement costs, depreciation estimates and key valuation adjustments made in response to the changes in market and economic conditions brought on by COVID-19 impact.

The recoverable amount of plant and equipment was determined using the value-in-use method that was based on forecasted cash flow for those plant and equipment over its remaining useful lives.

As part of our audit procedures, we obtained an understanding of management's process to identify indicators of impairment and the process and basis of determining the recoverable amount of plant and equipment. We assessed the valuation methodology used by management and evaluated the key inputs and assumptions such as the revenue growth rate and profit margins by considering historical results, management's operating forecasts and reports, and external market information. We discussed with management on how they have considered the current market and economic conditions. We further discussed with management to obtain an understanding on the business strategy and business environment to corroborate our assessment of the key assumptions and inputs used by management. We involved our internal specialist to assist us in assessing the reasonableness of the discount rate and terminal growth rate assumptions used in the value-in-use computation. We reviewed management's analysis of the sensitivity of the value-in-use calculations to a reasonably possible change in the key assumptions.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Key audit matters (cont'd)

Impairment assessment of building and improvements, leasehold land and plant and equipment (cont'd)

We also assessed the adequacy of the disclosures in Note 3.2 (a) *Significant accounting judgements and estimates*, Note 11 *Property, plant and equipment*, Note 14 *Leasehold land* and Note 34 *Fair value of assets and liabilities (b) Fair value of buildings and improvements and right-of-use assets* to the financial statements.

Impairment on investment in subsidiary

As at 31 December 2020, there were indicators of impairment relating to the Company's investment in one of the subsidiaries, AEI Corporation (Singapore) Pte Ltd ("Subsidiary"), with a net carrying amount of $4 million after the Company recognised an impairment loss of $4.4 million pursuant to the impairment assessment for the Subsidiary performed during the year. The recoverable amount of the investment in the Subsidiary was determined using the value-in-use method using discounted cash flows which are determined based on a number of significant operational and predictive assumptions such as forecasted revenue growth rate, profit margins, terminal growth rate and discount rate, taking into consideration the potential impact of the COVID-19 pandemic. The impairment assessment is considered a key audit matter due to the magnitude of the carrying amount, and that the assessment required management to apply significant judgment and heightened level of estimation uncertainty associated with current market and economic condition.

As part of our audit procedures, we obtained an understanding of management's process to identify indicators of impairment and the process and basis of determining recoverable amount of investment in the Subsidiary. We assessed the valuation methodology used by management and evaluated the key inputs and assumptions such as the revenue growth rate and profit margins based on our knowledge of the Subsidiary by evaluating management's forecasting process and comparing previous forecasts to actual results and external market information. We discussed with management on how they have considered current market and economic conditions. We further discussed with management to obtain an understanding on the business strategy and business environment to corroborate our assessment of the key assumptions and inputs used by management. We involved our internal specialist to assist us in assessing the reasonableness of the discount rate and terminal growth rate assumptions used in the value-in-use computation. We reviewed management's analysis of the sensitivity of the value-in-use calculations to a reasonably possible change in the key assumptions. We checked the arithmetic accuracy of management's computation of the impairment loss based on the excess of carrying amount over the recoverable amount.

We also assessed the adequacy of the disclosures made on the impairment of the investment in subsidiary in Note 12 *Investment in subsidiaries* to the financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

Auditor's responsibilities for the audit of the financial statements

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.

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

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 Eleanor Lee.

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
5 April 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
Revenue	4	**9,867**	9,076
Cost of sales		**(9,175)**	(9,093)
Gross profit/(loss)		**692**	(17)
Other operating income	5	**636**	244
Selling and distribution costs		**(535)**	(520)
General and administrative expenses		**(3,693)**	(3,426)
Impairment losses on financial assets	6	**(50)**	(67)
Other operating expenses		**(2,382)**	(1,211)
Loss from operating activities		**(5,332)**	(4,997)
Finance cost	7	**(412)**	(445)
Share of results of associate		**(93)**	(492)
Finance income	8	**156**	565
Loss before tax	6	**(5,681)**	(5,369)
Income tax benefit/(expense)	9	**43**	(486)
Loss net of tax		**(5,638)**	(5,855)
Loss for the financial year attributable to:			
Owners of the Company		**(5,638)**	(5,855)
Earnings per share attributable to owners of the Company	10		
- Basic (in cents)		**(10.3)**	(10.4)
- Diluted (in cents)		**(10.3)**	(10.4)

The accompanying accounting policies and explanatory notes form an integral part of the financial

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	2020 $'000	2019 $'000
Loss for the financial year	**(5,638)**	**(5,855)**
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Share of foreign currency translation of associated company	**(23)**	9
Other comprehensive income for the financial year, net of tax	**(23)**	9
Total comprehensive income for the financial year	**(5,661)**	(5,846)
Total comprehensive income attributable to:		
Owners of the Company	**(5,661)**	(5,846)

The accompanying accounting policies and explanatory notes form an integral part of the financial

BALANCE SHEETS
AS AT 31 DECEMBER 2020

		Group		Company	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Non-current assets					
Property, plant and equipment	11	**4,561**	9,060	**–**	1,843
Investment in subsidiaries	12	**–**	–	**4,154**	8,435
Investment in associate	13	**1,301**	1,417	**–**	–
Leasehold land	14	**1,547**	9,182	**–**	7,532
		7,409	19,659	**4,154**	17,810
Current assets					
Loan receivable	15	**–**	–	**–**	–
Inventories	16	**4,136**	2,903	**–**	–
Prepaid operating expenses		**51**	41	**9**	7
Trade receivables	17	**1,699**	1,632	**14**	15
Other receivables	18	**2,885**	1,847	**3**	261
Amount due from subsidiaries	19	**–**	–	**3,795**	2,033
Receivable from associate	19	**213**	204	**7**	7
Cash and cash equivalents	20	**29,678**	33,906	**27,942**	32,395
		38,662	40,533	**31,770**	34,718
Non-current assets classified as held for sale	21	**8,974**	–	**8,974**	–
		47,636	40,533	**40,744**	34,718
Total assets		**55,045**	60,192	**44,898**	52,528
Current liabilities					
Trade payables	22	**1,878**	1,688	**8**	20
Other payables	22	**3,648**	3,154	**484**	568
Loans and borrowings	23	**451**	558	**–**	188
Income tax payable		**50**	50	**50**	50
		6,027	5,450	**542**	826
Liabilities directly associated with non-current assets classified as held for sale	21	**7,727**	–	**7,727**	–
		13,754	5,450	**8,269**	826
Net current assets		**33,882**	35,083	**32,475**	33,892

The accompanying accounting policies and explanatory notes form an integral part of the financial

BALANCE SHEETS

AS AT 31 DECEMBER 2020

		Group		Company	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Non-current liabilities					
Loans and borrowings	23	**1,988**	9,490	**–**	7,486
Deferred tax liability	24	**1**	289	**1**	289
		1,989	9,779	**1**	7,775
Total liabilities		**15,743**	15,229	**8,270**	8,601
Net assets		**39,302**	44,963	**36,628**	43,927
Equity attributable to owners of the Company					
Share capital	25	**71,977**	71,977	**71,977**	71,977
Treasury shares	26	**(3,315)**	(3,315)	**(3,315)**	(3,315)
Foreign currency translation reserve	27	**66**	89	**–**	–
Accumulated losses		**(29,426)**	(23,788)	**(32,034)**	(24,735)
Total equity		**39,302**	44,963	**36,628**	43,927
Total equity and liabilities		**55,045**	60,192	**44,898**	52,528

The accompanying accounting policies and explanatory notes form an integral part of the financial

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company				
	Share capital $'000 (Note 25)	Treasury shares $'000 (Note 26)	Foreign currency translation reserve $'000 (Note 27)	Accumulated losses $'000	Total equity $'000
Group					
Opening balance at 1 January 2020	71,977	(3,315)	89	(23,788)	44,963
Loss for the financial year	–	–	–	(5,638)	(5,638)
Other comprehensive income:					
Share of foreign currency translation of associated company	–	–	(23)	–	(23)
Other comprehensive income for the financial year, net of tax	–	–	(23)	–	(23)
Total comprehensive income for the financial year	–	–	(23)	(5,638)	(5,661)
Closing balance at 31 December 2020	71,977	(3,315)	66	(29,426)	39,302

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Attributable to owners of the Company				
	Share capital $'000 (Note 25)	Treasury shares $'000 (Note 26)	Foreign currency translation reserve $'000 (Note 27)	Accumulated losses $'000	Total equity $'000
Group					
Opening balance at 1 January 2019	71,977	(1,697)	80	(17,933)	52,427
Loss for the financial year	–	–	–	(5,855)	(5,855)
Other comprehensive income:					
Share of foreign currency translation of associated company	–	–	9	–	9
Other comprehensive income for the financial year, net of tax	–	–	9	–	9
Total comprehensive income for the financial year	–	–	9	(5,855)	(5,846)
Distribution to owners					
Purchase of treasury shares	–	(1,618)	–	–	(1,618)
Total distribution to owners	–	(1,618)	–	–	(1,618)
Closing balance at 31 December 2019	71,977	(3,315)	89	(23,788)	44,963

The accompanying accounting policies and explanatory notes form an integral part of the financial

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Share capital $'000 (Note 25)	Treasury shares $'000 (Note 26)	Accumulated losses $'000	Total equity $'000
Company				
Opening balance at 1 January 2019	71,977	(1,697)	(20,163)	50,117
Loss net of tax for the financial year, representing total comprehensive income for the financial year	–	–	(4,572)	(4,572)
Distribution to owners				
Purchase of treasury shares	–	(1,618)	–	(1,618)
Total distribution to owners	–	(1,618)	–	(1,618)
Closing balance at 31 December 2019 and opening balance at 1 January 2020	71,977	(3,315)	(24,735)	43,927
Loss net of tax for the financial year, representing total comprehensive income for the financial year	–	–	(7,299)	(7,299)
Closing balance at 31 December 2020	71,977	(3,315)	(32,034)	36,628

