SOON LIAN HOLDINGS

STEADILY ONWARD

ANNUAL REPORT 2019

順聯控股有限公司

SOON LIAN HOLDINGS LIMITED

CONTENTS

02 Company Profile

03 Business Segments

05 Letter to Shareholders

07 Corporate Structure

08 Geographical Presence

10 Financial Highlights

12 Operations and Financials Review

17 Board of Directors and Key Management

20 Corporate Information

21 Sustainability Report

37 Corporate Governance Report

63 Financial Statements

126 Statistics of Shareholdings

128 Proposed Resolutions for Forthcoming Annual General Meeting

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. (the "Sponsor"), in accordance with Rule 226(2)(b) of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report. The contact person for the Sponsor is Ms. Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road #09-00 ASO Building Singapore 048544, telephone (65) 6636 4201.

VISION

Inspiring Partnerships,
Growing Possibilities

MISSION

We deliver unrivalled aluminium solutions,
igniting possibilities for partners worldwide

COMPANY PROFILE

Listed on the SGX Catalist in 2007, Soon Lian Holdings Limited (the "Group" or "Soon Lian") is a specialist supplier of aluminium alloy product with an established track record of more than 35 years. The beginnings of the Group started with Soon Lian Hardware (Pte) Ltd. Founded in 1983, it occupied a 218 sq m office-cum store in Balestier. Growing steadily, it laid the basis for the establishment of the Group which is now an international supplier with operations and warehouses in Singapore, Malaysia, Taiwan and China. Soon Lian has also expanded its customer base, building a diversified clientele of over 1,000 customers in more than 15 countries, including Australia, Hong Kong, India, Indonesia, Malaysia, Philippines, People's Republic of China, Singapore, South Korea, Taiwan, Thailand, UAE and Vietnam.

At Soon Lian, we supply a comprehensive range of over 1,300 different aluminium alloy products in a wide spectrum of specifications and dimensions, mainly to the marine, precision engineering and semiconductor industries. We also supply to other aluminium stockists and traders as well as customers in other industries. We are equipped with unique CNC (Computer Numerical Control) plasma cutting system, CNC high precision bandsaw and custom-designed vertical saw which enables us to cut the aluminum alloy products into various forms and end dimensions in compliance to specifications laid down by our customers.

We source our inventories of aluminium alloy products from reputable suppliers in countries such as Austria, Greece, Italy, Japan, Malaysia, People's Republic of China, Singapore, South Africa, Taiwan and USA. Our major suppliers such as Arconic, Aleris, AMAG, Elval, Hulamin, Vimetco, Kobelco and Slim are amongst the largest manufacturers of aluminium alloy products in the world. As an endorsement of our quality management system, we were awarded the ISO 9001 certification in April 2002 and our most recently achieved upgrade to ISO 9001:2015.

Soon Lian further distinguished its reputation with the garnering of the SPBA-Heritage Brands Award in 2014. This award is a tribute to time honoured home-grown brands that have cultivated exceptional brand practices for more than 25 years. These accolades are a clear recognition of our growth and regionalisation efforts made over the years.

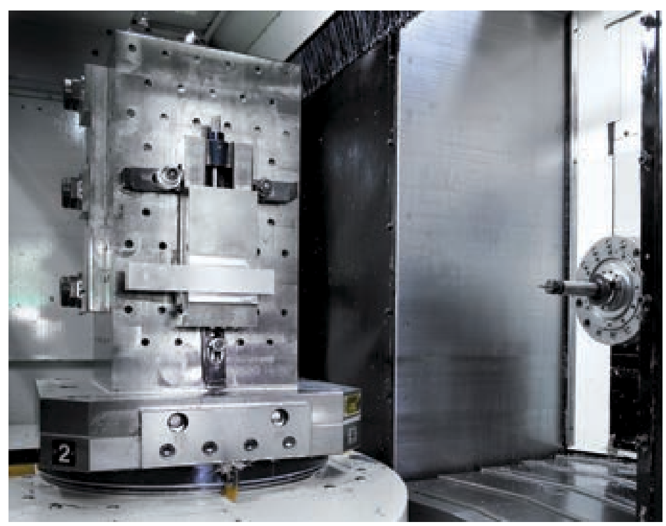
BUSINESS SEGMENTS

MARINE

Products used in shipbuilding - hulls, decks, superstructures and cabins of light crafts such as catamarans, pleasure crafts and patrol boats.

Precision Engineering

Precision parts for electronic equipment, precision instruments, medical instrumentation, semiconductor equipment, automated assembly lines, pharmaceutical machinery and robotics.



OIL AND GAS

Products used in offshore oil and gas industry as crew boats and rescue boats.

OTHERS

High strength items in aircraft industries, oil tankers, automotive parts, rail coaches, truck frames, bridges and towers.

Flexibility And Agility

In more than 35 years of business, we have weathered and thrived through numerous economic cycles. Our key to forging ahead is our ability to adapt to changes and challenges alike and unlock the best outcome for our stakeholders.

LETTER TO SHAREHOLDERS

Dear Shareholders,

As this is my first annual report with Soon Lian Holdings Limited as Chairman, I would like to begin with thanking Mr Tony Tan Yee Chin who has stepped down as Chairman and Chief Executive Officer. Soon Lian has come far under his guidance for the past 15 years and the Board wishes him the very best in his future endeavours. On that note, the Board would also like to congratulate Mr Tan Yee Leong, who has been appointed as Chief Executive Officer based on his past contributions to the Group as the Executive Director of the Company and 35 years of relevant industry experience.

The financial year ended 31 December 2019 ("FY2019") saw both the US-China trade war and oil price volatility continuing to affect our top line performance. However, we were able to record a modest improvement in our bottom line while steadily streamlining our operations and gearing ourselves for the future.

Our business activities are focused on supplying aluminium alloy products for the marine and precision engineering industries. For the marine industry, we cater to shipbuilders who use our products in various parts of light craft while for the precision engineering segment, our products are used in semiconductors. For the year under review, both segments saw a slowdown in demand largely due to the wide-reaching effects of the ongoing US-China trade war. The dispute between both countries has been ongoing since July 2018 with the United States of America ("US") imposing several rounds of tariffs on China-made goods that amounted to more than US$360 billion.[1] The People's Republic of China ("PRC") in turn has responded with tariffs on US$110 billion of US products.[2] The conflict between the world's two largest economies has left businesses around the world struggling with rising costs and falling demand.

The trade war also contributed to oil price volatility. During FY2019, oil prices suffered their largest drop in over four years in response to a statement about increasing tariffs.[3] In 2019, oil prices started off at about US$55 a barrel and peaked at near US$75 per barrel in late April. Prices then dipped to approximately US$56 per barrel in early August before settling at US$66 per barrel at the end of the year.[4]

Furthermore, the Southeast Asia region encountered events such as cross-border tensions that led to greater caution in spending and investment as businesses and investors buffered for unexpected changes in policy. These factors may have contributed to fewer orders from customers in both the marine and precision engineering segments.

When faced with these challenges, the Group was undeterred and remained focused on delivering quality products and solutions to our customers to strengthen our standing in the industry. Despite the tougher operating conditions, the Group posted a total revenue of S$31.1 million for FY2019, a S$2.6 million reduction as compared to FY2018 largely due to softer demand from the marine business segment. However, the Group was able to post a net profit of S$0.8 million for the year under review largely due to the successful bad debt recovery. This was a welcome contrast from the S$0.2 million net loss of FY2018.

Outlook

The coming financial year appears to be exceptionally challenging due to the US-China trade war appearing to have no clear resolution for the immediate future and thus demand is likely to remain muted.

Further compounding the challenging outlook is the COVID-19 outbreak which has disrupted economies of affected countries as travel and numerous activities have been restricted in an effort to contain the spread. COVID-19 has been declared a pandemic by the World Health Organisation ("WHO").

1 https://www.bbc.com/news/business-45899310
2 https://www.bbc.com/news/business-45899310
3 https://www.forbes.com/sites/rrapier/2019/08/25/how-the-trade-war-impacts-the-oil-industry/#3f1721915ed2
4 https://www.bloomberg.com/quote/CO1:COM

LETTER TO SHAREHOLDERS

Singapore has swiftly responded with measures to minimise the spread locally and from overseas and also launched a stimulus package to cushion the blow of the COVID-19 on local businesses and workers.[5] While the country does its best, its economic performance is not immune and has been forecasted to shrink by 0.6% for the first quarter of 2020.[6]

The global economy is also expected to be significantly affected by COVID-19. The International Monetary Fund ("IMF") said that the global output gains are likely to be reduced to their slowest pace since the 2008-2009 financial crisis.[7]

The virus has also impacted another key variable of our performance – oil prices. The worldwide spread of COVID-19 had accelerated sinking demand and sparked a series of price cuts for oil.[8] Despite starting at approximately US$66 per barrel in 2020, it has nearly halved to about US$34 per barrel in early March 2020.[9] Lower oil prices have traditionally translated to a pullback in demand for our products as the low prices and volatility may result in our customers scaling back orders.

At Soon Lian itself, the health and safety of our people come first and we have established the necessary precautions and infrastructure for both our local and international operations. We will also continue adhering to government directives to do our part in hopes of overcoming the outbreak and resuming our pursuit of building sustainable value for our stakeholders.

Conclusion

The current financial year is projected to have its share of uncertainties, but we remain upbeat of our long-term prospects and are ready to grow and evolve. We will carefully monitor the various developments, keeping sight of key factors such as oil price volatility, commodity prices and global and domestic changes and ready ourselves accordingly. We believe that our constant pursuit of operational excellence and the strengthening of our position in the industry will place us in good stead as the situation improves.

On the behalf of the board of directors, I would like to thank Mr Tan Siak Hee who stepped down as Independent Non-Executive Director.

The Board once again expresses its appreciation and gratitude to the management and staff, for their contribution, faith and support for the year under review. I would also like to thank the business partners and associates for continuing to build their relationship with Soon Lian and would like to reassure them that the Group will continue to be a trusted choice for their needs. Lastly, my thanks to the shareholders for their continued support. I look forward to continuing the journey of building Soon Lian with you all.

Tan Yee Ho

Executive Chairman

5 https://www.channelnewsasia.com/news/singapore/second-stimulus-package-in-the-works-as-global-economy-covid-19-12527974
6 https://www.channelnewsasia.com/news/business/covid19-economy-impact-spread-china-asia-poll-12470996
7 https://www.reuters.com/article/us-health-coronavirus-imf/imf-chief-says-coronavirus-wipes-out-hopes-for-stronger-growth-in-2020-idUSKBN20R2H6
8 https://www.businessinsider.sg/oil-price-crash-market-drop-global-price-war-futures-coronavirus-2020-3?_ga=2.113527687.1062961383.1584017145-1709650939.1584017144&r=US&IR=T
9 https://www.bloomberg.com/quote/CO1:COM

CORPORATE STRUCTURE

SOON LIAN HOLDINGS

100%
順聯金属（私人）有限公司
SL Metals Pte. Ltd.

100%
順聯企业私人有限公司
SL Corporation Pte. Ltd.

- **100%**
  苏州首鋁金属有限公司
  SL Metals (Suzhou) Co., Ltd
- **100%**
  首鋁金属（深圳）有限公司
  SL Metals (Shenzhen) Co., Ltd[1]

100%
順聯金属（马）私人有限公司
SL Metals (M) Sdn. Bhd.

100%
台灣首鋁金屬有限公司
SL Metals (Taiwan) Co., Ltd

Note:

[1] *In the process of a members' voluntary winding up*

GEOGRAPHICAL PRESENCE

Supplier Base

AUSTRIA
GREECE
INDONESIA
ITALY
JAPAN
MALAYSIA
PEOPLE'S REPUBLIC OF CHINA
ROMANIA
RUSSIA
SOUTH AFRICA
SWITZERLAND
TAIWAN
THE NETHERLANDS
UK
USA

Customer Base

AUSTRALIA
BANGLADESH
BRUNEI
HONG KONG
INDIA
INDONESIA
JAPAN
MALAYSIA
NEW ZEALAND
PHILIPPINES
PEOPLE'S REPUBLIC OF CHINA
SINGAPORE
SOUTH AFRICA
SOUTH KOREA
SRI LANKA
SWITZERLAND
TAIWAN
THAILAND
UAE
VIETNAM

GEOGRAPHICAL PRESENCE

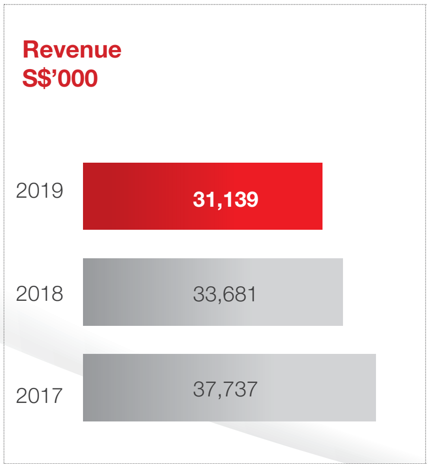
REFINING OUR CAPABILITIES & STRENGTHS

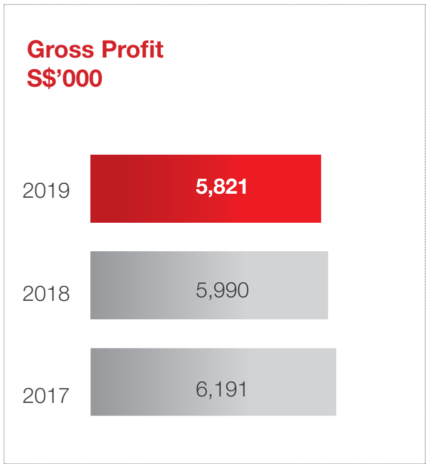
Ever in pursuit of higher levels of excellence in all aspects of our work, we seek improvement in the way things are done, applying ever greater levels of efficiency and productivity that translates into better returns.

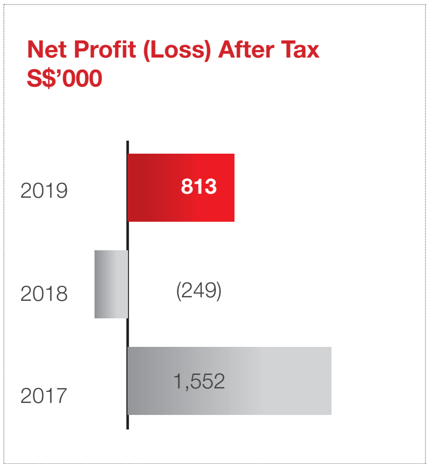
FINANCIAL HIGHLIGHTS

INCOME STATEMENT	FY2019 S$'000	FY2018 S$'000
Revenue	31,139	33,681
Gross profit	5,821	5,990
Profit (loss) before tax	888	(159)
Income tax expense	(75)	(90)
Profit (loss) after tax	813	(249)
Earnings (loss) per share (in cents)	0.75	(0.23)

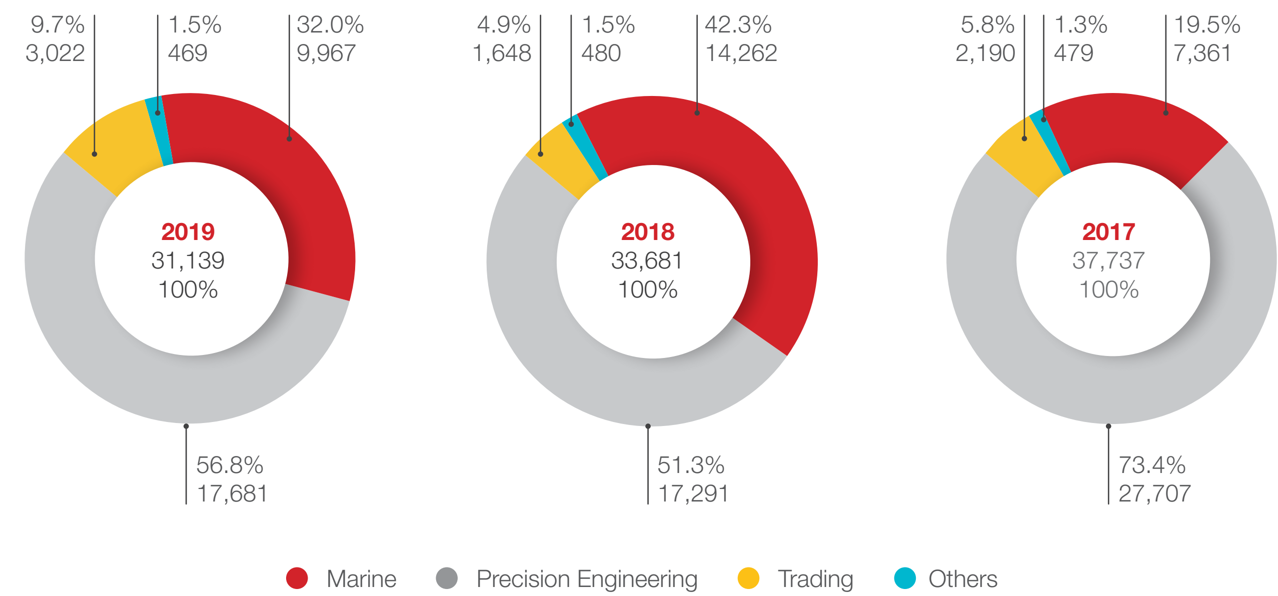
BALANCE SHEET	As at 31 December 2019 S$'000	As at 31 December 2018 S$'000
ASSETS		
Non-current assets	11,133	11,121
Current assets	38,031	44,167
Total assets	49,164	55,288
EQUITY AND LIABILITIES		
Total equity	29,548	28,807
Non-current liabilities	6,559	7,230
Current liabilities	13,057	19,251
Total liabilities	19,616	26,481
Total equity and liabilities	49,164	55,288
Net asset value per share (in cents)	27.4	26.7



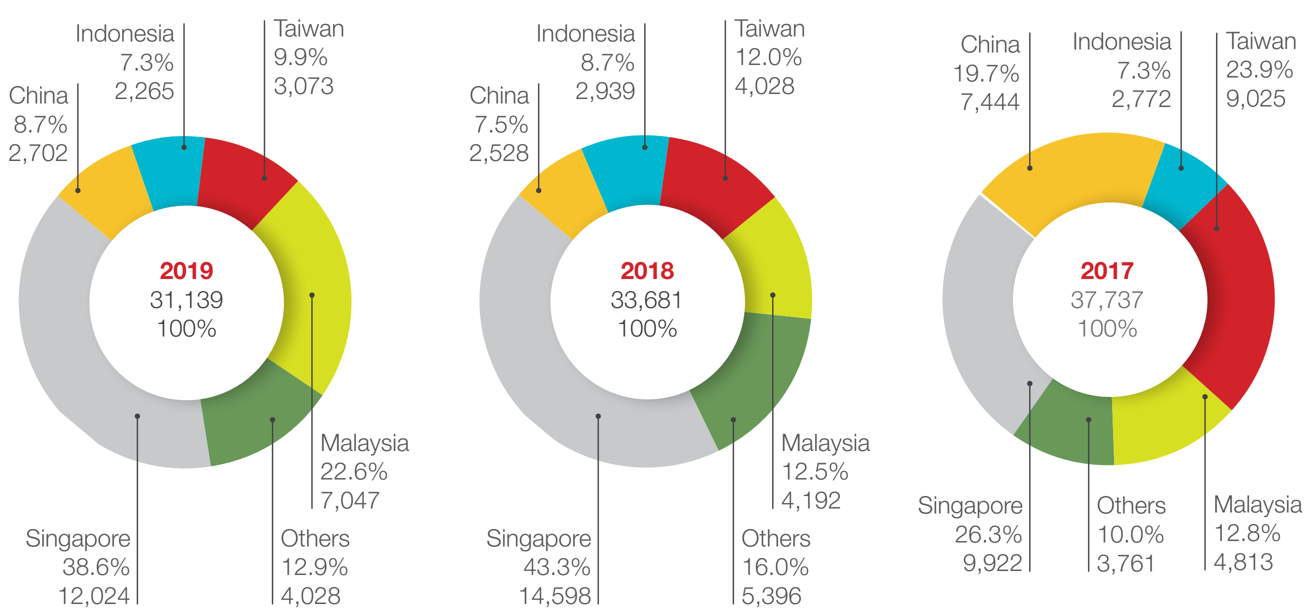




Revenue (By Operating Segment)
(S$'000) (%)



Revenue (By Country)
(S$'000) (%)



OPERATIONS AND FINANCIALS REVIEW

Business Overview

We are a specialist supplier of over 1,300 different aluminium alloy products in a wide spectrum of specifications and dimensions, focusing on the marine and precision engineering industries as well as the semiconductor industry. We also supply aluminium alloy products to other aluminium stockists and traders, as well as customers in other industries.

We provide customised products as part of our value-added services and we employ several processing systems such as unique CNC (Computer Numerical Control) plasma cutting system, CNC high precision bandsaw and custom-designed vertical saw which are able to cut aluminium alloy products into various forms and dimensional specifications, according to each individual customer's specific requirements. Such value-added services enable customers to focus on their core competencies in shipbuilding and/or precision engineering, and reduce or avoid additional investments in specialised machines and equipment.

Marine

Our aluminium alloy products have a wide range of properties required for marine applications. Sold mainly to shipbuilders, they are used in the hulls, decks, superstructures and cabins of light crafts such as catamarans, pleasure crafts, crew boats, rescue boats and patrol boats. The hulls of ships are typically built using aluminium alloy plates as they are resistant to seawater corrosion.

Meanwhile, the superstructures of ships are generally built with aluminium alloy extrusion products such as rods, bars, tubes and extruded profiles, due to their high tensile strength.

We expanded our material range to include aluminium alloy piping systems covering a wide array of elbows, flanges, reducers, and tees which are not commonly available. We also supply aluminium honeycomb products used in ship cabin interior fittings, such as partitions, cabinets and other cabin furniture. All our aluminium alloy products are accompanied by certificates issued by manufacturers. To ensure product quality of the aluminium alloy materials supplied to the marine sector, we engage independent third-party certification bodies such as ABS, BV, DNV and Lloyd's to conduct periodic inspections of our marine sector products and issue the requisite inspection certificates.

OPERATIONS AND FINANCIALS REVIEW

Precision Engineering

The aluminium alloy products we supply to the precision engineering industry are machined into components used in various equipment for the high technology semiconductor, precision engineering, electronic, pharmaceutical and medical industries, as well as for automated assembly lines and robotics.

