SIN GHEE HUAT
CORPORATION

OVERCOMING NEW CHALLENGES

2020 ANNUAL REPORT

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COMPANY PROFILE

Sin Ghee Huat Corporation Ltd is a public company listed on the Mainboard of Singapore Exchange Securities Trading Limited since June 2007.

We have a track record of more than 40 years in the sales and distribution of stainless steel products and have grown to be a major stockist and "one-stop" distributor of 304/304L and 316/316L grades of austenitic stainless steel as well as duplex steel products and specialty metals. These include pipes, fittings, plates, bars, tubes and flanges which we source from reputable suppliers in China, Europe, Japan, South Korea and Taiwan.

Our main warehouse facilities in Singapore are located at 62 Tuas Basin Link Singapore 638776 and 32 Gul Crescent Singapore 629537.

BOARD OF DIRECTORS

MR GOH CHEE WEE

Mr Goh Chee Wee, 74, was first appointed an Independent Director and Non- Executive Chairman of the Company on 28 October 2009, and was last re-elected a Director on 23 October 2018. He is currently also a director of Beng Kuang Marine Ltd, Chailease Holding Company Ltd and King Wan Corporation Ltd, all of which are listed companies. Mr Goh was also a director of Stamford Tyres Corporation Ltd.

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

MR KUA GHIM SIONG

Mr Kua Ghim Siong, 42, our Chief Executive Officer ("CEO"), was appointed an Executive Director of the Company on 25 October 2012. He was appointed Interim CEO of the Company on 1 September 2012 and subsequently appointed CEO of the Company on 1 August 2013. He is responsible for corporate strategic direction and general management of the Group, and concurrently oversees the purchasing functions. He joined the Company as Sales Executive in April 2004 after graduation, and assumed the role of Assistant Purchasing Manager in October 2006. Ghim Siong was promoted to Purchasing and Logistics Manager on 1 August 2010 and was Senior Manager, Purchasing & Logistics/China Operations from 1 August 2011 to 24 October 2012. He holds a Bachelor of Commerce degree from the University of Western Australia.

MR HOON TAI MENG

Mr Hoon Tai Meng, 68, was appointed an Independent Director of the Company on 1 March 2007, and was last re-elected a Director on 18 October 2019. He is currently Senior Consultant of RHTLaw Asia LLP and an Independent Director of Koufu Group Limited, Federal International (2000) Ltd and Hock Lian Seng Holdings Ltd. He was formerly an Executive Director of Chip Eng Seng Corporation Ltd until 30 June 2018 and a partner with M/s KhattarWong until June 2011. Mr Hoon was also a director of Pavillion Holdings Ltd.

Besides having 16 years of experience in legal practice and 7 years of experience as executive director of a listed property and construction group, Tai Meng also has approximately 20 years of experience in financial planning and management, audit and tax functions. He has a Bachelor of Commerce degree in accountancy from the then Nanyang University and a LLB (Honours) degree from the University of London. Tai Meng is a Fellow of the Chartered Institute of Management Accountants (United Kingdom), a Fellow of the Association of Chartered Certified Accountants (United Kingdom), a Fellow member of the Institute of Singapore Chartered Accountants and a Barrister-at-Law (Middle Temple, United Kingdom).

BOARD OF DIRECTORS

MR LIM LIAN SOON

Mr Lim Lian Soon, 65, was appointed an Independent Director of the Company on 30 October 2018, and was last re-elected on 18 October 2019. He was previously a Director/Consultant of CA Trust Taxation Pte Ltd and CA Trust Solutions Pte Ltd and is currently a trainer in Continuing Professional Education. Lian Soon was formerly a Practising Certified Public Accountant for 15 years until 2009. He was an Executive Director and Chief Executive Officer of the Company from 2009 to 2012. He started his career as an auditor and subsequently worked in various industries in internal audit, tax and accounting of which 7 years were in the oil and gas service industry. Lian Soon is a Fellow of the Association of Chartered Certified Accountants, United Kingdom, and the Institute of Singapore Chartered Accountants.

MR KUA PENG CHUAN

Mr Kua Peng Chuan, 37, our Market Development Director, was appointed Director of the Company on 25 October 2011, and was last re-elected a Director on 19 October 2017. He was Alternate Director to Kua Chee Hong from 11 December 2009 to 25 October 2011. Peng Chuan manages sales operations and market development. He joined the Company as Sales Executive in October 2004 after completing his National Service. He assumed the role of Sales & Marketing Manager cum Head of Market Development on 1 August 2010, and was promoted to Senior Manager, Sales & Marketing/Head of Market Development on 1 August 2011. He holds a diploma in Chemical Engineering from Temasek Polytechnic.

MR LOW CHUI HENG

Mr Low Chui Heng, 60, was appointed a Non-Executive Director of the Company on 30 October 2018, and was last re-elected on 18 October 2019. He is currently an executive director of Hong Hock Hardware Pte Ltd. Mr Low is a businessman with over 30 years of experience dealing in non-ferrous metals including stainless steel. He was formerly an Executive Director of Zhongmin Baihui Retail Group Ltd, a listed company on the Singapore Exchange, from 2012 to 2015.

KEY EXECUTIVE

MR HO CHOR YAU

Mr Ho Chor Yau, 46, is our Chief Financial Officer. He joined our Group in March 2020. He is responsible for financial management and oversees administrative functions and risk management.

Chor Yau has more than 20 years of internal audit and broad-based financial management experience. Prior to joining our Group, he had held managerial positions in several privately-held and public-listed companies, where he handled financial, taxation, corporate secretarial, M&A, IPO and SGX-ST reporting matters. Chor Yau holds a Bachelor of Arts (Hons.) in Accountancy Studies from the University of Portsmouth and a Master of Business Administration from the University of Adelaide. He is a Fellow of the Association of Chartered Certified Accountants, UK and also a member of the Institute of Singapore Chartered Accountants and the Chartered Secretaries Institute of Singapore.

LETTER TO SHAREHOLDERS

Dear Shareholders

Overcoming new challenges

The financial year ended 30 June 2020 ("FY2020") has been a challenging year for Sin Ghee Huat Corporation Ltd (the "Company" or the "Group"). Against the backdrop of the global pandemic brought on by the COVID-19 and turmoil in the Oil & Gas ("O&G") industry, our revenue decreased by 25% year-on-year; to S$37.5 million. FY2020 also saw the Group slipping into the red with a net loss of S$4.2 million.

The COVID-19 situation has caused widespread economic uncertainties with no sign of abating. In view of the uncertain business environment, the Board of Directors (the "Board") has decided not to declare any final dividend for FY2020 in order to consolidate our financial resources so that we will be in a better position to overcome any challenges that we may face.

Whilst the current economic environment creates challenges to overcome, it also presents various opportunities. We believe that our healthy financial position, together with a strong management team will enable the Group to overcome any challenges and also drive long-term shareholders' value.

The past year in review

During FY2020, the Board reviewed the viability of our joint-venture entity in New Zealand, First Break SG Metals 2015 Limited ("FBSGM"), in which the Company has a 50% equity interest. In view of its lacklustre business performance and outlook, the Board decided to terminate the joint-venture agreement with the consent and agreement of our New Zealand joint-venture partner. As a result of the closure of FBSGM, an allowance for impairment of trade receivables of S$0.8 million was recorded for FY2020. Although the statutory closure for FBSGM is still underway, there will be no material financial impact expected in future.

The viability of one of our wholly-owned subsidiaries, SG Metals (Suzhou) Ltd ("SGMSZ"), was also subjected to the Board's review. In view of its continued losses, the Board also decided to cease its business operations immediately after the end of FY2020. In relation to the closure of SGMSZ, the Group made an allowance of impairment of inventories of S$0.3 million due to the write-down of locally-sourced stocks to their net realisable value; as there is no known demand for such stocks in the Singapore market. The statutory closure, in accordance with the laws and regulations of the People's Republic of China, is still underway. We have also engaged a local consultant in China to assist and advise on the closure process.

The weakness in the O&G industry caused by the low and unstable crude oil prices also has an adverse impact on the Group. One of our wholly-owned subsidiaries,

LETTER TO SHAREHOLDERS

SG Specialty Metals Pte Ltd, which caters mainly to customers from the O&G industry, had to write-down S$2.9 million of inventories which were project-and-customer specific as the project was delayed indefinitely and there was no foreseeable market demand from other customers.

The loss reported for FY2020 would have been significantly lower in the absence these specific business realignment measures. However, these measures are necessary in order to position the Group into the future.

Looking into the future

The Group's financial position remains healthy, with cash and cash equivalents of S$10.9 million, net current assets of S$64.4 million and no external borrowings as at 30 June 2020. Therefore, we believe that our financial standing would see us through the challenges ahead.

The Board and management will continue to be vigilant in monitoring our costs and take measures to reduce our inventories through sales. We will also continue to explore strategic opportunities for alliances, partnerships and/or mergers and acquisitions to take the Group forward.

The health and safety of our employees and other stakeholders are also paramount to our business operations. Therefore, the Group will continue to enforce various COVID-19 mitigation measures and business continuity plans, such as making arrangement for part of our workforce to work from home, wearing of mask, daily temperature-takings, segregation of staff between different sites and safe distancing within the same premises.

Appreciation

On behalf of the Board, we would like to express our appreciation to all our shareholders for your understanding, confidence and support. We also extend our gratitude to all our customers and business partners for their continued patronage and support. We also like to thank all our employees for their dedication, hard work and perseverance during this difficult period. Together with all our stakeholders, we will strive to achieve profitability and deliver long-term sustainable growth for the Group in the years to come.

Goh Chee Wee
Non-Executive Chairman and
Independent Director

Kua Ghim Siong
Chief Executive Officer

OPERATING AND FINANCIAL REVIEW

OPERATING REVIEW

During the financial year ended 30 June 2020 ("FY2020"), the redevelopment of one of our existing leasehold properties located at 32 Gul Crescent (the "redeveloped property") was completed. The temporary occupation permit for the redeveloped property was received in January 2020 and the lease will run until May 2041. The redeveloped property was funded entirely by internal resources.

The automated storage and retrieval system ("ASRS") for our warehouse was also completed. The ASRS is an initiative undertaken to modernise our warehouse operations by embracing technology to bring about greater efficiency in our storage and retrieval process and also optimise the use of our warehouse space.

FINANCIAL REVIEW

Revenue for FY2020 decreased by S$12.4 million or 25% to S$37.5 million compared with S$49.9 million in the last financial year ended 30 June 2019 ("FY2019").

Our core business is the trading and sales of stainless steel and specialty metal products, which is essentially one operating segment. The revenue is broadly grouped into the industries in which the Group's customers operate. As shown in the Table below, the decrease in revenue was mainly due to lower sales to customers in Engineering and Construction, which was attributable to lower project orders.

	FY2020	FY2019	Increase/ (decrease)	
Industry	**S$'000**	**S$'000**	**S$'000**	**%**
Marine and shipbuilding	**6,140**	5,511	629	11
Oil & gas and petrochemical	**9,057**	9,024	33	*
Engineering and construction	**8,772**	19,025	(10,253)	(54)
Trading and others	**13,506**	16,296	(2,790)	(17)
Total revenue	**37,475**	**49,856**	**(12,381)**	**(25)**

* denote less than 1%

The various geographical markets also registered a broad-based decrease in revenue. Singapore, our traditional market, remained the largest, contributing 47% (FY2019: 46%) to the Group's total revenue in FY2020. ASEAN countries accounted for 39% of Group revenue (FY2019: 35%) and Indonesia continued to be the main overseas market for the Group, accounting for 22% (FY2019: 19%) of the Group's revenue in FY2020. Overseas sales ex-ASEAN countries accounted for the remaining 14% of Group revenue for FY2020 (FY2019: 19%).

	FY2020	FY2019	Increase/ (decrease)	
Market	**S$'000**	**S$'000**	**S$'000**	**%**
Singapore	**17,778**	23,159	(5,381)	(23)
Indonesia	**8,372**	9,377	(1,005)	(11)
Malaysia	**4,651**	6,022	(1,371)	(23)
China	**1,963**	5,529	(3,566)	(64)
Other ASEAN countries	**1,653**	1,899	(246)	(13)
Others(1)	**3,058**	3,870	(812)	(21)
Total revenue	**37,475**	**49,856**	**(12,381)**	**(25)**

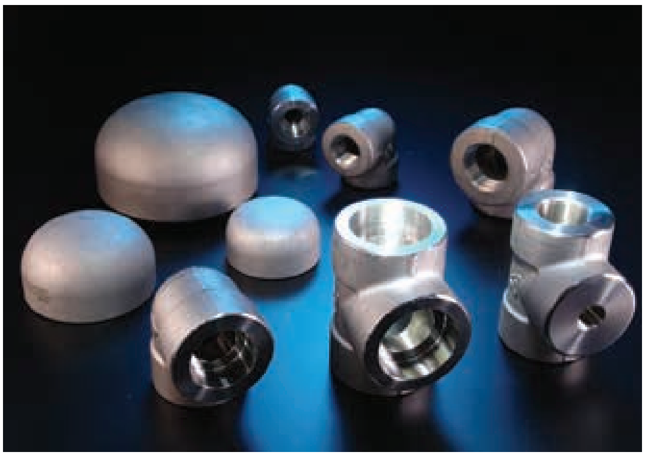
(1) Others mainly include Australia, New Zealand, India, South America and Middle East.

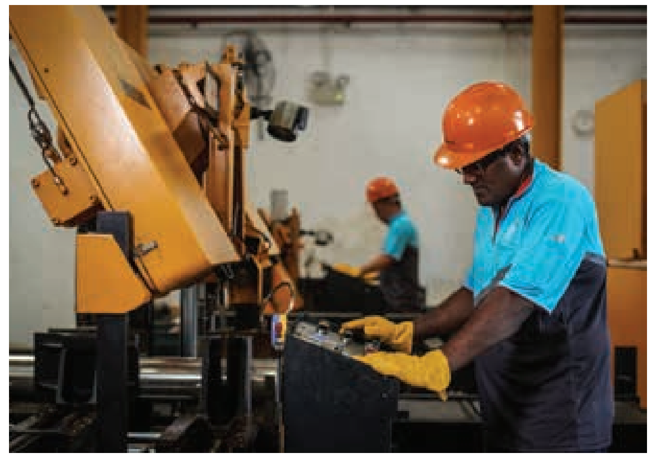
Gross profit decreased by S$7.4 million or 61% to S$4.7 million for FY2020 (FY2019: S$12.1 million), due to lower sales volume and increase in allowance for impairment of inventories. Similarly, gross margin also decreased by 12 percentage points to 12% for FY2020 (FY2019: 24%), largely due to increase in allowance for impairment of inventories. Without the allowance for impairment of inventories, the gross margins would have remained fairly constant for both FY2020 and FY2019.

Distribution costs decreased by S$0.3 million or 5% to S$5.6 million for FY2020 (FY2019: S$5.8 million), mainly due to lower warehousing expenses.

Administrative expenses decreased by S$0.3 million or 9% to S$3.1 million for FY2020 (FY2019: S$3.4 million), mainly due to lower payroll-related costs.