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	2020 $'000	2019 $'000
Operating activities:			
Loss before tax		**(5,681)**	(5,369)
Adjustments for:			
Depreciation of property, plant and equipment	11	**998**	1,109
Amortisation on leasehold land	14	**425**	493
Impairment loss on property, plant and equipment	11	**2,293**	3
Impairment loss on leasehold land	14	**–**	1,093
Loss/(gain) on disposal of property, plant and equipment, net	6	**67**	(141)
Interest expense	7	**412**	445
Interest income	8	**(156)**	(565)
Foreign currency translation adjustments		**23**	(9)
Impairment loss on financial assets		**50**	67
Write-down of inventories, net	16	**71**	72
Share of results of associate		**93**	492
Operating cash flows before changes in working capital		**(1,405)**	(2,310)
Increase in receivables		**(1,432)**	(1,664)
(Increase)/decrease in inventories		**(1,304)**	306
Increase in payables		**252**	726
Cash flows used in operations		**(3,889)**	(2,942)
Interest paid – term loan		**(65)**	(92)
Lease rental paid		**(554)**	(533)
Income tax paid		**(4)**	–*
Interest received		**414**	518
Net cash flows used in operating activities		**(4,098)**	(3,049)
Investing activities:			
Proceeds from disposal of property, plant and equipment		**53**	179
Purchase of property, plant and equipment	A	**(304)**	(310)
Net cash flows used in investing activities		**(251)**	(131)
Financing activities:			
Repayment of term loan		**(123)**	(370)
Advance from a corporation owned by directors of subsidiary companies		**267**	1,000
Purchase of treasury shares		**–**	(1,618)
Net cash flows generated from/(used in) financing activities		**144**	(988)
Net decrease in cash and cash equivalents		**(4,205)**	(4,168)
Effect of exchange rate changes on cash and cash equivalents		**(23)**	9
Cash and cash equivalents at 1 January		**33,906**	38,065
Cash and cash equivalents at 31 December	20	**29,678**	33,906

* amount represent less than $1,000

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

A. Property, plant and equipment

	Note	2020 $'000	2019 $'000
Current year additions to property, plant and equipment	11	**676**	310
Less: Additions under right-of-use asset	28	**(207)**	–
Payment on behalf by a corporation owned by directors of subsidiary companies		**(165)**	–
Net cash outflow from purchase of property, plant and equipment		**304**	310

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

1. CORPORATE INFORMATION

AEI Corporation Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 15 Tuas South Street 13, Singapore 636936.

The principal activities of the Company is investment holdings in manufacturing and extrusion activities. There have been no significant changes in the nature of these activities during the financial year. The principal activities of the subsidiaries and associate are disclosed in Note 12 and 13 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those previously applied under SFRS(I) except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2020 The adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to SFRS(I) 16 on *COVID-19 related rent concession*	1 June 2020
Amendments to SFRS(I) 1-16 on *Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
Amendments to SFRS(I) 1-37 on *Onerous contract – Cost of Fulfilling a Contract*	1 January 2022
Amendments to SFRS(I) 3 on *Reference to the Conceptual Framework*	1 January 2022
Amendments to SFRS(I) 1-1 on *Classification of Liabilities as Current or Non-current*	1 Janaury 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

The directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- reclassifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 *Foreign currency*

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, plant and equipment and furniture and fixtures other than buildings and improvements are measured at cost less accumulated depreciation and any accumulated impairment losses.

Buildings and improvements are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the buildings and improvements at the end of the reporting period.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

- Buildings and improvements - the remaining lease periods of 15 to 22.5 years
- Plant and machinery - 10 to 20 years
- Renovation - 4 to 5 years
- Motor vehicles - 5 to 10 years
- Furniture and fittings - 3 to 10 years
- Office equipment - 3 to 10 years
- Dies and moulds - 6.7 years
- Leasehold building - 3 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Leasehold land

Leasehold land is initially measured at cost. Following initial recognition, leasehold land is measured at cost less accumulated amortisation and any accumulated impairment losses. The leasehold land is amortised on a straight-line basis over the lease period ranging from 21 to 23.5 years.

2.8 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.10 Associate

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associate using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate. The profit or loss reflects the share of results of the operations of the associate. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associate, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associate are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The Group only has debt instruments at amortised cost.

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Impairment of financial assets

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 180 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits in banks which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average cost basis;

- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.16 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.17 Government grants

Government grants are recognised when there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with and are recorded as 'other operating income' in the financial statements.

2.18 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor failed to make payment when due in accordance with the terms of the debt instrument.

2.19 Employee benefits

Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Employee leave entitlement

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e. the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets.

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.8.

The Group's right-of-use assets are presented within property, plant and equipment (Note 11) and leasehold land (Note 14).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Leases (cont'd)

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in loans and borrowings (Note 23).

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of machinery (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

2.21 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current asset is classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than continuing use.

Property, plant and equipment and leasehold land once classified as held for sale are not depreciated or amortised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

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

(a) *Sale of goods*

Revenue from sale of goods is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of adjusted for expected returns. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

The Group recognises the expected volume rebates payable to customer where consideration have been received from customers.

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes.

(b) *Rendering of services*

Revenue from rendering of services is recognised when the services have been performed and rendered.

2.23 Interest income

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) Deferred tax

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Taxes (cont'd)

(b) Deferred tax (cont'd)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) Sales tax

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2.25 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.26 Share capital and share issuance expense

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.27 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.28 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

- (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

- (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 Judgments made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

Taxes

Significant judgment is involved in determining the group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's tax payables was $50,000 (2019: $50,000), while the deferred tax liabilities at 31 December 2020 was $242,000 (2019: $289,000). The carrying amounts of the Company's tax payables and deferred tax liabilities at 31 December 2020 were $50,000 (2019: $50,000) and $242,000 (2019: $289,000) respectively.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of buildings and improvements and leasehold land

The recoverable amount of the Tuas South leasehold property is determined based on fair value less cost to sell. The fair value of the Tuas South leasehold property was based on a valuation performed by the External Appraiser. The External Appraiser determined the fair value based on the direct comparison approach, using sales and listing of similar properties in the vicinity as guides to values after relevant adjustments were made for differences in characteristics such as location, land area, and conditions of the buildings and improvements. During the financial year, an impairment loss of $676,000 (2019: $3,000) was recorded as there are significant changes in fair value measurements from period to period affects the amount initially assessed.

The carrying amount of Tuas South building and improvements and leasehold land as at 31 December 2020 is $4,360,000 (2019: $5,349,000) and $1,547,000 (2019: $1,650,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(b) Net realisable value of raw materials

Raw materials are stated at lower of cost and net realisable value. The net realisable value of the Group's raw materials is assessed based on the best available facts and circumstances at the end of each reporting period, including but not limited to, the inventories' own physical conditions and external raw materials market prices close to year end. The value is re-evaluated and an impairment might be recorded, if additional information received affects the amount initially assessed. The carrying amount of the raw materials as at 31 December 2020 is $1,928,000 (2019: $2,089,000).

4. REVENUE

a) Disaggregation of revenue

	Sales of goods		Rendering of services		Total revenue	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Primary geographical locations						
Singapore	**4,446**	4,444	**35**	31	**4,481**	4,475
Greater China	**1,448**	981	**–**	–	**1,448**	981
Malaysia	**322**	1,252	**–**	–	**322**	1,252
Other countries	**3,616**	2,368	**–**	–	**3,616**	2,368
	9,832	9,045	**35**	31	**9,867**	9,076
Timing of transfer of goods						
At a point in time	**9,832**	9,045	**–**	–	**9,832**	9,045
Over time	**–**	–	**35**	31	**35**	31
	9,832	9,045	**35**	31	**9,867**	9,076

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

5. OTHER OPERATING INCOME

	Group	
	2020 $'000	**2019 $'000**
Sale of metal scrap	**8**	2
Government grant income	**571**	8
Gain on disposal of property, plant and equipment	**–**	152
Sundry income	**57**	82
	636	244

Government grant income relates to Wage Credit Scheme, Temporary Employment Credit, Property tax rebate and Job Support Scheme grants received by the Group during the financial year as part of the COVID-19 government support package.

6. LOSS BEFORE TAX

The following items have been included in arriving at loss before tax:

		Group	
	Note	**2020 $'000**	**2019 $'000**
Audit fees paid to auditors of the Company		**115**	111
Non-audit fees paid to auditors of the Company		**41**	48
Depreciation of property, plant and equipment	11	**998**	1,109
Amortisation of leasehold land	14	**425**	493
Impairment loss on property, plant and equipment	11	**2,293**	3
Impairment loss on leasehold land	14	**–**	1,093
Directors' emoluments			
- fees		**262**	293
- remuneration		**–**	629
Loss/(gain) on disposal of property, plant and equipment, net		**67**	(141)
Write down of inventories, net	16	**71**	72
Impairment losses on financial assets			
- trade receivables	17	**50**	67
Lease expense	28	**44**	29
Staff costs (excluding directors' remuneration)			
- defined contribution plans		**196**	213
- salaries, bonuses and other wages		**3,069**	3,159

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

7. FINANCE COST

		Group	
	Note	2020 $'000	2019 $'000
Interest expense			
- term loan		**(65)**	(92)
- lease liability	28	**(347)**	(353)
		(412)	(445)

8. FINANCE INCOME

	Group	
	2020 $'000	2019 $'000
Interest income on short-term deposits	**156**	565

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

9. INCOME TAX (BENEFIT)/EXPENSE

Major components of income tax (benefit)/expense

The major components of income tax (benefit)/expense for the financial years ended 31 December 2020 and 2019 are:

		Group	
	Note	2020 $'000	2019 $'000
Consolidated income statement:			
Current income tax:			
- Current income taxation		**50**	50
- Over-provision in respect of previous years		**(46)**	(64)
		4	(14)
Deferred income tax:			
- Origination and reversal of temporary differences	24	**(47)**	6
- Under provision in respect of previous years	24	**–**	494
		(47)	500
Income tax (benefit)/expense recognised in profit or loss		**(43)**	486

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

9. INCOME TAX (BENEFIT)/EXPENSE (CONT'D)

Relationship between tax (benefit)/expense and accounting loss

A reconciliation between the tax (benefit)/expense and the product of accounting loss multiplied by the applicable corporate tax rate for the financial years ended 31 December 2020 and 2019 is as follows:

	Group	
	2020 **$'000**	**2019** **$'000**
Loss before tax	**(5,681)**	(5,369)
Tax at the applicable tax rate of 17% (2019: 17%)	**(966)**	(913)
Adjustments:		
Income not subject to taxation	**(96)**	(32)
Non-deductible expenses	**950**	476
(Over)/under provision in respect of previous years	**(46)**	430
Effect of partial tax exemption and tax relief	**(18)**	(17)
Deferred tax assets not recognised	**105**	455
Share of results of associate	**16**	84
Others	**12**	3
Income tax (benefit)/expense recognised in profit or loss	**(43)**	486

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The Group has tax losses of approximately $4,856,000 (2019: $4,236,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subjected to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

10. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing profit for the financial year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial years.

Diluted earnings per share are calculated by dividing profit for the financial year, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

As at 31 December 2020 and 31 December 2019, the bonus warrants issued have not been included in the calculation of diluted earnings per share because they are anti-dilutive.