Our wide range of quality aluminium alloy products are sourced from established manufacturers whose products have tight dimensional tolerance, do not distort during intricate machining operations, have good surface finishing and can be easily cut, drilled and machined by standard equipment.

Stockists and Others

Our diversified customer base also includes trading companies comprising other aluminium alloy stockists, construction companies and companies in the oil and gas industry.

Operational Highlights

For the financial year ended 31 December 2019 ("FY2019"), the Group's revenue dipped slightly to S$31.1 million from the S$33.7 million posted for 31 December 2018 ("FY2018"). This was mainly due to a decrease in sales to our customers in the marine industry, partially offset by an increase in sales to our customers in the precision engineering industry, and to stockists and traders.

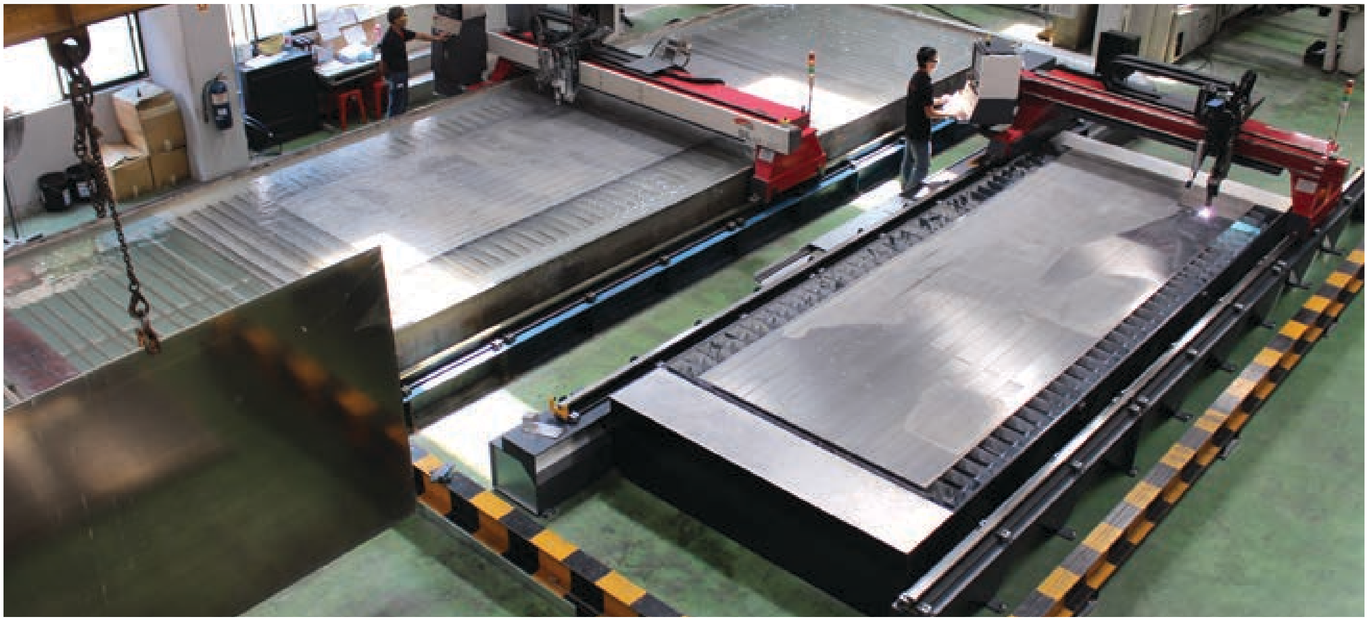
The marine segment contributed S$10.0 million to revenue for FY2019, a difference of S$4.3 million from the S$14.3 million for FY2018. The decrease was largely due to lower sales to local and overseas customers who are mainly from Hong Kong.

In contrast, the sales of the precision engineering segment posted an improvement, rising from S$17.3 million in FY2018 to S$17.7 million for the year under review. The increase was mainly due to higher sales to overseas customers, primarily from Malaysia.

Meanwhile the Group's stockists and traders segment also saw growth with sales increasing by S$1.4 million to enable the segment to contribute S$3 million to revenue as compared to S$1.6 million in FY2018. The improved performance was mainly due to an increase in demand from our overseas customers who are mainly from Dubai.

In terms of geographic contribution, revenue from Singapore decreased by S$2.6 million or 17.6%, from S$14.6 million in FY2018 to S$12.0 million in FY2019, mainly due to lesser orders secured from our marine customers. However, Singapore remained the highest contributor and accounted for 38.6% of Group revenue.

OPERATIONS AND FINANCIALS REVIEW



Other regions that saw lower contribution than the previous financial year include Taiwan, Indonesia and Other Countries. On the flipside, countries that recorded a higher contribution to revenue include Malaysia and China. Revenue from Malaysia increased by S$2.8 million or 68.1%, from S$4.2 million in FY2018 to S$7.0 million in FY2019, mainly due to more orders from our customers in the precision engineering industry.

Financial Review

For FY2019, the Group posted a gross profit of S$5.8 million which was a decrease of S$0.2 million or 2.8%, from S$6.0 million in FY2018 mainly due to the decrease in revenue. Gross profit margin improved from 17.8% in FY2018 to 18.7% in FY2019, mainly attributable to a marginal increase in the selling price of our products.

Other income and gains doubled, from S$0.4 million in FY2018 to S$0.9 million in FY2019 mainly due to an increase in reversal for impairment on trade receivable of S$0.5 million.

Distribution costs decreased by S$0.2 million or 36.7%, from S$0.5 million in FY2018 to S$0.3 million in FY2019 mainly due to the decrease in commission expenses as a result of the decrease in overseas sales made through agents and exhibition expenses.

Administrative expenses decreased by S$0.1 million or 2.8%, from S$4.7 million in FY2018 to S$4.6 million in FY2019 mainly due to the decrease in payroll expenses.

Finance costs remained relatively consistent at S$0.8 million for both FY2019 and FY2018.

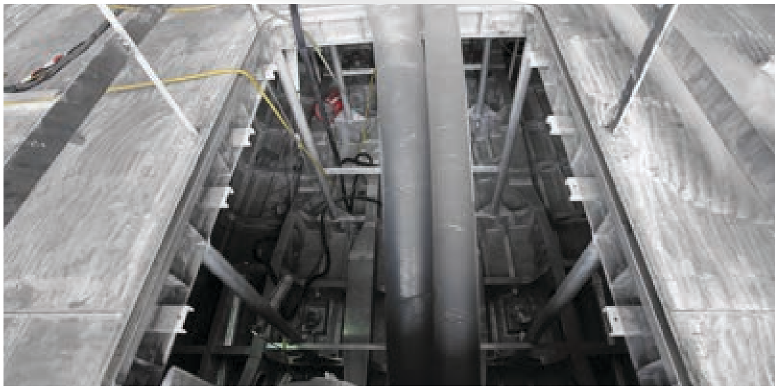
Other losses decreased by S$0.3 million or 73.6%, from S$0.4 million in FY2018 to S$0.1 million in FY2019, mainly due to the absence of foreign exchange losses of S$0.2 million and the decrease in allowance for impairment on trade receivables of S$0.1 million.

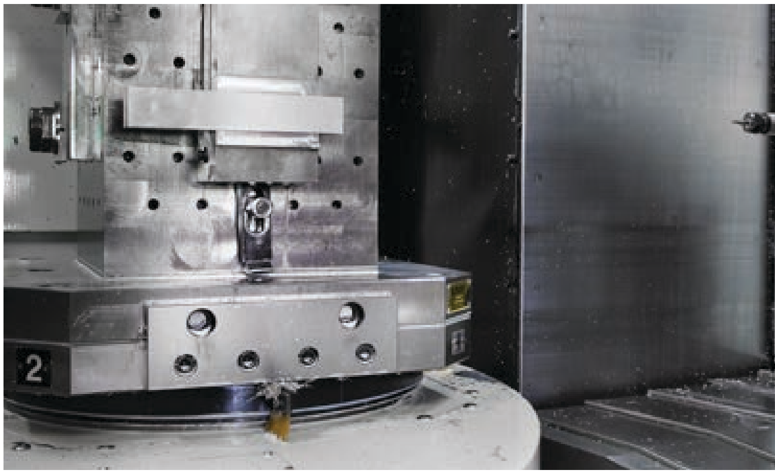
As a result of the above, the Group recorded a profit before tax of S$0.9 million in FY2019 as compared to a loss before tax of S$0.2 million in FY2018. For FY2019, the Group's earnings per share amounted to 0.75 cents (basic and diluted) as compared to the loss per share (basic and diluted) of 0.23 cents for FY2018.

Total equity increased by S$0.7 million, from S$28.8 million as at 31 December 2018 to S$29.5 million as at 31 December 2019 as a result of the net profit for the year.

The Group reported a positive working capital position of S$25.0 million as at 31 December 2019, as compared to S$24.9 million as at 31 December 2018.

In FY2019, the Group generated net cash from operating activities of S$6.0 million. Net cash from working capital of S$3.4 million was mainly due to a decrease in inventories of S$4.9 million and trade and other receivables of S$0.5 million, partially offset by a decrease in trade and other payables of S$2.0 million. Net cash used in investing activities amounted to S$0.9 million in FY2019, mainly due to the additions to the property, plant and equipment of S$1.0 million, partially offset by the proceeds from the disposal of plant and equipment of S$0.1 million. Net cash used in financing activities amounted to S$6.7 million, mainly due to the repayment of bills payables, bank loans and finance leases of S$11.3 million,interest paid of S$0.8 million and principal and interest element of lease payments of S$0.2 million, partially offset by an increase in new borrowings of S$5.6 million.





Market Outlook

For 2020, foreseeable challenges include the ongoing US-China trade war and the COVID-19 outbreak.

The International Monetary Fund ("IMF") in addition to labelling COVID-19 as a pandemic with widespread impact on global health and economy. The IMF said that supply will be disrupted and containment efforts would restrict mobility and incur higher costs of doing business due to restricted supply chains and a tightening of credit. It added that demand would also fall due to higher uncertainty, with precautionary behaviour, containment efforts, and rising financial costs contributing to a reduced spending. Lastly, the IMF said the effects would spill across borders and likely lead to global growth will be lower than that of 2019.[1]

As for Singapore, the Ministry of Trade and Industry ("MTI") also anticipates that COVID-19 to significantly impact the economy and has revised its GDP growth forecast for 2020 to -0.5 to 1.5 per cent. The MTI said that outward-oriented sectors such as manufacturing and wholesale trade will be affected by the weaker growth outlook in several of Singapore's key final demand markets, including China. Tourism and retail will likewise slowdown due to a significant reduction in activity.[2]

While these are unprecedented challenges, we are gearing our operations and people to best respond and swiftly return to more favourable business conditions.

[1] https://blogs.imf.org/2020/03/04/potential-impact-of-the-coronavirus-epidemic-what-we-know-and-what-we-can-do/

[2] https://www.mti.gov.sg/-/media/MTI/Resources/Economic-Survey-of-Singapore/2019/Economic-Survey-of-Singapore-2019/PR_AES2019.pdf

Partnerships and Networks

Our focus on building long-term relationships with our customers, suppliers and staff is centred on the idea of trust. This trust allows us to improve our standing and widen our reach thus making the Group more resilient.

TAN YEE HO

Executive Chairman

Tan Yee Ho was appointed as Executive Chairman of the Board since 8 April 2020 and is responsible for leading the Board and promoting corporate governance. He will ensure that the Board and the Chief Executive Officer of the Company plays a full and constructive part in the development and determination of the Group's strategies and policies, and that Board decisions taken are in the Group's best interests and fairly reflect Board's consensus. He will also ensure there is effective communication with shareholders and major stakeholders of the Company.

Tan Yee Ho has been the Executive Director of the Company since 18 December 2004, and has over 40 years of experience in the aluminium alloy products industry. He has been with our Group since we commenced our operations in 1984 and was primarily responsible for sales and procurement. He was instrumental in expanding our Group's businesses in the various overseas markets and as our overseas market expanded, he relinquished his responsibilities in procurement to Tan Yee Leong in 1995 to focus on sales and marketing; subsequently taking on the position of Sales Executive Director when the Group was listed in 2007.

TAN YEE LEONG

Chief Executive Officer and Executive Director

Tan Yee Leong, was appointed as the Chief Executive Officer of the Company since 8 April 2020. As CEO, he is responsible for the overall management, operations, charting and reviewing of corporate directions and strategies of our Group. Tan Yee Leong has been the Executive Director of the Company since 18 December 2004, and Procurement Director since 2007. He comes with over 35 years of experience in the aluminium alloy products industry and has been instrumental in managing operations of our Group. Tan Yee Leong started his career with our Group in 1984, focusing on sales to local and overseas customers, and moving on to the procurement function in 1995; subsequently taking on the position of Procurement Executive Director when the Group was listed in 2007. While he oversees the procurement of our Group, he also assists our Executive Director, Tan Yee Ho, in servicing the accounts of some local and overseas customers to keep abreast of the developments and trends in customers' demands.

LEE SEN CHOON

Lead Independent Director

Lee Sen Choon was appointed as the Lead Independent Director of our Company on 31 October 2007. He is the Chairman of the Audit Committee of our Company and a member of the Nominating Committee and the Remuneration Committee of our Company. He is currently a senior partner of Messrs UHY Lee Seng Chan & Co., a public accounting firm in Singapore. He has more than 30 years of experience in accounting, audit, taxation and corporate secretarial work. Lee Sen Choon serves as director in the Boards of Singapore Chinese High School and Hwa Chong International School. He is currently the chairman of the school advisory committee of Xingnan Primary School. In addition, he is an independent director of Best World International Limited and Hor Kew Corporation Limited, companies listed on the Mainboard of the Singapore Exchange. Lee Sen Choon is a fellow member of the Institute of Chartered Accountants in England and Wales and a practising member of the Institute of Singapore Chartered Accountants. Lee Sen Choon holds a Bachelor of Science (Honours) degree from the then Nanyang University and has a post-graduate diploma in Management Studies from the University of Salford, United Kingdom.

LIM CHEE SAN

Independent Director

Lim Chee San was appointed as an Independent Director of our Company on 1 July 2019. He is the Chairman of the Nominating Committee of our Company and is also a member of the Audit Committee of our Company and the Remuneration Committee of our Company. He has been an accountant, a banker and a lawyer at different times during the last 37 years. He has his own law firm, TanLim Partnership, now. Before he started his current law practice, he was the Head of Banking Operations in a large regional bank. He also has many years of experience as an auditor in large international accounting firms. Lim Chee San is an Independent Director of Blackgold Natural Resources Limited, a company listed on the Catalist board of the Singapore Exchange. He is a Barrister-at-Law, a Chartered Accountant, and a Chartered Information Technology Practitioner.

BOARD OF DIRECTORS AND KEY MANAGEMENT

YAP KIAN PENG
Independent Director

Yap Kian Peng was appointed as an Independent Director of our Company on 31 October 2007. He is the Chairman of the Remuneration Committee of our Company and a member of the Audit Committee and the Nominating Committee of our Company. Since 2005, he has been the executive director of Capital Equity Holdings Pte Ltd, a private equity investment company. Yap Kian Peng has business interests in food and beverage and property development. From 2004 to 2010, he was the executive director of CKG Chemicals Pte Ltd. He was employed by Maybank from 2001 to 2004, initially as a senior business development manager and subsequently promoted to be the team head of the trade finance business development group in Maybank. From 1998 to 2000, Yap Kian Peng was a director of You Yi Glass Contractor Pte Ltd, a company engaged in the business of trading in glass sheets. He joined Oversea-Chinese Banking Corporation Limited in 1992 and when he left in 1998, he was an assistant manager at the bank. Yap Kian Peng graduated from RMIT University, Australia, with a Bachelor Degree in Business (Business Administration). He is currently the executive deputy chairman and chief executive officer of Jackspeed Corporation Limited, a company listed on the Mainboard of the Singapore Exchange. He is also an independent director and the chairman of the audit committee of M Development Limited and Seroja Investment Limited, companies listed on the Mainboard of the Singapore Exchange.

NG KIM YING
Chief Financial Officer

Ng Kim Ying, our Chief Financial Officer, oversees our Group's financial reporting and is responsible for the overall financial management of our Group. She has over 30 years of experience in finance, accounting and audit and has direct working experience in accounts preparation under the Singapore Finance Reporting Standards. She had, on 8 April 2020, tendered her resignation as the CFO and Company Secretary of the Company. She is now servicing a two months' notice period and her last day of employment will be 7 June 2020 and will continue to ensure smooth functioning of the operations of the finance team of the Group, until the effective date of her resignation (i.e. 8 June 2020). Prior to joining us in 1999, she was the financial controller of Chuan Soon Huat Industrial Group Ltd, a company listed on the Singapore Exchange, from 1994 to 1998 where she oversaw the financial and accounting matters of the company. Between 1981 and 1994, she was an auditor at Lee Seng Chan & Company, a local accounting firm. Ng Kim Ying holds a Bachelor of Commerce (Accountancy) from the then Nanyang University. She is a fellow Chartered Accountants with the Institute of Singapore Chartered Accountants.

LIM HENG MIN
General Manager (Corporate)

Lim Heng Min, our General Manager, Sales & Marketing, was redesignated to General Manager (Corporate) in August 2017, and his scope of work and responsibilities remain unchanged. Mr Lim is responsible for overseeing and managing the local and overseas sales function, as well as business development activities in overseas markets. He has more than 25 years of experience in a wide diverse field covering facilities, project as well as construction management and has held senior management roles with Basis Bay, Johnson Controls @Rolls Royce Group Property, United Premas Ltd, PMB Pte Ltd and M+W Zander (S) Pte Ltd. He holds a Bachelor of Science in Facilities Management from Heriot Watt University and a Specialist Diploma in Business Administration from BCA Academy (the education and research arm of the Building and Construction Authority). He is also awarded the Project Management Professional certification from the Project Management Institute and the Certified Data Center Professional certification from EPI.

Improving and Advancing

We constantly pursue new measures to improve our delivery of quality products and solutions. Our refinement of working process and deliverables further strengthen our position as a leader in the industry.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Tan Yee Ho
Executive Chairman
Tan Yee Leong
Chief Executive Officer and Executive Director
Lee Sen Choon
Lead Independent Director
Lim Chee San
Independent Director
Yap Kian Peng
Independent Director

AUDIT COMMITTEE
Lee Sen Choon
Chairman
Lim Chee San
Yap Kian Peng

NOMINATING COMMITTEE
Lim Chee San
Chairman
Lee Sen Choon
Yap Kian Peng

REMUNERATION COMMITTEE
Yap Kian Peng
Chairman
Lee Sen Choon
Lim Chee San

REGISTERED OFFICE AND BUSINESS ADDRESS
6 Tuas Lane
Singapore 638615
Tel: +65 6261 8888
Fax: +65 6862 6888
Email: irelations@soonlian.com
Website: www.slmetalsgroup.com

COMPANY SECRETARY
Ng Kim Ying, FCA Singapore

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

AUDITORS
RSM Chio Lim LLP
(a member of RSM International)
8 Wilkie Road, #03-08
Wilkie Edge
Singapore 228095

AUDIT PARTNER-IN-CHARGE
Woo E-Sah
(Chartered Accountant Singapore,
a member of the Institute
of Singapore Chartered Accountants)
Effective from financial year
ended 31 December 2018

SPONSOR
ZICO Capital Pte. Ltd.
8 Robinson Road
#09-00
ASO Building
Singapore 048544

SUSTAINABILITY REPORT

CONTENTS

22	Board Statement
23	About this Report
24	Supply Chain Management
25	Governance and Sustainability Approach
26	Stakeholder Engagement
27	Material Topics
28	Economic Performance
29	Anti-Corruption
30	Waste Management
32	Employment
33	Training and Education
34	Occupational Health and Safety
35	Global Reporting Initiative (GRI) Content Index

BOARD STATEMENT

Dear Stakeholders,

We are pleased to present our third Sustainability Report which highlights our sustainability efforts and focus on economic, environmental, social and governance issues.

Through this sustainability reporting, it helps us measure, understand and communicate our economic, environmental, social and governance performance for the financial year ended 31 December 2019. Based on this achievement, we will continue to set goals and milestones for the Company and adapt to ever changing conditions in the market. By identifying and addressing the wide range of sustainability issues, challenges ahead will be managed more effectively and mitigation controls will be implemented to tackle upcoming risks that could hinder our profitability.

As the Company grows and expands, we will continue to deliver quality products and reliable services to all our customers.

Our commitment to quality is evident with the awarding of our ISO 9001 : 2008 Quality Management System certification in April 2002 and our most recently achieved upgrade to ISO 9001 : 2015. We continue to carefully balance the needs of our industry and adjust our strategies and operations accordingly, leveraging on our capabilities and networks to tailor our products and solutions in accordance to how best unlock value for stakeholders.

We would like to show our appreciation to all parties that have journeyed with us throughout all these years and contributed to our success in creating a sustainable growth environment. We will continue to improve the environmental, social and economic well-being of the community to build a better tomorrow. We continue to explore opportunities that could expand our business to achieve our goal of delivering value to our stakeholders and shareholders.

ABOUT THIS REPORT

Reporting Background

Soon Lian Holdings Limited (the "Group" or "Soon Lian") actively engages our employees, customers and suppliers to champion and address some of the environmental impacts together.

In preparation for this report, we have adopted the Global Reporting Initiative (GRI) Standards: Core option, as well as taking reference to the Singapore Exchange Securities Trading Limited ("SGX-ST") Guide to Sustainability Reporting for listed companies. The contents of this report are based on the principles of stakeholder inclusiveness, sustainability context, materiality and completeness.

We have chosen GRI as sustainability reporting framework as it is internationally recognised and is widely adopted, enabling us to achieve a comprehensive and comparable disclosure of environmental, social and government ("ESG") performance. The GRI content index and relevant references are provided from pages 35 to 36 of the Annual Report 2019.

This report covers the Group's key operations in Singapore, China, Malaysia and Taiwan for the financial year from 1 January 2019 to 31 December 2019 ("FY2019").

GRI Empowering Sustainable Decisions

We have not sought external alignment for this reporting period and will consider it when our reporting matures over time.

Accessibility of the Report & Feedback

A copy of this report is available for download from our website at www.slmetalsgroup.com and the website of SGX-ST at www.sgx.com.

We are committed to listening to our stakeholders and we look forward to your feedback. Please send your feedback to irelations@soonlian.com.