OPERATING AND FINANCIAL REVIEW





Impairment loss on trade and other receivables increased by S$0.7 million or 281% to S$0.9 million for FY2020 (FY2019: S$0.2 million), largely due to the impairment of receivables recorded for a certain customer in respect of the cessation of our joint-venture entity in New Zealand.

Net other operating income S$754,000 was recorded for FY2020 (FY2019: S$144,000). The increase in net operating income of S$610,000 was largely due to increase in government grant recognised of S$459,000 and foreign exchange gain of S$167,000.

Finance income decreased by S$146,000 or 59% to S$100,000 for FY2020 (FY2019: S$246,000), largely due to lower interest from debt securities and short-term bank deposits.

Finance cost increased by S$135,000 or 355% to S$173,000 for FY2020 (FY2019: S$38,000), largely due to the recognition of interest expenses on lease accounting following the adoption of SFRS(I) 16.

Tax credit of S$0.1 million was recorded for FY2020, largely due to the recognition of deferred tax asset in relation to the allowance for impairment of inventories.

Due to the above factors, the Group recorded a net loss of S$4.2 million for FY2020 compared to a net profit of S$2.4 million for FY2019.

STATEMENT OF FINANCIAL POSITION

NON-CURRENT ASSETS

Non-current assets increased by S$10.3 million to S$20.6 million as at 30 June 2020 compared with S$10.3 million as at 30 June 2019, largely due to increase in property, plant and equipment ("PPE") of S$7.4 million, right-of-use ("ROU") assets of S$4.1 million and deferred tax assets of S$0.1 million, offset by a reduction in trade and other receivables of S$1.3 million.

The increase in PPE was mainly attributable to the redevelopment of our leasehold property located at 32 Gul Crescent. The Group's adoption of SFRS(I) 16 Leases, effective from 1 July 2019, necessitates the recognition of ROU assets and its corresponding lease liabilities, which were mainly related to leases of our leasehold properties. Accordingly, ROU assets of S$4.1 million have been recognised as at 30 June 2020. The increase in deferred tax assets of $0.1 million was largely in relation to the allowance for impairment of inventories. The decrease in trade and other receivables of S$1.3 million as at 30 June 2019 was in relation to one of our customers which was partly repaid and the remainder being recorded as doubtful debts upon the cessation of our joint-venture arrangement.

CURRENT ASSETS

Current assets decreased by S$12.3 million to $$68.1 million as at 30 June 2020 (30 June 2019: S$80.4 million), due to decrease in trade and other receivables of S$5.0 million, decrease in inventories of S$2.1 million, other financial assets of S$1.0 million and cash and cash equivalents of S$4.2 million.

OPERATING AND FINANCIAL REVIEW

The decrease in trade and other receivables was largely attributable to lower sales volume. Inventories decreased mainly due to higher allowance for impairment of inventories as certain project-and-customer specific stock were written down to residual value. Debt securities classified as other financials assets were fully redeemed during the current financial year. The decrease in cash and cash equivalents will be explained under the Cash Flows Statement section.

NON-CURRENT LIABILITIES

As at 30 June 2020, lease liabilities of S$4.0 million have been recognised as a result of the Group's adoption of SFRS(I) 16. The deferred grant liabilities were in relation to a portion of government grant to be recognised over a period of time in line with our accounting policy.

CURRENT LIABILITIES

Current liabilities decreased by S$1.3 million to S$3.7 million as at 30 June 2020 (30 June 2019: S$5.0 million), due to decrease in trade and other payables of S$1.4 million and current tax liabilities of S$0.5 million, offset by an increase in deferred grant liabilities of S$0.4 million and lease liabilities of S$0.1 million.

The decrease in trade and other payables was mainly due to a lower volume of purchases, in line with the decrease in sales. Current tax liabilities decreased due to payments made during the year coupled with lower income tax provision for current year as a result of lower taxable income. Lease liabilities were recognised as a result of the Group's adoption of SFRS(I) 16.

SHAREHOLDERS' EQUITY

As at 30 June 2020, the shareholders' equity stood at S$80.2 million (30 June 2019: S$85.7 million). The decrease of S$5.5 million was due to dividend payment of S$1.3 million and net loss for the current financial year of S$4.2 million.

CONSOLIDATED STATEMENT OF CASH FLOW

Cash and cash equivalents decreased by S$4.2 million to S$10.9 million as at 30 June 2020 (30 June 2019: S$15.1 million).

For FY2020, net cash generated from operating activities was S$4.5 million. This was mainly due to operating cash outflows of S$3.2 million, adjusted for net cash inflows from changes in operating assets and liabilities of S$8.2 million, offset by cash outflows for payments for income tax of S$0.5 million.

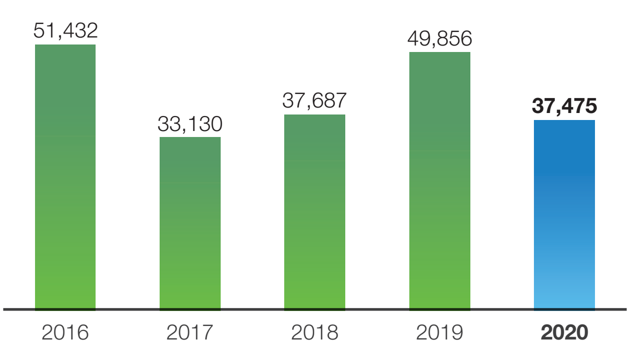
The net cash inflows from changes in operating assets and liabilities were due to decrease in trade and other receivables of S$6.3 million, decrease in inventories of S$2.1 million and increase in deferred grant liabilities of S$1.2 million, offset by decrease in trade and other payables of S$1.4 million.

Cash flows used in investing activities was S$7.1 million, mainly due to capital expenditures of S$8.3 million for the redevelopment of our property located at 32 Gul Crescent, offset by redemption of debt securities upon maturity of S$1.0 million and interest received of S$0.1 million.

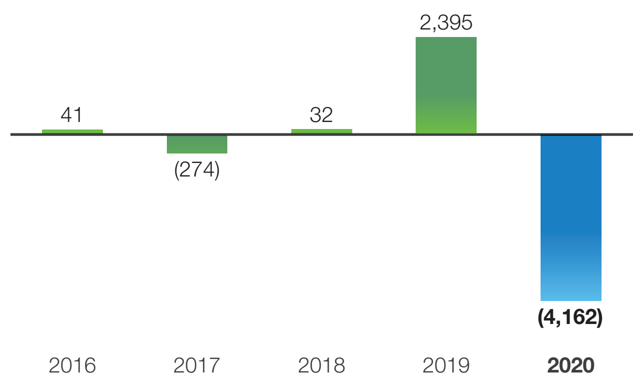
Cash flows used in financing activities was S$1.6 million, mainly due to dividend payment of S$1.3 million, interest payment of S$0.2 million and lease principal payment of S$0.1 million.

FINANCIAL HIGHLIGHTS

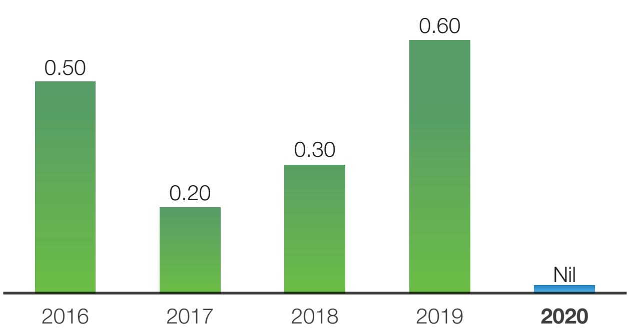
REVENUE (S$'000)



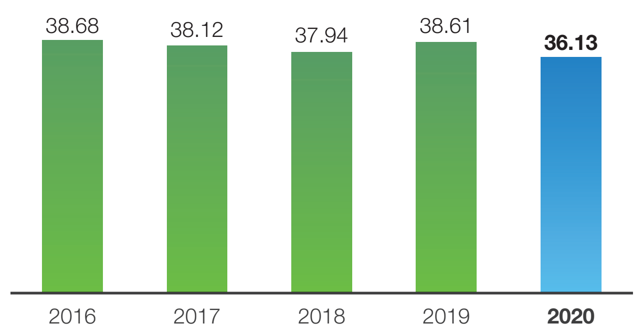
NET PROFIT/(LOSS) (S$'000)



DIVIDENDS PER SHARE (CENTS)



NET ASSET VALUE PER SHARE (CENTS)



	FY2016	FY2017	FY2018	FY2019	FY2020
Selected Balance Sheet Items	**S$'000**	**S$'000**	**S$'000**	**S$'000**	**S$'000**
Property, plant & equipment	8,149	7,651	6,546	8,663	**16,065**
Inventories	38,776	36,865	41,019	49,883	**47,814**
Trade receivables	10,500	9,333	12,381	13,827	**6,646**
Cash and cash equivalents	26,003	29,737	26,274	15,101	**10,852**
Current liabilities	2,644	3,218	5,309	5,015	**3,680**
Net current assets	73,460	74,632	76,383	75,378	**64,440**
Total equity	85,860	84,624	84,232	85,704	**80,207**

Financial Statistics					
Current ratio (times)	28.8	24.2	15.4	16.0	**18.5**
Quick ratio (times)	14.1	12.7	7.7	6.1	**5.5**
Inventory turnover (days)[(1)]	358	543	489	439	**543**
Receivables turnover (days)[(2)]	75	103	120	101	**65**
Payables turnover (days)[(2)]	14	31	27	23	**17**

(1) average basis
(2) ending balance basis, trade

CORPORATE INFORMATION

BOARD OF DIRECTORS

GOH CHEE WEE
Non-Executive Chairman and Independent Director

KUA GHIM SIONG
Chief Executive Officer and Executive Director

KUA PENG CHUAN
Executive Director

HOON TAI MENG
Non-Executive and Independent Director

LIM LIAN SOON
Non-Executive and Independent Director

LOW CHUI HENG
Non-Executive and Non-Independent Director

AUDIT COMMITTEE

Hoon Tai Meng (Chairman)
Goh Chee Wee
Lim Lian Soon

NOMINATING COMMITTEE

Lim Lian Soon (Chairman)
Goh Chee Wee
Hoon Tai Meng

REMUNERATION COMMITTEE

Goh Chee Wee (Chairman)
Hoon Tai Meng
Lim Lian Soon

COMPANY SECRETARIES

Joanna Lim Lan Sim
Lotus Isabella Lim Mei Hua

REGISTERED OFFICE

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Fax: 6398 1119
Email: enquiries@singheehuat.com.sg
Website: www.singheehuat.com.sg

SHARE REGISTRAR

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

INDEPENDENT AUDITOR

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

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

INTERNAL AUDITOR

Baker Tilly Consultancy (Singapore) Pte. Ltd.
600 North Bridge Road #05-01
Parkview Square
Singapore 188778

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited
CIMB Bank Berhad

FINANCIAL
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CORPORATE GOVERNANCE STATEMENT

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

This statement describes the Company's corporate governance processes and activities with specific reference to the Code of Corporate Governance 2018 (the "Code"). The Company has complied substantially with the requirements of the Code and will continue to review its practices on an ongoing basis. Where there are deviations from the Code, appropriate explanations are provided in this report or in other sections of this Annual Report. Please read this report in conjunction with the other sections of the Annual Report.

BOARD MATTERS

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 primary role of the Board is to provide entrepreneurial leadership, set strategic objectives which should include appropriate focus on value creation, innovation and sustainability, ensure that the necessary resources are in place for the Group to meet its strategic objectives; establish and maintain a sound risk management framework of prudent and effective monitor and manage risks, and to achieve an appropriate balance between risks and company performance including safeguarding of shareholders' interests and the company's assets; constructively challenge Management and review its performance; identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation; instill an ethical corporate culture and ensure the Group's values and standards, policies and practices are consistent with the culture, ensure transparency and accountability to key stakeholder groups, and ensure that obligations to shareholders and other stakeholders are understood and met.

All Directors exercise due care, skills and diligence and independent judgement, obliged to act in good faith and in the best interests of the Group and avoiding conflicts of interest.

Any Director who has conflict of interest which is likely to impact his independence or conflict with a subject under the discussion by the Board is required to immediately declare his interest to the Board, remove himself from the information flow and recuse from participating in any further discussion or decisions involving issues of conflict of interest.

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

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

A schedule of all the Board and Board Committees meetings for the calendar year is usually prepared in advance and distributed to the Directors. Besides the scheduled meetings, where circumstances require, ad-hoc meetings are held. All meetings are conducted in Singapore and attendance by the Directors has been regular. The attendances of the Directors at meetings of the Board and Board Committees as well as the number of such meetings during the financial year ended 30 June 2020 ("FY2020") are set out in the next page.

CORPORATE GOVERNANCE STATEMENT

Directors' attendance at the Board and board committee meeting in FY2020:

	Board		Audit Committee		Nominating Committee		Remuneration Committee	
Name of Directors	**No. of meetings**	**Attendance**	**No. of meetings**	**Attendance**	**No. of meetings**	**Attendance**	**No. of meetings**	**Attendance**
Goh Chee Wee	5	5	4	4	1	1	1	1
Kua Ghim Siong	5	5	NA	NA	NA	NA	NA	NA
Kua Peng Chuan	5	5	NA	NA	NA	NA	NA	NA
Hoon Tai Meng	5	5	4	4	1	1	1	1
Low Chui Heng	5	5	NA	NA	NA	NA	NA	NA
Lim Lian Soon	5	5	4	4	1	1	1	1

NA: Not Applicable.

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

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.

An Independent director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporation, its substantial shareholders or its officers that can interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interest of the Company.

Rules 210(5)(d) of the Listing Rules also stipulate that a director will not be independent if he is employed or has been employed by the issuer or any of its related corporations in the current or any of the past three financial years; or if he has an immediate family member who is employed or has been employed by the issuer or any of its related corporations in the current or any of the past three financial years, and whose remuneration is or was determined by the remuneration committee of the issuer. In this regard, each of the Independent Directors has confirmed that they and their respective associates do not have any employment relationships with the Company.

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

The board size of six members complies with the requirement of the Code, which provides that a majority of the Board is made up of Non-Executive Directors.

The Directors consider that the Board is of the appropriate size and with the right mix of skills and experience, taking into account the nature and the scope of operations of the Group. The Company recognises that a diverse Board is an important element which will better support the Company's achievement of its strategic objectives for sustainable development by enhancing the decision-making process of the Board through the perspectives derived from the various skills, business experience, industry discipline, gender, age, tenure of service and other distinguishing qualities of the Directors. The Company is in the midst of formalising its Board Diversity Policy, which will set out its policy for promoting diversity on the Board. It will provide that, in reviewing the Board composition, the NC will consider all aspects of diversity in order to arrive at an optimum balanced composition of the Board. The selection of the Directors will be based on merit against an objective criteria that complements and expands the skills and experience of the Board as a whole, and after having given due regard to the overall balance and effectiveness of a diverse Board.

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

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

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 power of decision-making.

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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.

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

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

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

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

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

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

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

(f) Review induction and training needs of directors including professional development program.

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

The NC has reviewed the independence of each Independent Director for FY2020 in accordance with the Code's definition of independence as well as the respective director's self-declaration in the statement of director's independence.