The following table reflects the profit and share data used in the computation of basic and diluted loss per share for the financial years ended 31 December:

	Group	
	2020 $'000	**2019 $'000**
Loss for the financial year attributable to owners of the Company used in the computation of basic and diluted earnings per ordinary shares	**(5,638)**	(5,855)
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares for basic and diluted earnings per share computation	**54,723**	56,498

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

11. PROPERTY, PLANT AND EQUIPMENT

	At valuation	At cost			
	Buildings and improvements $'000	Plant, equipment and other assets $'000	Leasehold building $'000	Renovations $'000	Total $'000
Group					
Cost or valuation:					
At 1 January 2019	7,608	34,326	–	525	42,459
Additions	–	310	–	–	310
Disposals	–	(2,444)	–	–	(2,444)
Write off	–	(23,856)	–	–	(23,856)
At 31 December 2019 and 1 January 2020	7,608	8,336	–	525	16,469
Additions	21	432	207	16	676
Disposals	–	(205)	–	–	(205)
Asset held for sale (Note 21)	(1,921)	–	–	(407)	(2,328)
At 31 December 2020	5,708	8,563	207	134	14,612
Accumulated depreciation and impairment					
At 1 January 2019	–	32,036	–	523	32,559
Charge for the financial year (Note 6)	413	696	–	–	1,109
Disposals	–	(2,406)	–	–	(2,406)
Write off	–	(23,856)	–	–	(23,856)
Impairment loss (Note 6)	3	–	–	–	3
At 31 December 2019 and 1 January 2020	416	6,470	–	523	7,409
Charge for the financial year (Note 6)	413	561	20	4	998
Disposals	–	(85)	–	–	(85)
Asset held for sale (Note 21)	(157)	–	–	(407)	(564)
Impairment loss (Note 6)	676	1,617	–	–	2,293
At 31 December 2020	1,348	8,563	20	120	10,051
Net carrying amount:					
At 31 December 2019	7,192	1,866	–	2	9,060
At 31 December 2020	4,360	–	187	14	4,561

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At valuation	At cost	
	Buildings and improvements $'000	Renovations $'000	Total $'000
Company			
Cost or valuation:			
At 1 January 2019, 31 December 2019 and 1 January 2020	1,921	407	2,328
Asset held for sale (Note 21)	(1,921)	(407)	(2,328)
At 31 December 2020	–	–	–
Accumulated depreciation			
At 1 January 2019	–	407	407
Charge for the financial year	78	–	78
At 31 December 2019 and 1 January 2020	78	407	485
Charge for the financial year	79	–	79
Asset held for sale (Note 21)	(157)	(407)	(564)
At 31 December 2020	–	–	–
Net carrying amount:			
At 31 December 2019	1,843	–	1,843
At 31 December 2020	–	–	–

Other assets comprise motor vehicles, furniture and fittings and office equipment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Impairment of assets

The Group engaged Knight Frank Pte Ltd (2019: RHT Chestertons Valuation and Advisory Pte. Ltd.), an independent valuer to determine the fair value of the industrial buildings at Tuas South which is classified as buildings and improvements. Details of valuation techniques and inputs used are disclosed in Note 34. Based on the valuation, an impairment loss of $676,000 (2019: $3,000) has been recognised in "Other operating expenses" line item of profit of loss for the financial year ended 31 December 2020.

The Group carried out a review of the recoverable amount of its plant, equipment and other assets because the segment has been making losses. An impairment loss of $1,617,000 (2019: Nil), representing the write-down of these plant, equipment and other assets to the recoverable amount was recognised in "Other operating expenses" line item of profit of loss for the financial year ended 31 December 2020. The recoverable amount of the plant, equipment and other assets was based on its value-in-use assessment for which the significant estimates are the pre-tax discount rate and terminal growth rate of 9.4% and 1.0% respectively. As the plant, equipment and other assets had been written down in full, any adverse change in a key assumption would not change the impairment loss.

If the buildings and improvements were measured using cost model, the carrying amount would be as follows:

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Cost	**9,139**	16,715	-	7,597
Accumulated depreciation and impairment	**(5,216)**	(11,261)	-	(7,201)
Net carrying value	**3,923**	5,454	-	396

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2020 $'000	2019 $'000
Unquoted shares, at cost	**29,101**	29,001
Allowance of impairment	**(24,947)**	(20,566)
Net carrying value	**4,154**	8,435
Movement in allowance account:		
At 1 January	**20,566**	17,270
Impairment for the financial year	**4,381**	3,296
At 31 December	**24,947**	20,566

During the year, the Company carried out an impairment assessment on the recoverable amount of its investment in subsidiaries. The recoverable amount of the material subsidiary, AEI Corporation (Singapore) Pte Ltd, is determined based on value-in-use using the 3-year estimated future cash flows discounted to its present value by using a pre-tax discount rate of 9.6% (2019: 12.0%) per annum. In view of the market condition, management has applied 1.0% (2019: 0.8%) terminal growth rate in the value-in-use calculation.

An impairment loss of $4,381,000 (2019: $3,296,000) for the investment in a subsidiary was recognised as a loss in the Company's income statement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

12. INVESTMENT IN SUBSIDIARIES (CONT'D)

Sensitivity to changes in assumptions

The recoverable amount is most sensitive to the discount rate, cash flows and terminal growth rate used for the discounted cash flows model. Any significant adverse change in key assumptions could result in further impairment loss.

The Group has the following investments in subsidiaries:

Name of company (Country of incorporation)		Principal activities (Place of business)	Proportion of ownership interest	
			2020 %	**2019** %
Held by the Company:				
*	AEI Trading and Investments Pte Ltd (Formerly known as AEI Engineering Pte Ltd) (Singapore)	Wholesale of scrap, junk and waste dealers, manufacturing of engineering components (Singapore)	**100**	100
*	AEI (China) Holdings Pte Ltd (Singapore)	Investment holding (Singapore)	**100**	100
*	AEI Corporation (Singapore) Pte Ltd (Singapore)	Manufacturing of basic ferrous and non-ferrous metals (Singapore)	**100**	100
* #	Ascent Bridge (Singapore) Pte. Ltd. (Singapore)	Wholesale of alcoholic beverage (Singapore)	**100**	–

* Audited by Ernst & Young LLP, Singapore

\# On 17 February 2020, the Company incorporated a new subsidiary, Ascent Bridge (Singapore) Pte. Ltd., a company incorporated in Singapore

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

13. INVESTMENT IN ASSOCIATE

	Group	
	2020 $'000	**2019 $'000**
Investment in associate	**7,221**	7,221
Share of post-acquisition reserves	**(2,552)**	(2,459)
Exchange differences	**66**	89
Impairment of associate	**(3,434)**	(3,434)
	1,301	1,417

Investment in associate comprises of investment in unquoted equity shares at cost.

Details of the associate at 31 December are:

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest	
		2020 %	**2019 %**
Held by through AEI (China) Holdings Pte Ltd:			
# Global Tongyi (Singapore) Pte. Ltd. (Singapore)	Manufacturing and general wholesale trade of vegetable and animal oils and fats (Singapore)	**50**	50
Held by through AEI (China) Holdings Pte Ltd:			
* Well Global Foods (Anyang) Pte. Ltd. (People's Republic of China)	Sale of edible oil (People's Republic of China)	**100**	100

Audited by Ernst & Young LLP, Singapore.

* Audited by Henan Gongxing Accounting Firm.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

13. INVESTMENT IN ASSOCIATE (CONT'D)

The summarised financial information of the associate based on its FRS financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Global Tongyi (Singapore) Pte. Ltd.	
	2020 **$'000**	**2019** **$'000**
Summarised balance sheet		
Current assets	**2,986**	2,941
Non-current assets	**1,987**	2,148
Total assets	**4,973**	5,089
Current liabilities	**(2,370)**	(2,256)
Total liabilities	**(2,370)**	(2,256)
Net assets	**2,603**	2,833
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets	**1,301**	1,417
Carrying amount of the investment	**1,301**	1,417
Summarised statement of comprehensive income		
Revenue	**–**	–
Loss after tax	**(184)**	(984)
Other comprehensive income	**(46)**	17
Total comprehensive income	**(230)**	(967)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

14. LEASEHOLD LAND

	Group	Company
	$'000	$'000
Cost:		
At 1 January 2019, 31 December 2019 and 1 January 2020	12,893	7,854
Asset held for sale (Note 21)	(7,854)	(7,854)
At 31 December 2020	5,039	–
Accumulated amortisation and impairment:		
At 1 January 2019	2,125	–
Amortisation for the financial year	493	322
Impairment loss	1,093	–
At 31 December 2019 and 1 January 2020	3,711	322
Amortisation for the financial year	425	322
Asset held for sale (Note 21)	(644)	(644)
At 31 December 2020	3,492	–
Net carrying amount:		
At 31 December 2019	9,182	7,532
At 31 December 2020	1,547	–

(a) Tuas South leasehold land

The Group has a leasehold land situated at Tuas South for an industrial building. The construction of the industrial building has been completed. The leasehold land is not transferable and has a remaining tenure of 15 years (2019: 16). This lease was prepaid.

Leasehold land situated at Tuas South was mortgaged to secure the Group's term loan as disclosed in Note 23.

Impairment of leasehold land

In the financial year ended 31 December 2020, the Group engaged Knight Frank Pte Ltd (2019: RHT Chestertons Valuation and Advisory Pte. Ltd.), an independent valuer to determine the fair value of the industrial buildings at Tuas South. Details of valuation techniques and inputs used are disclosed in Note 34. Based on the valuation, no impairment loss (2019: $1,093,000), representing the write-down of leasehold land to the recoverable amount was recognised in "Other operating expenses" line item of profit or loss for the financial year ended 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

14. LEASEHOLD LAND (CONT'D)

(b) Penjuru Lane leasehold land

The Group recognised a right-of-use asset for the factory land lease. The leasehold land has a remaining tenure of 22 years (2019: 23). As at 31 December 2020, this asset was reclassified as non-current asset held for sale (Note 21).

15. LOAN RECEIVABLE

The Company has a loan receivable from M2B World Asia Pacific Pte. Ltd. of US$1,500,000 (2019: US$1,500,000) or equivalent to $1,981,000 (2019: $2,019,000). The loan has been fully provided.