SUPPLY CHAIN MANAGEMENT

We source our inventories of aluminium alloy products from reputable suppliers in countries such as Austria, Greece, Italy, Japan, Malaysia, China, Singapore, South Africa, Taiwan and USA. Our major suppliers, such as Arconic, Aleris, AMAG, Elval, Hulamin, Vimetco, Slim and Kobelco, are amongst the largest manufacturers of aluminum alloy products in the world.

With our established inventory management policy and system, we monitor and manage our inventory levels efficiently. Our inventory management system allows us to keep track of our inventory movement from receiving of the products to delivering them to customers.

This is in line with our inventory management strategy of having readily available inventories at all times so as to maintain a high level of responsiveness in meeting our customers' needs.

Besides our targeted customers from the marine and precision engineering industries, we also sell to overseas stockists and traders who in turn sold our products to their end customers. With this approach, we are able to reach out to new customers, build our reputation and secure more and bigger orders from overseas customers from various industries.

With the availability of information, we will be able to evaluate the performance of our suppliers against our established policy, and eliminate those suppliers with bad performance. We are constantly seeking new and innovative ways to better manage our suppliers.

Continual Commitment to Enhance Corporate Governance

Soon Lian places great emphasis on accountability, transparency, ethical business conduct and good corporate governance to enhance and safeguard the interest of its stakeholders. Our employees must maintain the highest standards of integrity at all times in all business relationships and dealings. The Company has generally adhered to the principles and provisions set out in the Code of Corporate Governance issued in August 2018. Please refer to the Corporate Governance Report found in the Annual Report 2019 of the Company for more information. Soon Lian also recognises the importance of maintaining and promoting a healthy and safe work environment for its employees.

External initiatives

We believe in contributing to the community through positive and sustainable changes. We understand the importance of cross-industry external standards, charters and principles. We have information sharing platforms to share about our efforts and measure our corporate social responsibility (CSR) performance.

Membership of Associations

To further its sustainability efforts, Soon Lian has been actively engaging with local, national and international trade forums and advocacy organisations through active membership and participating as office bearers or in work groups wherever possible. Moving forward, the Company will continue to partner and form collaborations with industry bodies.

Please see table below for a list of organisations which Soon Lian is a member of.

S/N	Organisation
1	Singapore Metal and Machinery Association
2	Singapore Business Federation
3	Singapore Manufacturing Federation
4	Singapore Chinese Chamber of Commerce & Industry
5	Singapore National Employers Federation
6	Association of Singapore Marine Industries
7	Association of Small and Medium Enterprises

STAKEHOLDER ENGAGEMENT

As we embark on our sustainability journey, we are integrating sustainability into our business while keeping in mind our vision and corporate values. We regularly engage with our stakeholders to obtain feedbacks from them. Where possible and relevant to our business, we will incorporate their suggestions into our plans.

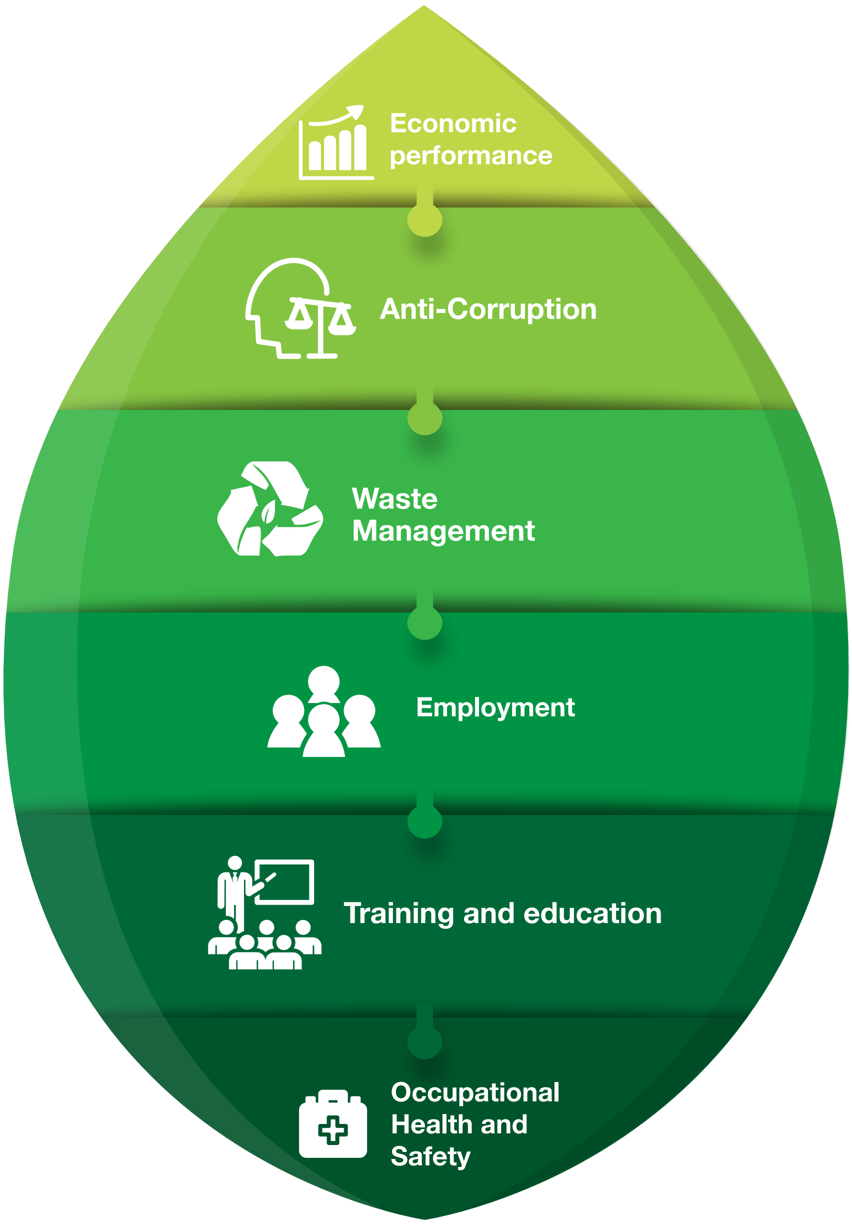
Our senior management is in-charge of the sustainability efforts, in ensuring that our business objectives are in line with our commitments to sustainable development. On-going communications with the Board of Directors of the Company have been carried out to update them about the progress of our sustainability efforts.

Stakeholder Group	Engagement Activities	Stakeholder's Expectations	Frequency
Customers	Offer a wide range of products and customised products as part of our value-added services.	Provide top-notch customer service, enhance our brand experience and build stronger customer relationships.	Daily
Suppliers	Maintain business dealings with suppliers that offer top notch standards in areas such as ethical conducts and workplace standards.	Compliance with terms and conditions of purchasing policies and procedures, and maintain high ethical standards.	Daily
Employees	Provide training and development courses for most employees to remain competitive.	Staff rights, welfare, personal development and good working environment.	Daily
Investors	Hold annual meetings and release half yearly results announcements to keep shareholders updated on the Group's economic performance.	Profitability, transparency, timely reporting and fair purchasing practices.	Annual or Half yearly (where applicable)
Business Partners	Continue to actively pursue business opportunities to expand and strengthen our capabilities and competencies.	Partnership for opportunities and growth.	As needed
Government and Regulators	Ensuring a pleasant relationship with regulators and disclosing pertinent information timely.	Environmental-friendly business approach, compliance with regulations, timely reporting and resolution of issues.	As needed

MATERIAL TOPICS

After gaining insightful feedback from our internal and external stakeholders through various channels of communication, we have identified the following 6 topics in this report that we believe are material to our Group and should be prioritised as our key focus of sustainability.

Material Topics:



We are constantly listening and understanding the needs and expectation of our key stakeholders and striving towards building mutual beneficial relationships. We will review our material topics annually considering our stakeholders' feedback and our own business goals. A more detailed discussion on the material topics, including management approach and topic boundary limitations, if any, is provided in the following respective sections of this report.

ECONOMIC PERFORMANCE

As more competitors are entering the market and facing stiff competition ahead, Soon Lian continues to strengthen their brand image and reach out to a wider scope of customers through exhibitions.

Soon Lian is constantly thinking of areas to grow its business and to achieve sustainable business growth. With shareholders' interest in mind, Soon Lian is continuously working towards bringing greater financial returns and maintaining positive economic impact on our stakeholders.

In order to stay ahead of the market, we have identified uncertainties that may prevent us from achieving our growth. We are taking cautious approach to handle these uncertainties. We also want to tap on every single opportunities that will be beneficial to our business so that we can establish first mover advantage to be the industry leader.

	FY2019 (S$'000)	FY2018 (S$'000)	Change (%)
Revenue	**31,139**	**33,681**	**(7.5%)**
Cost of Sales	(25,318)	(27,691)	(8.6%)
Gross Profit	**5,821**	**5,990**	**(2.8%)**
Other Income and Gains	894	361	>100%
Distribution Costs	(337)	(532)	(36.7%)
Administrative Expenses	(4,586)	(4,720)	(2.8%)
Finance Costs	(785)	(808)	(2.8%)
Other Losses	(119)	(450)	(73.6%)
Profit (Loss) before Tax from Continuing Operations	**888**	**(159)**	**NM**
Income Tax Expense	(75)	(90)	(16.7%)
Profit (Loss) Net of Tax	**813**	**(249)**	**NM**

NM - Not meaningful

Our Group recorded a net profit of S$0.8 million for FY2019, as compared to a net loss of S$0.2 million for the previous financial year ended 31 December 2018 ("FY2018"). This was mainly due to an increase in reversal for impairment on trade receivable.

In FY2019, we provided value-added services to our regular and new customers through our customised products that meet with their specific requirements. The upgrading of machineries and equipment has also enabled us to reach out to more customers. Through our services, customers can focus on their core competencies and reduce any unnecessary cost.

Moving forward in this current financial year ending 31 December 2020 ("FY2020"), we will remain flexible to address challenges and opportunities alike. We are upbeat on the long-term prospects of the marine and precision engineering industries and will be gearing to be resilient and ready to capitalise on opportunities to expand our capabilities and strengths.

ANTI-CORRUPTION

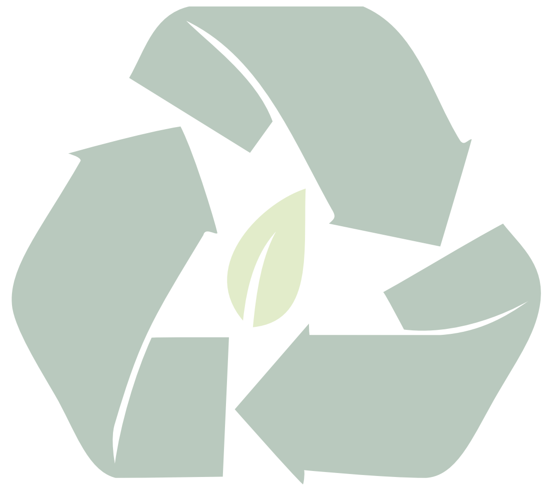
Good corporate governance is critical as it allows the Group to maintain ethical environment as well as keeping in mind the interest of both stakeholders and shareholders. With the adoption of the Code of Business Conduct, it acts as a standard for the Group to comply and ensure ethical conduct within the Group. All the stakeholders, which includes Directors, officers and employees of the Group, are required to maintain high standards of integrity at all times in compliance with the law, regulations and the Group's policies. In FY2019, there was no reported incident of corruption in the Group.

Furthermore, in order to strengthen and prevent corruption, the management of the Company has put in place a whistle-blowing policy duly endorsed by the Audit Committee of the Company and approved by the Board of Directors of the Company. The details of the whistle-blowing policy have been made available to all employees. Employees are able to raise any concerns or feedbacks about possible corporate improprieties in matters of financial reporting or other matters without fearing about their identity being revealed. In FY2019, there were no complaints, concerns or issues received.

Moving forward, the Group will continue to maintain the target of zero report on anti-corruption incident.

WASTE MANAGEMENT

With proper waste management practices, Soon Lian can contribute to conserve energy and play a role in protecting the environment. We feel a responsibility to build a better future for next generation and keeping it a better shape. We have been actively monitoring the way waste management is conducted within our Group. We also want our employees to cultivate best practices in waste management and continuously creating awareness about the importance of doing it right.



Wastage	FY2019	FY2018
Total Weight (kg)	177,200	125,919

We are contributing through:

- creating safer treatment and disposal alternatives;
- sharing the initiatives of waste management with our clients;
- increasing the rate of recycling and reuse; and
- investing in technologies to reduce waste.

In FY2020, we will continue to manage the waste produce by our business through upgrading our technologies, conducting trainings related to handling of waste to employees and emphasizing the importance of reduce, reuse and recycling in the Group.

READYING FOR CHANGING TOMORROWS

In a world of constant change, we embrace the need to be adaptable.

We transform our strategies, capabilities and mindset in line with the needs of our customers, business partners and stakeholders to maintain and grow a platform that delivers sustainable value.

EMPLOYMENT

Recruitment policy

Be they young, old, educated, uneducated, retrenched or inexperienced, we hire them all, train them up and now we are proud to have a large group of such long-serving loyal employees. It is Soon Lian's corporate social responsibility to practice re-employment of older employees in Singapore.

Equal opportunity employee

At Soon Lian, we believe in workplace equality. We value individuals and accept all differences. All employees receive the same treatment and benefits. Every individual is free to contribute to the best of his ability, without fear of discrimination or harassment.

Regardless of race, religion, gender, age or marital status, Soon Lian treasures all employees. All decisions for employment or advancement shall be made based purely on the individual's capability. Opportunities are also available to all employees to meet with the goals and objective set by Soon Lian.

Our established policy highlights the importance of equality in workplace where no one shall receive more favorable treatment or experience disadvantages by working condition or requirement which could not be shown to be justifiable.

Team member

The Group employs more than 80 people in Singapore, Malaysia, Taiwan, and China. The Company has a team of capable, talented and skillful members to manage day-to-day operations in an efficient and effective manner. We also recruit people from all around the world to build a diversify team to increase our productivity.

We strongly encourage team work and cooperative team player. With contribution from the team, the Company is able to achieve more and greater success. We also believe in open communication and feedbacks to improve the office environment and create a better workplace for all our employees.

Our staff turnover for FY2019 and FY2018 is as below:

Actual Headcount/ Year	FY2019	FY2018
Number of resignation/ termination	<20	<20
New Join	<20	<20
Actual Headcount	>50	> 50
Turnover rate (%)	<23	<25

In FY2020, we will continue to reduce the turnover rate of our employees. We are open to suggestions and feedbacks to improve work environment and create more values for our employees.

TRAINING AND EDUCATION

At Soon Lian, we believe in ensuring our employees are motivated, adequately trained and continuously kept relevant to updates related to their specific job positions. Our employees are engaged in constant learning and developing of knowledge, skills and abilities to perform their job efficiently and effectively.

Trainings are provided to all employees, including newly hired. At each level of the organisation, employees will be specifically trained to match with their current positions. It is to enhance the competencies of our employees and increase the productivity and quality improvement of the Group. With appropriate skills and knowledge, it improves retention rate and increase growth.

The Group conducted learning needs analysis to identify the key training areas and gaps to improve employee's performance. We also established learning roadmap and plans as a milestone for the Group to achieve as a whole.

In FY2019, the average hours of training undertaken by our employees were 10 hours (FY2018: 11 hours) for male employees and 8 hours (FY2018: 10 hours) for female employees. Besides training provided, our employees also received regular performance feedback and career development review. In FY2019, there were a total of 28 male employees (FY2018: 27) and 14 female employees (FY2018: 15) who received feedback to improve their performance at work.

Moving forward for FY2020, external and in-house trainings will be scaled down due to the COVID-19 situation.

OCCUPATIONAL HEALTH AND SAFETY

Soon Lian has strongly reinforced on health and safety across the whole Group, which is of the highest paramount. It is committed to uphold the standards of Occupational Health and Safety and build a culture that emphasise the importance of health and safety throughout the Group and stakeholders.

The Group is constantly promoting the needs and importance of a safe and conducive working environment. Working in a safe environment helps to protect the well-being of our employees, visitors and customers as well as reducing the number of accident injury. A policy for reporting workplace incident has also been put in place, which is in compliance with the Workplace Safety and Health Act and Work Injury Compensation Act.

In FY2019, there were a total of 4 injuries to our male employees. Moving forward, the Group aims to reduce the workplace accident rate. In addition, safety equipment are used to prevent any injury and first aid boxes are always available in accordance with Workplace Safety and Health Act.

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

RI Standard	Disclosure	Page Reference and Reasons for Omission, if applicable
	GENERAL DISCLOSURE	
GRI 102: General Disclosures 2016	**Organizational Profile**	
	102-1 Name of the organisation	Annual Report 2019 Page 2
	102-2 Activities, brands, products, and services	Annual Report 2019 Page 2
	102-3 Location of headquarters	Annual Report 2019 Page 20
	102-4 Location of operations	Annual Report 2019 Page 2
	102-5 Ownership and legal form	Annual Report 2019 Page 7
	102-6 Markets served	Annual Report 2019 Page 12
	102-7 Scale of the organisation	Annual Report 2019 Page 10
	102-8 Information on employees and other workers	Annual Report 2019 Page 32
	102-9 Supply chain	Annual Report 2019 Page 24
	102-10 Significant changes to the organisation and its supply chain	No changes
	102-11 Precautionary principle or approach	Not applicable
	102-12 External initiatives	Annual Report 2019 Page 25
	102-13 Membership of associations	Annual Report 2019 Page 25
	Strategy	
	102-14 Statement from senior decision maker	Annual Report 2019 Page 22
	Ethics and Integrity	
	102-16 Values, principles, standards, and norms of behaviour	Annual Report 2019 Page 1
	Governance	
	102-18 Governance structure	Annual Report 2019 Pages 37-63
	Stakeholder Engagement	
	102-40 List of stakeholder groups	Annual Report 2019 Page 26
	102-41 Collective bargaining agreements	Not applicable
	102-42 Identifying and selecting stakeholders	Annual Report 2019 Page 26
	102-43 Approach to stakeholder engagement	Annual Report 2019 Page 26
	102-44 Key topics and concerns raised	Annual Report 2019 Page 27
	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	Annual Report 2019 Page 7
	102-46 Defining report content and topic boundaries	Annual Report 2019 Page 23
	102-47 List of material topics	Annual Report 2019 Page 27
	102-48 Restatements of information	Not applicable
	102-49 Changes in reporting	Not applicable
	102-50 Reporting period	Annual Report 2019 Page 23

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

RI Standard	Disclosure	Page Reference and Reasons for Omission, if applicable
	102-51 Date of most recent report	Annual Report 2019
	102-52 Reporting cycle	Annually
	102-53 Contact point for questions regarding the report	Annual Report 2019 Page 23
	102-54 Claims of reporting in accordance with the GRI Standards	Annual Report 2019 Page 23
	102-55 GRI content index	Annual Report 2019 Pages 35-36
	102-56 External assurance	Annual Report 2019 Page 23
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Annual Report 2019 Pages 27-34
	103-2 The management approach and its components	Annual Report 2019 Pages 27-34
	103-3 Evaluation of the management approach	Annual Report 2019 Pages 27-34
GRI 201: Economic Performance 2016	201-1 Direct Economic value generated and distributed	Annual Report 2019 Page 28
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption	Annual Report 2019 Page 29
	205-3 Confirmed incidents of corruption and actions taken	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Annual Report 2019 Page 30
	301-2 Recycled input materials used	
	301-3 Reclaimed products and their packaging materials	
GRI 401: Employment 2016	401-1 New employee hired and employee turnover	Annual Report 2019 Page 32
	401-2 Benefits provided to full-time employees that are not provided to temporary or partt-time employees	
	401-3 Parental leave	
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Annual Report 2019 Page 33
	404-2 Programs for upgrading employee skills and transition assistance programs	
	404-3 Percentage of employees receiving regular performance and career development reviews	
GRI 403: Occupational Health and Safety 2016	403-1 Workers representation in formal joint management – worker health and safety committees	Annual Report 2019 Page 34
	403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism and number of work-related fatalities	
	403-3 Workers with high incidence or high risk of diseases related to their occupation	
	403-4 Health and safety topics covered in formal agreements with trade unions	

Soon Lian Holdings Limited (the "**Company**", and together with its subsidiaries, the "**Group**") is committed to ensuring a high standard of corporate governance which is essential to the long-term sustainability of the Group's business and performance.

This report describes the Company's corporate governance structures and practices that were in place throughout the financial year ended 31 December 2019 ("**FY2019**"), with specific reference made to the principles and provisions of the Code of Corporate Governance issued in August 2018 (the "**Code**").

The board of directors (the "**Board**" or "**Directors**") of the Company confirms that, for FY2019, the Company has generally adhered to the principles and provisions as set out in the Code. Where there are deviations from any provisions of the Code, the Company has stated herein the provision of the Code from which it has varied, and appropriate explanations are provided for the variation, and how the practices the Company had adopted are consistent with the intent of the relevant principle of the Code. The Company will continue to assess its needs and implement appropriate practices accordingly.

BOARD MATTERS

The Board's Conduct of 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

Provision 1.1

The Board's primary role is to protect and enhance long-term Shareholders' value. The principal functions of the Board include setting the Company's strategic plans, values and standards, reviewing the performance of the management of the Company (the "**Management**") and ensuring the implementation of appropriate control systems to manage the Group's business and financial risks.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving issues of conflict.

Provision 1.2

New appointments to the Board will receive a formal appointment letter setting out their duties and obligations. New appointments to the Board will also be briefed by the Management or any such appropriate persons on the Group's business operations and governance practices to ensure that new Directors have an insight into the workings of the Group. For first-time Directors, the Company will arrange for them to attend relevant training courses organized by the Singapore Institute of Directors as required under Rule 406(3)(a) of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Catalist Rules**"), as well as other courses relating to accounting, legal and industry specific knowledge, as appropriate, organized by other training institutions, in connection with their duties. Such training of Directors will be arranged and funded by the Company. On 1 July 2019, the Board appointed Mr Lim Chee San as a Director of the Company, and had provided him with the necessary induction program to familiarize him with the Group. Mr. Lim Chee San has experience as a director of companies listed on the SGX-ST and is not a first-time director.