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

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

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

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

(b) assessing current competencies and diversity on board;

(c) developing desired profiles of new directors;

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

(e) shortlisting and interviewing potential candidates;

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

(g) re-election at general meeting.

Based on the recommendation of the NC, the Board considers Mr Goh Chee Wee and Mr Hoon Tai Meng (having served on the Board as non-executive independent directors beyond nine years) to be independent for the reasons as set out under Principle 2 above.

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

Board Performance

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

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

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

The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole has been satisfactory. Although some of the Directors have other Board representations, the NC is satisfied that these Directors are able to and have effectively carried out their duties as Directors of the Company. The Board has experienced minimal competing time commitments among its members as Board meetings are planned and scheduled well in advance. In fact, the NC has noted that its members have contributed significantly in terms of time, effort and commitments during FY2020.

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

CORPORATE GOVERNANCE STATEMENT

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.

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

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

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

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

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

(c) To review the Company's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous. The RC should aim to be fair and avoid rewarding poor performance.

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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.

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

The Company's remuneration structure for its Executive Directors and Key Management Personnel comprises both fixed and variable components. The variable component is performance related and is linked to the Company's performance as well as individual performance. Such performance related remuneration is designed to align with the interest of the shareholders and other stakeholders and to promote long-term success of the Group.

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

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

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

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.

Details of remuneration of the Directors for the financial year ended 30 June 2020 are set out below:

Name of Directors	Fixed Component	Variable Component	Directors' Fee	Total
Below $500,000				
Kua Ghim Siong[(1)]	100%	–	–	100%
Kua Peng Chuan	100%	–	–	100%
Below $250,000				
Goh Chee Wee	–	–	100%	100%
Hoon Tai Meng	–	–	100%	100%
Lim Lian Soon	–	–	100%	100%
Low Chui Heng	–	–	100%	100%

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

CORPORATE GOVERNANCE STATEMENT

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

Details of remuneration of the key management personnel (who are not directors or the CEO) of the Company for the financial year ended 30 June 2020 are set out below:

Name of Key Management Personnel	Designation	Fixed Component	Variable Component	Total
Below $250,000				
Ho Chor Yau(1)	Chief Financial Officer	100%	–	100%
Chia Hua Meng(2)	Chief Financial Officer	85%	15%	100%
Kua Chee Kok(3)	Senior Manager (Warehouse)	10%	90%	100%

(1) Ho Chor Yau was appointed as Chief Financial Officer on 17 March 2020.

(2) Chia Hua Meng has retired as Chief Financial Officer on 31 March 2020.

(3) Kua Chee Kok resigned as Senior Manager (Warehouse) on 16 July 2019. He is an uncle of Kua Ghim Siong and Kua Peng Chuan.

There were only three key management personnel (who are not directors or the CEO) whom the Company considered as top key management personnel (who are not directors or the CEO). The total remuneration in aggregate paid to the top key management personnel (who are not directors or the CEO) referred to in the foregoing paragraph as required by Provision 8.1(b) was $301,000.

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

There were no employees who are substantial shareholders of the Company, or are immediate family members (who are not key management personnel) of a director, the CEO or a substantial shareholder of the Company, and whose remuneration exceeded $100,000 during the financial year ended 30 June 2020.

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

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 interest of the Company and its shareholders.

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

CORPORATE GOVERNANCE STATEMENT

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

The Risk Management Committee ("RMC"), which is a sub-committee of the AC, comprises Mr Kua Ghim Siong, Mr Kua Peng Chuan and Mr Ho Chor Yau. Mr Kua Ghim Siong is the Chairman of the RMC.

The principal functions of the RMC are:

- To review, formulate and make recommendations to the Management on risk matters and risk management;

- To oversee the risk management function and the Enterprise Risk Management framework.

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

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

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

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

(a) discussions with Management on risks identified;

(b) the audit processes;

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

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

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

Based on (i) the Group's framework of management control, (ii) the internal control policies and procedures established and maintained by the Group, as well as (iii) the regular audits, monitoring and reviews performed by the internal and external auditors, the Board, with the concurrence of the AC, is of the opinion that the systems of internal controls and risk management within the Group are adequate and effective, including the financial, operational, compliance and IT controls and risk management which have been maintained by the Group's management and which were in place during the financial year ended 30 June 2020.

AUDIT COMMITTEE

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

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

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

The AC holds periodic meetings to perform the following functions:

(a) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and all announcements relating to the Company's performance;

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

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

(d) review and report to the Board at least annually the adequacy and effectiveness of the Company's internal control and risk management systems including financial, operational, compliance and information technology controls (such review can be carried out internally or with the assistance of any competent third parties);

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

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

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

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

(i) review any potential conflict of interests;

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

The AC reviews annually the non-audit services provided by external auditors and determines whether the provision of such services affects their independence. The breakdown of fees (audit and non-audit services) paid to auditors is set out on page 80 of the financial statements.

Having reviewed the nature and extent of non-audit services rendered by the external auditors to the Group for the year ended 30 June 2020, the AC is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC had therefore recommended to the Board the nomination of Messrs KPMG LLP, for re-appointment as external auditors of the Company at the forthcoming AGM. The external auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

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

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

A summary of the AC’s activities for the financial year ended 30 June 2020 is as follows:

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

(e) reviewed non-audit fees;

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

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

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

(i) reviewed interested party transactions.

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

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

FINANCIAL REPORTING AND KEY AUDIT MATTER

The following key audit matters were discussed between external auditors and management, and reviewed by the AC.

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

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

CORPORATE GOVERNANCE STATEMENT

Internal Audit

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

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

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

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

The internal auditors plan their internal audit work in consultation with the AC. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. The internal auditors conducted an annual review of the effectiveness of the Group's systems of internal controls, including financial, operational and compliance risks, and reported their findings to the AC. There was no significant risk or material weakness in internal controls reported by the internal auditors to the AC for the financial year ended 30 June 2020.

SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

Shareholders 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 the performance, position and prospects.

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

The Board views the AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to raise issues pertaining to the proposed resolutions and/or ask the Directors or the Management questions regarding the Company and its operations.

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

The minutes of general meetings, which include substantial and relevant comments or queries from shareholders relating to the agenda of the general meetings together with the responses from the Board and Management are prepared and made available on the Company's website as soon as practicable.

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

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

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

Engagement with Shareholders

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

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

CORPORATE GOVERNANCE STATEMENT

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

During the financial year ended 30 June 2020 and in prior financial years, the Company reported financial results on a quarterly basis, within the prescribed forty-five days from the end of each financial quarter. Through the release of its financial results, the Board aims to present shareholders with a balanced and comprehensible assessment of the Group's performance, position and prospects which extends to interim and other price sensitive public reports, and reports to regulators (if required). Pursuant to the amendments to Rule 705(2) of the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual which took effect on 7 February 2020, the Company is not required to perform quarterly reporting. Notwithstanding the adoption of this new reporting framework with effect from 24 March 2020, the Company remains committed in announcing material business development on a timely manner to keep shareholders updated as and when appropriate.

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

The Company's contact information is reflected on the website, https://www.singheehuat.com.sg/information-request/, to enable stakeholders to contact the Company if required.

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

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

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

The Company has identified stakeholders as those who are impacted by the Group's business and operations as well as those who have a material impact on the Group's business and operations. The Company engages its stakeholders through various channels to ensure that the business interests of the Group are balanced against the needs and interests of its stakeholders. For more information on the Company's engagement with stakeholders, please refer to the Company's Sustainability Report published annually.

The Company's full Sustainability Report for FY2020 will be issued within five months from the end of FY2020 in compliance with SGX-ST Listing Manual.

To further enhance its communication with stakeholders, the Company has enhanced its website https://singheehuat.com.sg/ where the public can access information on the Group directly.

DEALINGS IN SECURITIES

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

INTERESTED PERSONS TRANSACTIONS

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

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

The following interested person transactions took place between the Group and interested persons during the financial year at terms agreed by the parties concerned:

Name of Interested Person	Nature of relationship	Aggregate Value of all Interested Person Transactions During The Financial Period Under Review (Excluding Transactions Less Than $100,000 And Transactions Conducted Under Shareholders' Mandate Pursuant to Rule 920) FY2020 S$'000	Aggregate Value of All Interested Person Transactions Conducted Under Shareholders' Mandate Pursuant to Rule 920 (Excluding Transactions Less Than $100,000) FY2020 S$'000
Sales to Hong Hock Hardware Pte Ltd	#	261	–
Purchases from Hong Hock Hardware Pte Ltd	#	96	–

Mr Low Chui Heng, our Non-Executive Director, is also a director and shareholder of Hong Hock Hardware Pte Ltd. (Please also refer to Page 101 under Substantial Shareholders for further information on Mr Low Chui Heng shareholding interest in Sin Ghee Huat Corporation Ltd).

The AC will continue to review and monitor any interested person transaction that may arises and ensures compliance with the rules and regulations under Chapter 9 of the Singapore Exchange's Listing Manual.

MATERIAL CONTRACTS

Save for the Service Agreements entered into with Mr Kua Ghim Siong and Mr Kua Peng Chuan, which are still subsisting as at the end of FY2020, there are no material contracts involving the interests of the CEO, the directors or controlling shareholders entered into by the Group which are still subsisting as at the end of the financial year or entered into during the financial year.

DIRECTORS' STATEMENT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 30 June 2020.

In our opinion:

(a) the financial statements set out on pages 39 to 99 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50, Singapore Financial Reporting Standards (International); and

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

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

DIRECTORS

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

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

DIRECTORS' INTERESTS

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

	Holdings in the name of the director		Holdings in which the director is deemed to have an interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
The Company				
Ordinary shares				
Kua Peng Chuan	11,382,000	11,382,000	–	–
Hoon Tai Meng	40,000	40,000	–	–
Lim Lian Soon	43,000	43,000	–	–
Low Chui Heng	12,345,476	12,345,476	44,755,867	44,755,867

DIRECTORS' STATEMENT

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

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

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

SHARE OPTION

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under options.

AUDIT COMMITTEE

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

Hoon Tai Meng (Chairman)
Goh Chee Wee
Lim Lian Soon

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

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

The Audit Committee also reviewed the following:

(1) assistance provided by the Company's officers to the internal and external auditors;
(2) quarterly financial information and annual financial statements of the Company and its subsidiaries prior to their submission to the directors of the Company for adoption; and
(3) interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

DIRECTORS' STATEMENT

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

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

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

AUDITORS

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

On behalf of the Board of Directors

Kua Ghim Siong
Director

Kua Peng Chuan
Director

18 September 2020

INDEPENDENT **AUDITORS' REPORT**

Members of the Company
Sin Ghee Huat Corporation Ltd

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Sin Ghee Huat Corporation Ltd (the 'Company') and its subsidiaries (the 'Group'), which comprise the statements of financial position of the Group and the Company as at 30 June 2020, consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 39 to 99.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the 'Act') and Singapore Financial Reporting Standards (International) ('SFRS(I)s') so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 June 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for opinion

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

Key audit matters

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

INDEPENDENT AUDITORS' REPORT

Valuation of inventories (Group: S$47,814,000; Company: S$39,972,000) (Refer to Note 9 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
Inventories contribute to 54% and 43% of the Group's and Company's total assets respectively. The write-down of inventories to the lower of cost and net realisable value is based on the age of these inventories, prevailing market conditions in stainless steel industry and historical provisioning experience, which requires management judgement and significant estimates. This process is carried out by the management and approved by the Audit Committee and the Board of Directors.	We evaluated the appropriateness of the management's policy relating to the write down for slow moving and/or obsolete inventories. We also selected samples to test if inventories were recorded at the lower of their cost and net realisable value by checking to the latest transaction prices. We also observed the inventories' condition during inventory counts for samples selected. Based on procedures performed, we found the resulting estimates to be reasonable.

Valuation of trade and other receivables (Group: S$9,454,000; Company: S$18,216,000) (Refer to Note 10 to the financial statements)	
The key audit matter	*How the matter was addressed in our audit*
Trade and other receivables represent 11% and 20% of the Group's and Company's total assets as at 30 June 2020. Any significant impairment of trade and other receivables could have a material impact on the results. In accordance with SFRS(I) 9 *Financial Instruments*, the Group is required to recognise loss allowances on expected credit losses (ECL) on financial assets. The estimate of impairment loss requires significant judgement and estimates to determine whether the financial asset is credit impaired, which includes the development of ECL model, analysis of the age of these receivables, credit-worthiness of the customers, collection patterns and the historical default rates. The estimation of impairment loss is performed by the management and approved by the Audit Committee and the Board of Directors.	We reviewed and assessed the appropriateness of the assumptions and inputs of the ECL model by considering historical, current and forecast information. We selected samples to test the ageing of receivable balances. We challenged management as to the recoverability of the significant long outstanding amounts, by reviewing and checking the historical payment records and credit risk assessment of each customer made by management. We also assessed whether disclosures in respect of the credit risk of trade and other receivables are adequate. Based on procedures performed, we found the estimates to be reasonable and the disclosures to be appropriate.

INDEPENDENT AUDITORS' REPORT

Other information

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

We have obtained all other information prior to the date of this auditors' report.

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditors' responsibilities for the audit of the financial statements

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

INDEPENDENT AUDITORS' REPORT

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

The engagement partner on the audit resulting in this independent auditors' report is Tan Yek Lee Doreen.