16. INVENTORIES

	Group	
	2020 $'000	**2019 $'000**
Balance sheet:		
Raw materials and consumables	**1,928**	2,089
Work-in-progress	**450**	206
Finished goods	**1,758**	608
Total inventories at lower of cost and net realisable value	**4,136**	2,903
Profit or loss:		
Inventories recognised as an expense in cost of sales	**9,175**	9,093
Inclusive of the following charge:		
- Inventories written down	**71**	72

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

17. TRADE RECEIVABLES

		Group		Company	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade receivables		**1,816**	1,699	**14**	15
Less: Allowance for expected credit losses		**(117)**	(67)	**–**	–
		1,699	1,632	**14**	15
Add:					
Other receivables	18	**2,885**	1,847	**3**	261
Amount due from subsidiaries	19	**–**	–	**3,795**	2,033
Receivable from associate	19	**213**	204	**7**	7
Cash and cash equivalents	20	**29,678**	33,906	**27,942**	32,395
		34,475	37,589	**31,761**	34,711
Less:					
Sales tax Receivables		**(163)**	(111)	**(14)**	(15)
Grant receivables		**(42)**	–	**–**	–
Total financial assets carried at amortised cost		**34,270**	37,478	**31,747**	34,696

Trade receivables are non-interest bearing and are normally settled on average 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
United States Dollars	**1,260**	822	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

17. TRADE RECEIVABLES (CONT'D)

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group	
	2020 **$'000**	**2019** **$'000**
At 1 January	**67**	–
Charge for the year	**50**	67
At 31 December	**117**	67

18. OTHER RECEIVABLES

	Group		Company	
	2020 **$'000**	**2019** **$'000**	**2020** **$'000**	**2019** **$'000**
Deposits	**23**	1	**–**	–
Interest receivables	**3**	261	**3**	261
Other receivables	**36**	67	**–**	–
Grant receivable	**42**	–	**–**	–
Advances to related company	**2,781**	1,518	**–**	–
	2,885	1,847	**3**	261

Grant receivable

Grant receivable relates to the Job Support Scheme grant from Government in relation to COVID-19 pandemic.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

18. OTHER RECEIVABLES

Advances to related company

Advances to related company relate to business joint venture transaction with a related company. The advances are unsecured, non-interest bearing and are repayable on demand.

Other receivables denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
United States Dollars	**2,781**	1,518	**–**	–

19. AMOUNT DUE FROM SUBSIDIARIES

Receivable from associate

	Group		Company	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Amounts due from subsidiaries (non-trade)	**–**	–	**3,795**	2,033
Amount due from associate (non-trade)	**78**	69	**7**	7
Loan to associate	**591**	591	**–**	–
Less: Allowance for impairment	**(456)**	(456)	**–**	–
	135	135	**–**	–
Receivable from associate	**213**	204	**7**	7

Amounts due from subsidiary (non-trade) / Amount due from associate (non-trade) / Loan to associate

These amounts are unsecured, non-interest bearing and are repayable upon demand.

There was no movement of the Group's allowance account used to record impairment on loans to associate during the current and prior year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Cash at banks and on hand	**3,986**	4,490	**2,250**	2,979
Short-term deposits	**25,692**	29,416	**25,692**	29,416
Cash and cash equivalents	**29,678**	33,906	**27,942**	32,395

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between three months to six months (2019: three months to one year) depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate of short-term deposits are 0.50% (2019: 1.66%) per annum.

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
United States Dollars	**1,122**	1,307	**247**	319

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

21. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

On 30 December 2019, the Company announced that it had entered into a put and call option agreement with AWC Holdings Pte. Ltd. (the "Purchaser") in relation to the sale of the property at 12 Penjuru Lane (the "Penjuru Lane Property"). On 31 December 2020, all conditions precedent to the exercise of the call option in respect of the proposed sale of the Penjuru Lane Property have been satisfied, fulfilled or waived. The Purchaser has exercised the call option on 5 March 2021 and the sale was completed on 31 March 2021.

As at 31 December 2020, the assets and liability related to the Penjuru Lane Property have been presented in the balance sheet as "Non-current asset classified as held for sale" and "Liability directly associated with the non-current asset held for sale" respectively.

Balance sheet disclosure

	Group and Company
	2020 $'000
Assets:	
Property, plant and equipment	1,764
Leasehold land	7,210
Non-current assets classified as held for sale	8,974
Liabilities:	
Lease liability	(7,486)
Deferred tax liability	(241)
Liability directly associated with the non-current asset held for sale	(7,727)
Net assets directly associated with the non-current assets classified as held for sale	1,247

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

22. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Trade payables		**1,878**	1,688	**8**	20
Other payables:					
- Third parties		**2,152**	2,154	**484**	568
- Deferred grant income		**64**	–	**–**	–
- Advance from a corporation owned by directors of subsidiary companies		**1,432**	1,000	**–**	–
Total other payables		**3,648**	3,154	**484**	568
Add: Loans and borrowings	23	**2,439**	10,048	**–**	7,674
		7,965	14,890	**492**	8,262
Less: Deferred grant income		**(64)**	–	**–**	–
Total financial liabilities carried at amortised cost		**7,901**	14,890	**492**	8,262

Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 60 days' terms.

Trade payables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
United States Dollars	**1,076**	1,136	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

22. TRADE AND OTHER PAYABLES (CONT'D)

Other payables

Other payables are non-interest bearing and have an average term of one month.

Deferred grant income

Deferred grant income relates to the Job Support Scheme from Government in relation to COVID-19 pandemic.

Advance from a corporation owned by directors of subsidiaries companies

The advance is for working capital purpose of the subsidiary. This advance is unsecured, non-interest bearing and is repayable upon demand.

23. LOANS AND BORROWINGS

		Group		Company	
	Note	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Current:					
Term loan at cost of funds + 1.75%		**370**	370	–	–
Lease liabilities	28	**81**	188	–	188
		451	558	–	188
Non-current:					
Term loan at cost of funds + 1.75%		**1,881**	2,004	–	–
Lease liabilities	28	**107**	7,486	–	7,486
		1,988	9,490	–	7,486
Total loans and borrowings		**2,439**	10,048	–	7,674

Term loan

The term loan is secured by a corporate guarantee from the Company and a mortgage over the leasehold land. It bears interest at floating rate of cost of funds + 1.75% (2019: cost of funds + 1.75%). The loan is repayable in 120 monthly equal instalments and repayment has commenced on June 2016.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

23. LOANS AND BORROWINGS (CONT'D)

A reconciliation of liabilities arising from financing activities is as follows:

			Non-cash changes				
	1 January 2020 $'000	Cash flows $'000	Acquisition $'000	Reclassified as part of non-current assets held for sale $'000	Interest $'000	Other $'000	31 December 2020 $'000
Advance from a corporation owned by directors of subsidiary companies	1,000	267	–	–	–	165	1,432
Term loan							
- Current	370	(123)	–	–	–	123	370
- Non-current	2,004	–	–	–	–	(123)	1,881
Lease liability							
- Current	188	(554)	19	–	347	81	81
- Non-current	7,486	–	188	(7,486)	–	(81)	107
Total	11,048	(410)	207	(7,486)	347	165	3,871

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

23. LOANS AND BORROWINGS (CONT'D)

			Non-cash changes		
	1 January 2019 $'000	Cash flows $'000	Interest $'000	Other $'000	31 December 2019
Advance from a corporation owned by directors of subsidiary companies	–	1,000	–	–	1,000
Term loan					
- Current	370	(370)	–	370	370
- Non-current	2,374	–	–	(370)	2,004
Lease liability					
- Current	180	(533)	353	188	188
- Non-current	7,674	–	–	(188)	7,486
Total	10,598	97	353	–	11,048

The "Other" column includes the effect of reclassification of non-current portion of loans and borrowings to current due to passage of time and payment for purchase of property, plant and equipment on behalf by a corporation owned by directors of subsidiary companies.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

24. DEFERRED TAX

	Group		Company	
	2020 $'000	**2019 $'000**	**2020 $'000**	**2019 $'000**
Opening balance at 1 January	**289**	(211)	**289**	267
(Under provision in respect of previous year (Note 9)	**–**	494	**–**	16
Movement in temporary differences (Note 9)	**(47)**	6	**(47)**	6
Closing balance at 31 December	**242**	289	**242**	289

Deferred tax liabilities arise as a result of:

Excess of net book value over tax written down value of property, plant and equipment	**241**	244	**241**	244
Accruals	**1**	45	**1**	45
Deferred tax liabilities	**242**	289	**242**	289

As at 31 December 2020, $241,000 (2019: Nil) of deferred tax liability was classified as liability associated with the non-current assets held for sale (Note 21).

No deferred tax liability (2019: $Nil) has been recognised for taxes that would be payable on undistributed earnings on the Group's associate as the Group has determined that undistributed earnings of its associate will not be distributed in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

25. SHARE CAPITAL

	Group and Company			
	2020		2019	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
At 1 January and 31 December	**56,732**	**71,977**	56,732	71,977

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

On 25 May 2018, the Company had issued 27,119,659 bonus warrants, with each warrant carrying the right to subscribe for one new ordinary share of the Company at an exercise price of $1 for each warrant share. The bonus warrants may only be exercised by the warrants' holder at any time during the period commencing on the date of issue, on 28 May 2018, and expiring on the date immediately preceding the third anniversary of the date of issue of the bonus warrants. As at 31 December 2020, no bonus warrants have been converted to shares.

Event after the reporting period

Subsequent to the financial year ended 31 December 2020, certain warrants were converted to the ordinary shares of the Company at an exercise price of $1 for each warrant share.

As at 24 March 2021, 1,347,966 bonus warrants have been converted to ordinary shares of the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

26. TREASURY SHARES

	Group and Company			
	2020		2019	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 January	**3,009**	**3,315**	1,000	1,697
Acquired during the financial year	–	–	2,009	1,618
At 31 December	**3,009**	**3,315**	3,009	3,315

Treasury shares relate to ordinary shares of the Company that is held by the Company.

27. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of a foreign operation whose functional currency is different from that of the Group's presentation currency.

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

28. LEASES

The Group has lease contracts for a factory land parcel and building.

The Group also has certain leases of machinery and office equipment with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

(a) Carrying amounts of right-of-use assets presented within property, plant and equipment and leasehold land

	Group		
	Leasehold building $'000	Leasehold land $'000	Total $'000
At 1 January 2019	–	7,854	7,854
Amortisation for the financial year	–	(322)	(322)
At 31 December 2019 and 1 January 2020	–	7,532	7,532
Addition	207	–	207
Amortisation for the financial year	(20)	(322)	(342)
Reclassified to asset held for sale (Note 21)	–	(7,210)	(7,210)
At 31 December 2020	187	–	187

(b) Lease liabilities

The carrying amounts of lease liabilities (included under loans and borrowings) and the movements during the year are disclosed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

28. LEASES (CONT'D)

(c) Amount recognised in profit or loss

	Note	Group 2020 $'000	Group 2019 $'000
Amortisation of right-of-use assets		**342**	322
Interest expense on lease liability	7	**347**	353
Lease expense not capitalised in lease liabilities:			
- Expense relating to short-term leases		**29**	10
- Expenses relating to leases of low-value assets		**15**	19
Total amount recognised in profit or loss		**733**	704

(d) Total cash outflow

The Group had total cash outflows for leases of $598,000 (2019: $562,000) in 2020.