During the financial year reported on, all Directors had received updates on (i) amendments to the Catalist Rules; (ii) amendments to the Code; and (iii) developments in financial reporting and governance standards, where relevant, by the continuing sponsor and external auditors of the Company, so as to enable them to make well-informed decisions and to properly discharge their duties as Directors. Directors are encouraged to constantly keep abreast of development in regulatory, legal and accounting frameworks and regulations that are of relevance to the Group through participation in seminars and workshops, which will be funded by the Company.

Further to the above, in FY2019, (i) Mr Tan Yee Chin attended the "Board and Director Fundamentals" course organized by the Singapore Institute of Directors in September 2019; and (ii) Mr Tan Yee Chin, Mr Tan Yee Ho and Mr Tan Yee Leong attended the "Listed Companies Directors Responsibilities and Corporate Governance" conducted by Singapore Chinese Chamber Institute of Business in November 2019, as part of their continuing professional development.

Provision 1.3

The matters requiring the Board's approval include, amongst others, major investments and divestments, material contracts, bank borrowings, major capital expenditure and major funding proposals.

Provision 1.4

To assist in the execution of its responsibilities, the Board has established three Board committees, namely the Nominating Committee ("**NC**"), the Remuneration Committee ("**RC**") and the Audit Committee ("**AC**") (collectively, the "**Board Committees**"). Each Board Committee is empowered to make decisions on matters within its own defined terms of reference and operating procedures, details of which are set out in this report. The terms and effectiveness of each Board Committee is also reviewed by the Board on a regular basis. Minutes of all Board Committees will be circulated to the Board so that the Directors are aware of and kept updated as to the proceedings and matters discussed during the Board Committees' meetings.

Provision 1.5

The Board meets on a regular basis to approve, amongst others, the Group's financial results announcements. Ad-hoc meetings are held at such times, as and when required, to address any specific significant matters which may arise. The Constitution of the Company (the "**Constitution**") provides for the Directors to convene meetings other than physical meetings, by teleconferencing.

Details of the Directors' attendances at the Board and Board Committee meetings held during FY2019 are set out below:

DIRECTORS	BOARD		AC		NC		RC	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Tan Yee Chin (1)	3	3	2	2*	1	1*	3	2*
Tan Yee Ho	3	3	2	2*	1	1*	3	2*
Tan Yee Leong	3	3	2	2*	1	1*	3	2*
Lee Sen Choon	3	3	2	2	1	1	3	3
Tan Siak Hee (2)	2	2	1	1	1	1	2	2
Yap Kian Peng	3	3	2	2	1	1	3	3
Lim Chee San (3)	1	1	1	1	–	–	1	1

* By invitation

Notes:

(1) Tan Yee Chin ceased to be the Chief Executive Officer of the Company, as well as the Chairman of the Board on 8 April 2020. He ceased to be Executive Director on 15 April 2020.
(2) Tan Siak Hee ceased to be an Independent Director of the Company on 30 June 2019.
(3) Lim Chee San was appointed as an Independent Director of the Company on 1 July 2019.

All Directors are required to declare their board representations. Notwithstanding that some of the Directors have multiple board representations, the NC is satisfied that each Director is able to devote adequate time and attention to the affairs of the Company, and has been adequately carrying out his duties as a Director of the Company. As of now, the Board has agreed not to set a numerical limit on the number of listed company board representations which any Director may hold as it does not wish to omit from consideration, outstanding individuals who, despite the demands on their time, have the capacity to participate and contribute as new members of the Board.

The NC has reviewed all the declarations from the Directors and is satisfied that the Directors are able to and have adequately carried out their duties as Directors of the Company, as well as sufficient time and attention are given to the affairs of the Company, after taking into consideration each of the Directors' number of listed company board representations and other principal commitments in FY2019. In view of this, the Board does not limit the maximum number of listed company board representation its Board members may hold as long as each of the Board members is able to commit his or her time and attention to the affairs of the Company and adequately carrying out his or her duties as a Director. The Board believes that each individual Director is best placed to determine and ensure that he or she is able to devote sufficient time and attention to discharge his or her duties and responsibilities as a Director of the Company, bearing in mind his or her other commitments. The Board and the NC will review the requirement to determine the maximum number of listed Board representations as and when they deem fit.

Provision 1.6

All Directors have unrestricted access to the Company's records and information. From time to time, they are furnished with complete, accurate and adequate information in a timely manner to enable them to be fully cognisant of the decisions and actions of Management.

Provision 1.7

Directors have separate and independent access to Management and the Company Secretary, who are responsible for ensuring that Board procedures are followed and that applicable rules and regulations are complied, at all times through email, telephone and face-to-face meetings.

The Directors may also liaise with Management as and when required to seek additional information. Any additional materials or information requested by the Directors to make informed decisions is promptly furnished.

The Company Secretary assists the Chairman and the Chairman of each Board Committee in the development of the agendas for the various Board and Board Committees meetings. The Company Secretary and/or their representatives attend all the Board and Board Committees meetings and prepares minutes of meetings. The appointment and removal of the Company Secretary is decided by the Board as a whole.

Should the Directors, whether as a group or individually, need independent professional advice in furtherance of their duties and responsibilities, the Company will appoint such professional adviser to render the appropriate professional advice. The cost of such professional advice 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.

Provision 2.1

The criterion for independence is based on the definition set out in the Code and Practice Guidance, and taking into consideration whether the Director falls under any circumstances pursuant to Rule 406(3)(d) of the Catalist Rules. The Board considers an "independent" Director as one who has no relationship with the Company, its related corporations, its substantial Shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgment with a view to the best interests of the Company.

Provisions 2.2 and 2.3

There were changes to the composition of the Board subsequent to FY2019, with the cessation of Mr Tan Yee Chin as Executive Director (with effect from 15 April 2020) and Chairman and CEO (with effect from 8 April 2020). Notwithstanding that the composition of the Board does not comply with both Provision 2.2 and Provision 2.3 of the Code in FY2019, the current composition of the Board complies with the aforementioned provisions of the Code, as the Board currently comprises a majority of three (3) Directors (out of five (5) member Board) who are Independent Non-Executive Directors.

Provision 2.4

As at the date of this report, the Board consists of the following five members, three of whom are Independent Directors:

Executive Directors

Tan Yee Ho	(Executive Chairman)
Tan Yee Leong	(Chief Executive Officer and Executive Director)

Non-Executive Directors

Lee Sen Choon	(Lead Independent Director)
Lim Chee San	(Independent Director)
Yap Kian Peng	(Independent Director)

With more than half of the Board made up of independent directors, the Board is capable of exercising independent and objective judgement on corporate affairs of the Group.

The Board is of the view that the current Board comprises persons who as a group, provide core competencies necessary to meet the Company's requirements and that the current board size is adequate and facilitates effective decision-making, taking into account the nature and scope of the Group's operations. The Independent Directors participate actively in Board and Board Committee meetings. Where necessary, the Independent Directors meet and discuss on the Group's affairs without the presence of the Management.

The Board's policy in identifying nominees for directorship is primarily to have an appropriate mix of expertise with complementary skills, core competencies and experience for facilitating effective decision making, regardless of gender. The current composition of the Board comprises Directors with diversity of skills, experience and knowledge to the Company. Collectively, the Board members possess a balanced field of core competencies such as accounting and finance, legal knowledge, business and management experience and the requisite industry knowledge to lead the Company.

The Board noted that gender diversity on the Board is one of the recommendations under the Code to provide an appropriate balance of diversity. Although there is currently no female Director appointed to the Board, the Board does not rule out the possibility of appointing a female Director if a suitable candidate is nominated for the Board's consideration.

The composition of the Board is reviewed annually by the NC to ensure that there is an appropriate mix of expertise and experience to enable the Management to benefit from a diverse perspective to issues that are brought before the Board.

Provision 2.5

The Independent Directors are encouraged to meet, without the presence of Management, so as to facilitate a more effective check on Management. During FY2019, the Independent Directors have met informally at least once without the presence of Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of Directors and key management personnel ("**KMPs**").

Chairman and Chief Executive Officer

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

Provision 3.1

In FY2019, Tan Yee Chin was the Chairman of the Board as well as the CEO of the Company. Tan Yee Chin resigned subsequent to FY2019, and ceased to be the Chairman and CEO with effect from 8 April 2020. As at the date of this report, the Chairman and the CEO of the Company are separate individuals, but are related to each other.

Provision 3.2

The Chairman of the Board is Mr Tan Yee Ho. As the Chairman, Tan Yee Ho is primarily responsible for the proper functioning of the Board and ensures that Board meetings are held when necessary and each member of the Board works well together with the Management, engaging the Management in constructive discussions over various matters, including strategic issues and business planning processes. The Chairman also takes a leading role in ensuring the Group's compliance with corporate governance guidelines.

The CEO of the Company is Tan Yee Leong. As CEO of the Company, Tan Yee Leong is responsible for leading the development and execution of the Group's short and long-term strategies and business plans and ensures that the Group is properly organised and staffed, assesses the principal risks of the Group and ensures that effective internal controls and risk management systems are in place.

Provision 3.3

The Board has a Lead Independent Director, Lee Sen Choon, to provide leadership in situations where the Non-Executive Chairman, who is not independent, is conflicted. The Lead Independent Director is a key member of the Board, representing the views of the Independent Directors and facilitating a two-way flow of information between Shareholders, the Chairman and the Board.

The Lead Independent Director's role may include chairing Board meetings in the absence of the Chairman, working with the Chairman in leading the Board, and providing a channel to Non-Executive Directors for confidential discussions on any concerns and to resolve conflicts of interest as and when necessary.

In addition, the Lead Independent Director may also help the NC conduct annual performance evaluation and development of succession plans for the Chairman and CEO and help the RC design and assess the Chairman's remuneration.

The Lead Independent Director makes himself available at all times when Shareholders have concerns and for which contact through the normal channels of the Chairman, the CEO or Management have failed to resolve or is inappropriate. The Lead Independent Director also makes himself available to Shareholders at the Company's general meetings.

There were no query or request on any matters which requires the Lead Independent Director's attention received in FY2019.

Board Membership and Performance

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.

Provision 4.1

The NC is established for the purpose of ensuring that there is an objective and transparent process for all Board appointments. The NC has adopted written terms of reference that defines its membership, roles and functions, administration and duties.

The scope and responsibilities of the NC include:

(1) Reviewing board succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;

(2) Evaluating the performance of the Board, its Board Committees and individual Director and proposing objective performance criteria for Board's approval;

(3) Determining annually whether or not a Director is independent;

(4) Reviewing and recommending the nomination or re-nomination of the Directors having regard to their contribution and performance and

(5) Reviewing and approving any new employment of related persons and the proposed terms of their employment;

(6) Reviewing training and professional development programs for the Board and the Directors.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or re-nomination as a Director.

Provision 4.2

The NC comprises the following three members (including the Lead Independent Director, Lee Sen Choon), all of whom are Independent Directors:

Lim Chee San	(Chairman)
Lee Sen Choon	
Yap Kian Peng	

Provision 4.3

The NC recommends all appointments and retirements of Directors. In the selection process for the appointment of new Directors, the NC identifies the candidates and reviews the nominations for the appointments taking into account the candidate's track record, age, experience, capabilities and other relevant factors. The NC, having assessed each candidate based on the essential and desirable competencies for a particular appointment, will nominate the most suitable candidate for appointment to the Board.

The Constitution requires one-third of the Directors (including the CEO) for the time being, or, if their number is not three or a multiple of three, then the number nearest to one-third, to retire from office at the annual general meeting of the Company ("**AGM**") in each year. In accordance with Rule 720(4) of the Catalist Rules, all Directors need to submit themselves for re-nomination and re-appointment at least once every three (3) years. Directors who retire are eligible to offer themselves for re-election. The Director shall abstain from voting on any resolution in respect of his re-nomination as a Director.

At the forthcoming AGM, Yap Kian Peng and Tan Yee Ho will be retiring by rotation pursuant to Regulation 104 of the Constitution and Lim Chee San will be retiring pursuant to Regulation 114 of the Constitution. Yap Kian Peng who has served the Board for more than 9 years and Lim Chee San who was appointed as an Independent Director of the Company on 1 July 2019 will not be seeking re-election at the forthcoming AGM. Tan Yee Ho being eligible for re-election, has offered himself for re-election. The NC has recommended to the Board that Tan Yee Ho be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC has considered, amongst others, Tan Yee Ho's competencies, commitment, overall contribution and performance to the Board (such as attendance, participation, preparedness and candour). Please refer to the section entitled "Additional Information on Director Nominated for Re-election – Appendix 7F to the Catalist Rules" of this report for more information on Tan Yee Ho. The Company is in the process of identifying suitable candidates to be appointed as Independent Non-Executive Directors, and endeavours to complete the appointments immediately or within one (1) month after the retirements of both Mr Yap Kian Peng and Mr Lim Chee San.

Provision 4.4

The NC reviews annually the independence of each Director. Each Independent Director is required to complete a Director's Independence Declaration annually to confirm his independence based on the guidelines as set out in the Code. For FY2019, the NC has reviewed and determined that the three Non-Executive Directors (namely Lee Sen Choon, Yap Kian Peng and Lim Chee San) are independent.

Each of Lee Sen Choon and Yap Kian Peng holds 50,000 ordinary shares in the capital of the Company. Save for the above, Lee Sen Choon, Yap Kian Peng and Lim Chee San have confirmed that they do not have any relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment with a view to the best interests of the Company.

Two Independent Directors, namely Lee Sen Choon and Yap Kian Peng, have served on the Board beyond nine years from the respective dates of their first appointment and the Code recommends that the independence of any director who has served beyond nine years be subject to rigorous review.

Taking into account the views of the NC, the Board concurs with the NC that a Non-Executive Director's independence cannot be determined arbitrarily on the basis of a set period of time. In assessing the independence of a Non-Executive Director, the NC and the Board consider it more appropriate to have regard to the substance of the Non-Executive Director's professionalism, integrity, objectivity, and ability to exercise independence of judgment in his deliberation in the interest of the Company, and not merely based on form. The Board considers that continued tenure brings considerable stability to the Board and the Board has benefited greatly from the presence of the abovementioned Independent Directors who have, over the years, developed significant and valuable insights in the Group's business, operations and markets, and can continue to provide significant and valuable contribution objectively to the Board as a whole.

Rigorous review is conducted by the Board to assess the continuing independence of Non-Executive Directors having served for over nine years, with attention to ensuring that they remain independent in character and judgement, and continue to present an objective and constructive challenge to the assumptions and viewpoints presented by the Management and the Board. The Board's rigorous review includes, inter alia, critical examination of any conflicts of interest, as well as other factors such as their review and scrutiny of matters and proposals put before the Board, and the effectiveness of their oversight role as check and balance on the acts of the Board and the Management and their role in enhancing and safeguarding the interest of the Company and that of its Shareholders.

The Board has determined that each of Lee Sen Choon, and Yap Kian Peng has continued to demonstrate strong independence in character and judgement in the manner in which he has discharged his duties and responsibilities as a Director of the Company. Each of them has continued to express his individual viewpoints, debated issues and objectively scrutinised and challenged the Management. Each of them has sought clarification and amplification as he considered necessary, including through direct access to the Management and the Group's external advisors (if any).

Taking into account the above factors, the Board is of the view that Lee Sen Choon and Yap Kian Peng continue to be considered Independent Directors, notwithstanding they have served on the Board for more than nine years from the respective dates of their first appointment.

Nonetheless, in view of the amendments to the Catalist Rules, which will come into effect from 1 January 2022, re-appointment of directors who have served the Board beyond nine years from the date of their first appointment shall be subjected to a two-tier shareholdings voting. In view of the above, the Company has its Board renewal process underway. Mr Yap Kian Peng, who is due for retirement at the forthcoming AGM, will not seek for re-election. A new non-executive independent director will be appointed by the Board after the AGM.

To maintain their independence, each of Lee Sen Choon, Lim Chee San and Yap Kian Peng abstained from the NC's and Board's deliberations in respect of the assessment and rigorous review of his independence as a Director.

The Company does not have any alternate Director as the Board does not encourage the appointment of alternate Directors unless it is an exceptional case.

Provision 4.5

As at the date of this report, the members of the Board and key information of the Directors is as follows:

Name of Director and Board Membership	**Academic / Professional qualifications**	**Date of first appointment as Director**	**Date of last re-appointment as Director**	**Present directorships or chairmanships in other listed companies and other principal commitments**
Tan Yee Ho Executive *Chairman / Non-independent*	GCE "O" levels	18.12.2004	20.04.2018 (to be re-appointed at the forthcoming AGM)	Other Principal Commitments 1. Soon Tien Holdings Pte Ltd 2. Soon Tien Investments Pte Ltd 3. Concentrate Holdings Pte Ltd 4. Concentrate Engineering Pte Ltd 5. Concentrate Engineering (M) Sdn Bhd
Tan Yee Leong *Executive / Non-independent*	GCE "O" levels	18.12.2004	20.04.2018	Other Principal Commitments 1. Soon Tien Holdings Pte Ltd 2. Soon Tien Investments Pte Ltd 3. Concentrate Holdings Pte Ltd 4. Concentrate Engineering Pte Ltd 5. Concentrate Engineering (M) Sdn Bhd 6. Soon Tien Keing (Tua Kons) Ltd

Name of Director and Board Membership	Academic / Professional qualifications	Date of first appointment as Director	Date of last re-appointment as Director	Present directorships or chairmanships in other listed companies and other principal commitments
Lee Sen Choon *Non-Executive / Lead Independent Director*	1. Bachelor of Science (Honours) (Nanyang University) 2. Post-graduate Diploma in Management (University of Salford) 3. Fellow Member, Institute of Chartered Accountants in England and Wales 4. Practising Member, Institute of Singapore Chartered Accountants	31.10.2007	30.04.2019	<u>Other Principal Commitments</u> 1. UHY Lee Seng Chan & Co. 2. UHY Lee Tax Services Pte Ltd 3. Leta Enterprise Sdn bhd 4. LSC & Brothers Pte Ltd 5. LSC Capital Pte Ltd 6. LSC Management Consultants Pte Ltd 7. Ming Hwa Industry Sdn Bhd 8. Shanghai Welfare Group Co Ltd 9. Spiral Holdings Sdn Bhd 10. Transco Sdn Bhd 11. UHY Lee Advisory Pte Ltd <u>Present Directorships</u> 1. Best World International Limited (Independent Non-Executive Director, Chairman of Audit Committee) 2. Hor Kew Corporation Limited (Independent Non-Executive Director)
Lim Chee San *Non-Executive / independent*	1. Member of the Chartered Association of Certified Accountants 2. Member of the Chartered Accountants of Singapore 3. Member of the British Computer Society 4. Chartered Information Technology Professional 5. Bachelor of Law (Honours) from University of London 6. Barrister at Law (Lincoln's Inn) England	01.07.2019	Nil (to retire at forthcoming AGM)	<u>Other Principal Commitments</u> 1. Panaudit Business Services Pte Ltd 2. Pan Services Pte Ltd 3. Rees Property Consultants Pte Ltd 4. TanLim Partnership <u>Present Directorship</u> Blackgold Natural Resources Limited (Independent Non-Executive Director, Chairman of Audit Committee)

Name of Director and Board Membership	Academic / Professional qualifications	Date of first appointment as Director	Date of last re-appointment as Director	Present directorships or chairmanships in other listed companies and other principal commitments
Yap Kian Peng *Non-Executive / independent*	Bachelor Degree in Business (Business Administration) (RMIT University)	31.10.2007	20.04.2017 (to retire at forthcoming AGM)	Other Principal Commitments 1. Jackspeed Corporation Limited (Executive Deputy Chairman and Chief Executive Officer) 2. Capital Equity Holdings Pte Ltd (Executive Director) Present Directorships 1. M Development Limited (Independent Non-Executive Director, Chairman of Audit Committee) 2. Seroja Investments Limited (Independent Non-Executive Director, Chairman of Audit Committee and Remuneration Committee)

For other information on the Directors, please refer to the sections entitled "Board of Directors" and "Statement by Directors" of the Company's Annual Report 2019.

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

Provisions 5.1 and 5.2

The NC has adopted a process for assessing the performance and effectiveness of the Board as a whole instead of individual assessment of each Director and the Board Committees. The performance appraisal includes qualitative and quantitative factors such as Board structure, conduct of meetings, corporate strategy and planning, risk management and internal control, and so on. The NC and the Board will review such criteria from time to time, where appropriate.

For FY2019, each of the Directors had been requested to complete a board evaluation questionnaire. The questionnaire is designed to seek each Director's views on various aspects of the Board's performance and effectiveness. The responses are reviewed by the NC and discussed with the Board members for determining areas of improvement to assist the Board in discharging its duties more effectively. The NC, having reviewed the overall performance and effectiveness of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year reported on, is of the view that the performance and effectiveness of the Board as a whole has been satisfactory. The NC has not engaged any external facilitator in conducting the assessment of the Board's performance. Where relevant, the NC will consider such engagement.

The Board, together with the NC, has decided that, due to the relatively small size of the Board and given the background, experience and expertise of each Director, it would not be necessary to evaluate the individual performance of each Director and the Board Committees. The NC will, at the relevant time, look into adopting guidelines for annual assessment of the contribution of each individual Director to the effectiveness of the Board and also the assessment of the Board Committees. Accordingly, the Board is of the view that the Company complies with Principle 5 of the Code.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedures 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.

Provision 6.1

The RC is established for the purpose of ensuring that there is a formal and transparent procedure for fixing the remuneration packages of individual Directors. The overriding principle is that each member of the RC shall abstain from voting on any resolutions and making any recommendations and/or participating in any deliberations of the RC in respect of his remuneration package. The RC has adopted written terms of reference that defines its membership, roles and functions, administration and duties.

The principal functions of the RC are as follows:

1) to review and recommend to the Board on the framework of remuneration and the specific remuneration packages for Executive Directors, Chief Executive Officer and KMPs;

2) to review the remuneration packages of employees who are related to any Director and/or substantial Shareholder of the Company and its subsidiaries;

3) to review and recommend to the Board the terms of renewal for those Executive Directors whose current employment contracts will expire or had expired; and

4) to review and approve annually the remuneration of the Directors, Executive Officers and employees related to any Director and/or substantial Shareholder of the Company.

Provision 6.2

The RC comprises the following three members, all of whom are Independent Directors:

Yap Kian Peng (Chairman)
Lee Sen Choon
Lim Chee San

Provision 6.3

The RC will review and recommend to the Board at least annually all aspects of remuneration, including Directors' fees, salaries, allowances, bonuses and benefits-in-kind to ensure that the remuneration packages are appropriate to attract, retain and motivate employees capable of meeting the Company's objectives and that the remuneration commensurate to the employees' duties and responsibilities. The RC's recommendations are submitted for endorsement by the entire Board.