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
18 September 2020

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2020

		Group		Company	
	Note	2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Non-current assets					
Property, plant and equipment	4	**16,065**	8,663	**16,054**	8,538
Right-of-use assets	24	**4,084**	–	**4,063**	–
Investment in subsidiaries	5	**–**	–	**5,026**	6,524
Investment in joint venture	6	**–**	–	**–**	50
Trade and other receivables	10	**–**	1,334	**6,157**	7,491
Deferred tax assets	8	**428**	329	**342**	244
		20,577	10,326	**31,642**	22,847
Current assets					
Inventories	9	**47,814**	49,883	**39,972**	37,074
Trade and other receivables	10	**9,454**	14,408	**12,059**	15,721
Other financial assets	7	**–**	1,001	**–**	1,001
Cash and cash equivalents	11	**10,852**	15,101	**9,628**	13,521
		68,120	80,393	**61,659**	67,317
Total assets		**88,697**	90,719	**93,301**	90,164
Equity attributable to equity holders of the Company					
Share capital	12	**45,750**	45,750	**45,750**	45,750
Reserves	13	**(40)**	(37)	**–**	–
Retained earnings		**34,497**	39,991	**36,717**	40,141
Total equity		**80,207**	85,704	**82,467**	85,891
Non-current liabilities					
Deferred grant liabilities	15	**788**	–	**788**	–
Lease liabilities	24	**4,022**	–	**4,004**	–
		4,810	–	**4,792**	–
Current liabilities					
Trade and other payables	14	**3,102**	4,483	**5,482**	3,751
Deferred grant liabilities	15	**395**	–	**395**	–
Lease liabilities	24	**125**	–	**122**	–
Current tax liabilities		**58**	532	**43**	522
		3,680	5,015	**6,042**	4,273
Total liabilities		**8,490**	5,015	**10,834**	4,273
Total equity and liabilities		**88,697**	90,719	**93,301**	90,164

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Revenue	17	**37,475**	49,856
Cost of sales		**(32,821)**	(37,793)
Gross profit		**4,654**	12,063
Other operating income	18	**754**	158
Distribution costs		**(5,573)**	(5,844)
Administrative expenses		**(3,114)**	(3,433)
Impairment loss on trade and other receivables		**(904)**	(237)
Other operating expenses		**–**	(14)
Results from operating activities		**(4,183)**	2,693
Finance income	19	**100**	246
Finance cost	19	**(173)**	(38)
(Loss)/Profit before tax	20	**(4,256)**	2,901
Tax credit/(expense)	21	**94**	(506)
(Loss)/Profit for the year (attributable to equity holders of the Company)		**(4,162)**	2,395
Earnings per share	22		
Basic (cents)		**(1.87)**	1.08
Diluted (cents)		**(1.87)**	1.08

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 30 JUNE 2020

	2020 $'000	2019 $'000
(Loss)/Profit for the year	**(4,162)**	2,395
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences arising from consolidation	**(3)**	(57)
Total comprehensive income for the year	**(4,165)**	2,338
Attributable to:		
Equity holders of the Company	**(4,165)**	2,338
Total comprehensive income for the year	**(4,165)**	2,338

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 30 JUNE 2020

	Share capital $'000	Currency translation reserve $'000	Retained earnings $'000	Total attributable to equity holders of the Company $'000
Group				
At 1 July 2018	45,750	20	38,262	84,032
Profit for the year	–	–	2,395	2,395
Other comprehensive income				
Foreign currency translation difference	–	(57)	–	(57)
Total comprehensive income for the year	–	(57)	2,395	2,338
Transactions with owners of the Company, recognised directly in equity				
Dividends paid to owners of the Company	–	–	(666)	(666)
Total transactions with owners of the Company	–	–	(666)	(666)
At 30 June 2019	45,750	(37)	39,991	85,704
At 1 July 2019	45,750	(37)	39,991	85,704
Loss for the year	–	–	(4,162)	(4,162)
Other comprehensive income				
Foreign currency translation difference	–	(3)	–	(3)
Total comprehensive income for the year	–	(3)	(4,162)	(4,165)
Transactions with owners of the Company, recognised directly in equity				
Dividends paid to owners of the Company	–	–	(1,332)	(1,332)
Total transactions with owners of the Company	–	–	(1,332)	(1,332)
At 30 June 2020	**45,750**	**(40)**	**34,497**	**80,207**

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

CONSOLIDATED STATEMENT OF CASH FLOW
YEAR ENDED 30 JUNE 2020

	Note	2020 $'000	2019 $'000
Cash flows from operating activities			
(Loss)/Profit for the year		**(4,162)**	2,395
Adjustments for:			
Depreciation of property, plant and equipment	20	**856**	886
(Gain)/Loss on sale of property, plant and equipment	20	**(16)**	14
Depreciation of right-of-use assets	24	**167**	–
Finance income	19	**(100)**	(246)
Finance cost	19	**173**	38
Tax (credit)/expense	21	**(94)**	506
		(3,176)	3,593
Changes in:			
Trade and other receivables		**6,288**	(1,543)
Trade and other payables		**(1,381)**	1,353
Inventories		**2,069**	(8,864)
Deferred grant liabilities		**1,183**	–
Net cash generated from/(used in) operations		**4,983**	(5,461)
Tax paid		**(478)**	(176)
Net cash from/(used in) operating activities		**4,505**	(5,637)
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment		**34**	3
Acquisition of property, plant and equipment		**(8,276)**	(3,020)
Proceeds from redemption of debt securities		**1,000**	–
Interest received		**100**	246
Net cash used in investing activities		**(7,142)**	(2,771)
Cash flows from financing activities			
Dividends paid		**(1,332)**	(666)
Interest paid		**(173)**	(38)
Proceeds from borrowings		**2,992**	1,556
Lease principal payment		**(104)**	–
Repayment of borrowings		**(2,992)**	(3,560)
Net cash used in financing activities	16	**(1,609)**	(2,708)
Net decrease in cash and cash equivalents		**(4,246)**	(11,116)
Cash and cash equivalents at beginning of year		**15,101**	26,274
Effect of exchange rate fluctuations on cash held		**(3)**	(57)
Cash and cash equivalents at end of year	11	**10,852**	15,101

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 18 September 2020.

1 DOMICILE AND ACTIVITIES

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

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

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

2 BASIS OF PREPARATION

2.1 Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (International) (SFRS(I)).

This is the first set of the Group's annual financial statements in which SFRS(I) 16 *Leases* has been applied. The related changes to significant accounting policies are described in note 2.5.

2.2 Basis of measurement

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

2.3 Functional and presentation currency

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

2.4 Use of estimates and judgements

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

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

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

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

- Note 5 – Recoverability of investment in subsidiaries
- Note 9 – Assessment of net realisable value of inventories
- Note 28 – Impairment of trade and other receivables

2.5 Changes in significant accounting policies

New standards and amendments

The Group has applied the following SFRS(I)s, amendments to and interpretations of SFRS(I) for the first time for the annual period beginning on 1 July 2019:

- SFRS(I) 16 *Leases*
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*
- *Long-term Interests in Associates and Joint Ventures* (Amendments to SFRS(I) 1-28)
- *Prepayment Features with Negative Compensation* (Amendments to SFRS(I) 9)
- *Previously Held Interest in a Joint Operation* (Amendments to SFRS(I) 3 and 11)
- *Income Tax Consequences of Payments on Financial Instruments Classified as Equity* (Amendments to SFRS(I) 1-12)
- *Borrowing Costs Eligible for Capitalisation* (Amendments to SFRS(I) 1-23)
- *Plan Amendment, Curtailment or Settlement* (Amendments to SFRS(I) 1-19)

Other than SFRS(I) 16, the application of these amendments to standards and interpretations does not have a material effect on the financial statements.

SFRS(I) 16 *Leases*

The Group applied SFRS(I) 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for 2018 is not restated – i.e. it is presented, as previously reported, under SFRS(I) 1-17 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in SFRS(I) 16 have not generally been applied to comparative information.

2 BASIS OF PREPARATION (CONTINUED)

2.5 Changes in significant accounting policies (Continued)

Definition of a lease

Previously, the Group determined at contract inception whether an arrangement was or contained a lease under SFRS(I) INT 4 *Determining whether an Arrangement contains a Lease*. The Group now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in SFRS(I) 16.

On transition to SFRS(I) 16, the Group elected to apply the practical expedient to grandfather the assessment of which transactions are leases. The Group applied SFRS(I) 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under SFRS(I) 1-17 and SFRS(I) INT 4 were not reassessed for whether there is a lease under SFRS(I) 16. Therefore, the definition of a lease under SFRS(I) 16 was applied only to contracts entered into or changed on or after 1 July 2019.

As a lessee

As a lessee, the Group leases many assets including warehouse premises, office equipment and motor vehicle. The Group previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Group. Under SFRS(I) 16, the Group recognises right-of-use assets and lease liabilities for most of these leases – i.e. these leases are on-balance sheet.

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

Leases classified as operating leases under SFRS(I) 1-17

Previously, the Group classified property leases as operating leases under SFRS(I) 1-17. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at the respective lessee entities incremental borrowing rates applicable to the leases as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments: the Group applied this approach to all leases.

The Group has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

The Group used a number of practical expedients when applying SFRS(I) 16 to leases previously classified as operating leases under SFRS(I) 1-17. In particular, the Group:

- did not recognise right-of-use assets and liabilities for leases for which the lease term ends within 12 months of the date of initial application;
- did not recognise right-of-use assets and liabilities for leases of low value assets (e.g. IT equipment);
- excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application; and
- used hindsight when determining the lease term.

2 BASIS OF PREPARATION (CONTINUED)

2.5 Changes in significant accounting policies (Continued)

As a lessee (Continued)

Leases classified as finance leases under SFRS(I) 1-17 (Continued)

The Group does not hold leases which were classified as finance leases under SFRS(I) 1-17.

As a lessor

The Group leases out its own property and right-of-use assets. The Group has classified these leases as operating leases.

The Group is not required to make any adjustments on transition to SFRS(I) 16 for leases in which it acts as a lessor, except for a sub-lease.

The Group sub-leases part of its properties. Under SFRS(I) 1-17, the head lease and sub-lease contracts were classified as operating leases. On transition to SFRS(I) 16, the right-of-use assets recognised from the head leases are presented in statement of financial position, and measured at fair value at that date. The Group assessed the classification of the sub-lease contracts with reference to the right-of-use assets rather than the underlying asset, and concluded that they are operating leases under SFRS(I) 16.

Impact on financial statements

Impact on transition*

On transition to SFRS(I) 16, the Group recognised additional right-of-use assets and additional lease liabilities in the statements of financial position. The impact on transition is summarised below.

	1 July 2019 $'000
Right-of-use assets	4,036
Lease liabilities	(4,036)

- For the impact of SFRS(I) 16 on profit or loss for the period, see Note 24. For the details of accounting policies under SFRS(I) 16 and SFRS(I) 1-17, see Note 3.12.

2 BASIS OF PREPARATION (CONTINUED)

2.5 Changes in significant accounting policies (Continued)

Impact on financial statements (Continued)

Impact on transition* (Continued)

When measuring lease liabilities for leases that were classified as operating leases, the Group discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted-average rate applied is 3.84%.

	1 July 2019 $'000
Operating lease commitments at 30 June 2019 as disclosed under SFRS(I) 1-17 in the Group's financial statements	7,562
Effects of discounting using incremental borrowing rate at 1 July 2019	(3,055)
Recognition exemption for leases with less than 12 months of lease term at transition	(471)
Discounted using incremental borrowing rate at 1 July 2019	4,036
Lease liabilities recognised at 1 July 2019	4,036

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

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

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Business combinations (Continued)

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

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

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

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

Subsidiaries

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

The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

Investments in joint ventures (equity-accounted investees)

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

Transactions eliminated on consolidation

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

Subsidiaries and joint ventures in the separate financial statements

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

3.2 Foreign currencies

Foreign currency transactions

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

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

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

Foreign operations

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments

(i) Recognition and initial measurement

Non-derivative financial assets and financial liabilities

Trade receivables and debt investments issued are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

A financial asset (unless it is a trade receivable without a significant financing component) or financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue. A trade receivable without a significant financing component is initially measured at the transaction price.

(ii) Classification and subsequent measurement

Non-derivative financial assets

On initial recognition, a financial asset is classified as measured at: amortised cost; FVOCI – debt investment; FVOCI – equity investment; or FVTPL.

Financial assets are not reclassified subsequent to their initial recognition unless the Group changes its business model for managing financial assets, in which case all affected financial assets are reclassified on the first day of the first reporting period following the change in the business model.

Financial assets at amortised cost

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Financial assets: Business model assessment

The Group makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered includes:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. These include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed; and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Transfers of financial assets to third parties in transactions that do not qualify for derecognition are not considered sales for this purpose, consistent with the Group's continuing recognition of the assets.

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(ii) Classification and subsequent measurement (Continued)

Non-derivative financial assets: Assessment whether contractual cash flows are solely payments of principal and interest (Continued)

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a significant discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

Non-derivative financial assets: Subsequent measurement and gains and losses

Financial assets at amortised cost

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Non-derivative financial liabilities: Classification, subsequent measurement and gains and losses

Financial liabilities are initially measured at fair value less directly attributable transaction costs. They are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. These financial liabilities comprised borrowings and trade and other payables.

(iii) Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

The Group enters into transactions whereby it transfers assets recognised in its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets. In these cases, the transferred assets are not derecognised.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Financial instruments (Continued)

(iii) Derecognition (Continued)

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire. The Group also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms is recognised at fair value.

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognised in profit or loss.

(iv) Offsetting

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

(v) Cash and cash equivalents

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

(vi) Share capital

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment

(i) Recognition and measurement

Items of property, plant and equipment are measured at cost, which includes capitalised borrowing costs, less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment is recognised in profit or loss.

(ii) Subsequent cost

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

(iii) Depreciation

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Property, plant and equipment (Continued)

(iii) Depreciation (Continued)

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

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

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

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

(iv) Subsequent expenditure

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

(v) Disposal

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

3.5 Inventories

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

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment

(i) Non-derivative financial assets

The Group recognises loss allowances for expected credit loss (ECLs) on financial assets measured at amortised costs.

Loss allowances of the Group are measured on either of the following bases:

- 12-month ECLs: these are ECLs that result from default events that are possible within the 12 months after the reporting date (or for a shorter period if the expected life of the instrument is less than 12 months); or
- Lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument or contract asset.

Simplified approach

The Group applies the simplified approach to provide for ECLs for all trade receivables and contract assets. The simplified approach requires the loss allowance to be measured at an amount equal to lifetime ECLs.

General approach

The Group applies the general approach to provide for ECLs on all other financial instruments. Under the general approach, the loss allowance is measured at an amount equal to 12-month ECLs at initial recognition.

At each reporting date, the Group assesses whether the credit risk of a financial instrument has increased significantly since initial recognition. When credit risk has increased significantly since initial recognition, loss allowance is measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Group considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group’s historical experience and informed credit assessment and includes forward-looking information.

If credit risk has not increased significantly since initial recognition or if the credit quality of the financial instruments improves such that there is no longer a significant increase in credit risk since initial recognition, loss allowance is measured at an amount equal to 12-month ECLs.

The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group to actions such as realising security (if any is held).

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

Measurement of ECLs

ECLs are probability-weighted estimates of credit losses. Credit losses are measured at the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive). ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets

At each reporting date, the Group assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- the restructuring of a loan or advance by the Group on terms that the Group would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for a security because of financial difficulties.

Presentation of allowance for ECLs in the statement of financial position

Loss allowances for financial assets measured at amortised cost and contract assets are deducted from the gross carrying amount of these assets.

Write-off

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group determines that the debtor does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 Impairment (Continued)

(ii) Non-financial assets

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

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

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

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

3.7 Employee's benefits

Defined contribution plans

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

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

Employee leave entitlement

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Employee's benefits (Continued)

Short-term benefits

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

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

3.8 Provision

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

3.9 Revenue recognition

Sale of goods

Revenue from sale of goods in the ordinary course of business is recognised when the Group satisfies a performance obligation (PO) by transferring control of a promised good or service to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO.

The transaction price is allocated on the basis of the relative standalone selling prices of the promised goods in accordance with the sales contract. A discount or variable consideration, if applicable, is allocated to one or more, but not all, of the performance obligations if it relates specifically those performance obligations.

3.10 Finance income and cost

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Government grants

Government grants related to assets are recognised initially as deferred income at fair value when there is reasonable assurance that they will be received and the Group will comply with the conditions associated with the grant. These grants are then recognised in profit or loss as 'other operating income' on a systematic basis over the useful life of the asset. Grants that compensate the Group for expenses incurred are recognised in profit or loss as 'other operating income' on a systematic basis in the same periods in which the expenses are recognised.

3.12 Leases

The Group has applied SFRS(I) 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under SFRS(I) 1-17 and SFRS(I) INT 4. The details of accounting policies under SFRS(I) 1-17 and SFRS(I) INT 4 are disclosed separately.