29. COMMITMENTS AND CONTINGENCIES

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Capital commitments in respective of property, plant and equipment	**10**	10	**10**	10

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

29. COMMITMENTS AND CONTINGENCIES (CONT'D)

(b) Contingent liabilities

	Company	
	2020 $'000	2019 $'000
Corporate guarantees given to financial institutions in relation with banking facilities granted to subsidiaries (facility value)	**12,000**	12,000
Financial support undertaking given to subsidiaries having deficiencies in shareholders' funds	**1,391**	1,004
	13,391	13,004

As at 31 December 2020, $2,251,000 (2019: $2,374,000) of the facilities were utilised by the subsidiary.

The Group has banker's guarantee amounting to $94,000 (2019: $98,000) in favour of third parties in respect of the Group's business.

30. RELATED PARTY DISCLOSURES

(a) Sale of services

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

	Company	
	2020 $'000	2019 $'000
Service rendered to an associate	**9**	9
Payment made on behalf by a corporation owned by directors of subsidiary companies	**165**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

30. RELATED PARTY DISCLOSURES (CONT'D)

(b) *Compensation of key management personnel*

	Group	
	2020 $'000	2019 $'000
Short-term employee benefits	–	610
Central Provident Fund contributions	–	24
Other short-term benefits	**257**	288
Total compensation paid to key management Personnel	**257**	922
Comprise amounts paid to:		
Directors of the Company	**257**	922

(c) *Advances to related company*

The Group made total advances of $2,781,000 (2019: $1,518,000) to a related company for a business joint venture transaction as disclosed in Note 18.

31. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

Electronics and precision engineering segment

This segment comprises mainly of precision aluminium extrusions that form components of sophisticated products of the high-tech electronics and precision engineering industries. Products manufactured include electronic components, clean room accessories, automation equipment and industrial machinery.

Construction and infrastructure building segment

This segment comprises mainly of public infrastructure, building construction, interior fixtures (including certain office equipment), signage and advertising panels in the construction, civil engineering and infrastructure building industries.

Beverage segment

This segment comprises mainly to distribution of alcoholic beverages.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31. SEGMENT INFORMATION (CONT'D)

(a) Business segments

	Electronics and precision engineering		Construction and infra-structure building		Beverage		Others		Consolidated	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Revenue										
External customers	**9,372**	7,953	**486**	1,114	**–**	–	**9**	9	**9,867**	9,076
Total revenue	**9,372**	7,953	**486**	1,114	**–**	–	**9**	9	**9,867**	9,076
Results:										
Segment result	**(1,554)**	(2,384)	**(192)**	(303)	**(112)**	–	**(116)**	(246)	**(1,974)**	(2,933)
Depreciation	**(921)**	(953)	**(56)**	(156)	**(21)**	–	**–**	–	**(998)**	(1,109)
(Loss)/gain on disposal of property, plant and equipment, net	**(63)**	121	**(4)**	20	**–**	–	**–**	–	**(67)**	141
Finance income									**156**	565
Finance cost									**(412)**	(445)
Impairment loss on property, plant and equipment									**(2,293)**	(3)
Impairment loss on leasehold land									**–**	(1,093)
Share of results of associate									**(93)**	(492)
Loss before tax									**(5,681)**	(5,369)
Income tax benefit/(expense)									**43**	(486)
Loss net of tax									**(5,638)**	(5,855)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31. SEGMENT INFORMATION (CONT'D)

(a) Business segments (cont'd)

	Electronics and precision engineering		Construction and infra-structure building		Beverage		Others		Consolidated	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Assets										
Segment assets	**5,741**	16,548	**295**	1,676	**224**	–	**2,848**	3,067	**9,108**	21,291
Unallocated assets [1]									**45,937**	38,901
Total assets									**55,045**	60,192
Liabilities										
Segment liabilities	**1,746**	9,127	**104**	235	**216**	–	**–**	–	**2,066**	9,362
Unallocated liabilities [2]									**13,677**	5,867
Total liabilities									**15,743**	15,229
Other information										
Capital expenditure	**427**	266	**26**	44	**223**	–	**–**	–	**676**	310
Unallocated capital expenditure									**–**	–
Total capital expenditure									**676**	310
Depreciation	**921**	953	**56**	156	**21**	–	**–**	–	**998**	1,109

(1) Unallocated assets comprise of jointly used assets

(2) Unallocated liabilities comprise of jointly used liabilities

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31. SEGMENT INFORMATION (CONT'D)

(b) *Geographical segments*

	Revenue		Segment assets	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
By location of customers				
Singapore	**4,481**	4,475	**54,821**	60,192
Greater China	**1,448**	981	**224**	–
Malaysia	**322**	1,252	**–**	–
Other countries	**3,616**	2,368	**–**	–
	9,867	9,076	**55,045**	60,192

(c) *Information about a major customer*

Revenue from two major customers amounted to $2,977,000 (2019: $2,170,000), arising from sales by the electronics and precision engineering segment.

The following items are unallocated assets which are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	Group	
	2020 $'000	2019 $'000
Inventories	**4,136**	2,903
Prepaid operating expenses	**51**	41
Cash and cash equivalents	**29,678**	33,906
Other receivables	**2,885**	1,847
Receivable from associate	**213**	204
Non-current assets classified as held for sale	**8,974**	–
	45,937	38,901

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

31. SEGMENT INFORMATION (CONT'D)

(c) Information about a major customer (cont'd)

The following items are unallocated liabilities which are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	Group	
	2020	**2019**
	$'000	**$'000**
Term loan	**2,251**	2,374
Income tax payable	**50**	50
Deferred tax liability	**1**	289
Other payables	**3,648**	3,154
Liabilities directly associated with the non-current assets classified as held for sale	**7,727**	–
	13,677	5,867

32 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks are credit risk, foreign currency risk, liquidity risk and interest rate risk. The audit committee provides independent oversight to the effectiveness of risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken, where appropriate and cost efficient. The Group does not apply hedge accounting.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's and Company's exposure to these financial risks or the manner in which it manages and measures the risks.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a party default on its obligations. The Company's exposure to credit risk arises primarily from loan receivable and trade and other receivables. No other financial assets carry a significant exposure to credit risk.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group has adopted the policy of dealing with customers with an appropriate credit history as a means of mitigating the credit risk exposures. Credit evaluation which takes into account qualitative and quantitative profile of each customer is performed and approved by management before credit is being granted. The Group also closely monitors customers' payment pattern and credit exposures on an on-going basis.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 180 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Internal credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations
- Actual or expected significant changes in the operating results of the borrower
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 180 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the borrower
- A breach of contract, such as a default or past due event
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation

The Group categorises a receivable for potential write-off when a debtor fails to make contractual payments more than 365 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

(i) Debt securities and loans at amortised cost

The Group uses three categories of internal credit risk ratings for debt instruments and loans which reflect their credit risk and how the loss provision is determined for each of those categories. These internal credit risk ratings are determined through incorporating both qualitative and quantitative information that builds on information from external credit rating companies supplemented with information specific to the counterparty and other external information that could affect the counterparty's behaviour.

The Group compute expected credit loss for this group of financial assets using the probability of default approach. In calculating the expected credit loss rates, the Group considers implied probability of default from external rating agencies where available and historical loss rates for each category of counterparty, and adjusts for forward looking macroeconomic data such as default rate of relevant industry.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

(i) Debt securities and loans at amortised cost (cont'd)

The table below details the credit quality of the Group's debt securities and loans at amortised cost, as well as maximum exposure to credit risk.

	Note	12-months or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
2020					
Loan receivable	15	**Lifetime ECL**	**1,981**	**(1,981)**	**–**
Other receivables	18	**12-month ECL**	**2,885**	**–**	**2,885**
Amount due from associate	19	**12-month ECL**	**78**	**–**	**78**
Loan to associate	19	**Lifetime ECL**	**591**	**(456)**	**135**
				(2,437)	
2019					
Loan receivable	15	Lifetime ECL	2,019	(2,019)	–
Other receivables	18	12-month ECL	1,847	–	1,847
Amount due from associate	19	12-month ECL	69	–	69
Loan to associate	19	Lifetime ECL	591	(456)	135
				(2,475)	

(ii) Trade receivables

The Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on aging of the trade receivables. The loss allowance provision as at 31 December 2020 and 31 December 2019 are determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions where the number of defaults might be affected.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

(ii) Trade receivables (cont'd)

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix, grouped by the risk profile of the debtors.

		Past due				
	Current $'000	**<30 days $'000**	**31-60 days $'000**	**61-90 days $'000**	**>90 days $'000**	**Total $'000**
2020						
Gross carrying amount	**1,133**	**394**	**240**	**21**	**28**	**1,816**
Loss allowance provision	**53**	**22**	**13**	**1**	**28**	**117**
2019						
Gross carrying amount	1,138	311	157	67	26	1,699
Loss allowance provision	43	13	7	3	1	67

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the balance sheet.
- A nominal amount of $2,251,000 (2019: $2,374,000) relating to corporate guarantees provided by the Company to financial institutions on subsidiaries' loans and banking facilities.

Credit risk concentration profile

At the end of the reporting period,

- approximately 59.3% (2019: 40.6%) of the Group's trade receivables were due from 3 major customers who are located in China, Thailand and Singapore (2019: China, Thailand and Malaysia).
- 100% (2019: 100%) of the Group's loan receivable was due from debtor located in Singapore.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits are placed with or entered into with reputable financial institutions with high credit ratings.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 15 and Note 17.

(b) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currencies of the Company and the respective entities in the Group. The foreign currency in which these transactions are denominated are in USD. Approximately 65.6% (2019: 50.0%) of the Group's sales are denominated in USD whilst almost 79.9% (2019: 75.7%) of purchases are denominated in USD. Selling and distribution costs, administrative expenses and other operating expenses are predominantly measured in SGD. The trade receivable and trade payable balances at the end of each reporting period have similar exposures.

Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level. The Group and Company also hold cash and cash equivalents denominated in USD for working capital purposes. At the end of each reporting period, USD balances amounted to $1,122,000 (2019: $1,307,000) and $247,000 (2019: $319,000) for the Group and the Company respectively.

Sensitivity analysis for foreign currency risk

The following table denominates the sensitivity to a reasonably possible change in the USD, with all other variables held constant, of the Group's loss before tax.

	Group	
	2020 $'000	**2019 $'000**
United States Dollar:		
- strengthened 5% (2019: 5%)	**(204)**	(126)
- weakened 5% (2019: 5%)	**204**	126

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. As at the end of the reporting period, the Group and Company has stand-by credit facilities amounting to $12 million (2019: $12 million).

The Group manages its liquidity risk by monitoring its net operating cash flow and maintains an adequate amount of committed credit facilities from financial institutions. The Group assesses the concentration risk with respect to refinancing its debt and concluded it to be low.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations.