Provision 6.4

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. During FY2019, the RC did not seek any external professional advice on remuneration.

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.

Provisions 7.1 and 7.3

The Company has entered into service agreements with the Executive Directors, namely Tan Yee Ho, Tan Yee Leong and Tan Yee Chin (who has resigned subsequent to FY2019 and ceased as the Executive Director on 15 April 2020). The remuneration of the Executive Directors is based on their respective service agreements and the Executive Directors do not receive any Directors' fees. The RC will also review the Company's obligations under the service agreements entered into with the Executive Directors and KMPs (if any) that would arise in the event of termination of these service agreements. This is to ensure that such service agreements contain fair and reasonable termination clauses which are not overly generous. The RC aims to be fair and avoid rewarding poor performance.

Provision 7.2

The Independent Directors will be paid yearly Directors' fees of an agreed amount for their board services and appointment to Board Committees, taking into account factors such as effort, time spent and responsibilities. Such Directors' fees are subject to Shareholders' approval at the AGM. The Independent Directors have not been over-compensated to the extent that their independence is compromised.

Having reviewed and considered the terms set out in the remuneration packages of the Executive Directors and the key management personnel, which are moderate, the RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and the key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company and the Group.

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.

Provision 8.1

The compensation packages for employees including the Executive Directors and the KMPs comprised a fixed component (base salary), a variable component (cash-based annual bonus) and benefits-in-kind, where applicable, taking into account amongst other factors, the individual's performance, the performance of the Group and industry practices.

An annual review of the compensation is carried out by the RC to ensure that the remuneration of the Executive Directors and KMPs commensurate with their performance and that of the Company, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Executive Directors and CEO of the Company (together with other KMPs) is reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also takes into account the risk policies of the Group, as well as the need for the compensation to be symmetric with the risk outcomes.

The remuneration of the Directors for FY2019 are set out below:

	Directors' Fees	Salary	Bonus	Allowances and Benefits in kind	Total
	%	%	%	%	%
Between S$250,000 and S$500,000					
Tan Yee Chin (1)	–	75	13	12	100
Tan Yee Ho	–	69	12	19	100
Tan Yee Leong	–	63	11	26	100
Below S$250,000					
Lee Sen Choon	100	–	–	–	100
Tan Siak Hee (2)	100	–	–	–	100
Yap Kian Peng	100	–	–	–	100
Lim Chee San (3)	100	–	–	–	100

Notes:

(1) Tan Yee Chin ceased to be the Chief Executive Officer of the Company, as well as the Chairman of the Board subsequent to FY2019, on 8 April 2020. He ceased to be Executive Director on 15 April 2020.
(2) Tan Siak Hee resigned as an Independent Director on 30 June 2019 and his fees is prorated to his date of resignation.
(3) Lim Chee San was appointed as an Independent Director on 1 July 2019 and his fees is prorated to his date of appointment.

The Code recommends that the Company should fully disclose the amount and breakdown of remuneration of each individual Director and the CEO on a named basis. However, the Company has disclosed Directors' remuneration for FY2019 in bands of S$250,000. The actual remuneration of each individual Director is not disclosed due to the confidentiality and sensitivity of remuneration matters as the Board believes that the disclosure may be prejudicial to the Group's businesses given the competitive business environment which the Group operates in and the disadvantages that it may bring. After taking into account the reasons for non-disclosure stated above, the Board is of the view that the current disclosure of the remuneration presented herein in this report is sufficient to provide Shareholders information on the Group's remuneration policies, as well as level and mix of remuneration. Accordingly, the Board is of the view that the Company complies with Principle 8 of the Code.

The remuneration of the KMPs (who are not Directors or the CEO) for FY2019 are set out below:

	Salary	Bonus	Allowances and Benefits in kind	Total
	%	%	%	%
Between S$250,000 and S$500,000				
Ng Kim Ying	75	12	13	100
Below S$250,000				
Lim Heng Min	71	12	17	100

Note: The Company has two KMPs (who are not Directors or the CEO) in FY2019.

For FY2019, the aggregate total remuneration of all KMPs (who are not Directors or the CEO) is S$480,000.

There are no termination, retirement and post-employment benefits that may be granted to the Directors, the CEO and the KMPs (who are not Directors or the CEO) of the Group.

Provision 8.2

Save for Tan Yee Ho, Tan Yee Leong and Tan Yee Chin who are substantial shareholders of the Company, the Group does not have any employees who are substantial shareholders of the Company, or are immediate family members of the Directors, the CEO or a substantial shareholder of the Company and whose remuneration exceeds S$100,000 during FY2019.

The Board is of the opinion that the information as disclosed above would be sufficient for Shareholders to have an adequate appreciation of the Company's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

Provision 8.3

The Group currently does not have any employee share schemes in place. However, the RC and the Board will constantly evaluate and assess any possible and appropriate long-term incentive plans, with the aim of enhancing the link between rewards and corporate and individual performance.

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls to safeguard the interests of the company and its shareholders.

The Company had engaged Nexia TS Risk Advisory Pte Ltd ("**Nexia**") to develop the Enterprise Risk Management framework for the Group. In consultation with Nexia, the Group has developed and implemented the appropriate risk management procedures to address the key risks identified. All significant matters (if any) would be highlighted to the AC and the Board. The Group believes that risk management forms an integral part of business management. Hence, the Group will continue to review and improve its business and activities to identify areas of significant business risk as well as take appropriate measures to control and mitigate these risks.

Provision 9.1

As the Group does not have a risk management committee, the Board, the AC and the Management assume the responsibility of the risk management function. The Management reviews regularly the Group's business and operational activities to identify areas of significant risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant policies and procedures and highlights all significant matters to the Board and the AC.

With the assistance of the internal auditors and through the AC, at least annually, the Board reviews the adequacy and effectiveness of the Group's risk management system and internal controls, provides its perspective on management control and ensures that the necessary corrective actions are taken on a timely basis. There are procedures in place for both the internal and external auditors to report independent conclusions and recommendations to the Management and the AC.

Provision 9.2

Based on the internal control policies and procedures established and maintained by the Group, work performed by the external and internal auditors as well as reviews performed by the Management, the Board, with the concurrence of the AC, is of the view that the internal controls (including financial, operational, compliance and information technology controls) and risk management systems of the Group are adequate and effective as at 31 December 2019. This is in turn, supported by assurance from:

(a) the CEO and the Chief Financial Officer 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; and

(b) the CEO and other KMPs that they have evaluated the adequacy and effectiveness of the Group's risk management and internal control systems and have discussed with the Company's external and internal auditors of their reporting points and note that there have been no significant deficiencies in the design or operation of internal controls which could adversely affect the Group's ability to record, process, summarise or report financial data.

The Board acknowledges that while it should endeavour to ensure that the Management maintains a sound system of internal controls to safeguard Shareholders' investment and the Group's assets, there is no absolute assurance that such a system will be fool-proof. The review of the Group's internal control systems should be a concerted and continued process, designed to manage rather than eliminate risk of failure to achieve business objectives.

AUDIT COMMITTEE

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

Provision 10.1

The role of the AC is to assist the Board with discharging its responsibility to safeguard the Group's assets, oversee the maintenance of adequate accounting records and the development and maintenance of effective systems of internal controls. The AC has adopted written terms of reference that defines its membership, roles and functions, administration and duties.

The principal functions of the AC are as follows:

1) to review with the external auditors, their audit plan, their evaluation of the system of internal accounting controls, their letter to the Management and the Management's response;

2) to review the half yearly and annual, and quarterly if applicable, financial statements and results announcements before submission to the Board for approval;

3) to ensure co-ordination between the external auditors and the Management;

4) to 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 or financial positions, and the Management's response;

5) to make recommendations to the Board on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;

6) to oversee internal controls and risk management, and to assess the adequacy and effectiveness of internal controls and risk management systems;

7) to ensure that the Company establishes and maintains on an on-going basis, an effective internal audit function that is adequately resourced and independent of the activities it audits;

8) to approve the hiring, removal, evaluation and compensation of the internal auditors, as well as the scope of the internal audit and the annual internal audit plan;

9) to review interested person transactions (if any) falling within the scope of Chapter 9 of the Catalist Rules;

10) to review potential conflicts of interest, if any;

11) to review all foreign exchange exposure hedging transactions and any formal hedging policies and procedures; and

12) any other functions and duties as may be required by statute or the Catalist Rules.

The Management has put in place a whistle-blowing policy duly endorsed by the AC and approved by the Board, where employees of the Group may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. The details of the whistle-blowing policy have been made available to all employees. During FY2019, there were no complaints, concerns or issues received.

Provisions 10.2 and 10.3

The AC comprises the following three members, all of whom are Independent Directors:

Lee Sen Choon (Chairman)
Lim Chee San
Yap Kian Peng

The Chairman, Lee Sen Choon, has more than 30 years of experience in accounting, audit, taxation and corporate secretarial work. The other two members of the AC possess experience in finance, legal and business management. The Board is of the view that the members of the AC are appropriately qualified to discharge their responsibilities.

None of the members of the AC is a former partner or director of the Company's external or internal auditors.

Provision 10.4

The current size of the operations of the Group does not warrant the Group to have an in-house internal audit function. The Group's internal audit function is outsourced to Nexia TS Risk Advisory Pte Ltd, a member of the Smith & Williamson network. The AC approves the hiring, removal, evaluation and compensation of the internal auditors.

The internal auditors report primarily to the AC on internal audit matters and the AC is empowered to review any of the accounting, auditing and financial practices of the Company and the Group. The internal auditors have unfettered access to all the Group's documents, records, properties and personnel, including unrestricted direct access to the AC.

The internal auditors will submit their annual audit planning for approval by the AC and report their findings to the AC. In FY2019, the internal auditors carried out the review which is consistent with the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors on certain key areas to assess and evaluate:

(a) whether adequate systems of internal controls are in place;

(b) whether operations of the business processes under review are conducted efficiently and effectively; and

(c) internal control improvement opportunities.

The AC has reviewed with the internal auditors their audit plan and their evaluation of the system of internal controls and has evaluated their audit findings and Management's responses to those findings, the adequacy and effectiveness of material internal controls (including financial, operational, compliance and information technology controls) and risk management systems of the Company and the Group for FY2019. The AC is satisfied that the outsourced internal audit function is independent, adequately resourced, effective and has the appropriate standing within the Group. The AC is also of the view that the outsourced internal audit function is adequately staffed with persons with the relevant qualifications and experience and adheres to professional standards including those promulgated by The Institute of Internal Auditors.

The annual audits conducted by the internal auditors aim to assess the adequacy and effectiveness of the Group's internal control procedures and to provide reasonable assurances to the AC and Management that the Group's risk management systems, controls and governance processes are adequate and effective.

On an annual basis, the AC reviews the independence, adequacy and effectiveness of the internal audit function.

Provision 10.5

The AC will meet with the external auditors and the internal auditors without the presence of the Management at least annually to review the Management's level of cooperation and other matters that warrants the AC's attention. It may also examine any other aspects of the Group's affairs, as it deems necessary where such matters relate to exposures or risks of regulatory or legal nature, and monitor the Group's compliance with its legal, regulatory and contractual obligations. The AC has met with the external auditors and the internal auditors without the presence of the Management during the financial year reported on.

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

The AC is responsible for conducting an annual review of the volume of non-audit services provided by the external auditors of the Company to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors of the Company before recommending their re-appointment to the Board. The AC has undertaken a review of all non-audit services provided by the external auditors of the Company in FY2019, which related to certain agreed-upon procedures for half yearly announcement and tax compliance work, and they would not, in the opinion of the AC, affect the independence and objectivity of the external auditors of the Company.

The following are the audit and non-audit fees paid/payable by the Group:

	FY2019 **$**
Audit fees paid/payable to the external auditors	
- external auditors of the Company	83,000
- other external auditors of the Group	20,000
Non-audit fees paid/payable to the external auditors	
- external auditors of the Company	39,000
- other external auditors of the Group	11,000

Having reviewed and been satisfied that the external auditors of the company, Messrs RSM Chio Lim LLP, is independent, the AC has recommended the re-appointment of Messrs RSM Chio Lim LLP as external auditors of the Company for the current financial year ending 31 December 2020 at the forthcoming AGM.

The Group has appointed different auditors for its overseas subsidiaries. The Board and the AC have reviewed the appointment of different auditors for its subsidiaries and are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group.

The Company is in compliance with Rules 712 and 715 of the Catalist Rules in appointing the audit firms for the Group.

In FY2019, the AC had carried out, amongst others, the following activities:

(a) reviewed the half year and full year financial statements (audited and unaudited), and recommended to the Board for approval;

(b) reviewed the adequacy and effectiveness of the Group's risk management and internal control systems;

(c) reviewed interested person transactions;

(d) reviewed and approved the annual audit plan of the external auditors;

(e) reviewed whether the internal audit function is independent, effective and adequately resourced;

(f) reviewed and approved the internal audit plan of the internal auditors, having considered the scope of the internal audit procedures;

(g) reviewed the results of the internal audit procedures and the assistance given by the Management to the internal auditors;

(h) reviewed the annual re-appointment of the external auditors and determined their remuneration, and made a recommendation for the Board's approval;

(i) met with the external auditors and internal auditors once without the presence of the Management; and

(j) reviewed all the Group's foreign exchange exposure hedging transactions.

To keep abreast of the changes in accounting standards and issues which have a direct impact on financial statements, advice is sought from the external auditors when they attend the half yearly AC meetings.

In the review of the financial statements, the AC has discussed with the Management the accounting principles that were applied and their judgment of items that might affect the integrity of the financial statements. The following key audit matters impacting the financial statements were discussed with the Management and the external auditors, and were reviewed by the AC:

Key audit matters considered	How the AC reviewed these matters and what decisions were made
Inventories –Impairment allowance	This has been an area of focus by the Management and the external auditors, given the materiality of the inventories and the subjectivity involved in impairment testing. The AC reviewed the assessments made by the Management and the external auditors, and assessed the appropriateness of the assumptions and estimates made (including the Management's projections on future demand trends and market value of the inventories). The AC was satisfied with the appropriateness of the analyses performed by the Management.
Trade receivables – Impairment allowance	The AC reviewed the assessments made by the Management and the external auditors and assessed the appropriateness of the assumptions and estimates made, including the consistent application of the Management's methodology, achievability of the business plans and the Management's assessments on the customers' creditworthiness and expected credit loss of the trade receivables. The AC was satisfied with the appropriateness of the analysis performed by the Management.

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder rights and conduct of general meeting

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

Provision 11.1

The Group's corporate governance culture and awareness promotes fair and equitable treatment of all Shareholders. All Shareholders enjoy specific rights under the Companies Act (Chapter 50) of Singapore and the Constitution. All Shareholders are treated fairly and equitably.

The Group respects equal information rights of all Shareholders and is committed to the practice of fair, transparent and timely disclosure of information. Shareholders are given the opportunity to participate effectively in and vote at general meetings of the Company, where relevant rules and procedures governing the meetings are clearly communicated.

The Constitution allows each Shareholder to appoint up to two proxies to attend and vote at general meetings. On 3 January 2016, the legislation was amended, among other things, to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holding licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of the CPF investors.

Shareholders are encouraged to attend the Company's general meetings, including AGMs and extraordinary general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. For AGMs, all Shareholders will receive copies of the Annual Reports and Notice of AGM. Notice of general meetings (including AGMs) is also advertised in the newspapers and made available on the website of the SGX-ST.

Provision 11.2

The resolutions tabled at the general meetings are on each substantially separate issue, unless the issues are interdependent and linked so as to form one significant proposal. If a scenario arises where the resolutions are inter-conditional, it is the Company's current intention to explain the reasons and material implications in the notice of meeting.

All resolutions at general meetings of the Company are put to vote by poll so as to better reflect Shareholders' shareholding interests and ensure greater transparency. The results of the poll voting on each resolution tabled at general meetings of the Company are announced after the general meetings via SGXNet.

Provision 11.3

The Company's main forum for dialogue with Shareholders takes place at its AGM where members of the Board, Chairman of the respective Board Committees, the Management and the external auditors are in attendance to answer any queries raised by Shareholders. At the AGM, Shareholders are given the opportunity to express their views and ask questions regarding the Company and the Group. All Directors, Management, Company Secretary, and external auditors the Company's sponsor attended the annual general meeting of the Company held on 30 April 2019. The procedures of the general meetings provide Shareholders the opportunity to ask questions relating to each resolution tabled for approval. Shareholders are encouraged to provide their views on matters relating to the Company.

Provision 11.4

The Company has not amended its Constitution to provide for absentia voting methods. The Company has decided, for the time being, not to implement voting in absentia through mail, electronic mail or fax until security, integrity and other pertinent issues are satisfactorily resolved.

Provision 11.5

The Company Secretary prepares minutes of general meetings that include substantial and relevant comments or queries from Shareholders relating to the agenda of the meetings, and responses from the Board and the Management, and to make these minutes, subsequently approved by the Board, available to Shareholders during office hours.

Provision 11.6

The Company does not have a fixed dividend policy at present. The frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Board deems it appropriate to conserve funds for the Group's business activities and further expansion, the Board has not recommended any dividends to be paid in respect of FY2019.

Engagement with shareholders

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

Provisions 12.1, 12.2 and 12.3

The Group does not practice selective disclosure and believes that prompt disclosure of pertinent information and high standard of disclosure are keys to raise the level of corporate governance. The Board believes in regular and timely communication with Shareholders. In line with continuous disclosure obligations of the Group pursuant to the Catalist Rules, the Group's policy is that all Shareholders should be equally and timely informed of all major developments that impact the Group.

Information is communicated to Shareholders through:

(a) annual reports that are prepared and issued to all Shareholders within the mandatory period;

(b) half yearly and full year unaudited financial results announcements via the SGXNet within the mandatory period;

(c) offer information statements, circulars and notices issued to all Shareholders;

(d) disclosures to the SGX-ST via the SGXNet; and

(e) the Company's website, www.slmetalsgroup.com, which provides corporate information, announcements, press releases and other information pertaining to the Group.

The Board welcomes the views of Shareholders on matters affecting the Group, whether at the general meetings of Shareholders or on an ad hoc basis. At the general meetings, Shareholders will be given the opportunity to express their views and ask the Directors or the Management questions regarding the Group.

Engagement with stakeholders

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

Provisions 13.1 and 13.2

The Company and the Group has regularly engaged its stakeholders through various medium and channels to ensure that the business interests are aligned with those of the stakeholders, to understand and address the concerns so as to improve services and products' standards, as well as to sustain business operations for long-term growth.

The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are similarly are able to impact the Group's business and operations. Six stakeholders' groups have been identified through an assessment of their significance to the business operations. They are namely, customers, suppliers, employees, investors, business partner, and government and regulators.

The Company and the Group have undertaken a process to determine the economic, environmental, social and governance issues, which important to these stakeholders. These issues form the materiality matrix upon which targets, performance and progress are reviewed and endorsed by the Board annually.

Please refer to the Company's Sustainability Report set out in this Annual Report 2019 for information on the detailed approach to stakeholder engagement and materiality assessment.

Provision 13.3

To promote regular, effective and fair communication with Shareholders, the Company maintains a corporate website at www.slmetalsgroup.com which provides corporate information, announcements, press releases and other information pertaining to the Group, through which Shareholders are able to access up-to-date information on the Group.

DEALINGS IN SECURITIES

The Company has devised and adopted its own internal Code of Conduct on dealing in the securities of the Company. The Code of Conduct will provide guidance to the Group's Directors and employees on their dealings in the Company's securities. The key guidelines are as follows:

- Directors and key officers are prohibited from trading in the Company's securities (i) during the period commencing one month before the announcement of the Company's half year and full year financial results; and (ii) if they are in possession of unpublished price-sensitive information of the Group.

- Directors and key officers should not deal in the Company's securities on short-term considerations.

- Directors and key officers are required to observe the insider trading laws under the Securities and Futures Act (Chapter 289) of Singapore at all times even when engaging in dealings of securities within the non-prohibitory periods.

INTERESTED PERSON TRANSACTIONS

The Company has established guidelines and review procedures for on-going and future interested person transactions. The AC will review all interested person transactions to be entered to ensure that the relevant rules under Chapter 9 of the Catalist Rules are complied with. In the event that a member of the AC is involved in any interested person transaction, he will abstain from reviewing that particular transaction.

The Company does not have a mandate from its Shareholders for any interested person transactions. During the financial year reported on, there was no interested person transaction entered into by the Group with any interested person that was equal to or more than S$100,000.

MATERIAL CONTRACTS

Other than those disclosed in the Statement by Directors and the Financial Statements as well as the service agreements between the Executive Directors and the Company, the Company and its subsidiaries did not enter into any material contracts (including loans) involving the interests of any Director or controlling Shareholder, which are either still subsisting as at the end of FY2019 or if not then subsisting, entered into since the end of the previous financial year.

HEDGING POLICY

The Company has put in place hedging policies to manage its foreign exchange risks. These policies have been approved by the Board and are supported by procedures which have been reviewed and approved by the AC. All hedging transactions shall be pre-approved by the CEO. The Company will continue to monitor its foreign exchange exposure. Any change in the hedging policy shall be subject to review and approval by the Board prior to implementation. The AC will review periodically all the foreign exchange exposure hedging transactions and any formal hedging policies and procedures of the Group.

CATALIST SPONSOR

With reference to Rule 1204(21) of the Catalist Rules, no non-sponsor fees were payable or paid to ZICO Capital Pte. Ltd. in FY2019.