Policy applicable from 1 July 2019

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group uses the definition of a lease in SFRS(I) 16.

This policy is applied to contracts entered into, on or after 1 July 2019.

(i) As a lessee

At commencement or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of its relative stand-alone prices.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term, unless the lease transfers ownership of the underlying asset to the Group by the end of the lease term or the cost of the right-of-use asset reflects that the Group will exercise a purchase option. In that case the right-of-use asset will be depreciated over the useful life of the underlying asset, which is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Leases (Continued)

Policy applicable from 1 July 2019 (Continued)

(i) As a lessee (Continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by obtaining interest rates from various external financing sources and makes certain adjustments to reflect the terms of the lease and type of the asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments; and
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, if the Group changes its assessment of whether it will exercise a purchase, extension or termination option or if there is a revised in-substance fixed lease payment.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in and lease liabilities in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for leases of low-value assets and short-term leases. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Leases (Continued)

Policy applicable from 1 July 2019 (Continued)

(ii) As a lessor

At inception or on modification of a contract that contains a lease component, the Group allocates the consideration in the contract to each lease component on the basis of their relative stand-alone prices.

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, the Group makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease. As part of this assessment, the Group considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When the Group is an intermediate lessor, it accounts for its interests in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which the Group applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then the Group applies SFRS(I) 15 to allocate the consideration in the contract.

Generally, the accounting policies applicable to the Group as a lessor in the comparative period were not different from SFRS(I) 16.

Leases – Policy applicable before 1 July 2019

For contracts entered into before 1 July 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- the arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following was met:
  - the purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
  - the purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output; or
  - facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Leases (Continued)

Leases – Policy applicable before 1 July 2019 (Continued)

(i) As a lessee

In the comparative period, as a lessee the Group classified leases that transferred substantially all of the risks and rewards of ownership as finance leases. When this was the case, the leased assets were measured initially at an amount equal to the lower of their fair value and the present value of the minimum lease payments. Minimum lease payments were the payments over the lease term that the lessee was required to make, excluding any contingent rent. Subsequent to initial recognition, the assets were accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases were classified as operating leases and were not recognised in the Group's statement of financial position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

(ii) As a lessor

When the Group acted as a lessor, it determined at lease inception whether each lease was a finance lease or an operating lease.

To classify each lease, the Group made an overall assessment of whether the lease transferred substantially all of the risks and rewards incidental to ownership of the underlying asset. If this was the case, then the lease was a finance lease; if not, then it was an operating lease. As part of this assessment, the Group considered certain indicators such as whether the lease was for the major part of the economic life of the asset.

There was no sub-leased property in 2019.

3.13 Tax expense

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

The Company has determined that interest and penalties related to income taxes, including uncertain tax treatments, do not meet the definition of income taxes, and therefore accounted for them under SFRS(i) 1-37 *Provisions, Contingent Liabilities and Contingent Assets.*

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Tax expense (Continued)

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

Current tax assets and liabilities are offset only if certain criteria are met.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the reporting date, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date, and reflects uncertainty related to income taxes, if any.

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

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Future taxable profits are determined based on the reversal of relevant taxable temporary differences. If the amount of taxable temporary differences is insufficient to recognise a deferred tax asset in full, then future taxable profits, adjusted for reversals of existing temporary differences, are considered, based on the business plans for individual subsidiaries in the Group. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised; such reductions are reversed when the probability of future taxable profits improves.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Earnings per share

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

3.15 Segment reporting

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

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

3.16 New standards and interpretations not yet adopted

A number of new standards, interpretations and amendments to standards are effective for annual periods beginning after 1 July 2019 and earlier application is permitted; however, the Group has not early adopted the new or amended standards and interpretations in preparing these financial statements.

The following new SFRS(I)s, interpretations and amendments to SFRS(I)s are not expected to have a significant impact on the Group's financial statements.

- *Amendments to References to Conceptual Framework in SFRS(I) Standards*
- *Definition of a Business* (Amendments to SFRS(I) 3)
- *Definition of Material* (Amendments to SFRS(I) 1-1 and SFRS(I) 1-8)
- Amendments to FRS 109, FRS 39 and FRS 107 *Interest Rate Benchmark Reform*

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

4 PROPERTY, PLANT AND EQUIPMENT

	Freehold premises $'000	Leasehold properties $'000	Furniture, fixtures and fittings $'000	Office equipment $'000	Motor vehicles $'000	Plant and machinery $'000	Construction in progress $'000	Total $'000
Group								
Cost or deemed cost								
At 1 July 2018	5,010	5,635	1,666	1,128	1,258	1,475	–	16,172
Additions	–	–	38	4	55	6	2,917	3,020
Disposals	–	–	(36)	(43)	–	(1)	–	(80)
At 30 June 2019	5,010	5,635	1,668	1,089	1,313	1,480	2,917	19,112
Additions	–	5,235	165	523	25	2,328	–	8,276
Reclassification	–	2,917	–	–	–	–	(2,917)	–
Disposals	–	–	(39)	(82)	(187)	–	–	(308)
At 30 June 2020	**5,010**	**13,787**	**1,794**	**1,530**	**1,151**	**3,808**	**–**	**27,080**
Accumulated depreciation								
At 1 July 2018	152	4,893	1,389	778	1,170	1,244	–	9,626
Depreciation charge	156	319	64	118	81	148	–	886
Disposals	–	–	(32)	(30)	–	(1)	–	(63)
At 30 June 2019	308	5,212	1,421	866	1,251	1,391	–	10,449
Depreciation charge	152	379	69	101	29	126	–	856
Disposals	–	–	(39)	(64)	(187)	–	–	(290)
At 30 June 2020	**460**	**5,591**	**1,451**	**903**	**1,093**	**1,517**	**–**	**11,015**
Carrying amounts								
At 1 July 2018	4,858	742	277	350	88	231	–	6,546
At 30 June 2019	4,702	423	247	223	62	89	2,917	8,663
At 30 June 2020	**4,550**	**8,196**	**343**	**627**	**58**	**2,291**	**–**	**16,065**

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2020

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold premises $'000	Leasehold properties $'000	Furniture, fixtures and fittings $'000	Office equipment $'000	Motor vehicles $'000	Plant and machinery $'000	Construction in progress $'000	Total $'000
Company								
Cost or deemed cost								
At 1 July 2018	5,010	5,635	1,283	1,003	1,222	1,037	–	15,190
Additions	–	–	38	4	55	4	2,917	3,018
Disposals	–	–	(30)	(35)	–	(1)	–	(66)
At 30 June 2019	5,010	5,635	1,291	972	1,277	1,040	2,917	18,142
Additions	–	5,235	349	569	25	2,410	–	8,588
Reclassification	–	2,917	–	–	–	–	(2,917)	–
Disposals	–	–	(17)	(65)	(187)	–	–	(269)
At 30 June 2020	**5,010**	**13,787**	**1,623**	**1,476**	**1,115**	**3,450**	**–**	**26,461**
Accumulated depreciation								
At 1 July 2018	152	4,893	1,104	698	1,132	889	–	8,868
Depreciation charge	156	319	39	103	81	89	–	787
Disposals	–	–	(27)	(23)	–	(1)	–	(51)
At 30 June 2019	308	5,212	1,116	778	1,213	977	–	9,604
Depreciation charge	152	379	189	131	29	181	–	1,061
Disposals	–	–	(17)	(54)	(187)	–	–	(258)
At 30 June 2020	**460**	**5,591**	**1,288**	**855**	**1,055**	**1,158**	**–**	**10,407**
Carrying amounts								
At 1 July 2018	4,858	742	179	305	90	148	–	6,322
At 30 June 2019	4,702	423	175	194	64	63	2,917	8,538
At 30 June 2020	**4,550**	**8,196**	**335**	**621**	**60**	**2,292**	**–**	**16,054**

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

5 INVESTMENT IN SUBSIDIARIES

	Company 2020 $'000	Company 2019 $'000
Equity investments at cost	**8,000**	8,000
Allowance for impairment loss	**(2,974)**	(1,476)
	5,026	6,524

Details of the subsidiaries are as follows:

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 2020 %	Effective equity held by the Group 2019 %
Held by the Company				
SG Metals Pte. Ltd.(1)	Stockholding and sales of stainless steel products	Singapore	**100**	100
SG Specialty Metals Pte. Ltd.(1)	Stockholding and sales of specialty metal products	Singapore	**100**	100
Held by a Subsidiary				
SG Metals (Suzhou) Ltd(2)	Stockholding and sales of stainless steel products	People's Republic of China	**100**	100

(1) Audited by KPMG LLP Singapore.

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

Impairment of investment in subsidiaries

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

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

Management has performed an impairment review to assess the recoverable amounts of subsidiaries.

5 INVESTMENT IN SUBSIDIARIES (CONTINUED)

Impairment of investment in subsidiaries (Continued)

SG Specialty Metals Pte. Ltd.

In 2020, the recoverable amount of the investment was based on its value in use, determined by discounting, the pre-tax future cash flows to be generated by the investment. The carrying amount of the investment was determined to be higher than its recoverable amount of $1,134,000 and an impairment loss of $1,138,000 was recognised during the year.

Key assumptions used in the estimation of value in use were as follows:

	2020
Discount rate	**5.44%**
Budgeted revenue growth rate	**8% to 30%**

The five years of cash flows were discounted based on the Company's weighted average cost of capital. The discounted cash flows did not include terminal growth rate due to uncertainty of market development.

The anticipated annual revenue growth included in the cash flow projections was based on past performance and its expectation for market development.

In 2019, the estimate of the recoverable amounts of the investment was determined by management mainly based on the net asset value of the subsidiary as at 30 June 2019, which was a proxy of the recoverable amount of the investment in the subsidiary. Due to recovery of performance of the subsidiary, impairment losses of $575,000 was written back.

SG Metals Pte. Ltd.

The estimate of the recoverable amount of the investment has been determined by management mainly based on the net asset value of the subsidiary as at 30 June 2020, which approximates the recoverable amount of the investment in the subsidiary. Net assets of the subsidiary comprises mainly cash at bank, receivables and payables. The carrying amount of the subsidiary was determined to be higher than its recoverable amount of $3,890,000 and an impairment loss of $361,000 was recognised (2019: $327,000).

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2020

6 INVESTMENT IN JOINT VENTURE

First Break SG Metals 2015 Limited (FBSGM) is an unlisted joint arrangement in which the Group has joint control via an investors' agreement and 50% (2019: 50%) ownership interest. FBSGM is structured as a separate vehicle and the Group has residual interest in its net assets. Accordingly, the Group has established its interest in this entity as a joint venture which is equity accounted. The Group's interest in investee has been reduced to nil (2019: nil) due to the Group discontinue to recognise further losses in excess of its cost of investment.

	Company	
	2020	**2019**
	$'000	**$'000**
Unquoted shares, at cost	**50**	50
Allowance for impairment loss	**(50)**	–
	–	50

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

Name of subsidiaries	Principal activities	Country of incorporation and place of business	Effective equity held by the Group 2020 %	Effective equity held by the Group 2019 %
First Break SG Metals 2015 Limited	Trading of stainless steel products	New Zealand	**50**	50

The Group has not recognised losses and other comprehensive income totalling $253,000 (2019: $110,000) in relation to its interests in the joint venture.

7 OTHER FINANCIAL ASSETS

	Group and Company	
	2020	**2019**
	$'000	**$'000**
Amortised cost (debt securities)		
– Current	**–**	1,001

On 30 October 2019, debt securities classified as amortised cost has been redeemed by the Group.

8 DEFERRED TAX

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

	At 1 July 2018 $'000	Recognised in income statement (Note 21) $'000	At 30 June 2019 $'000	Recognised in income statement (Note 21) $'000	At 30 June 2020 $'000
Group					
Deferred tax liability					
Property, plant and equipment	(131)	40	(91)	(125)	**(216)**
Deferred tax assets					
Inventories	417	(14)	403	195	**598**
Provision for unutilised leave	16	1	17	11	**28**
Others	–	–	–	18	**18**
	302	27	329	99	**428**
Company					
Deferred tax liability					
Property, plant and equipment	(113)	42	(71)	(138)	**(209)**
Deferred tax assets					
Inventories	330	(29)	301	207	**508**
Provision for unutilised leave	16	(2)	14	11	**25**
Others	–	–	–	18	**18**
	233	11	244	98	**342**

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

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Deferred tax assets	**644**	420	**551**	315
Deferred tax liabilities	**(216)**	(91)	**(209)**	(71)
Net deferred tax assets	**428**	329	**342**	244

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

8 DEFERRED TAX (CONTINUED)

Unrecognised deferred tax assets

The following temporary differences have not been recognised:

	Group	
	2020	2019
	$'000	$'000
Tax losses	**2,112**	1,553

As at 30 June 2020, the Group has tax losses which are available for set-off against future profits subject to tax laws and regulations prevailing in the domicile of a subsidiary and agreement by the tax authority. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

9 INVENTORIES

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Inventories	**46,864**	47,587	**39,042**	34,980
Goods-in-transit	**950**	2,296	**930**	2,094
	47,814	49,883	**39,972**	37,074
Represented by:				
Inventories carried at:				
– Cost	**43,740**	48,457	**38,116**	36,181
– Net realisable value	**4,074**	1,426	**1,856**	893
	47,814	49,883	**39,972**	37,074

In 2020, the write-down of inventories to net realisable value (NRV) amounted to $4,662,000 (2019: $87,000) for the Group and $859,000 (2019: $nil) for the Company was recognised as expenses in 'cost of sales'.

The reversal of write-downs by the Group and the Company during the year amounted to $27,000 and $nil respectively (2019: $312,000 and $234,000) due to inventories being sold or expected to be sold above the carrying amounts during the year.

Inventories sold during the year amounting to $27,865,000 (2019: $37,898,000) were included in cost of sales.

9 INVENTORIES (CONTINUED)

Assessment of net realisable value of inventories

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

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trade receivables				
– subsidiaries	**–**	–	**3,168**	1,923
– joint venture (current)	**1,040**	696	**1,040**	629
– joint venture (non-current)	**–**	1,334	**–**	1,334
– affiliated company	**–**	1	**–**	1
– third parties	**6,867**	12,365	**6,103**	10,624
	7,907	14,396	**10,311**	14,511
Impairment losses	**(1,261)**	(569)	**(1,231)**	(535)
Net trade receivables carried forward	**6,646**	13,827	**9,080**	13,976
Net trade receivables brought forward	**6,646**	13,827	**9,080**	13,976
Amounts due from subsidiaries				
– non-trade	**–**	–	**280**	262
– loan (current)	**–**	–	**–**	994
– loan (non-current)	**–**	–	**6,157**	6,157
Grants receivables	**1,135**	–	**1,119**	–
Sundry deposits	**330**	340	**318**	328
Other receivables	**–**	65	**–**	22
Loans and receivables	**8,111**	14,232	**16,954**	21,739
GST recoverables	**142**	148	**147**	148
Prepayments	**1,201**	1,362	**1,115**	1,325
	9,454	15,742	**18,216**	23,212
Represented by:				
– Current	**9,454**	14,408	**12,059**	15,721
– Non-current	**–**	1,334	**6,157**	7,491
	9,454	15,742	**18,216**	23,212

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

Amounts due from subsidiaries

The current loans due from subsidiaries are unsecured, bear interest at 1% (2019:1%) per annum and are repayable on demand without fixed repayment terms.