	1 year or less $'000	Over 1 year to 5 years $'000	Over 5 years $'000	Total $'000
Group				
2020				
Financial assets				
Trade receivables (excluding sales tax receivables)	1,536	–	–	1,536
Other receivables (excluding grant receivable)	2,843	–	–	2,843
Receivable from associate	213	–	–	213
Cash and cash equivalents	29,678	–	–	29,678
Total undiscounted financial assets	34,270	–	–	34,270
Financial liabilities				
Trade payables	(1,878)	–	–	(1,878)
Other payables (excluding deferred grant income)	(3,584)	–	–	(3,584)
Loans and borrowings	(499)	(1,684)	(405)	(2,588)
Total undiscounted financial liabilities	(5,961)	(1,684)	(405)	(8,050)
Total net undiscounted financia assets/(liabilities)	28,309	(1,684)	(405)	26,220

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

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

	1 year or less $'000	Over 1 year to 5 years $'000	Over 5 years $'000	Total $'000
Group				
2019				
Financial assets				
Trade receivables (excluding sales tax receivables)	1,521	–	–	1,521
Other receivables	1,847	–	–	1,847
Receivable from associate	204	–	–	204
Cash and cash equivalents	33,906	–	–	33,906
Total undiscounted financial assets	37,478	–	–	37,478
Financial liabilities				
Trade payables	(1,688)	–	–	(1,688)
Other payables	(3,154)	–	–	(3,154)
Loans and borrowings	(980)	(3,789)	(10,358)	(15,127)
Total undiscounted financial liabilities	(5,822)	(3,789)	(10,358)	(19,969)
Total net undiscounted financial assets/(liabilities)	31,656	(3,789)	(10,358)	17,509

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

	1 year or less $'000	Over 1 year to 5 years $'000	Over 5 years $'000	Total $'000
Company				
2020				
Financial assets				
Other receivables	3	–	–	3
Amount due from subsidiaries	3,795	–	–	3,795
Receivable from associate	7	–	–	7
Cash and cash equivalents	27,942	–	–	27,942
Total undiscounted financial assets	31,747	–	–	31,747
Financial liabilities				
Trade payables	(8)	–	–	(8)
Other payables	(484)	–	–	(484)
Total undiscounted financial liabilities	(492)	–	–	(492)
Total net undiscounted financial assets	31,255	–	–	31,255

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

	1 year or less $'000	Over 1 year to 5 years $'000	Over 5 years $'000	Total $'000
Company				
2019				
Financial assets				
Other receivables	261	–	–	261
Amount due from subsidiaries	2,033	–	–	2,033
Receivable from associate	7	–	–	7
Cash and cash equivalents	32,395	–	–	32,395
Total undiscounted financial assets	34,696	–	–	34,696
Financial liabilities				
Trade payables	(20)	–	–	(20)
Other payables	(568)	–	–	(568)
Loans and borrowings	(533)	(2,133)	(9,821)	(12,487)
Total undiscounted financial liabilities	(1,121)	(2,133)	(9,821)	(13,075)
Total net undiscounted financial assets/(liabilities)	33,575	(2,133)	(9,821)	21,621

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

The table below shows the contractual expiry by maturity of the Group and Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	1 year or less $'000	Over 1 year to 5 years $'000	Over 5 years $'000	Total $'000
Group				
2020				
Banker's guarantee	**94**	**–**	**–**	**94**
2019				
Banker's guarantee	98	–	–	98
Company				
2020				
Corporate guarantees	**370**	**1,480**	**401**	**2,251**
2019				
Corporate guarantees	370	1,480	524	2,374

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Interest rate risk

Interest rate risk is the risk that changes in interest rates will have an adverse financial effect on the Group's financial results. The Group's exposure to interest rate risk arises primary from its finance leases, term loans and cash surpluses.

Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

Sensitivity analysis for interest rate risk

At the end of the reporting period, the following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's loss before tax:

	Group	
	Increase/ decrease in basis points	**Effect on loss before tax increase/ (decrease) $'000**
2020		
Singapore Dollar	**+15**	**(39)**
United States Dollar	**+15**	**(3)**
Singapore Dollar	**-15**	**39**
United States Dollar	**-15**	**3**
2019		
Singapore Dollar	+15	(45)
United States Dollar	+15	(2)
Singapore Dollar	-15	45
United States Dollar	-15	2

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

33. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amounts of cash and cash equivalents, current trade and other receivables, loan receivable, amounts due from subsidiaries, receivable from associate, current trade and other payables, advances from a corporation owned by directors of subsidiary companies, and current loans and borrowings reasonably approximate their fair values because these are mostly short-term in nature or are repriced frequently to market interest rates.

The estimated fair values of the Group's loans and borrowings approximate their carrying amounts based on borrowing rates which would be available to the Group at the end of each reporting period.

34. FAIR VALUE OF ASSETS AND LIABILITIES

(a) Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date;
- Level 2 - Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; and
- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Fair value of buildings and improvements and right-of-use assets

The analysis of class of assets where fair value was obtain at the end of the reporting period, for impairment assessment is disclosed in Note 34(c)(i).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(c) *Level 3 fair value measurements*

(i) *Information about significant unobservable inputs used in Level 3 fair value measurements*

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 2020	Fair value at 2019	Valuation techniques
Recurring fair value measurements			
Property, plant and equipment:			
Buildings and improvements	**4,360**	7,192	Direct comparison approach
Leasehold land	**1,547**	9,182	Direct comparison approach

For buildings and improvements, a significant increase/(decrease) in yield adjustments based on management's assumptions would result in a significantly higher/(lower) fair value measurement.

(ii) *Movements in Level 3 asset measured at fair value*

The reconciliation for non-financial assets measured at fair value based on significant unobservable inputs (Level 3) is as disclosed in Note 11.

(iii) *Valuation policies and procedures*

The management oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures as described in Note 2.6. In this regard, the management reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 Fair Value Measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs used in the valuations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

34. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(c) Level 3 fair value measurements (cont'd)

(iii) Valuation policies and procedures (cont'd)

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions that are relevant to the valuation if such information are reasonably available.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The management documents and reports its analysis and results of the external valuations to the Audit Committee in the financial year that valuation is carried out. The Audit Committee performs a high-level independent review of the valuation process and results and recommends if any revisions need to be made before presenting the results to the Board of Directors for approval.

35. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders.

The Group aims to obtain an optimal capital structure by balancing capital efficiency and financial flexibility. The Group manages the capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or raise funds through debt market.

36. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the financial year ended 31 December 2020 were authorised for issue in accordance with a resolution of the directors on 5 April 2021.

SHAREHOLDINGS STATISTICS

AS AT 24 MARCH 2021

Issued and fully paid-up capital	-	S$72,635,464*
Total number of shares including treasury shares	-	59,080,125
Total number of shares excluding treasury shares	-	56,070,925
Treasury shares	-	3,009,200
Class of shares	-	Ordinary
Voting rights (excluding treasury shares)	-	One Vote Per Share

* Net of direct share issuance costs

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	9	0.86	380	0.00
100 - 1,000	408	38.89	195,510	0.35
1,001 - 10,000	517	49.29	2,160,708	3.85
10,001 - 1,000,000	107	10.20	7,549,804	13.47
1,000,001 AND ABOVE	8	0.76	46,164,523	82.33
TOTAL	**1,049**	**100.00**	**56,070,925**	**100.00**

SHAREHOLDINGS STATISTICS

AS AT 24 MARCH 2021

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares	%
1	OCBC SECURITIES PRIVATE LIMITED	29,272,700	52.21
2	HSBC (SINGAPORE) NOMINEES PTE LTD	3,166,400	5.65
3	ZICO INSIGHTS LAW LLC	2,800,000	4.99
4	LEE CHEE CHUEN	2,740,723	4.89
5	HO KEE	2,701,400	4.82
6	THAM MUN CHEE	2,583,600	4.61
7	YEO KAN YEN	1,752,900	3.13
8	LEE SANDOR	1,146,800	2.05
9	WELLMONT STRATEGIC PTE LTD	862,500	1.54
10	TREADSTONE HOLDINGS PTE LTD	699,124	1.25
11	WANG SHANSHAN	502,650	0.90
12	WU DONG	423,000	0.75
13	PHILLIP SECURITIES PTE LTD	421,900	0.75
14	LEE BEE ENG	365,200	0.65
15	RAFFLES NOMINEES (PTE.) LIMITED	343,872	0.61
16	DBS NOMINEES (PRIVATE) LIMITED	335,800	0.60
17	KGI SECURITIES (SINGAPORE) PTE. LTD.	312,300	0.56
18	ONG BENG KIAT KELVIN	168,067	0.30
19	ENG SIU-LAN SIBYL	150,232	0.27
20	LILY, LEE	148,000	0.26
TOTAL		**50,897,168**	**90.79**

SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholders	Direct Interest	Deemed Interest
Sun Quan [(1)]	-	31,712,956
MTBL Global Fund (formally known as New Impetus Strategy Fund)	31,712,956	-

Notes

(1) Mr Sun Quan is deemed interested in the Company by virtue of his controlling interest in the fund manager of MTBL Global Fund (formally known as New Impetus Strategy Fund).

PUBLIC FLOAT

Based on information available to the Company as at 24 March 2021, approximately 43.36% of the total number of issued shares (excluding treasury shares) of the Company is held in the hands of public, and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Limited is complied with.