ADDITIONAL INFORMATION ON DIRECTOR NOMINATED FOR RE-ELECTION – APPENDIX 7F TO THE CATALIST RULES

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to Tan Yee Ho, being the Director who is retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Name of Director	**Tan Yee Ho**
Date of first appointment	18 December 2004
Date of last re-appointment (if applicable)	21 April 2016
Age	61
Country of principal residence	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The re-election of Mr Tan Yee Ho as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Tan Yee Ho's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr Tan Yee Ho is responsible for leading the Board and promoting corporate governance and primarily responsible for overseeing our sales and marketing initiatives in Singapore and overseas markets, as well as business development initiatives.
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Executive Chairman
Professional qualifications	GCE "O" Levels
Working experience and occupation(s) during the past 10 years	December 2007 to present: Executive Director of the Company
Shareholding interest in the listed issuer and its subsidiaries	As at the date of this report, Mr Tan Yee Ho holds direct interest in 998,333 shares of the Company ("**Shares**"). In addition, Mr Tan Yee Ho is deemed to be interested in the 72,900,000 Shares held by Soon Tien Holdings Pte. Ltd.
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 Tan Yee Ho (Executive Chairman of the Company) and Mr Tan Yee Leong (CEO and Executive Director of the Company) are siblings. As at the date of this report, Mr Tan Yee Ho is a substantial shareholder of the Company, holding an aggregate shareholding interest (direct and deemed) in 68.42% of the issued share capital of the Company. Mr Tan Yee Ho is also related to the other substantial shareholders of the Company, namely, Soon Tien Holdings Pte. Ltd., Mr Tan Yee Leong and Mr Tan Yee Chin. As at the date of this report, Mr Tan Yee Ho is a director on each of the boards of all the subsidiaries of the Company (save for SL Metals (Taiwan) Co., Ltd.).
Conflict of interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes

<table>
<tr><th>Name of Director</th><th>Tan Yee Ho</th></tr>
<tr><td colspan="2">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(8)</td></tr>
<tr><td>Past (for the last 5 years)</td><td>Nil</td></tr>
<tr><td>Present</td><td>1. Soon Lian Holdings Limited
2. SL Metals Pte. Ltd.
3. SL Metals (M) Sdn. Bhd.
4. SL Corporation Pte. Ltd.
5. SL Metals (Suzhou) Co., Ltd
6. Soon Tien Holdings Pte. Ltd.
7. Soon Tien Investments Pte. Ltd.
8. Concentrate Holdings Pte. Ltd.
9. Concentrate Engineering Pte. Ltd.
10. Concentrate Engineering (M) Sdn Bhd
11. SL Metals (Shenzhen) Co., Ltd (currently in the process of a members’ voluntary winding up)</td></tr>
</table>

Name of Director	Tan Yee Ho
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
(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
(c) Whether there is any unsatisfied judgment against him?	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
(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
(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
(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
(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
(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

Name of Director	Tan Yee Ho
(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 (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 (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 (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, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No
(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
Disclosure applicable to the appointment of Director only.	
Any prior experience as a director of an issuer listed on the Exchange? 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.	Yes Mr Tan Yee Ho is currently the Executive Chairman of the Company, which is listed on the SGX-ST.
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)	Not applicable. This is a re-election of a Director and Mr Tan Yee Ho has prior experience as a director of an issuer listed on the SGX-ST.

STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 December 2019.

1. Opinion of the directors

In the opinion of the directors,

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

(b) at the date of 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 approved and authorised these financial statements for issue.

2. Directors

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

Tan Yee Ho
Tan Yee Leong
Lee Sen Choon
Lim Chee San (Appointed on 1 July 2019)
Yap Kian Peng

3. Directors' interests in shares and debentures

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

	Direct interest		**Deemed interest**	
Name of directors and companies in which interests are held	**At beginning of the reporting year**	**At end of the reporting year**	**At beginning of the reporting year**	**At end of the reporting year**
Parent company				
Soon Tien Holdings Pte. Ltd.	**Number of shares of no par value**			
Tan Yee Chin (Resigned on 15 April 2020)	250,000	250,000	–	–
Tan Yee Ho	250,000	250,000	–	–
Tan Yee Leong	250,000	250,000	–	–

3. Directors' interests in shares and debentures (cont'd)

	Direct interest		Deemed interest	
Name of directors and companies in which interests are held	**At beginning of the reporting year**	**At end of the reporting year**	**At beginning of the reporting year**	**At end of the reporting year**
The company				
Soon Lian Holdings Limited	**Number of shares of no par value**			
Tan Yee Chin (Resigned on 15 April 2020)	998,334	998,334	73,300,000	73,300,000
Tan Yee Ho	998,333	998,333	72,900,000	72,900,000
Tan Yee Leong	998,333	998,333	72,900,000	72,900,000
Lee Sen Choon	50,000	50,000	–	–
Yap Kian Peng	50,000	50,000	–	–

By virtue of section 7 of the Act, Tan Yee Chin, Tan Yee Ho and Tan Yee Leong are deemed to have an interest in the company and in all the related body corporates of the company.

The directors' interests as at 21 January 2020 were the same as those at the end of the reporting year.

4. Arrangements to enable directors to acquire benefits by means of the acquisition of shares and debentures

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

5. Options

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

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

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

6. Independent auditor

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

7. Report of audit committee

The members of the audit committee at the date of this report are as follows:

Mr Lee Sen Choon (Chairman of audit committee and independent and non-executive director)
Mr Lim Chee San (Independent and non-executive director)
Mr Yap Kian Peng (Independent and non-executive director)

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

- Reviewed with the independent external auditor their audit plan.
- Reviewed with the independent external auditor their evaluation of the company's internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them.
- Reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by management to the internal auditor.
- Reviewed the financial statements of the group and the company prior to their submission to the directors of the company for adoption.
- Reviewed the interested person transactions (as defined in Chapter 9 of the Singapore Exchange Securities Trading Limited's Listing Manual).

Other functions performed by the audit committee are described in the report on corporate governance included in the annual report of the company. It also includes an explanation of how independent auditor objectivity and independence is safeguarded where the independent auditor provide non-audit services.

The audit committee has recommended to the board of directors that the independent auditor, RSM Chio Lim LLP, be nominated for re-appointment as the independent auditor at the next annual general meeting of the company.

8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that the company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2019.

9. Subsequent developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 25 February 2020, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On behalf of the directors

Tan Yee Ho	Tan Yee Leong
Director	Director

15 April 2020

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Soon Lian Holdings Limited (the "company") and its subsidiaries (the "group"), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 December 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Basis for opinion

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

Key audit matters

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

a) Inventories – impairment allowance

Refer to Notes 2A "Inventories" and 2C "Net realisable value of inventories" to the financial statements for the relevant accounting policy and management's judgements used in the impairment of inventories, respectively, and the annual report on the section on the audit committee's views and responses to the reported key audit matter.

Inventories amounted to $23.5 million, representing 48% of the group's total assets, as at 31 December 2019. Management determines provision of inventory obsolescence and net realisable value by taking into consideration various factors, including macroeconomics and general market conditions, future demands and market commodity sale prices such as metal indexes. We focused on this area because the determination of allowance for inventory obsolescence involves a high level of judgement and is subject to uncertainty due to the challenging market conditions.

Based on our understanding of the business environment, we have critically evaluated the assessments and justification made by management with respect to slow moving and obsolete inventory items, the expected demand and market value related to the products, and the adequacy of the allowance made. We have also reviewed the aging of the inventory items and compared selected inventory's carrying value to, where available, recent sales transactions.

Key audit matters (cont'd)

b) Trade receivables – impairment allowance

Refer to Notes 2A "Financial instruments" and 2C "Allowance for trade receivables" to the financial statements for the relevant accounting policy and management's judgements used in the impairment of trade receivables, respectively, as well as Note 20 on the aging analysis of trade receivables, and the annual report on the section on the audit committee's views and responses to the reported key audit matter.

Trade receivables amounted to $9.5 million, representing 19% of the group's total assets, as at 31 December 2019. The allowance for impairment of trade receivables is estimated by management through the application of judgement and use of subjective assumptions. The estimate of impairment loss is based on the historical trend of these receivables, which includes analysis of the age of these receivables, credit worthiness of the profile of the customers and future collectability, and using an allowance matrix based on its historical observed default rates over the expected life of the trade receivables.

We have reviewed the aging of trade receivables and critically assessed management's assumptions and estimates, the payment history of customers, in particular, of those relating to the collectability of material unimpaired trade receivables balances as at 31 December 2019 and management's assessment and inputs used in determining the allowance matrix through aging analyses and review of historical credit loss experiences. We have checked the arithmetic accuracy of the computation of expected credit losses. We have also assessed whether the financial statements disclosures appropriately reflect the group's exposure to credit risk.

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SOON LIAN HOLDINGS LIMITED

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Woo E-Sah.

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

15 April 2020

Engagement partner – effective from year ended 31 December 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2019

	Notes	Group 2019 $'000	Group 2018 $'000
Revenue	5	31,139	33,681
Cost of sales		(25,318)	(27,691)
Gross profit		5,821	5,990
Other income and gains	6	894	361
Distribution costs	9	(337)	(532)
Administrative expenses	9	(4,586)	(4,720)
Finance costs	7	(785)	(808)
Other losses	6	(119)	(450)
Profit (loss) before tax from continuing operations		888	(159)
Income tax expense	10	(75)	(90)
Profit (loss) from continuing operations for the year		813	(249)
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(72)	(85)
Other comprehensive loss for the year, net of tax:		(72)	(85)
Total comprehensive income (loss) for the year		741	(334)
Profit (loss) attributable to owners of the company, net of tax		813	(249)
Profit (loss) net of tax		813	(249)
Total comprehensive income (loss) attributable to owners of the company		741	(334)
Total comprehensive income (loss)		741	(334)
Earnings per share		**Cents**	**Cents**
Basic	12	0.75	(0.23)
Diluted	12	0.75	(0.23)

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2019

	Notes	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
ASSETS					
Non-current assets					
Property, plant and equipment	13	7,992	8,086	–	–
Right-of-use assets	14	284	–	–	–
Land use right	15	2,574	2,710	–	–
Intangible assets	16	17	46	–	–
Investments in subsidiaries	17	–	–	11,283	10,957
Deferred tax assets	10	266	279	–	–
Total non-current assets		11,133	11,121	11,283	10,957
Current assets					
Asset classified as held for sale	18	386	–	–	–
Inventories	19	23,542	28,444	–	–
Trade and other receivables	20	9,991	10,476	1,640	1,757
Other non-financial assets	21	141	105	24	19
Cash and cash equivalents	22	3,971	5,142	513	799
Total current assets		38,031	44,167	2,177	2,575
Total assets		49,164	55,288	13,460	13,532
EQUITY AND LIABILITIES					
Equity					
Share capital	23	10,579	10,579	10,579	10,579
Retained earnings		18,900	18,089	2,536	2,512
Other reserves	24	69	139	–	–
Total equity		29,548	28,807	13,115	13,091
Non-current liabilities					
Financial liabilities – Lease liability, non-current	25	387	–	–	–
Other financial liabilities, non-current	26	6,172	7,230	–	–
Total non-current liabilities		6,559	7,230	–	–
Current liabilities					
Liability classified as held for sale	18	154	–	–	–
Income tax payable		16	23	7	15
Financial liabilities – Lease liability, current	25	197	–	–	–
Other financial liabilities, current	26	1,738	1,226	–	–
Trade and other payables	27	10,952	18,002	338	426
Total current liabilities		13,057	19,251	345	441
Total liabilities		19,616	26,481	345	441
Total equity and liabilities		49,164	55,288	13,460	13,532

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2019

Group	Total equity $'000	Attributable to parent sub-total $'000	Share capital $'000	Retained earnings $'000	Other reserves $'000	Non-controlling interests $'000
Current year:						
Opening balance at 1 January 2019	28,807	28,807	10,579	18,089	139	–
Changes in equity:						
Total comprehensive income (loss) for the year	741	741	–	813	(72)	–
Transferred (from) to retained earnings	–	–	–	(2)	2	–
Closing balance at 31 December 2019	29,548	29,548	10,579	18,900	69	–
Previous year:						
Opening balance at 1 January 2018	29,150	29,141	10,579	18,350	212	9
Changes in equity:						
Acquisition of a non-controlling interest without a change in control (Note 17)	(9)	–	–	–	–	(9)
Total comprehensive loss for the year	(334)	(334)	–	(249)	(85)	–
Transferred (from) to retained earnings	–	–	–	(12)	12	–
Closing balance at 31 December 2018	28,807	28,807	10,579	18,089	139	–

Company	Total equity $'000	Share capital $'000	Retained earnings $'000
Current year:			
Opening balance at 1 January 2019	13,091	10,579	2,512
Changes in equity:			
Total comprehensive income for the year	24	–	24
Closing balance at 31 December 2019	13,115	10,579	2,536
Previous year:			
Opening balance at 1 January 2018	13,921	10,579	3,342
Changes in equity:			
Total comprehensive loss for the year	(830)	–	(830)
Closing balance at 31 December 2018	13,091	10,579	2,512

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2019

	Group	
	2019	2018
	$'000	$'000
Cash flows from operating activities		
Profit (loss) before tax	888	(159)
Adjustments for:		
Interest income	(4)	(11)
Interest expense	785	808
Fair value loss on foreign exchange contracts	2	17
Depreciation of property, plant and equipment	833	699
Depreciation of right-of-use assets	137	–
Amortisation of land use right	136	90
Amortisation of intangible assets	29	29
Gains on disposal of property, plant and equipment	(27)	(42)
Net effect of exchange rate changes in consolidating foreign operations	(69)	(87)
Operating cash flows before changes in working capital	2,710	1,344
Inventories	4,902	(5,982)
Trade and other receivables	484	23,118
Other non-financial assets	(36)	9
Trade and other payables	(1,984)	(1,132)
Net cash flows from operations	6,076	17,357
Income taxes paid	(69)	(194)
Net cash flows from operating activities	6,007	17,163
Cash flows from investing activities		
Disposal of property, plant and equipment	157	115
Purchase of land use right and property, plant and equipment (Notes 13, 15 and 22B)	(1,018)	(9,065)
Interest received	4	11
Net cash flows used in investing activities	(857)	(8,939)
Cash flows from financing activities		
Decrease in borrowings	(11,321)	(24,572)
Increase from new borrowings	5,570	16,530
Lease liabilities	(249)	–
Interest paid	(772)	(808)
Net cash flows used in financing activities	(6,772)	(8,850)
Net decrease in cash and cash equivalents	(1,622)	(626)
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	4,708	5,334
Cash and cash equivalents, consolidated statement of cash flows, ending balance (Note 22A)	3,086	4,708

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

1. General

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

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors. The directors have the power to amend and reissue the financial statements.

The company is an investment holding company. It is listed on the Catalist which is a shares market on Singapore Exchange Securities Trading Limited.

The principal activities of the subsidiaries are described in Note 17 to the financial statements below.

The registered office is: 6 Tuas Lane, Singapore 638615. The company is situated in Singapore.

Statement of compliance with financial reporting standards

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

Accounting convention

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

Basis of preparation of the financial statements

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

Basis of presentation

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

1. General (cont'd)

Basis of presentation (cont'd)

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

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

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

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

Sale of goods

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

Other income

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

Interest income is recognised using the effective interest method.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate. The grant related to assets is presented in the statements of financial position by recognising the grant as deferred income that is recognised in profit or loss on a systematic basis over the useful life of the asset and in the proportions in which depreciation expense on those assets is recognised.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Employee benefits

Contributions to a defined contribution retirement benefit plan are recorded as an expense as they fall due. The entity's legal or constructive obligation is limited to the amount that it is obligated to contribute for the Singapore employees to an independently administered fund (such as the Central Provident Fund in Singapore, a government managed defined contribution retirement benefit plan). Certain subsidiaries overseas have defined contribution retirement benefit plans in which employees are entitled to join upon fulfilling certain conditions. The assets of the fund may or may not be held separately from those of the entity in an independently administered fund. The entity contributes an amount equal to a fixed percentage of the salary of each participating employee. For employee leave entitlement the expected cost of short-term employee benefits in the form of compensated absences is recognised in the case of accumulating compensated absences, when the employees render service that increases their entitlement to future compensated absences; and in the case of non-accumulating compensated absences, when the absences occur. A liability for bonuses is recognised where the entity is contractually obliged or where there is constructive obligation based on past practice.

Borrowing costs

Borrowing costs are interest and other costs incurred in connection with the borrowings and are recognised as an expense in the period in which they are incurred. Interest expense is calculated using the effective interest rate method.

Foreign currency transactions

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

Translation of financial statements of other entities

Each entity in the group determines the appropriate functional currency as it reflects the primary economic environment in which the relevant reporting entity operates. In translating the financial statements of such an entity for incorporation in the consolidated financial statements in the presentation currency, the assets and liabilities denominated in other currencies are translated at end of the reporting year rates of exchange and the income and expense items for each statement presenting profit or loss and other comprehensive income are translated at average rates of exchange for the reporting year. The resulting translation adjustments (if any) are recognised in other comprehensive income and accumulated in a separate component of equity until the disposal of that relevant reporting entity.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Income tax

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

Property, plant and equipment

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

Freehold property	–	2%
Leasehold property and improvements	–	over terms of lease which is approximately 2% to 3%
Plant and equipment	–	10% to 20%

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

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

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

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Land use right

Land use right is initially measured at cost. Following initial recognition, land use right is measured at cost less any accumulated amortisation and accumulated impairment losses. The land use right is amortised on a straight-line basis over the remaining lease term of 20 years.

Right-of-use assets

The right-of-use assets are accounted and presented as if they were owned such as property plant and equipment.

Leases

A lease is a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration. A right-of-use asset is capitalised in the statements of financial position, measured at the present value of the unavoidable future lease payments to be made over the lease term. A liability corresponding to the capitalised lease is also recognised, adjusted for lease prepayments, lease incentives received, initial direct costs incurred and an estimate of any future restoration, removal or dismantling costs. The right-to-use asset is depreciated over the earlier of the end of the useful life of the right-of-use asset or the end of the lease term and an interest expense on the recognised lease liability (included in finance costs). Short-term leases of 12 months or less and leases of low-value assets (such as personal computers and small office equipment) where an accounting policy choice exists under the lease standard whereby the lease payments are expensed to profit or loss as incurred on a straight line basis over the remaining lease term.

Lessor

As a lessor, the reporting entity classifies each of its leases as either an operating lease or a finance lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset and it is presented in its statement of financial position as a receivable at an amount equal to the net investment in the lease. For a finance lease the finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Lease receipts from operating leases are recognised as income on either a straight-line basis or another systematic basis over the term of the lease.

Intangible assets

An identifiable non-monetary asset without physical substance is recognised as an intangible asset at acquisition cost if it is probable that the expected future economic benefits that are attributable to the asset will flow to the entity and the cost of the asset can be measured reliably. After initial recognition, an intangible asset with finite useful life is carried at cost less any accumulated amortisation and any accumulated impairment losses. An intangible asset with an indefinite useful life is not amortised. An intangible asset is regarded as having an indefinite useful life when, based on an analysis of all of the relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows for the entity.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Intangible assets (cont'd)

The amortisable amount of an intangible asset with finite useful life is allocated on a systematic basis over the best estimate of its useful life from the point at which the asset is ready for use. The useful lives are as follows:

Customer lists - 5 years

Identifiable intangible assets acquired as part of a business combination are initially recognised separately from goodwill if the asset's fair value can be measured reliably, irrespective of whether the asset had been recognised by the acquiree before the business combination. An intangible asset is considered identifiable only if it is separable or if it arises from contractual or other legal rights, regardless of whether those rights are transferable or separable from the entity or from other rights and obligations.

Subsidiaries

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

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

Business combinations

There were no acquisitions during the reporting year.

Non-controlling interests

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

Inventories

Inventories are measured at the lower of cost (first in first out method) and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Cost includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Impairment of non-financial assets

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

Financial instruments

Recognition and derecognition of financial instruments:

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

Classification and measurement of financial assets:

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

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

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

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Financial instruments (cont'd)

Classification and measurement of financial assets (cont'd):

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

Classification and measurement of financial liabilities:

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

Cash and cash equivalents

Cash and cash equivalents in the consolidated statement of cash flows include bank and cash balances, on demand deposits and any highly liquid debt asset instruments purchased with an original maturity of three months or less. For the consolidated statement of cash flows, the item includes cash and cash equivalents less cash subject to restriction and bank overdrafts payable on demand that form an integral part of cash management.

Derivative financial instruments

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

Fair value measurement

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

2. Significant accounting policies and other explanatory information (cont'd)

2A. Significant accounting policies (cont'd)

Fair value measurement (cont'd)

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

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

2B. Other explanatory information

Provisions

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

Segment reporting

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

Assets classified as held for sale

Identifiable assets and liabilities are classified as held for sale if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use. The sale is expected to qualify for recognition as a completed sale within one year from the date of classification, except as permitted by the financial reporting standard on non-current assets held for sale and discontinued operations in certain circumstances. It can include a subsidiary acquired exclusively with a view to resale. Assets that meet the criteria to be classified as held for sale are measured at the lower of carrying amount and fair value less costs of disposal and are presented separately on the face of the statement of financial position. Once an asset is classified as held for sale or included in a group of assets held for sale no further depreciation or amortisation is recorded. Impairment losses on initial classification of the balances as held for sale are included in profit or loss, even when there is a revaluation. The same applies to gains and losses on subsequent remeasurement.

2. Significant accounting policies and other explanatory information (cont'd)

2C. Critical judgements, assumptions and estimation uncertainties

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

Allowance for trade receivables:

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

Net realisable value of inventories:

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

Income tax amounts:

The entity recognises tax liabilities and assets based on an estimation of the likely taxes due, which requires significant judgement as to the ultimate tax determination of certain items. Where the actual amount arising from these issues differs from these estimates, such differences will have an impact on income tax and deferred tax amounts in the period when such determination is made. In addition management judgement is required in determining the amount of current and deferred tax recognised and the extent to which amounts should or can be recognised. A deferred tax asset is recognised for unused tax losses if it is probable that the entity will earn sufficient taxable profit in future periods to benefit from a reduction in tax payments. This involves the management making assumptions within its overall tax planning activities and periodically reassessing them in order to reflect changed circumstances as well as tax regulations. As a result, due to their inherent nature, assessments of likelihood are judgemental and not susceptible to precise determination. The income tax amounts are disclosed in the note on income tax.

2. Significant accounting policies and other explanatory information (cont'd)

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

Measurement of impairment of subsidiaries:

Where an investee is in net equity deficit and or has suffered losses a test is made whether the investment in the investee has suffered any impairment loss. This measurement requires significant judgement. An estimate is made of the future profitability of the investee, and the financial health of and near-term business outlook for the investee, including factors such as industry and sector performance, and operational and financing cash flow. It is impracticable to disclose the extent of the possible effects. It is reasonably possible, based on existing knowledge, that outcomes within the next reporting year that are different from assumptions could require a material adjustment to the carrying amount of the asset or liability affected. The carrying amount of the specific asset (or class of assets) at the end of the reporting year affected by the assumption is $1,247,000 (2018: $1,247,000).