The non-current loan due from a subsidiary is unsecured, bears interest at 1% (2019:1%) per annum and has no fixed terms of repayment. The settlement of the loan is neither planned nor likely to occur in the foreseeable future and hence the loans are classified as non-current.

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

11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash and bank balances	**10,852**	8,101	**9,628**	6,521
Short-term bank deposits	**–**	7,000	**–**	7,000
	10,852	15,101	**9,628**	13,521

The effective interest rates of short-term bank deposits and cash at banks as at 30 June 2020 were 0.05% to 0.60% (2019: 0.05% to 1.90%) per annum.

12 SHARE CAPITAL

	Company	
	2020	2019
	Number of shares '000	Number of shares '000
Issued and fully paid, with no par value		
At 1 July and 30 June	**222,000**	222,000

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

12 SHARE CAPITAL (CONTINUED)

Capital management

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

13 RESERVES

	Group	
	2020	**2019**
	$'000	**$'000**
Currency translation reserve	**(40)**	(37)

Currency translation reserve

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

14 TRADE AND OTHER PAYABLES

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables	**1,431**	2,942	**1,315**	2,483
Trade amount due to subsidiary	**–**	–	**2,699**	–
Accruals	**1,109**	1,107	**915**	1,001
Other payables	**549**	346	**553**	267
Deferred income	**13**	88	**–**	–
	3,102	4,483	**5,482**	3,751

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15 DEFERRED GRANT LIABILITIES

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Non-current				
Deferred grant liabilities	**788**	–	**788**	–
Current				
Deferred grant liabilities	**395**	–	**395**	–
	1,183	–	**1,183**	–

Deferred grant liabilities pertain to Group's grants entitlement from Enterprise Singapore (ESG) and Job Support Scheme (JSS). ESG grants refer to Group's project on the purchase and operation of the Kasto Automated Storage and Retrieval System and are amortised over useful life of related asset of 10 years. JSS is a cash grant from Singapore Government as part of wage support to the Group during period of COVID-19 pandemic crisis and are amortised on systematic over the period of economic uncertainty from April 2020. Amortisation of deferred grants liabilities are recognised as government grant income under 'other operating income' (see Note 18).

16 BORROWINGS

Borrowings comprise of short-term invoice financing loans from bank which were unsecured and had effective interest ranging from 2.91% to 3.75% (2019: 3.76% to 4.39%). The borrowings were fully settled

Reconciliation of movements of liabilities to cash flows arising from financing activities

	Lease liabilities	Borrowings	Retained earnings	Total
	$'000	$'000	$'000	$'000
Balance as at 1 July 2018	–	2,004	38,262	40,266
Changes from financing cash flows				
Repayment of borrowings	–	(3,560)	–	(3,560)
Proceeds from borrowings	–	1,556	–	1,556
Dividend paid	–	–	(666)	(666)
Interest paid	–	(38)	–	(38)
Total changes from financing cash flows	–	(2,042)	(666)	(2,708)
Other changes				
Liability-related				
Interest expense	–	38	–	38
Total liability-related other changes	–	38	–	38
Total equity-related other changes	–	–	2,395	2,395
Balance at 30 June 2019	–	–	39,991	39,991

16 BORROWINGS (CONTINUED)

	Lease liabilities $'000	Borrowings $'000	Retained earnings $'000	Total $'000
Adjusted balance at 1 July 2019*	4,036	–	39,991	44,027
Changes from financing cash flows				
Repayment of borrowings	–	(2,992)	–	(2,992)
Proceeds from borrowings	–	2,992	–	2,992
Payment of lease liabilities	(104)	–	–	(104)
Dividend paid	–	–	(1,332)	(1,332)
Interest paid	(157)	(16)	–	(173)
Total changes from financing cash flows	(261)	(16)	(1,332)	(1,609)
Other changes				
Liability-related				
New leases	230	–	–	230
Early termination of lease	(15)	–	–	(15)
Interest expense	157	16	–	173
Total liability-related other changes	372	16	–	388
Total equity-related other changes	–	–	(4,162)	(4,162)
Balance at 30 June 2020	**4,147**	**–**	**34,497**	**38,644**

* Adjusted for impact arising from adoption of SFRS(I) 16

17 REVENUE

The following table provides information about the nature and timing of the satisfaction of performance obligations in contracts with customers, including significant payment terms and the related revenue recognition policies:

Nature of goods or services	Sale of stainless and specialty steel products
When revenue is recognised	Revenue is recognised at point in time when goods are delivered to the customers and all criteria for acceptance have been satisfied.
Significant payment terms	Payment is due when goods are delivered to the customers or on agreed payment terms ranging from 30 to 90 days whichever is applicable.
Obligations for returns and refunds, if any	Goods sold are not returnable or refundable except for defective goods pursuant to terms of sales contract.
Obligations for warranties	Warranty if any is subject to the terms expressly stipulated in the sales contract and limited to replacement of defective goods.

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17 REVENUE (CONTINUED)

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by primary geographical markets, customers' industries segments, major product and timing of revenue recognition. The table also includes a reconciliation of the disaggregated revenue with the Group's reportable segments (see note 30).

	Customers' industries segments				
	Marine and shipbuilding $'000	Oil, gas and petrochemical $'000	Engineering and construction $'000	Trading and others $'000	Total $'000
2020					
Primary geographical markets					
Singapore	**5,375**	**4,309**	**3,306**	**4,788**	**17,778**
Indonesia	**48**	**2,567**	**4,364**	**1,393**	**8,372**
China	**9**	**456**	**918**	**580**	**1,963**
Malaysia	**693**	**1,439**	**80**	**2,439**	**4,651**
Other ASEAN countries	**15**	**148**	**104**	**1,386**	**1,653**
Others*	**–**	**138**	**–**	**2,920**	**3,058**
Total	**6,140**	**9,057**	**8,772**	**13,506**	**37,475**
2019					
Primary geographical markets					
Singapore	4,892	5,486	5,519	7,262	23,159
Indonesia	79	103	8,357	838	9,377
China	73	357	4,790	309	5,529
Malaysia	465	1,610	121	3,826	6,022
Other ASEAN countries	2	1,125	238	534	1,899
Others*	–	343	–	3,527	3,870
Total	5,511	9,024	19,025	16,296	49,856

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

Transaction price allocated to remaining performance obligation

The Group applies the practical expedient in paragraph 121 of SFRS (I) 15 and does not disclose information about its remaining obligations if:

- the performance obligation is part of a contract that has an original expected duration of one year or less;
- the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, then it recognises revenue in that amount.

Estimated amounts of consideration which are variable in nature are not included in the disclosure of transaction price allocated to the remaining performance obligations.

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18 OTHER OPERATING INCOME

	Group 2020 $'000	Group 2019 $'000
Foreign currency exchange gain, net	**175**	8
Gain on sale of property, plant and equipment	**16**	–
Bad debts recovered	**37**	73
Government grants	**479**	20
Sundry income	**47**	57
	754	158

19 FINANCE INCOME AND COST

	Group 2020 $'000	Group 2019 $'000
Interest income:		
– deposits with financial institutions	**86**	203
– other financial assets	**14**	43
Finance income	**100**	246
Lease interest expenses	**(157)**	–
Interest expense on invoice financing loans	**(16)**	(38)
Finance cost	**(173)**	(38)
Net finance (cost)/income recognised in profit or loss	**(73)**	208

20 (LOSS)/PROFIT BEFORE TAX

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

	Note	Group 2020 $'000	Group 2019 $'000
Auditors' remuneration:			
– Auditors of the Company		**(112)**	(110)
– Other auditors		**(1)**	(1)
Non-audit fees:			
– Auditors of the Company		**(20)**	(20)
– Other auditors		**(30)**	(15)
Depreciation of property, plant and equipment	4	**(856)**	(886)
Depreciation of right-of-use assets		**(167)**	–
Interest expense on lease payments		**(157)**	–

20 (LOSS)/PROFIT BEFORE TAX (CONTINUED)

	Note	Group 2020 $'000	Group 2019 $'000
Gain/(loss) on sale of property, plant and equipment		**16**	(14)
Foreign exchange gain		**175**	8
Directors' fees	25	**(178)**	(166)
Operating lease expenses in respect of storage warehouse/leasehold premises		**(572)**	(894)
Operating lease expenses in respect of office and warehouse equipment		**(20)**	(42)
(Allowance)/reversal of inventory allowance	9	**(4,635)**	225

21 TAX EXPENSE

	Group 2020 $'000	Group 2019 $'000
Current tax expense		
Current year	**15**	532
(Over)/Under provision in prior years	**(10)**	1
	5	533
Deferred tax credit		
Movements in temporary differences	**(99)**	(27)
Tax expense	**(94)**	506
Reconciliation of effective tax rate		
(Loss)/profit before tax	**(4,256)**	2,901
Tax using Singapore tax rate of 17% (2019: 17%)	**(723)**	493
Effect on different tax rates in foreign jurisdictions	**(30)**	(7)
Non-deductible expenses	**670**	240
Non-taxable income/tax exempt income/rebate/incentives	**(113)**	(192)
(Over)/Under provision in prior years	**(10)**	1
Unutilised tax losses from prior year	**–**	(62)
Current year losses for which no deferred tax was recognised	**95**	24
Others	**17**	9
	(94)	506

22 EARNINGS PER SHARE

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

	Group	
	2020	**2019**
Net profit attributable to equity holders of the Company ($'000)	**(4,162)**	2,395
Weighted average number of ordinary shares in issue ('000)	**222,000**	222,000
Basic and diluted earnings per share (cents)	**(1.87)**	1.08

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

23 STAFF COSTS

	Group	
	2020	**2019**
	$'000	**$'000**
Salaries, bonuses and other costs	**4,626**	4,883
Central Provident Fund and other defined contributions	**543**	636
	5,169	5,519

24 LEASES

Leases as lessee (SFRS(I) 16)

The Group leases warehouse premises, office equipment and motor vehicle. The leases typically run for a period of 5 to 32 years. Lease payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices. For certain leases, the Group is restricted from entering into any sub-lease arrangements.

Previously, the office and warehouse premises leases were classified as operating leases under SFRS(I) 1-17.

During the year, one of the leased properties has been sub-let by the Group. The sub-lease expires in January 2022.

The Group leases a storage warehouse and IT equipment. These leases are short-term and/or leases of low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below.

24 LEASES (CONTINUED)

Right-of-use assets

Right-of-use assets related to leased properties that do not meet the definition of investment property are presented in statement of financial position.

	Warehouse premises $'000	Office equipment $'000	Motor vehicle $'000	Total $'000
Group				
At 1 July 2019	4,016	20	–	4,036
Additions	–	135	95	230
Depreciation charge for the year	(145)	(16)	(6)	(167)
Derecognition of right-of-use assets*	–	(15)	–	(15)
At 30 June 2020	**3,871**	**124**	**89**	**4,084**
Company				
At 1 July 2019	4,016	20	–	4,036
Additions	–	113	95	208
Depreciation charge for the year	(145)	(15)	(6)	(166)
Derecognition of right-of-use assets*	–	(15)	–	(15)
At 30 June 2020	**3,871**	**103**	**89**	**4,063**

* Derecognition of the right-of-use assets during the year pertains to early termination of lease agreement.

Lease liabilities

	Group		Company	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Non-current				
Lease liabilities	**4,022**	–	**4,004**	–
Current				
Lease liabilities	**125**	–	**122**	–
	4,147	–	**4,126**	–

24 LEASES (CONTINUED)

Amounts recognised in profit or loss

	$'000
Group	
2020 – Leases under SFRS(I) 16	
Interest on lease liabilities	**(157)**
Expenses relating to short-term leases	**(592)**
2019 – Operating leases under SFRS(I) 1-17	
Lease expense	(936)

Amounts recognised in statement of cash flows

	2020 $'000
Group	
Total cash outflow for leases	
Lease principal payment	**(104)**
Lease interest payment	**(157)**

Extension options

Some property leases contain extension options exercisable by the Group up to one year before the end of the non-cancellable contract period. Where practicable, the Group seeks to include extension options in new leases to provide operational flexibility. The extension options held are exercisable only by the Group and not by the lessors. The Group assesses at lease commencement date whether it is reasonably certain to exercise the extension options. The Group reassesses whether it is reasonably certain to exercise the options if there is a significant event or significant changes in circumstances within its control.

Leases as lessor

The Group leases out its property consisting of leased property to its one of subsidiary for storage and handling purposes. The lease is classified as operating lease from a lessor perspective.

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25 RELATED PARTY TRANSACTIONS

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

	Group	
	2020	2019
	$'000	$'000
Key management personnel compensation:		
– Salaries, bonuses and other short-term employee benefits	**790**	962
– Central provident fund and other defined contributions	**50**	70
– Directors' fees	**178**	166
	1,018	1,198
Comprising		
– Directors of the Company	**717**	868
– Other key management personnel	**301**	330
	1,018	1,198

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

	Group and Company	
	2020	2019
	$'000	$'000
Immediate family members of the directors or substantial shareholders:		
– Salaries, bonuses and other short-term employee benefits	**45**	73
– Central provident fund and other defined contributions	**8**	8
	53	81

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Sales to subsidiaries	**–**	–	**(1,387)**	(854)
Purchases from subsidiaries	**–**	–	**1,414**	2,193
Sales to affiliated company	**(261)**	(140)	**(261)**	(140)
Purchases from affiliated company	**96**	112	**96**	112
Sales to joint venture	**(274)**	(940)	**(257)**	(584)
Interest income on loans to subsidiaries	**–**	–	**(65)**	(67)
Rental income from a subsidiary	**–**	–	**(35)**	–
Purchases of inventories from subsidiaries	**–**	–	**(3,653)**	–
Return of inventories from joint venture	**–**	–	**(889)**	–
Purchase of plant and equipment from a subsidiary	**–**	–	**(58)**	–

NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 30 JUNE 2020

26 COMMITMENTS

The Group has capital commitment in respect of property, plant and equipment of $394,000 (2019: $6,973,000).

27 DIVIDENDS

	Group and Company	
	2020	**2019**
	$'000	**$'000**
Final dividend (one-tier tax exempt) paid in respect of prior years	**1,332**	666

During the year ended 30 June 2020, the Group declared and paid a final one-tier tax exempt dividend of 0.6 cents (2019: 0.3 cents) per ordinary share in respect of the year ended 30 June 2019.