STATISTICS OF WARRANT HOLDINGS

AS AT 24 MARCH 2021

DISTRIBUTION OF WARRANT HOLDINGS HOLDERS

Size of warrantholdings	No. of warrantholders	%	No. of warrants	%
1 - 99	8	0.68	332	0.00
100 - 1,000	444	38.01	217,910	0.85
1,001 - 10,000	603	51.63	2,499,967	9.70
10,001 - 1,000,000	106	9.08	6,798,261	26.38
1,000,001 AND ABOVE	7	0.60	16,255,223	63.07
TOTAL	**1,168**	**100.00**	**25,771,693**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of warrants	%
1	ZICO INSIGHTS LAW LLC	2,800,000	10.86
2	LEE CHEE CHUEN	2,740,723	10.63
3	HO KEE	2,701,400	10.48
4	THAM MUN CHEE	2,555,600	9.92
5	YEO KAN YEN	1,950,000	7.57
6	KOH SWEE YONG	1,823,200	7.07
7	HSBC (SINGAPORE) NOMINEES PTE LTD	1,684,300	6.54
8	DBS NOMINEES (PRIVATE) LIMITED	928,000	3.60
9	TREADSTONE HOLDINGS PTE LTD	909,207	3.53
10	WANG SHANSHAN	681,950	2.65
11	LOH FOON CHAN @ LEONG BEE LAY	452,000	1.75
12	LIM SIEW KEOK	350,000	1.36
13	SEOW MING LIANG	191,600	0.74
14	PHILLIP SECURITIES PTE LTD	190,000	0.74
15	LEOW PUI LING	169,600	0.66
16	RAFFLES NOMINEES (PTE.) LIMITED	161,972	0.63
17	OCBC SECURITIES PRIVATE LIMITED	147,700	0.57
18	LOW WOO SWEE @ LOH SWEE TECK	136,700	0.53
19	TAM KWOK WING	118,000	0.46
20	CHOY SAI CHAK	100,000	0.39
TOTAL		**20,791,952**	80.68

NOTICE OF
ANNUAL GENERAL MEETING

AEI CORPORATION LTD. (THE "COMPANY") • (INCORPORATED IN THE REPUBLIC OF SINGAPORE) • CO. REGISTRATION NO. 198300506G

NOTICE IS HEREBY GIVEN that the Annual General Meeting of AEI Corporation Ltd., will be convened and held by electronic means on Wednesday, 28 April 2021 at 9.00 a.m. (of which there will be a live webcast) for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Directors' Statement and Auditor's Report thereon. **(Resolution 1)**

2. To approve the Directors' fees of S$257,000 (2019: S$287,992) for the financial year ended 31 December 2020. **(Resolution 2)**

3. To re-elect Mr Siow Chee Keong, a Director retiring under Article 108 of the Constitution of the Company. **(Resolution 3)**
(See Explanatory Note 1)

4. To re-elect Mr Chua Wei Ming, a Director retiring under Article 108 of the Constitution of the Company. **(Resolution 4)**
(See Explanatory Note 1)

   To note the retirement of Mr David Yeung and Dr Vasoo Sushilan pursuant to Article 104 of the Company's Constitution at the conclusion of the forthcoming Annual General Meeting. Mr Yeung will cease to be Independent Chairman, Chairman of the Audit Committee and member of the Remuneration and Nominating Committees. Dr Vasoo will cease to be Director of the Company, Chairman of the Remuneration Committee and member of the Audit and Nominating Committee.

5. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.
(Resolution 5)

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following resolutions as Ordinary Resolutions with or without amendments:-

6. **Continuing in office as Independent Director**

   (A) That subject to and contingent upon the passing of Resolution 6B by shareholders of the Company excluding the Directors and the chief executive officer of the Company and their respective associates (as defined in the Listing Manual of the SGX-ST), the continued appointment of Mr Teng Cheong Kwee as an Independent Director for purposes of Rule 210(5) (d)(iii)(A) of the Listing Manual of the SGX-ST (which will take effect from 1 January 2022) be and is hereby approved; and the authority conferred by this Resolution shall continue in force until the earlier of (i) his retirement or resignation as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.
   (Resolution 6A)
   (See Explanatory Note 2)

NOTICE OF ANNUAL GENERAL MEETING

(B) That subject and contingent upon the passing of Resolution 6A, the continued appointment of Mr Teng Cheong Kwee as an Independent Director for purposes of Rule 210(5) (d)(iii)(B) of the Listing Manual of the SGX-ST(which will take effect from 1 January 2022) be and is hereby approved; and the authority conferred by this Resolution shall continue in force until the earlier of (i) his retirement or resignation as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

(Resolution 6B)
(See Explanatory Note 2)

7. **Authority to issue and allot shares**

"(a) That pursuant to Section 161 of the Companies Act, Cap. 50, and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

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

(ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "**Instruments**") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares; and/or

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

(b) (notwithstanding the authority conferred by the shareholders may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while the authority was in force, provided always that:

(i) the aggregate number of shares 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 and subsidiary holdings), of which the aggregate number of shares (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 and subsidiary holdings), and for the purpose of this Resolution, the total number of issued shares (excluding treasury shares and subsidiary holdings)) shall be the Company's total number of issued shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for;

(A) new shares arising from the conversion or exercise of convertible securities, or

(B) new shares arising from exercising share options or vesting of share awards provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and

NOTICE OF ANNUAL GENERAL MEETING

(C) any subsequent bonus issue, consolidation or subdivision of the Company's shares,

and adjustments in accordance with (A) or (B) are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this resolution, and

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue 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."

(Resolution 7)
(See Explanatory Note 3)

8. **Authority to grant awards and issue shares under the AEI Performance Share Plan**

"That approval be and is hereby given to the directors to grant awards in accordance with the provisions of the AEI Performance Share Plan (the "**APSP**") and to allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be allotted and issued pursuant to the vesting of awards under the APSP, provided that the aggregate number of shares to be allotted and issued pursuant to the APSP, when added on to the number of shares issued and issuable in respect of all awards granted under any other share-based incentive schemes adopted by the Company and for the time being in force, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) on the day preceding the date on which the award shall be granted and that such authority, shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

(Resolution 8)
(See Explanatory Note 4)

NOTICE OF
ANNUAL GENERAL MEETING

AEI CORPORATION LTD. (THE "COMPANY") • (INCORPORATED IN THE REPUBLIC OF SINGAPORE) • CO. REGISTRATION NO. 198300506G

9. **The Proposed Renewal of the Share Buyback Mandate**

"(a) That, for the purposes of Sections 76C and 76E of the Companies Act, Cap. 50, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued and fully paid-up ordinary shares of the Company ("**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchase(s) ("**Market Purchases**") transacted through the SGX-ST or on another stock exchange on which the Shares are listed (as defined in Section 76E of the Companies Act); and/or

(ii) off-market purchase(s) ("**Off-Market Purchases**") effected pursuant to an equal access scheme (as defined in Section 76C of the Companies Act) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual of the SGX-ST; and

otherwise in accordance with all laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buyback Mandate**");

(b) Any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buyback Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

(c) The authority conferred on the Directors pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of passing of this Resolution and expiring on the earliest of:

(i) the date on which the next Annual General Meeting of the Company is held or required by law to be held, whichever is the earlier;

(ii) the date on which the authority conferred by the Share Buyback Mandate is varied or revoked by Shareholders in a general meeting; or

(iii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated.

NOTICE OF
ANNUAL GENERAL MEETING

(d) In this Resolution:

"**Maximum Limit**" means that number of issued Shares representing 10% of the issued ordinary shares of the Company as at the date of the passing of this Resolution (excluding any treasury shares and subsidiary holdings which may be held by the Company from time to time); and

"**Maximum Price**" means the maximum purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for a Share in the event of any Share Buyback, which:

(i) in the case of a Market Purchase, shall mean 105% of the average of the closing market prices of the Shares over the last five (5) market days on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase, and deemed to be adjusted for any corporate action occurring during the relevant 5-day period and the day on which the purchases are made; and

(ii) in the case of an Off-Market Purchase, shall mean 120% of the average of the closing market prices of the Shares over the last five (5) market days on which transactions in the Shares were recorded, immediately preceding the day of making of the offer pursuant to the Off-Market Purchase, and

(e) the Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing such documents as may be required) as they and/or he may consider expedient, incidental, necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution."

(Resolution 9)
(See Explanatory Note 5)

ANY OTHER BUSINESS

10. To transact any other business that may normally be dealt with at an Annual General Meeting.

By Order of the Board

Lum Soh Ping
Foo Soon Soo
Company Secretaries
Singapore, 13 April 2021

NOTICE OF
ANNUAL GENERAL MEETING

AEI CORPORATION LTD. (THE "COMPANY") • (INCORPORATED IN THE REPUBLIC OF SINGAPORE) • CO. REGISTRATION NO. 198300506G

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:-

1. Mr Siow Chee Keong and Mr Chua Wei Ming will, upon being re-elected as Directors of the Company, remain as Independent Directors and members of the Nominating, Remuneration and Audit Committees. They are independent for the purposes of Rule 704(8) of the Listing Manual of SGX-ST. Detailed information on Mr Siow and Mr Chua Teng as set out in Appendix 7.4.1 of the Listing Manual of the SGX-ST are found on pages 34 to 36 of the Company's Annual Report 2020.

2. Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST which will come into effect on 1 January 2022, the retention of a Director who has been appointed for more than nine years from the date of his first appointment as an Independent Director will require shareholders' approval in separate resolutions through a two-tiered voting process, for voting by all shareholders under the fist-tier voting and voting by all shareholders excluding the Directors or the chief executive officer of the Company and their associates under the second tier voting. Such resolutions may remain in force until the earlier of (a) the retirement or resignation of the Director; or (b) the conclusion of the third AGM of the Company following the passing of the resolutions.

   Mr Teng Cheong Kwee has served as Independent Director of the Company for more than 9 years. Pursuant to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST, Resolution 6A under a first-tier voting and Resolution 6B under a second-tier voting are proposed for Mr Teng to continue in office as Independent Director.

   The NC has determined that Mr Teng remains independent. The Board has endorsed the NC's recommendation to seek shareholders' approval for Mr Teng to continue as Independent Director from 1 January 2022. The Board seeks to strike an appropriate balance between tenure of service, continuity of experience and refreshment of the Board. The Board considers it in the interest of the Company to have continuity of experience in the Board and to benefit from Mr Teng's expertise and experience and his insights into the Group gained over the years. Mr Teng has abstained from the NC's and Board's deliberations in this respect.

   MTBL Global Fund, an associate of Mr Sun Quan will abstain from voting on Resolution 6B in respect of its shareholdings. The Directors of the Company and their associates will abstain from voting on Resolution 6B in respect of their shareholdings in the Company.

   Information on Mr Teng are found under the "Board of Directors" contained in the Company's Annual Report 2020.

NOTICE OF
ANNUAL GENERAL MEETING

AEI CORPORATION LTD. (THE “COMPANY”) • (INCORPORATED IN THE REPUBLIC OF SINGAPORE) • CO. REGISTRATION NO. 198300506G

3. Resolution 7, if passed, will empower the Directors of the Company 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 and subsidiary holdings) of the Company of which the total number of 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 and subsidiary holdings) of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. The total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company for this purpose shall be the total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed (after adjusting for new shares arising from the conversion or exercise of convertible securities or share options which are outstanding or subsisting at the time this Resolution is passed and any subsequent bonus issues, consolidation or subdivision of the Company’s shares). This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

4. Resolution 8, if passed, will empower the Directors effective until the conclusion of the next Annual General Meeting of the Company is required by law or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant awards under the APSP and to allot and issue shares in the capital of the Company pursuant APSP, provided that the aggregate number of shares issued and to be issued under the APSP when added on to the shares issued and issuable in respect of all awards granted under the Share Plan, does not exceed 15% of the total number of issued shares excluding treasury shares and subsidiary holdings in the capital of the Company on the day preceding the date on which the award shall be granted.