Impairment of right-of-use assets:

Significant judgement is applied by management when determining impairment of the right-of-use asset. Impairment is assessed for leased premises that have been or will be vacated in the near future. The impairment is sensitive to changes in estimated future expected sub-lease income and sub-lease period. Judgment is also involved when determining whether sub-lease contracts are financial or operational, as well as when determining lease term for contracts that has extension or termination options. The amount at the end of the reporting year was $284,000 (2018: $163,000).

Leases – estimating the incremental borrowing rate:

The group cannot readily determine the interest rate implicit in the lease, therefore it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the group 'would have to pay' which requires estimation when no observable rates are available when they need to be adjusted to reflect the terms and conditions of the leases. The group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates.

3. Related party relationships and transactions

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

3A. Members of a group:

Name	Relationship	Country of incorporation
Soon Tien Holdings Pte. Ltd.	Parent company	Singapore

Related companies in these financial statements include the members of the above group of companies.

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

The ultimate controlling parties are Tan Yee Chin, Tan Yee Ho and Tan Yee Leong.

3. Related party relationships and transactions (cont'd)

3B. Key management compensation:

	Group 2019 $'000	Group 2018 $'000
Salaries and other short-term employee benefits	1,455	1,453

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

	Group 2019 $'000	Group 2018 $'000
Remuneration of directors of the company	890	888
Fees to directors of the company	85	85
Fees to directors of a subsidiary	2	2

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

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

3C. Other receivables from related parties:

The trade transactions and the related receivables and payables balances arising from sales and purchases of goods and services are disclosed elsewhere in the notes to the financial statements.

The movements in other receivables from related parties are as follows:

Company	Subsidiaries 2019 $'000	Subsidiaries 2018 $'000
Other receivables:		
Balance at beginning of the year	1,757	1,982
Amounts received and settlement of liabilities on behalf of the company	(1,029)	(705)
Amounts paid out and settlement of liabilities on behalf of subsidiaries	912	480
Balance at end of the year (Note 20)	1,640	1,757

4. Financial information by operating segments

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

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

The group supplies aluminium alloy products.

For management purposes, the group is organised into the following major strategic operating segments according to the industry in which their customers operate: (1) precision engineering, (2) marine, (3) stockists and traders and (4) other customers. Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

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

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

Segment assets consist principally of trade receivables.

Unallocated assets and liabilities comprise property, plant and equipment, inventories, other non-financial assets, other receivables, cash and cash equivalents, trade and other payables, other financial liabilities, income tax payable and deferred tax assets.

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

4. Financial information by operating segments (cont'd)

4B. Profit or loss from continuing operations and reconciliations

	Precision engineering $'000	Marine $'000	Stockists and traders $'000	Other customers $'000	Unallocated $'000	Group $'000
Continuing operations 2019						
Revenue by segment						
Total revenue by segment	17,681	9,967	3,022	469	–	31,139
Recurring EBITDA	3,881	1,169	446	325	–	5,821
Finance costs	–	–	–	–	(785)	(785)
Depreciation and amortisation	–	–	–	–	(1,135)	(1,135)
ORBT	3,881	1,169	446	325	(1,920)	3,901
Other unallocated items					(3,013)	(3,013)
Profit before tax from continuing operations						888
Income tax expense						(75)
Profit from continuing operations						813
Continuing operations 2018						
Revenue by segment						
Total revenue by segment	17,291	14,262	1,648	480	–	33,681
Recurring EBITDA	3,647	1,628	447	268	–	5,990
Finance costs	–	–	–	–	(808)	(808)
Depreciation and amortisation	–	–	–	–	(818)	(818)
ORBT	3,647	1,628	447	268	(1,626)	4,364
Other unallocated items					(4,523)	(4,523)
Loss before tax from continuing operations						(159)
Income tax expense						(90)
Loss from continuing operations						(249)

The above revenue is mainly from sale of aluminium alloy products.

4. Financial information by operating segments (cont'd)

4C. Assets and reconciliations

	Precision engineering $'000	Marine $'000	Stockists and traders $'000	Other customers $'000	Unallocated $'000	Group $'000
2019:						
Total assets for reportable segments	5,673	2,529	1,324	8	–	9,534
Unallocated:						
Asset classified as held for sale	–	–	–	–	386	386
Property, plant and equipment	–	–	–	–	7,992	7,992
Right-of-use assets	–	–	–	–	284	284
Land use right	–	–	–	–	2,574	2,574
Deferred tax assets	–	–	–	–	266	266
Inventories	–	–	–	–	23,542	23,542
Cash and cash equivalents	–	–	–	–	3,971	3,971
Other unallocated amounts	–	–	–	–	615	615
Total group assets	5,673	2,529	1,324	8	39,630	49,164
2018:						
Total assets for reportable segments	4,691	3,575	682	51	–	8,999
Unallocated:						
Property, plant and equipment	–	–	–	–	8,086	8,086
Land use right	–	–	–	–	2,710	2,710
Deferred tax assets	–	–	–	–	279	279
Inventories	–	–	–	–	28,444	28,444
Cash and cash equivalents	–	–	–	–	5,142	5,142
Other unallocated amounts	–	–	–	–	1,628	1,628
Total group assets	4,691	3,575	682	51	46,289	55,288

The assets are not allocated to operating segment because they are not directly attributable to the segment or cannot be allocated to the segment on a reasonable basis.

4. Financial information by operating segments (cont'd)

4D. Liabilities and reconciliations

	Precision engineering $'000	Marine $'000	Stockists and traders $'000	Other customers $'000	Unallocated $'000	Group $'000
2019:						
Unallocated:						
Liability classified as held for sale	–	–	–	–	154	154
Income tax payable	–	–	–	–	16	16
Borrowings	–	–	–	–	7,910	7,910
Lease liabilities	–	–	–	–	584	584
Trade and other payables	–	–	–	–	10,952	10,952
Total group liabilities	–	–	–	–	19,616	19,616
2018:						
Unallocated:						
Income tax payable	–	–	–	–	23	23
Borrowings	–	–	–	–	8,456	8,456
Trade and other payables	–	–	–	–	18,002	18,002
Total group liabilities	–	–	–	–	26,481	26,481

The liabilities are not allocated to operating segments because they are not directly attributable to the segment or cannot be allocated to the segment on a reasonable basis.

4E. Other material items and reconciliations

	Precision engineering $'000	Marine $'000	Stockists and traders $'000	Other customers $'000	Unallocated $'000	Group $'000
Impairment (reversal) of receivables and inventories, and bad debts written off (net)						
2019	(622)	(80)	–	–	21	(681)
2018	16	–	–	–	(22)	(6)
Expenditure for non-current assets						
2019	–	–	–	–	1,261	1,261
2018	–	–	–	–	9,069	9,069

4. Financial information by operating segments (cont'd)

4F. Geographical information

	Revenue		Non-current assets	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Singapore	12,024	14,598	10,097	9,796
Malaysia	7,047	4,192	419	–
Taiwan	3,073	4,028	172	574
China	2,702	2,528	179	215
Indonesia	2,265	2,939	–	257
Other countries	4,028	5,396	–	–
Total continuing operations	31,139	33,681	10,867	10,842

Revenues are attributed to countries on the basis of the customer's location, irrespective of the origin of the goods and services. The non-current assets are analysed by the geographical area in which the assets are located. The non-current assets exclude any financial instruments and deferred tax assets.

4G. Information about major customers

	Group	
	2019	2018
	$'000	$'000
Revenue		
Top 1 customer in marine segment (2018: marine segment)	3,051	5,618

There are no customers with revenue transactions of over 10% of the group revenue in 2019.

5. Revenue

Revenue from contracts with customers

	Group	
	2019	2018
	$'000	$'000
Sale of goods	30,891	33,479
Other income	248	202
Total revenue	31,139	33,681

All the contracts are less than 12 months and are recognised at point in time.

6. Other income and gains and (other losses)

	Group	
	2019	2018
	$'000	$'000
Allowance for impairment on trade receivables	(45)	(222)
Allowance for impairment on inventories	(47)	–
Bad debts written off	(25)	(7)
Foreign exchange adjustment gains (losses)	22	(204)
Fair value loss on foreign exchange contracts (Note 26D)	(2)	(17)
Interest income	4	11
Reversal for impairment on trade receivables	771	213
Reversal for impairment on inventories	27	22
Gains on disposal of property, plant and equipment	27	42
Government grant income	23	48
Rental income	20	25
Net	775	(89)
Presented in profit or loss as:		
Other income and gains	894	361
Other losses	(119)	(450)
Net	775	(89)

7. Finance costs

	Group	
	2019	2018
	$'000	$'000
Interest expense	772	808
Interest on lease liabilities	13	–
Total finance costs	785	808

8. Employee benefits expense

	Group	
	2019	2018
	$'000	$'000
Short term employee benefits expense	3,444	3,609
Contributions to defined contribution plans	349	346
Other benefits	56	55
Total employee benefits expense	3,849	4,010

The employee benefits expense is charged as follows:

	2019	2018
Cost of sales	819	855
Administrative expenses (Note 9)	3,030	3,155
	3,849	4,010

9. Other expenses

The major components and other selected components include the following:

	Group	
	2019	2018
	$'000	$'000
Distribution costs		
Commission expenses	125	264
Entertainment expenses	90	110
Exhibition expenses	72	38
Travelling expenses	37	101
Administrative expenses		
Employee benefits expense (Note 8)	3,030	3,155

10. Income tax

10A. Components of tax expense recognised in profit or loss include:

	Group	
	2019	2018
	$'000	$'000
Current tax expense:		
Current tax expense	62	70
Over adjustments in respect of prior periods	–	(28)
Subtotal	62	42
Deferred tax expense:		
Deferred tax expense (income)	13	(1)
Under adjustments in respect of prior periods	–	49
Subtotal	13	48
Total income tax expense	75	90

The reconciliation of income taxes below is determined by applying the Singapore corporate tax rate. The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2018: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2019	2018
	$'000	$'000
Profit (loss) before tax	888	(159)
Income tax expense (income) at the above rate	151	(27)
Expenses not deductible for tax purposes	79	23
Tax exemptions	(20)	(16)
Under adjustments to tax in respect of prior periods	–	21
Effect of different tax rates in different countries	15	27
Deferred tax assets not recognised	(150)	62
Total income tax expense	75	90

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

10. Income tax (cont'd)

10B. Deferred tax expense recognised in profit or loss include:

	Group	
	2019	**2018**
	$'000	**$'000**
Excess of tax values over net book value on plant and equipment	(80)	(43)
Tax loss carryforwards	189	(106)
Unutilised capital allowances carryforwards	54	135
Deferred tax assets not recognised	(150)	62
Total deferred income tax expense recognised in profit or loss	13	48

10C. Deferred tax balance in the statements of financial position:

	Group	
	2019	**2018**
	$'000	**$'000**
<u>From deferred tax assets recognised in profit or loss:</u>		
Excess of tax values over net book value of plant and equipment	189	109
Tax loss carryforwards	474	663
Unutilised capital allowances carryforwards	–	54
Deferred tax assets not recognised	(397)	(547)
Net balance	266	279

For the reporting year 2018 and 2019, the company did not recognise any deferred tax balance.

Temporary differences arising from interests in subsidiaries are insignificant.

For the Singapore companies, the realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined. The tax loss carryforwards and temporary differences from capital allowances from Singapore companies amounted to $2,789,000 (2018: $3,477,000).

For the People's Republic of China companies, the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances can be carried forward for 5 years. In the reporting year ended 31 December 2019, the tax loss carryforwards of $90,000 will expire in 2024.

11. Items in profit or loss

In addition to the profit or loss line items disclosed elsewhere in the notes to the financial statements, this item includes the following expenses:

	Group	
	2019	**2018**
	$'000	**$'000**
Audit fees to the independent auditors of the company	83	83
Audit fees to the other independent auditors	20	18
Other fees to the independent auditors of the company	39	38
Other fees to the other independent auditors	11	8

12. Earnings per share

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

	Group	
	2019	**2018**
	$'000	**$'000**
Numerators: earnings attributable to equity		
Continuing operations: attributable to equity holders	813	(249)
	'000	**'000**
Denominators: weighted average number of equity shares		
Basic	108,000	108,000
Diluted	108,000	108,000

The weighted average number of equity shares refers to shares in issue outstanding during the reporting year.

The basic earnings per share ratio is based on the weighted average number of ordinary shares outstanding during each reporting year. Both basic and diluted earnings per share are the same as there are no dilutive ordinary share equivalents outstanding during the reporting year.

13. Property, plant and equipment

Group	Freehold property $'000	Leasehold property and improvements $'000	Plant and equipment $'000	Total $'000
Cost:				
At 1 January 2018	456	27	5,211	5,694
Additions	–	5,716	553	6,269
Disposals	–	–	(495)	(495)
Foreign exchange adjustments	3	–	(21)	(18)
At 31 December 2018	459	5,743	5,248	11,450
Additions	–	512	749	1,261
Disposals	–	–	(441)	(441)
Transfer to held for sale (Note 18)	(457)	–	–	(457)
Foreign exchange adjustments	(2)	–	(12)	(14)
At 31 December 2019	–	6,255	5,544	11,799
Accumulated depreciation:				
At 1 January 2018	58	5	3,036	3,099
Depreciation for the year	7	177	515	699
Disposals	–	–	(423)	(423)
Foreign exchange adjustments	1	(1)	(11)	(11)
At 31 December 2018	66	181	3,117	3,364
Depreciation for the year	5	308	520	833
Disposals	–	–	(311)	(311)
Transfer to held for sale (Note 18)	(71)	–	–	(71)
Foreign exchange adjustments	–	–	(8)	(8)
At 31 December 2019	–	489	3,318	3,807
Carrying value:				
At 1 January 2018	398	22	2,175	2,595
At 31 December 2018	393	5,562	2,131	8,086
At 31 December 2019	–	5,766	2,226	7,992

13. Property, plant and equipment (cont'd)

The depreciation expense is charged as follows:

	Group	
	2019	2018
	$'000	$'000
Cost of sales	471	504
Administrative expenses	362	195
Total	833	699

As at the end of the reporting year, the group's freehold and leasehold properties are mortgaged to the bank for credit facilities and term loans as disclosed in Note 26.

Plant and equipment with a net book value of $419,000 (2018: $128,000) are registered in the names of the directors who hold the assets in trust for the group.

Certain items are under lease liabilities agreements (see Note 26C).

14. Right-of-use assets

The right-of-use assets in the statements of financial position. The details are as follows:

Group	Office equipment	Office space	Total
	$'000	$'000	$'000
Cost:			
At 1 January 2019	53	110	163
Additions	–	258	258
At 31 December 2019	53	368	421
Accumulated depreciation:			
At 1 January 2019	–	–	–
Depreciation for the year	10	127	137
At 31 December 2019	10	127	137
Carrying value:			
At 1 January 2019	53	110	163
At 31 December 2019	43	241	284

14. Right-of-use assets (cont'd)

Other information about the leasing activities relating to the right-to-use assets are summarised as follows:

Group	Office equipment	Office space	Total
Number of right-to-use assets	2	2	4
Remaining term - range	6 years	1 – 3 years	–
Remaining term - average	6 years	2 years	–

The leases are for office equipment and office space.

Management has elected to measure right-of-use assets at the amount of the lease liability on adoption (adjusted for any lease prepayments or accrued lease expenses, onerous lease provisions, and leased assets which have subsequently been sub-leased).

There are restrictions or covenants imposed by the leases to sublet the asset to another party. The right-of-use asset can only be used by the lessee. Unless permitted by the owner, the lease prohibits from selling or pledging the underlying leased assets as security. Typically the leases are either non-cancellable or may only be cancelled by incurring a substantive termination fee. Insurance, and maintenance fees on right-of-use assets are usually required under the lease contracts.

15. Land use right

	Group	
	2019 $'000	2018 $'000
Cost:		
At beginning of the year	2,800	–
Additions	–	2,800
At end of the year	2,800	2,800
Accumulated amortisation:		
At beginning of the year	90	–
Amortisation for the year	136	90
At end of the year	226	90
Carrying value:		
At beginning of the year	2,710	–
At end of the year	2,574	2,710
Amount to be amortised		
– Not later than one year	136	136
– Later than one year and not later than five years	544	544
– Later than five years	1,894	2,030
	2,574	2,710

The group has land use right over a plot of land in Singapore for a warehouse and office, which serves as the group's headquarters. It is amortised over the period of the lease term on the straight line method. The land use right has a remaining tenure of 20 years.

16. Intangible assets

	Group	
	2019	**2018**
	$'000	**$'000**
Customer lists	17	46
Cost:		
At beginning of the year	146	147
Foreign exchange adjustments	1	(1)
At end of the year	147	146
Accumulated amortisation:		
At beginning of the year	100	71
Amortisation for the year	29	29
Foreign exchange adjustments	1	–
At end of the year	130	100
Carrying value:		
At beginning of the year	46	76
At end of the year	17	46

The amortisation expense is charged to administrative expenses.

17. Investments in subsidiaries

	Company	
	2019	2018
	$'000	$'000
Movement during the year:		
Cost at beginning of the year	10,957	11,871
Additions	326	–
Acquisition [(a)]	–	9
Allowance for impairment	–	(923)
Cost at end of the year	11,283	10,957
Total cost comprising:		
Unquoted equity shares at cost	12,206	11,880
Allowance for impairment [(b)]	(923)	(923)
Total at cost	11,283	10,957
Analysis of amounts denominated in non-functional currencies:		
Malaysian Ringgit	931	605
Taiwan Dollar	661	661
Movement in allowance for impairment:		
Balance at beginning of the year	923	–
Impairment loss charge to profit or loss included in other losses	–	923
Balance at end of the year	923	923

(a) In 2018, the company acquired the remaining 0.5% interest in its subsidiary from the minority shareholder, thereby increasing the company's shareholding interest from 99.5% to 100%.

(b) The decreasing performance of subsidiary SL Metals (Suzhou) Co., Ltd. was considered sufficient evidence to trigger the impairment test. As detailed in this Note, the impairment test resulted in the recognition of a loss. It has suffered from a fall in demand in sales. Accordingly, it has been written down to the recoverable amount. As SL Metals (Suzhou) Co., Ltd is a wholly owned subsidiary of SL Corporation Pte. Ltd., the investment in subsidiary recognised in SL Corporation Pte. Ltd. has been written down to the recoverable amount as well.

17. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

Name of subsidiaries, country of incorporation, place of operations, principal activities and independent auditors	**Cost in books of company**		**Effective percentage of equity held**	
	2019 $'000	**2018 $'000**	**2019 %**	**2018 %**
Held by the company				
SL Metals Pte. Ltd. Singapore Supplier of aluminium alloy products (RSM Chio Lim LLP)	8,444	8,444	100	100
SL Metals (M) Sdn. Bhd. [(a)] Malaysia Supplier of aluminium alloy products (ASQ PLT)	931	605	100	100
SL Corporation Pte. Ltd. Singapore Investment holding (RSM Chio Lim LLP)	2,170	2,170	100	100
SL Metals (Taiwan) Co., Ltd. [(b)] Taiwan Supplier of aluminium alloy products (RSM Taiwan)	661	661	100	100
	12,206	11,880		
Held through SL Corporation Pte. Ltd.				
SL Metals (Suzhou) Co., Ltd [(a)] People's Republic of China Supplier of aluminium alloy products (Shu Lun Pan Certified Public Accountants LLP)			100	100
SL Metals (Shenzhen) Co., Ltd [(c)] People's Republic of China Supplier of aluminium alloy products			100	100

(a) Other independent auditors. Audited by firms of accountants other than member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member. Their names are indicated above.

(b) Audited by member firms of RSM International of which RSM Chio Lim LLP in Singapore is a member.

(c) Dormant during the year. The subsidiary is currently under members' voluntary winding up.

As is required by Rule 716 of the Listing Manual of The Singapore Exchange Securities Trading Limited, the audit committee and the board of directors of the company have satisfied themselves that the appointment of different auditors for certain of its overseas subsidiaries would not compromise the standard and effectiveness of the audit of the group.

18. Asset/liability held for sale

On 29 October 2019, the group entered into a sales and purchase agreement with a third party to dispose its freehold property for a consideration of RM2,130,000 (equivalent to approximately $703,000). Accordingly, the said property and its related liabilities was classified as asset held for sale and liabilities held for sale respectively. The sale was completed subsequent to year end on 18 February 2020.

(i) Asset classified as held for sale

	Group 2019 $'000
Freehold property (Note 13)	457
Accumulated depreciation (Note 13)	(71)
Carrying amount	386

(ii) Liability classified as held for sale

	Group 2019 $'000
Term loans	154

19. Inventories

	Group	
	2019 $'000	2018 $'000
Finished goods and goods for resale	23,542	28,444

Inventories are stated after allowance.

Movements in allowance:		
Balance at beginning of the year	645	682
Charged (reversed) to profit or loss included in (other income and gains) and other losses, net	20	(22)
Foreign exchange adjustments	(20)	(15)
Balance at end of the year	645	645
Changes in inventories of finished goods decrease (increase)	4,902	(5,982)
Purchase of inventories	18,029	30,734
The amount of inventories included in cost of sales	22,931	24,752

There are no inventories pledged as security for liabilities.

20. Trade and other receivables

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Trade receivables:				
Outside parties	11,392	12,927	–	–
Less: allowance for impairment	(1,858)	(2,799)	–	–
Net trade receivables - subtotal	9,534	10,128	–	–
Other receivables:				
Subsidiaries (Note 3)	–	–	1,640	1,757
Income tax recoverable	5	6	–	–
Outside parties	452	342	–	–
Net other receivables - subtotal	457	348	1,640	1,757
Total trade and other receivables	9,991	10,476	1,640	1,757
Movements in above allowance on trade receivables:				
Balance at beginning of the year	2,799	2,920	–	–
(Reversed) charged for trade receivables to profit or loss included in (other income and gains) and other losses, net	(726)	9	–	–
Bad debts written off	(199)	(85)	–	–
Foreign exchange adjustments	(16)	(45)	–	–
Balance at end of the year	1,858	2,799	–	–

The trade receivables are subject to the expected credit loss model under the financial reporting standard on financial instruments. The methodology applied for impairment loss is the simplified approach to measuring expected credit losses (ECL) which uses a lifetime expected loss allowance for all trade receivables. The expected lifetime losses are recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the expected credit losses. The allowance matrix is based on its historical observed default rates (over a period of 36 months) over the expected life of the trade receivables. At every reporting date, the historical observed default rates are updated and analysed.