28 FINANCIAL INSTRUMENTS

Overview

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

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

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

Foreign currency risk

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

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

28 FINANCIAL INSTRUMENTS (CONTINUED)

Overview (Continued)

Foreign currency risk (Continued)

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

	Group			Company	
	USD	**EUR**	**RMB**	**USD**	**EUR**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
30 June 2020					
Assets					
Cash and cash equivalents	**1,652**	**2**	**471**	**1,365**	**2**
Trade and other receivables	**4,897**	**430**	**395**	**4,644**	**398**
	6,549	**432**	**866**	**6,009**	**400**
Liabilities					
Trade and other payables	**(2,379)**	**(10)**	**(202)**	**(2,379)**	**(6)**
Amount due to subsidiaries	**–**	**–**	**–**	**(91)**	**–**
Net currency exposure	**4,170**	**422**	**664**	**3,539**	**394**
30 June 2019					
Assets					
Cash and cash equivalents	3,425	74	30	2,952	74
Trade and other receivables	7,881	79	681	7,076	79
Amount due from subsidiaries	–	–	–	876	–
	11,306	153	711	10,904	153
Liabilities					
Trade and other payables	(3,068)	(548)	(94)	(2,792)	(548)
Net currency exposure	8,238	(395)	617	8,112	(395)

NOTES TO THE FINANCIAL STATEMENTS
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28 FINANCIAL INSTRUMENTS (CONTINUED)

Overview (Continued)

Foreign currency risk (Continued)

Sensitivity analysis

A 10% (2019: 10%) strengthening of the Singapore dollar, as indicated below, against the USD, EUR and RMB at 30 June would have increased/(decreased) profit by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group and the Company considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant and ignores any impact of forecasted sales and purchases. The analysis is performed on the same basis for 2019, albeit that the reasonably possible foreign exchange rate variances were different, as indicated below:

	Group Profit/(Loss) $'000	Company Profit/(Loss) $'000
30 June 2020		
USD	**(417)**	**(354)**
EUR	**(42)**	**(39)**
RMB	**(66)**	**–**
30 June 2019		
USD	(824)	(811)
EUR	40	40
RMB	(62)	–

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

28 FINANCIAL INSTRUMENTS (CONTINUED)

Overview (Continued)

Interest rate risk

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

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

As at 30 June 2020, the interest rate profile of the Group's interest-bearing financial instruments, as reported to the management, is as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Variable rate instruments				
Cash and cash equivalents	**10,852**	8,101	**9,628**	6,521
Fixed rate instruments				
Assets				
Other financial assets	**–**	1,001	**–**	1,001
Cash and cash equivalents	**–**	7,000	**–**	7,000
Liabilities				
Lease liabilities	**4,147**	–	**4,126**	–
	4,147	8,001	**4,126**	8,001

Fair value sensitivity analysis for fixed rate instruments

The Group does not designate any fixed rate financial assets or liabilities at fair value through profit or loss. Therefore, changes in interest rates of fixed rate instruments would not affect profit or loss.

Cash flow sensitivity analysis for variable rate instruments

As at 30 June 2020, an increase/(decrease) in interest rate of 100 basis points would have resulted in an increase/(decrease) in profit or loss by $108,520 (2019: $81,010) per annum for the Group, and $96,280 (2019: $65,210) per annum for the Company.

NOTES TO THE FINANCIAL STATEMENTS

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28 FINANCIAL INSTRUMENTS (CONTINUED)

Overview (Continued)

Credit risk

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

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

As at 30 June 2020, the maximum exposure to credit risk in the event that counterparties fail to perform their obligations in relation to each class of financial assets is the carrying amount of these assets in the statements of financial position. There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The ageing of trade and other receivables (excluding GST recoverables and prepayment) at the reporting date is:

	2020		**2019**	
	Gross carrying amount $'000	**Impairment loss allowance $'000**	**Gross carrying amount $'000**	**Impairment loss allowance $'000**
Group				
Not past due	**6,050**	**(221)**	8,031	(168)
Past due 0-30 days	**1,089**	**(29)**	2,773	(44)
Past due 31-120 days	**957**	**(26)**	1,631	(34)
Past due 121-365 days	**365**	**(74)**	1,278	(118)
More than one year	**911**	**(911)**	1,088	(205)
	9,372	**(1,261)**	14,801	(569)
Company				
Not past due	**15,048**	**(195)**	16,122	(150)
Past due 0-30 days	**981**	**(26)**	2,407	(39)
Past due 31-120 days	**880**	**(26)**	1,266	(24)
Past due 121-365 days	**365**	**(73)**	1,305	(117)
More than one year	**911**	**(911)**	1,174	(205)
	18,185	**(1,231)**	22,274	(535)

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

28 FINANCIAL INSTRUMENTS (CONTINUED)

Overview (Continued)

Trade receivables

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

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Marine and shipbuilding	**1,299**	1,755	**1,279**	1,714
Oil, gas and petrochemical	**1,708**	2,749	**1,308**	1,523
Engineering and construction	**1,438**	4,788	**1,246**	4,454
Trading and others	**2,201**	4,535	**5,247**	6,285
	6,646	13,827	**9,080**	13,976

The Group's most significant customer, an engineering and construction customer, accounts for $732,000 (2019: $1,661,000) of the trade receivables at 30 June 2020.

Expected credit loss assessment for trade customers

The Group allocates each exposure to a credit risk grade based on data that is determined to be predictive of the risk of loss (including but not limited to customers' industry, external ratings, audited financial statements, management accounts and cash flow projections and available press information about customers) and applying experienced credit judgement.

Loss rates are calculated for exposures in different industries based on the default risk associated with the industries, which approximate the industries in which the customers operate, as these factors may have an influence on credit risk. The Group takes into account the forward-looking overlay adjustments on the uncertainties in existing market conditions including the potential effects of COVID-19 pandemic on the industry.

For the year ended 30 June 2020, the COVID-19 pandemic outbreak continues to evolve. The outcome of COVID-19 may affect the Group's financial performance and affect the measurement of its financial assets and financial liabilities. The risk of credit losses arising from the Group's financial assets may increase if the COVID-19 pandemic deteriorates beyond the Group's current expectations.

NOTES TO THE FINANCIAL STATEMENTS

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28 FINANCIAL INSTRUMENTS (CONTINUED)

Expected credit loss assessment for trade customers (Continued)

The following table provides information about the exposure to credit risk and ECLs for trade receivables as at 30 June 2020:

		Group	
Customers' industries segment	**Weighted average loss rate %**	**Gross carrying amount $'000**	**Impairment loss allowance $'000**
2020			
Marine and shipbuilding	**0.78%**	**1,321**	**22**
Oil, gas and petrochemical	**8.49%**	**1,871**	**163**
Engineering and construction	**0.73%**	**1,524**	**86**
Trading and others	**2.96%**	**3,191**	**990**
		7,907	**1,261**
2019			
Marine and shipbuilding	0.69%	1,823	68
Oil, gas and petrochemical	3.05%	2,911	200
Engineering and construction	0.69%	4,950	164
Trading and others	2.30%	4,712	137
		14,396	569

		Company	
Customers' industries segment	**Weighted average loss rate %**	**Gross carrying amount $'000**	**Impairment loss allowance $'000**
2020			
Marine and shipbuilding	**0.78%**	**1,301**	**22**
Oil, gas and petrochemical	**8.49%**	**1,443**	**135**
Engineering and construction	**0.73%**	**1,332**	**86**
Trading and others	**2.96%**	**6,235**	**988**
		10,311	**1,231**
2019			
Marine and shipbuilding	0.69%	1,782	68
Oil, gas and petrochemical	3.05%	1,655	169
Engineering and construction	0.69%	4,616	164
Trading and others	2.30%	6,458	134
		14,511	535

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

28 FINANCIAL INSTRUMENTS (CONTINUED)

Expected credit loss assessment for trade customers (Continued)

Movements in allowance for impairment in respect of trade receivables

	Group $'000	Company $'000
At 1 July 2018	422	422
Impairment loss recognised	237	203
Recovered during the year	(73)	(73)
Amounts written off	(17)	(17)
At 30 June 2019	569	535
Impairment loss recognised	904	908
Recovered during the year	(37)	(37)
Amounts written off	(175)	(175)
At 30 June 2020	**1,261**	**1,231**

Cash and cash equivalents

For financial assets such as cash and cash equivalents, the Group minimises credit risk by dealing exclusively with reputable financial institutions. Cash is placed with regulated financial institutions which are reputable and have low credit risk.

Impairment on cash and cash equivalents has been measured on the 12-month expected loss basis and reflects the short maturities of the exposures. The Group considers that its cash and cash equivalents have low credit risk based on the external credit ratings of the counterparties. The amount of the allowance on cash and cash equivalents is negligible.

Loan and non-trade amounts due from subsidiaries

The Company held loan and non-trade receivables from its subsidiaries of $6,437,000 (2019: $7,413,000). These balances are amounts lent to subsidiaries to meet short-term funding requirements. Impairment on these balances has been measured on the 12-month expected loss basis which reflects the low credit risk of the exposures. The amount of the allowance on these balances is insignificant.

28 FINANCIAL INSTRUMENTS (CONTINUED)

Expected credit loss assessment for trade customers (Continued)

Liquidity risk

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

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

The Group has sufficient cash and cash equivalents and adequate credit facilities to ensure necessary liquidity. As at 30 June 2020, the financial liabilities maturing within 12 months are as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trade and other payables#	**3,089**	4,395	**5,482**	3,751
Lease liabilities	**125**	–	**122**	–

Excludes deferred income.

29 DETERMINATION OF FAIR VALUES

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

Debt securities

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

29 DETERMINATION OF FAIR VALUES (CONTINUED)

Other financial assets and liabilities

The fair value of non-current loan amounts is approximately equal to the nominal amount as it is repayable on demand.

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

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

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;
Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Financial assets not carried at fair value but for which fair values are disclosed				
30 June 2019				
Held-to-maturity debt securities	1,001	–	–	1,001

Accounting classification

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

	Note	Amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000
Group				
30 June 2020				
Assets				
Trade and other receivables*	10	**8,111**	**–**	**8,111**
Cash and cash equivalents	11	**10,852**	**–**	**10,852**
		18,963	**–**	**18,963**
Liabilities				
Trade and other payables#	14	**–**	**(3,089)**	**(3,089)**

29 DETERMINATION OF FAIR VALUES (CONTINUED)

Other financial assets and liabilities (Continued)

Accounting classification (Continued)

	Note	Amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000
Group				
30 June 2019				
Assets				
Other financial assets	7	1,001	–	1,001
Trade and other receivables*	10	14,232	–	14,232
Cash and cash equivalents	11	15,101	–	15,101
		30,334	–	30,334
Liabilities				
Trade and other payables#	14	–	(4,395)	(4,395)

* Excludes GST recoverables and prepayment.
# Excludes deferred income.

	Note	Amortised cost $'000	Other financial liabilities $'000	Total carrying amount $'000
Company				
30 June 2020				
Assets				
Trade and other receivables*	10	**16,954**	**–**	**16,954**
Cash and cash equivalents	11	**9,628**	**–**	**9,628**
		26,582	**–**	**26,582**
Liabilities				
Trade and other payables	14	**–**	**(5,482)**	**(5,482)**
30 June 2019				
Assets				
Other financial assets	7	1,001	–	1,001
Trade and other receivables*	10	21,739	–	21,739
Cash and cash equivalents	11	13,521	–	13,521
		36,261	–	36,261
Liabilities				
Trade and other payables	14	–	(3,751)	(3,751)

* Excludes GST recoverables and prepayment.
# Excludes deferred income.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

30 SEGMENT INFORMATION

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

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

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

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

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

	Marine and shipbuilding $'000	Oil, gas and petro-chemical $'000	Engineering and construction $'000	Trading and others $'000	Total $'000
Group					
2020					
Revenue	6,140	9,057	8,772	13,506	37,475
Gross profit	1,286	(970)	904	3,434	4,654
Unallocated costs					(9,764)
					(5,110)
Other operating income and finance income					854
Loss before tax					(4,256)
Tax credit					94
Net profit for the year					(4,162)
Assets					
Trade receivables	1,299	1,708	1,438	2,201	6,646
Others – unallocated					82,051
					88,697
Liabilities – unallocated					8,490
Capital expenditure – unallocated					8,276
Depreciation of property, plant and equipment – unallocated					856

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

30 SEGMENT INFORMATION (CONTINUED)

	Marine and shipbuilding $'000	Oil, gas and petro-chemical $'000	Engineering and construction $'000	Trading and others $'000	Total $'000
Group					
2019					
Revenue	5,511	9,024	19,025	16,296	49,856
Gross profit	1,497	2,648	2,740	5,178	12,063
Unallocated costs					(9,566)
					2,497
Other operating income and finance income					404
Profit before tax					2,901
Tax expense					(506)
Net profit for the year					2,395
Assets					
Trade receivables	1,755	2,749	4,788	4,535	13,827
Others – unallocated					76,892
					90,719
Liabilities – unallocated					5,015
Capital expenditure – unallocated					3,020
Depreciation of property, plant and equipment – unallocated					886

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 30 JUNE 2020

30 SEGMENT INFORMATION (CONTINUED)

Geographical segments

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

Revenue by geographical markets is disclosed in note 17:

Non-current assets and capital expenditure by geographical locations:

	Carrying amounts of segment non-current assets#		Capital expenditure	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Group				
Singapore	**20,144**	8,646	**8,276**	3,017
China	**5**	17	**–**	3
	20,149	8,663	**8,276**	3,020

Non-current assets exclude trade and other receivables and deferred tax assets.

31 SUBSEQUENT EVENTS

COVID-19 Pandemic

On 11 March 2020, the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic in recognition of its rapid spread across the globe, with over 150 countries now affected. Many governments are taking increasingly stringent steps to help contain or delay the spread of the virus. Currently, there is a significant increase in economic uncertainty which is, for example, evidenced by more volatile asset prices and currency exchange rates.

For the Group's financial statements for the year ended 30 June 2020, the Group assessed the impact of COVID-19 and considered whether the economic uncertainties and market volatility have or will affect accounting conclusions, in particular on the cash flow projections used in assessing the impairment on investment of the Group's subsidiaries, the Group's going concern assessment, for the write-down of inventories, and the expected credit losses on trade receivables. The provisions and cash flow projections reflected the impact of COVID-19 and lower sales demand. Management's cash flow projection for the next financial year are considered healthy to support the funding requirements and day to day operations.

Liquidation of subsidiary

Subsequent to the financial year ended 30 June 2020, SG Metals Suzhou Ltd, a wholly-owned subsidiary of the Group, has ceased operations and will commence winding-up process in accordance with the legislations of the People's Republic of China. An external consultant based in the People's Republic of China has been engaged to advise the process.