5. Resolution 9, if passed, will authorise the Company to purchase or otherwise acquire Shares on the terms and subject to the conditions of the resolution. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition of Shares and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate based on the audited accounts of the Company and the Group for the financial year ended 31 December 2020, are set out in greater detail in the Appendix enclosed together with the Annual Report.

NOTES:

1. The Annual General Meeting (“**AGM**”) will be held, by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 and the joint statement by the Accounting and Corporate Regulatory Authority, Monetary Authority of Singapore and Singapore Exchange Regulation of 1 October 2020 which provides additional guidance on the conduct of general meetings up to 30 June 2021.

2. **The Notice of AGM has been published on SGXNET and the Company’s website at http://www.aei.com.sg/ and can be downloaded from SGXNET. A printed copy of this Notice, the proxy form and other documents related to the AGM will NOT be despatched to shareholders. Shareholders are advised to check SGXNet and/or the Company’s website regularly for updates.**

NOTICE OF
ANNUAL GENERAL MEETING

AEI CORPORATION LTD. (THE "COMPANY") • (INCORPORATED IN THE REPUBLIC OF SINGAPORE) • CO. REGISTRATION NO. 198300506G

3. Shareholders will be able to participate in the AGM in the following manner set out in the paragraphs below.

Live Webcast:

1. Shareholders (including investors holding shares through Central Provident Fund ("CPF") and Supplementary Retirement Scheme ("SRS") may watch the AGM proceedings through the Live AGM Webcast by registering at http://smartagm.sg/aei2021 (the "**Registration Link**") by 9:00 a.m. on 25 April 2021 (the "**Registration Deadline**") to enable the Company to verify their status.

2. Following verification, authenticated shareholders will receive an email by 9:00 a.m. on 27 April 2021 containing a link to access the live audio-visual webcast of the AGM proceedings as well as a toll telephone number to access the live audio-only stream of the AGM proceedings.

3. Shareholders must not forward the abovementioned link or telephone number to other persons who are not shareholders of the Company and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the Live AGM Webcast.

4. Shareholders who register by the Registration Deadline but do not receive an email response by 9:00 a.m. on 27 April 2021 may contact the Company's Share Registrar, Boardroom & Corporate Advisory Services Pte. Ltd., for assistance at (65) 6536 5355 (during office hours) or email bcasmeetings@boardroomlimited.com.

Submission of Proxy Forms to Vote:

1. Shareholders who wish to vote at the AGM may submit a proxy form to appoint the Chairman of the AGM to cast votes on their behalf.

2. The proxy form (a copy of which is also attached hereto), duly completed and signed, must be submitted by:

   (a) mail to the Company's registered office at 15 Tuas South Street 13, Singapore 636936; or

   (b) email to AGM2021@aei.com.sg,

   by no later than 9:00 a.m. on 26 April 2021, being 48 hours before the time fixed for the AGM.

3. CPF or SRS investors who wish to vote should approach their respective CPF Agent Bank or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by 5:00 p.m. on 19 April 2021) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

4. **Please note that shareholders will not be able to vote through the live webcast and can only vote with their proxy forms which are required to be submitted in accordance with the foregoing paragraphs.**

NOTICE OF
ANNUAL GENERAL MEETING

Submission of Questions:

1. Shareholders may submit their questions relating to the items on the agenda of the AGM by post to the registered office of the Company at 15 Tuas South Street 13, Singapore 636936 or via email to AGM2021@aei.com.sg or via the pre-registration website at http://smartagm.sg/aei2021 by stating their names and identification number for verification. **All questions must be submitted by 9:00 a.m. on 21 April 2021**.

2. The Company will endeavour to address the substantial and relevant questions at or before the AGM. The responses to such questions from shareholders, together with the minutes of the AGM, will be posted on the SGXNet and the Company's website within one month after the date of the AGM

4. Investors holding shares through relevant intermediaries (other than CPF/SRS investors) who wish to participate in the AGM by (i) observing the AGM proceedings via "live" audio-and-visual webcast; (ii) submitting questions in advance of the AGM; and/or (iii) appointing the Chairman as proxy to attend, speak and vote on their behalf at the AGM, should contact the relevant intermediary through which they hold such shares as soon as possible in order to make the necessary arrangements for them to participate in the AGM.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing the Chairman of the AGM to attend, speak and vote at the AGM and/or any adjournment thereof, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines.

Glue and seal firmly

AEI CORPORATION LTD.

(INCORPORATED IN THE REPUBLIC OF SINGAPORE)
CO. REGISTRATION NO. 198300506G

PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT

1. This Proxy Form is not valid for use by investors who hold shares in the Company through relevant intermediaries (as defined in Section 181 of the Companies Act (Chapter 50 of Singapore), including CPF and SRS investors, and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF and SRS investors who wish to appoint the Chairman as proxy to attend, speak and vote on their behalf should approach their respective CPF Agent Banks and SRS Operators to submit their voting instructions at least seven (7) working days before the AGM (i.e. by 5:00 p.m. on 19 April 2021.) Other investors holding shares in the Company through relevant intermediaries who wish to vote should approach their relevant intermediaries as soon as possible to specify voting instructions.

PERSONAL DATA PRIVACY

2. By submitting this Proxy Form, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2021.

I/We, ____

of ____

being *a member/members of AEI CORPORATION LTD. (the "**Company**"), hereby appoint the Chairman of the Annual General Meeting of the Company 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 by electronic means on Wednesday, 28 April 2021 at 9:00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against or abstain from voting on the resolutions to be proposed at the Annual General Meeting in the spaces provided hereunder.

In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the Annual General Meeting as your proxy for that resolution will be treated as invalid.

Please indicate your vote "For" or "Against" or "Abstain" with a tick [√] or cross (x) within the box provided.

No	Ordinary Resolutions	No. of Votes or to indicate with a tick[√] or cross (x)[1]		
		For	Against	Abstain
	Ordinary Business			
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2020 together with the Directors' Statement and Auditor's Report thereon.			
2.	To approve the Directors' fee of S$257,000 for the financial year ended 31 December 2020.			
3.	To re-elect Mr Siow Chee Keong as Director.			
4.	To re-elect Mr Chua Wei Ming as Director.			
5.	To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.			
	Special Business			
6A	To seek approval for Mr Teng Cheong Kwee to continue in office as Independent Director (1st-Tier Voting)*			
6B	To seek approval for Mr Teng Cheong Kwee to continue in office as Independent Director (2nd Tier Voting)**			
6.	To authorize Directors to issue and allot shares pursuant to Section 161 of the Companies Act, Chapter 50.			
7.	To authorize the grant of awards and issue shares under the AEI Performance Share Plan.			
8.	To approve the Share Buyback Mandate.			

* 1st Tier: Voting by all shareholders

** 2nd Tier: Voting by all shareholders, excluding shareholders who are the Directors or the chief executive officer of the Company, and associates of such Directors and chief executive officer.

[1] All resolutions would be put to vote by poll in accordance with the listing rules of Singapore Exchange Securities Limited.
Please tick "√" or cross (x) or indicate the number of votes within the box provided. A tick or cross would represent you are exercising all your votes "For" or "Against" or "Abstain" from voting on the relevant resolution.

Dated this ____________ day of ____________ 2021.

Total No. of Shares held	No. of Shares
In Depository Register	
In Register of Members	

____
Signature(s) of Member(s)/Common Seal

<u>IMPORTANT</u>: PLEASE READ THE NOTES BEFORE COMPLETING THIS PROXY FORM

Glue and seal firmly

First fold (this flap for sealing)

NOTES:

1. In accordance with the alternative arrangements under the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, members of the Company who wish to have their votes cast at the AGM must appoint the Chairman of the Annual General Meeting ("AGM") as their proxy to do so.
2. This Proxy Form is not valid for use by investors who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act (Chapter 50 of Singapore)), including CPF and SRS investors, and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF and SRS investors should approach their respective SRS Operators at least seven working days before the AGM to specify voting instructions. Other investors holding shares in the Company through relevant intermediaries who wish to vote should approach their relevant intermediaries as soon as possible to specify voting instructions.
3. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (maintained by The Central Depository (Pte) Limited), you should insert that number of shares in the box provided next to Depository Register. If you have Shares registered in your name in the Register of Members (maintained by or on behalf of the Company), you should insert that number of shares in the box provided next to Register of Members.
4. The Chairman of the AGM, as proxy, need not be a member of the Company.
5. The instrument appointing the Chairman of the AGM as proxy must be deposited with the Company by
   (i) mail to the Company's registered office at 15 Tuas South Street 13, Singapore 636936; or
   (ii) email to AGM2021@aei.com.sg and received by the Company by 9:00 a.m. on 26 April 2021 being not less than forty-eight (48) hours before the time for holding of the AGM.

   In view of the current COVID-19 situation and the related precautionary measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms via electronic mail.
6. Where an instrument appointing the Chairman of the AGM as proxy is sent by post, it must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

   Where an instrument appointing the Chairman of the AGM as proxy is submitted by email, it must be authorised by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the instrument under hand and submitting a scanned copy of the signed instrument by email.

   Where an instrument appointing the Chairman of the AGM as proxy is signed or, as the case may be, authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing the Chairman of the AGM as proxy, failing which the instrument may be treated as invalid.
7. The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM as proxy (such as in the case where the appointor submits more than one instrument of proxy).
8. In the case of a member whose Shares are entered against his/her name in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if such member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding of the AGM (i.e. 9:00 a.m. on 25 April 2021), as certified by The Central Depository (Pte) Limited to the Company.

Second fold here

Affix Postage Stamp

The Company Secretary
AEI CORPORATION LTD.
15 Tuas South Street 13
Singapore 636936

CORPORATE INFORMATION

DIRECTORS
Yeung Koon Sang alias David Yeung
Sun Quan
Wu Pingwei
Li Zhibo
Teng Cheong Kwee
Dr Vasoo Sushilan
Siow Chee Keong
Chua Wei Ming

SECRETARIES
Foo Soon Soo
Lum Soh Ping

REGISTERED OFFICE
15 Tuas South Street 13
Singapore 636936
Tel: (65) 6261 2244
Fax: (65) 6264 0080
Email: aei@aei.com.sg
Website: www.aei.com.sg

AUDITORS
Ernst & Young LLP
Eleanor Lee
Audit Partner
(Appointed since financial year ended 31 December 2019)

SHARE REGISTRAR AND SHARE TRANSFER OFFICE
Boardroom Corporate & Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

AEI CORPORATION LTD.

(Incorporated in the Republic of Singapore)
Registration No. 198300506G

15 Tuas South Street 13
Singapore 636936
Tel: (65) 6261 2244
Fax: (65) 6264 0080
Email: aei@aei.com.sg
www.aei.com.sg