STATISTICS OF SHAREHOLDINGS

AS AT 14 SEPTEMBER 2020

SHARE CAPITAL

Issued and fully paid-up capital	:	S$45,749,836.98
Total number of ordinary shares	:	222,000,000
Class of shares	:	Ordinary shares
Voting rights	:	One vote for each ordinary share
Treasury shares and subsidiary holdings	:	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 14 SEPTEMBER 2020

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	0	–	–	–
100 – 1,000	67	6.84	57,000	0.03
1,001 – 10,000	403	41.17	2,784,000	1.25
10,001 – 1,000,000	489	49.95	33,127,500	14.92
1,000,001 AND ABOVE	20	2.04	186,031,500	83.80
TOTAL	**979**	**100.00**	**222,000,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS AS AT 14 SEPTEMBER 2020

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	2GS INVESTMENT PTE LTD	56,700,000	25.54
2	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	44,755,867	20.16
3	KUA CHEE HONG	13,070,000	5.89
4	LOW CHUI HENG	12,345,476	5.56
5	KUA PENG CHUAN	11,382,000	5.13
6	DB NOMINEES (SINGAPORE) PTE LTD	8,205,000	3.70
7	LOW AH HOO	7,728,800	3.48
8	DBS NOMINEES PTE LTD	6,216,800	2.80
9	KUA CHEE KENG	4,690,457	2.11
10	TAN SZE SENG	3,422,100	1.54
11	LIM AND TAN SECURITIES PTE LTD	2,722,200	1.23
12	LER BEE CHIN	2,053,400	0.92
13	YEO SENG CHONG	2,000,000	0.90
14	LEW WING KIT	1,946,800	0.88
15	KUA CHOO SUAN	1,787,500	0.81
16	TAN HANG CHUANG @ GEORGE TAN	1,759,600	0.79
17	LAI WENG KAY	1,547,900	0.70
18	PHILLIP SECURITIES PTE LTD	1,352,200	0.61
19	RAFFLES NOMINEES (PTE) LIMITED	1,241,800	0.56
20	LOW KOK SOON	1,103,600	0.50
	Total	**186,031,500**	**83.81**

STATISTICS OF SHAREHOLDINGS

AS AT 14 SEPTEMBER 2020

SUBSTANTIAL SHAREHOLDERS

As recorded in the Register of Substantial Shareholders as at 14 September 2020

	Direct interest		Deemed interest	
Name of substantial shareholders	No. of ordinary shares	%	No. of ordinary shares	%
2GS Investment Pte. Ltd.	56,700,000	25.54	–	–
HHH Co Pte Ltd[(1), (3)]	44,755,867	20.16	–	–
Kua Chee Hong[(2)]	13,070,000	5.89	2,053,400	0.92
Ler Bee Chin[(2)]	2,053,400	0.92	13,070,000	5.89
Kua Peng Chuan	11,382,000	5.13	–	–
Low Ah Hoo[(3)]	7,728,800	3.48	44,755,867	20.16
Low Chui Heng[(3)]	12,345,476	5.56	44,755,867	20.16
Lim Hwee Choo[(4)]	700,000	0.32	56,700,000	25.54
Kua Han Wei[(4)]	–	–	56,700,000	25.54

Notes:

(1) HHH Co Pte Ltd's shares are registered in the name of CGS-CIMB Securities (Singapore) Pte Ltd.

(2) Kua Chee Hong and his wife, Ler Bee Chin, are deemed interested in the shares held by each other.

(3) Low Ah Hoo and Low Chui Heng, who each owns 50% of the shareholding interest of HHH Co Pte Ltd, are interested in the shares of the Company held by HHH Co Pte Ltd.

(4) Lim Hwee Choo and Kua Han Wei, who each owns 33.33% of the shareholding interest in 2GS Investment Pte. Ltd., are interested in the shares of the Company held by 2GS Investment Pte. Ltd.

SHAREHOLDINGS IN THE HANDS OF PUBLIC

As at 14 September 2020, approximately 32.06% of the issued ordinary shares of the Company were held in the hands of the public based on the information available to the Company. Accordingly, the Company has complied with Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Sin Ghee Huat Corporation Ltd. (the "Company") will be held by way of live audio-visual webcast and live audio-only stream on Thursday, 29 October 2020 at 10.30 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 30 June 2020 and the Directors' Statement and the Report of the Auditors thereon. **Resolution 1**

2. To approve the Directors' fees of S$176,000 (2020: S$176,000) payable quarterly in arrear for the financial year ending 30 June 2021. **Resolution 2**

3(a). To re-elect Mr Kua Ghim Siong, being a Director of the Company retiring pursuant to Article 107 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **Resolution 3**
[See Explanatory Note (a)]

3(b). To re-elect Mr Kua Peng Chuan, being a Director of the Company retiring pursuant to Article 107 of the Company's Articles of Association, and being eligible, has offered himself for re-election. **Resolution 4**
[See Explanatory Note (b)]

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

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

AS SPECIAL BUSINESS

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

SHARE ISSUE MANDATE

THAT pursuant to the Listing Rules of the SGX-ST and the Company's Articles of Association, authority be and is hereby given to the Directors to: **Resolution 6**

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

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

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

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

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

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

BY ORDER OF THE BOARD

Ms Joanna Lim Lan Sim
Company Secretary

7 October 2020
Singapore

NOTICE OF
ANNUAL GENERAL MEETING

Explanatory Notes

(a) In relation to Ordinary Resolution no. 3 proposed in item 3(a) above, Mr Kua Ghim Siong is cousin of Mr Kua Peng Chuan and nephew of Mr Kua Chee Hong. His other detailed information is set out in the Board of Directors section as well as "Additional Information on Directors Seeking Re-Election" of the Company's Annual Report 2020.

(b) In relation to Ordinary Resolution no. 4 proposed in item 3(b) above, Mr Kua Peng Chuan is cousin of Mr Kua Ghim Siong and son of Mr Kua Chee Hong and Ms Ler Bee Chin. His other detailed information is set out in the Board of Directors section as well as "Additional Information on Directors Seeking Re-Election" of the Company's Annual Report 2020.

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

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

1. Ordinary Resolution 6, if passed, will authorise the Directors from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued shares (excluding treasury shares) of the Company of which the total number of shares and convertible securities issued other than on a pro-rata basis to existing shareholders shall not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company. Rule 806(3) of the Listing Rules of the SGX-ST currently provides that the percentage of issued share capital is based on the share capital of the Company at the time the mandate is passed after adjusting for:

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

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

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

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

Notes:

(1) The Annual General Meeting is being convened, and 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. This Notice will be made available by electronic means via publication on the Company's website at the URL https://singheehuat.com.sg/announcement/ and the SGX website at the URL https://www.sgx.com/securities/company-announcements.

(2) Alternative arrangements relating to attendance at the Annual General Meeting 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 Annual General Meeting, addressing of substantial and relevant questions at the Annual General Meeting and voting by appointing the Chairman of the Meeting as proxy at the Annual General Meeting, are set out in the accompanying Company's announcement dated 6 October 2020. This announcement may be accessed at the Company's website at the URL https://singheehuat.com.sg/announcement/, and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

(3) Due to the current COVID-19 situation in Singapore, a member will not be allowed to attend the Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting. The accompanying proxy form for the Annual General Meeting may be accessed at the Company's website at the URL https://singheehuat.com.sg/announcement/, and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

    Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

    The Central Provident Fund Investment Scheme ("**CPF**") investor and the Supplementary Retirement Scheme ("**SRS**") investors who wish to appoint the Chairman of the Meeting as proxy to vote must approach their respective CPF Agent Banks/SRS Operators to submit their votes at least seven (7) working days before the Annual General Meeting, in order to enable their respective CPF Agent Banks/SRS Operators to submit proxy forms on their behalf not less than 72 hours before the time appointed for holding the Annual General Meeting.

(4) The Chairman of the Meeting, as proxy, need not be a member of the Company.

(5) The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:

    (a) if submitted by post, be deposited at the registered office at 32 Penhas Road, #01-01, Singapore 208191; or

    (b) if submitted electronically, be sent via email to the Company's Share Registrar at sg.is.proxy@sg.tricorglobal.com.

    in either case not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

    A member who wishes to submit an instrument of proxy must complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

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

    Due to the current COVID-19 situation in Singapore, members are strongly encouraged to submit completed proxy forms electronically via email.

ADDITIONAL INFORMATION

DISCLOSURE OF INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Kua Ghim Siong and Mr Kua Peng Chuan are the Directors seeking re-election at the forthcoming Annual General Meeting of the Company to be convened on 29 October 2020 ("**AGM**") (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the following is the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST:

	MR KUA GHIM SIONG	MR KUA PENG CHUAN
Date of Appointment	25 October 2012	25 October 2012
Date of last re-appointment	Not Applicable	19 October 2017
Age	42	38
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Kua Ghim Siong for re-appointment as Executive Director of the Company. The Board have reviewed and concluded that Mr Kua Ghim Siong possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board of Directors of the Company has considered, among others, the recommendation of the Nominating Committee ("NC") and has reviewed and considered the qualification, work experiences, contribution and performance, attendance, preparedness, participation, candour and suitability of Mr Kua Peng Chuan for re-appointment as Executive Director of the Company. The Board have reviewed and concluded that Mr Kua Peng Chuan possess the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr Kua Ghim Siong is the Chief Executive Officer of the Company responsible for corporate strategic direction and general management of the the Group, and concurrently overseas the purchasing functions.	Executive Mr Kua Peng Chuan is the Market Development Manager manages sales operations and market development.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director	Executive Director
Professional qualifications	Bachelor of Commerce	Diploma in Chemical Engineering

ADDITIONAL INFORMATION

	MR KUA GHIM SIONG	MR KUA PENG CHUAN
Working experience and occupation(s) during the past 10 years	Sin Ghee Huat Corporation Ltd	Sin Ghee Huat Corporation Ltd
Shareholding interest in the listed issuer and its subsidiaries	None	Direct interest: 11,382,000 shares
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Mr Kua Ghim Siong is cousin of Mr Kua Peng Chuan and nephew of Mr Kua Chee Hong.	Mr Kua Peng Chuan is cousin of Mr Kua Ghim Siong and son of Mr Kua Chee Hong and Ms Ler Bee Chin.
Conflict of Interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments* Including Directorships# * "Principal Commitments" has the same meaning as defined in the Code. # These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(9)		
Past (for the last 5 years)	None	None
Present	SG METALS PTE. LTD 2GS INVESTMENT PTE LTD SG SPECIALTY METALS PTE. LTD. SG METALS (SUZHOU) LTD FIRST BREAK SG METALS 2015 LIMITED NISHIKI PTE LTD	SG METALS PTE LTD SG METALS (SUZHOU) LTD SG SPECIALTY METALS PTE LTD
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No

ADDITIONAL INFORMATION

	MR KUA GHIM SIONG	MR KUA PENG CHUAN
b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
c) Whether there is any unsatisfied judgment against him?	No	No
d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

ADDITIONAL INFORMATION

	MR KUA GHIM SIONG	MR KUA PENG CHUAN
f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No

ADDITIONAL INFORMATION

	MR KUA GHIM SIONG	MR KUA PENG CHUAN
j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere	No	No
in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?		

ADDITIONAL INFORMATION

	MR KUA GHIM SIONG	MR KUA PENG CHUAN
k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No
Disclosure applicable to the appointment of Director only		
Any prior experience as a director of a listed company? If yes, please provide details of prior experience. If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange. Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable).	N.A.	N.A.

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

PROXY FORM

Important:

1. Members who wish to vote on any or all of the resolutions at the Annual General Meeting must appoint the Chairman of the Meeting as their proxy to do so on their behalf.
2. Members can access the Notice of Annual General Meeting and Proxy Form via electronic means on the Company's website at URL https://singheehuat.com.sg/announcement/, and the SGX website at URL https://www.sgx.com/securities/company-announcements.
3. For investors who have used their CPF/SRS monies to buy shares in the capital of Sin Ghee Huat Corporation Ltd, this proxy form is not valid for use and shall be ineffective for all intent and purposes if used or purported to be used by them. CPF/SRS investors who wish to appoint the Chairman of the Meeting as their proxy should contact their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the Annual General Meeting, in order to enable their respective CPF Agent Banks or SRS Operators to submit proxy forms on their behalf not less than 72 hours before the time appointed for holding the Annual General Meeting.

I/We, ______________________________ (Name) NRIC/Passport No. ______________

of ____ (Address)
being a member/members of Sin Ghee Huat Corporation Ltd (the "Company"), hereby appoint the Chairman of the Meeting as *my/our proxy, to attend, speak and vote for *me/us on *my/our behalf, at the Annual General Meeting ("AGM") of the Company to be held by way of live audio-visual webcast and live audio-only stream on Thursday, 29 October 2020 at 10.30 a.m. and at any adjournment thereof.

Voting will be conducted by poll. If you wish the Chairman of the AGM as your proxy to cast all your votes "for" or "against" or "abstain" from voting on a resolution, please indicate with an "X" in the "For" or "Against" or "Abstain" box provided in respect of that resolution. Alternatively, please indicate the number of shares that the Chairman of the AGM as your proxy is directed to vote "For" or "Against" or to "Abstain" from voting in respect of that resolution. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.

Resolution No.	Ordinary Resolution	For	Against	Abstain
1	Adoption of Audited Financial Statements for the financial year ended 30 June 2020 and the Directors' Statement and the Reports of the Auditors.			
2.	Approval of Directors' Fees for financial year ending 30 June 2021.			
3.	Re-election of Mr Kua Ghim Siong as Director of the Company.			
4.	Re-election of Mr Kua Peng Chuan as Director of the Company.			
5.	Re-appointment of KPMG LLP as Auditors of the Company.			
6.	Approval of Share Issue Mandate.			

Dated this ______ day of ____________ 2020

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

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

IMPORTANT: Please read notes overleaf

Notes:-

1. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register as well as shares registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member.
2. **Due to the current COVID-19 situation in Singapore, a member will not be allowed to attend the Annual General Meeting in person. A member (whether individual or corporate) must appoint the Chairman of the Meeting as his/her/its proxy to attend, speak and vote on his/her/its behalf at the Annual General Meeting if such member wishes to exercise his/her/its voting rights at the Annual General Meeting.** This proxy form may be accessed at the Company's website at the URL https://singheehuat.com.sg/announcement/, and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements. Where a member (whether individual or corporate) appoints the Chairman of the Meeting as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the Meeting as proxy for that resolution will be treated as invalid.

   CPF/SRS investors who wish to appoint the Chairman of the Meeting as proxy to vote must approach their respective CPF Agent Banks/SRS Operators to submit their votes by 5.00 p.m. on 19 October 2020, in order to enable their respective CPF Agent Banks/SRS Operators to submit proxy forms on their behalf not less than 72 hours before the time appointed for holding the Annual General Meeting.

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AFFIX
STAMP

The Company Secretary

SIN GHEE HUAT CORPORATION LTD.

32 Penhas Road
#01-01
Singapore 208191

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3. The Chairman of the Meeting, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the Meeting as proxy must be submitted to the Company in the following manner:
   (a) if submitted by post, be deposited at the registered office at 32 Penhas Road, #01-01, Singapore 208191; or
   (b) if submitted electronically, be sent via email to the Company's Share Registrar at sg.is.proxy@sg.tricorglobal.com.

   in either case not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

   A member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

   Due to the current COVID-19 situation in Singapore, members are strongly encouraged to submit completed proxy forms electronically via email.
5. The instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy 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 Meeting as proxy is signed 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), if the instrument appointing the Chairman of the Meeting as proxy is submitted by post, be lodged with the instrument of proxy or, if the instrument appointing the Chairman of the Meeting as proxy is submitted electronically via email, be emailed with the instrument of proxy, failing which the instrument may be treated as invalid.
6. The Company shall be entitled to reject an instrument appointing the Chairman of the Meeting a proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company shall be entitled to reject any instrument appointing the Chairman of the Meeting as proxy which has been lodged or submitted if such member is not shown to have shares entered against his name in the Depository Register at least 72 hours before the time appointed for the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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

32 Penhas Road #01-01
Singapore 208191
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