The loss allowance was determined as follows for trade receivables:

Group	Gross amount		Expected loss rate		Loss allowance	
	2019	2018	2019	2018	2019	2018
	$'000	$'000	%	%	$'000	$'000
Current	1,457	3,566	4.3	9.7	(63)	(346)
1 to 30 days past due	2,276	1,386	11.0	13.9	(250)	(193)
31 to 60 days past due	1,976	1,171	16.0	20.5	(316)	(240)
Over 60 days past due	5,683	6,804	21.6	29.7	(1,229)	(2,020)
	11,392	12,927			(1,858)	(2,799)

The amounts are written off when there are indications that there is no reasonable expectation of recovery or the failure of a debtor to make contractual payments over an extended period. There are no collateral held as security and other credit enhancements for the trade receivables.

20. Trade and other receivables (cont'd)

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

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivables customers is 30 to 90 days (2018: 30 to 90 days). But some customers take a longer period to settle the amounts.

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

	Group	
	2019	2018
	$'000	$'000
Top 1 customer	1,006	2,019
Top 2 customers	1,951	2,981
Top 3 customers	2,561	3,711

The other receivables at amortised cost shown above are subject to the expected credit loss model under the financial reporting standard on financial instruments. Other receivables are normally with no fixed terms and therefore there is no maturity. The other receivables at amortised cost which can be graded as low risk individually are considered to have low credit risk. No loss allowance is necessary.

21. Other non-financial assets

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Prepayments	141	105	24	19

22. Cash and cash equivalents

	Group		Company	
	2019	2018	2019	2018
	$'000	$'000	$'000	$'000
Not restricted in use	3,971	5,142	513	799

The interest earning balances are not significant.

22. Cash and cash equivalents (cont'd)

22A. Cash and cash equivalents in the consolidated statement of cash flows:

	Group	
	2019	2018
	$'000	$'000
Amount as shown above	3,971	5,142
Bank overdrafts (Note 26)	(885)	(434)
Cash and cash equivalents for consolidated statement of cash flows purposes at end of the year	3,086	4,708

22B. Non-cash transactions:

There were acquisitions of plant and equipment with a total cost of $243,000 (2018: $4,000) acquired by means of finance leases.

22C. Reconciliation of movement of liabilities to cash flows arising from financing activities:

Group	2018 $'000	Cash flows $'000	Non-cash changes $'000	2019 $'000
Lease liabilities (Note 25)	–	(249)	833[a,b]	584
Other financial liabilities (Note 26)	8,022	(685)	(312)[b]	7,025
Bills payables (Note 27)	10,636	(5,066)	–	5,570
Total liabilities from financing activities	18,658	(6,000)	521	13,179

Group	2017 $'000	Cash flows $'000	Non-cash changes $'000	2018 $'000
Other financial liabilities (Note 26)	17,279	(9,279)	22[b]	8,022
Bills payables (Note 27)	9,399	1,237	–	10,636
Total liabilities from financing activities	26,678	(8,042)	22	18,658

[a] Acquisition of plant and equipment and interest charged.

[b] Foreign exchange movements and reclassification from other financial liabilities to lease liabilities.

Other financial liabilities exclude bank overdrafts as disclosed in Note 26A.

23. Share capital

	Number of shares issued '000	Share capital $'000
Group and Company		
Ordinary shares of no par value:		
Balance at beginning and end of the year 31 December 2018 and 31 December 2019	108,000	10,579

The ordinary shares of no par value are fully paid, carry one vote each and have no right to fixed income.

Capital management:

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

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

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

The group is not subject to any externally imposed capital requirements except for financial covenants as stipulated by its banks in respect of certain bank loans and bank guarantee facilities granted and non-distributable statutory reserve of its subsidiaries in the People's Republic of China.

The above externally imposed capital requirements have been complied with by the group for the reporting years ended 31 December 2019 and 2018.

23. Share capital (cont'd)

Capital management (cont'd):

The management monitors the capital on the basis of the debt-to-adjusted capital ratio. This ratio is calculated as net debt/ adjusted capital (as shown below). Net debt is calculated as total borrowings less cash and cash equivalents.

	Group	
	2019	**2018**
	$'000	**$'000**
Net debt:		
All current and non-current borrowings including leases (Notes 18, 25, 26 and 27)	14,218	19,092
Less: cash and cash equivalents	(3,971)	(5,142)
Net debt	10,247	13,950
Adjusted capital:		
Total equity	29,548	28,807
Adjusted capital	29,548	28,807
Debt-to-adjusted capital ratio	0.35	0.48

There was a favourable change due to lower borrowings balances at the end of the reporting year.

The debt-to-adjusted capital ratio (leverage ratio) is a key financial measure that is used by management to assess the borrowing capacity of the entity. The ratio is calculated as net debt (total principal debt outstanding less unrestricted cash) divided by the adjusted capital. If the entity has more cash than debt, the ratio can be negative. The leverage ratio does not include the effects of SFRS(I) 16 Leases, as covenants are based on frozen FRS.

The company has no external borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

24. Other reserves

	Group	
	2019	**2018**
	$'000	**$'000**
Statutory reserve (Note 24A)	239	237
Foreign currency translation reserve (Note 24B)	(170)	(98)
	69	139

All reserves classified on the face of the statement of financial position as retained earnings represents past accumulated earnings and are distributable as cash dividends. The other reserves are not available for cash dividends unless realised.

24. Other reserves (cont'd)

24A. Statutory reserve

	Group 2019 $'000	Group 2018 $'000
At beginning of the year	237	225
Transferred from profit or loss	2	12
At end of the year	239	237

In accordance with the relevant laws and regulations in the People's Republic of China, the subsidiaries in China are required to appropriate a minimum of 10% of the net profits after taxation reported in the statutory accounts to the statutory reserve until the balance of such reserve reaches 50% of its registered share capital. The amount to be set aside is determined by the board of directors of the subsidiaries annually in accordance with the relevant regulations. This reserve cannot be used for purposes other than those for which is created.

In accordance with the relevant laws and regulations in Taiwan, the subsidiary in Taiwan must set aside 10% of its distributable earnings as its legal reserve and it should not be used to distribute dividends.

24B. Foreign currency translation reserve

	Group 2019 $'000	Group 2018 $'000
At beginning of the year	(98)	(13)
Exchange differences on translating foreign operations	(72)	(85)
At end of the year	(170)	(98)

The foreign currency translation reserve accumulates all foreign exchange differences arising from translating foreign operations.

25. Financial liabilities – lease liabilities

Lease liabilities are presented in the statements of financial position as follows:

	Group 2019 $'000	Group 2018 $'000
Lease liabilities, current	197	–
Lease liabilities, non-current	387	–
	584	–

25. Financial liabilities – lease liabilities (cont'd)

Movements of lease liabilities for the reporting year are as follows:

	Group 2019 $'000
Total lease liabilities recognised at 1 January 2019	321
Additions	502
Accretion of interest	13
Lease payments	(249)
Foreign exchange adjustments	(3)
Total lease liabilities at end of reporting year	584

The new standard on leases has been applied using the modified retrospective transition approach. Therefore no comparative amounts for the year ended 31 December 2018 are presented.

The lease liability above does not include the short-term leases of less than 12 months and leases of low-value underlying assets. Variable lease payments which do not depend on an index or a rate or based on a percentage of revenue are not included from the initial measurement of the lease liability and the right-to-use assets. The right-to-use assets are disclosed in Note 14.

Only variable lease payments that depend on an index or a rate; payments that vary to reflect changes in market rental rates are included in the measurement of the lease liability. Such variable amounts that are unpaid at the commencement date are included in the measurement of lease liability. Variable lease payments would also include extension options and termination options; residual value guarantees; and leases not yet commenced to which the lessee is committed. The variable lease payments that based on revenue are recognised in profit or loss in the year in which the condition that triggers those payments occurs.

On transition to the new standard on leases the incremental borrowing rate applied to lease liabilities recognised ranged from 3.3% to 7.1% per year. The right-of-use asset and lease liability before the date of initial application are measured at the same amounts as under the new standard.

Reconciliation of lease commitments and lease liabilities at the date of initial application:

	Group 2019 $'000
Operating lease commitments as at 31 December 2018	173
Relief option for short-term leases and low value assets	(2)
Subtotal - Operating lease liabilities before discounting	171
Discounted using incremental borrowing rate	(8)
Operating lease liabilities, net	163
Finance lease obligations recognised as at 31 December 2018 (Note 26C)	158
Total lease liabilities recognised at 1 January 2019	321

25. Financial liabilities – lease liabilities (cont'd)

A summary of the maturity analysis of lease liabilities that shows the remaining contractual maturities is as follows:

Group	Minimum payments $'000	Finance charges $'000	Present value $'000
2019			
Minimum lease payments payable:			
Not later than one year	219	(22)	197
Between 2 and 5 years	425	(38)	387
Total	644	(60)	584

	Group 2019 $'000
Assets	
Net book value of plant and equipment under lease liabilities	581
Net book value of right-of-use assets under lease liabilities	284
	865

Total cash outflow for leases for the year ended 31 December 2019 are shown in the consolidated statement of cash flows.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is re-measured to reflect any reassessment or modification, or if there are changes to in-substance fixed payments. When the lease liability is re-measured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

At reporting year date, total commitments on leases that had not yet commenced were as follows:

	Group 2019 $'000
Asset	
Office space	415

Apart from the disclosures made in other Notes to the financial statements, amounts relating to leases include the following:

	Group 2019 $'000
Expense relating to short-term leases included in other expenses	94

The total for lease liabilities and the average effective borrowing rate per year is disclosed above. The fair value (Level 2) is a reasonable approximation of the carrying amount.

26. Other financial liabilities

	Group 2019 $'000	Group 2018 $'000
Non-current:		
Financial instruments with floating interest rates:		
Term loans (secured) (Note 26B)	4,702	5,156
Financial instruments with fixed interest rates:		
Term loans (unsecured) (Note 26B)	1,470	2,014
Finance leases (Note 26C)	–	60
Total non-current portion	6,172	7,230
Current:		
Financial instruments with floating interest rates:		
Bank overdrafts (secured) (Note 26A)	–	110
Bank overdrafts (unsecured) (Note 26A)	885	324
Term loans (secured) (Note 26B)	301	301
Derivative financial instruments (Note 26D)	2	17
Financial instruments with fixed interest rates:		
Finance leases (Note 26C)	–	98
Term loans (unsecured) (Note 26B)	550	376
Total current portion	1,738	1,226
Total	7,910	8,456
The non-current portion is repayable as follows:		
Due within 2 to 5 years	2,984	3,600
After 5 years	3,188	3,630
Total non-current portion	6,172	7,230

The range of floating interest rates paid were as follows:

	Group 2019	Group 2018
Bank overdrafts (secured)	8.07%	8.07%
Bank overdrafts (unsecured)	5.50%	5.50%
Term loans (secured)	2.60% to 7.37%	3.46% to 7.37%
Term loans (unsecured)	6.00%	6.00%

26. Other financial liabilities (cont'd)

The range of fixed interest rates paid were as follows:

	Group	
	2019	**2018**
Term loans (unsecured)	6.00%	6.00%

The floating rate debt instruments are with interest rates that are re-set regularly.

26A. Bank overdrafts

The bank agreements for certain of the bank overdrafts and other credit facilities provide among other matters for the following:-

(a) The first and legal charge over the subsidiaries' freehold and leasehold properties (Notes 13 and 15); and

(b) Corporate guarantee from the company.

26B. Term loans

	Group	
	2019	**2018**
	$'000	**$'000**
Term loans 1 (secured) [a]	5,003	5,457
Term loans 2 (unsecured) [b]	2,020	2,390
	7,023	7,847

[a] Term loans 1 are repayable through a range of 180 (2018: 180 to 240) monthly instalments commencing from May 2006 to May 2018 (2018: May 2006 to May 2018).

[b] Term loans 2 are repayable through 72 (2018: 72) monthly instalments commencing from February 2017 to November 2017 (2018: February 2017 to November 2017).

The bank agreements for certain of the term loans provide among other matters for the following:-

(a) The first and legal charge over the subsidiaries' freehold and leasehold properties (Notes 13 and 15); and

(b) Corporate guarantee from the company.

26. Other financial liabilities (cont'd)

26C. Finance leases

Group	Minimum payments $'000	Finance charges $'000	Present value $'000
2018:			
Minimum lease payments payable:			
Due within one year	101	(3)	98
Due within 2 to 5 years	64	(4)	60
Total	165	(7)	158
Net book value of plant and equipment under finance leases			227

There are leased assets under finance leases. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The obligations under finance leases are secured by the lessor's charge over the leased assets.

Other details are as follows:

	Group 2019	Group 2018
Average lease term, in years	–	1 – 3
Fixed borrowing rates per year	–	1.55% to 7.12%

The total for finance leases and the fixed borrowing rates per year is disclosed above. The fair value (Level 2) is a reasonable approximation of the carrying amount. The fair value of the finance leases was estimated by discounting the future cash flows payable under the terms of the finance leases using the interest rate ranging between Nil (2018: 1.55% to 7.12%) per year applicable to similar finance leases.

Finance lease liabilities were reclassified to lease liabilities on 1 January 2019 arising from the adoption of SFRS(I) 16. The impact of adoption is disclosed in Note 25.

26. Other financial liabilities (cont'd)

26D. Derivative financial instruments

	Group 2019 $'000	Group 2018 $'000
Liabilities – Contracts with negative fair values:		
Derivatives not designated as hedging instruments - foreign exchange contracts	2	17
Total at end of the year	2	17

The movements during the year were as follows:

	Group 2019 $'000	Group 2018 $'000
At the beginning of the year		
Losses in profit or loss under other losses	2	17
At the end of the year	2	17

The maximum exposure to credit risk at the reporting date is the fair value of the derivative liabilities.

Forward currency exchange contracts

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

	Reference currency	Principal 2019 '000	Principal 2018 '000	Fair value 2019 $'000	Fair value 2018 $'000
Forward currency contracts [(a)]	USD	500	500	(2)	(3)
Foreign currency options [(b)]	USD	–	1,000	–	(14)
				(2)	(17)

(a) The purpose of these contracts is to mitigate the fluctuations of expected purchases (forecast transactions) denominated in the non-functional currencies. Cash flows are expected to occur and affect profit or loss in the month concerned.

(b) There are options to purchase currency of the United States equivalent to an amount of approximately S$1,364,000 as a hedge against future exchange losses on purchases of inventories. The contracts have maturity dates from 26 February 2019 to 2 May 2019.

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

27. Trade and other payables

	Group 2019 $'000	Group 2018 $'000	Company 2019 $'000	Company 2018 $'000
Trade payables:				
Outside parties and accrued liabilities	5,029	7,065	338	400
Bills payables to banks [(a)]	5,570	10,636	–	–
Trade payables – subtotal	10,599	17,701	338	400
Other payables:				
Outside parties	353	301	–	26
Other payables – subtotal	353	301	–	26
Total trade and other payables	10,952	18,002	338	426

(a) The range of floating interest rates was 3.68% to 4.75% (2018: 3.25% to 4.75%) per annum.

28. Operating lease income commitments – as lessor

At the end of the reporting year, the total of future minimum lease receivables committed under non-cancellable operating leases are as follows:

	Group 2019 $'000	Group 2018 $'000
Not later than one year	–	11
Rental income for the year	20	25

Operating lease income commitments are for certain factory property. The lease rental income terms are negotiated for terms of 6 to 12 months and rentals are subject to an escalation clause.

29. Financial instruments: information on financial risks

29A. Categories of financial assets and liabilities

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

	Group		Company	
	2019	**2018**	**2019**	**2018**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets:				
Financial assets at amortised cost	13,957	15,612	2,153	2,556
Financial liabilities:				
Financial liabilities at amortised cost	19,598	26,441	338	426
Financial liabilities at fair value through profit or loss	2	17	–	–
Total financial liabilities	19,600	26,458	338	426

Further quantitative disclosures are included throughout these financial statements.

29B. Financial risk management

The main purpose for holding or issuing financial instruments is to raise and manage the finances for the group's operating, investing and financing activities. There are exposures to the financial risks on the financial instruments such as credit risk, liquidity risk and market risk comprising interest rate, currency risk and price risk exposures. Management has certain practices for the management of financial risks. The guidelines include the following:

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

There have been no changes to the exposures to risk; the objectives, policies and processes for managing the risk and the methods used to measure the risk.

The chief financial officer who monitors the procedures reports to the board.

29. Financial instruments: information on financial risks (cont'd)

29B. Financial risk management (cont'd)

With regard to derivatives, the policies include the following:

1. The management documents carefully all derivatives including the relationship between them and the hedged items at inception and throughout their life.

2. Ineffectiveness is recognised in profit or loss as soon as it arises.

3. Effectiveness is assessed at the inception of the hedge and at each end of the reporting year ensuring that the criteria in financial reporting standard on financial instruments are met.

4. Only financial institutions with acceptable credit ratings are used as counterparties for derivatives.

29C. Fair values of financial instruments

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

29D. Credit risk on financial assets

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

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

29. Financial instruments: information on financial risks (cont'd)

29E. Liquidity risk – financial liabilities maturity analysis

The following tables analyses the non-derivative and derivative financial liabilities by remaining contractual maturity (contractual undiscounted cash flows):

Group	Less than 1 year $'000	2 – 5 years $'000	Over 5 years $'000	Total $'000
Non-derivative financial liabilities:				
2019:				
Gross borrowing commitments	2,031	3,501	4,222	9,754
Gross lease liabilities	219	425	–	644
Trade and other payables	11,000	–	–	11,000
At end of the year	13,250	3,926	4,222	21,398
2018:				
Gross borrowing commitments	1,227	4,175	4,794	10,196
Gross finance lease obligations	101	64	–	165
Trade and other payables	18,088	–	–	18,088
At end of the year	19,416	4,239	4,794	28,449

	Less than 1 year			
	Group		Company	
	2019 $'000	2018 $'000	2019 $'000	2018 $'000
Derivative financial liabilities:				
Gross settled:				
Foreign currency forward contracts	675	685	–	–
Foreign currency options	–	1,367	–	–
Trade and other payables	–	–	338	426
At end of the year	675	2,052	338	426

The undiscounted amounts on the borrowings with fixed and floating interest rates are determined by reference to the conditions existing at the reporting date.

The above amounts disclosed in the maturity analysis are the contractual undiscounted cash flows and such undiscounted cash flows differ from the amount included in the statements of financial position. When the counterparty has a choice of when an amount is paid, the liability is included on the basis of the earliest date on which it can be required to pay.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 to 90 days (2018: 30 to 90 days). The classification of the financial assets is shown in the statements of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

29. Financial instruments: information on financial risks (cont'd)

29E. Liquidity risk – financial liabilities maturity analysis (cont'd)

Financial guarantee contracts – for issued financial guarantee contracts the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called. At the end of the reporting year, no claims on the financial guarantees are expected to be payable. The following table shows the maturity analysis of the contingent liabilities from financial guarantees.

Company	Less than 1 year $'000	2 – 5 years $'000	Over 5 years $'000	Total $'000
2019:				
Corporate guarantee in favour of subsidiaries	7,306	2,984	3,188	13,478
At end of the year	7,306	2,984	3,188	13,478
2018:				
Corporate guarantee in favour of subsidiaries	11,845	3,600	3,630	19,075
At end of the year	11,845	3,600	3,630	19,075

	Group	
	2019 $'000	2018 $'000
Bank facilities:		
Undrawn borrowing facilities	41,773	34,823

Financial guarantee contracts if significant are initially recognised at fair value and are subsequently measured at the higher of (a) the amount of the loss allowance determined in accordance the financial reporting standard on financial instruments and (b) the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the principles of the financial reporting standard on revenue from contracts with customers.

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

29F. Interest rate risk

Interest rate risk arises on interest-bearing financial instruments recognised in the statements of financial position and on some financial instruments not recognised in the statements of financial position.

The following table analyses the breakdown of the significant financial instruments (excluding derivatives) by type of interest rate:

	Group	
	2019 $'000	2018 $'000
Financial liabilities with interest:		
Fixed rates	2,604	2,548
Floating rates	11,614	16,544
Total at end of the year	14,218	19,092

29. Financial instruments: information on financial risks (cont'd)

29F. Interest rate risk (cont'd)

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

Sensitivity analysis:

	Group 2019 $'000	Group 2018 $'000
Financial liabilities:		
A hypothetical variation in floating interest rates by 100 basis points with all other variables held constant, would have an increase in pre-tax profit for the year by	116	165

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

29G. Foreign currency risks

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

Analysis of amounts denominated in foreign currencies:

Group	US Dollars $'000	Malaysian Ringgit $'000	Euro $'000	Total $'000
2019				
Financial assets:				
Cash	702	551	–	1,253
Loans and receivables	1,038	–	169	1,207
Total financial assets	1,740	551	169	2,460
Financial liabilities:				
Trade and other payables	6,740	–	–	6,740
Total financial liabilities	6,740	–	–	6,740
Net financial (liabilities) assets at end of the year	(5,000)	551	169	(4,280)

29. Financial instruments: information on financial risks (cont'd)

29G. Foreign currency risks (cont'd)

Group	US Dollars $'000	Malaysian Ringgit $'000	Euro $'000	Total $'000
2018				
Financial assets:				
Cash	1,106	595	–	1,701
Loans and receivables	861	–	70	931
Total financial assets	1,967	595	70	2,632
Financial liabilities:				
Trade and other payables	13,074	–	–	13,074
Total financial liabilities	13,074	–	–	13,074
Net financial (liabilities) assets at end of the year	(11,107)	595	70	(10,442)

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

Sensitivity analysis:

	Group 2019 $'000	Group 2018 $'000
A hypothetical 10% strengthening in the exchange rate of the functional currency $ against the US$ with all other variables held constant would have a favourable effect on profit before tax of	500	1,111

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

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

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

There is a favorable change in foreign currency rates sensitivity on US Dollars for the current reporting year mainly due to the increase in foreign currency liabilities denominated in US Dollars.

30. Events after the end of the reporting year

There are current uncertainties in the economy related to the COVID-19 outbreak that emerged since early 2020. These uncertainties has impacted the group's operations and may create questions about the impairment or recoveries of certain assets. As the situation is still evolving, the full effect of the outbreak is still uncertain. It is however reasonably possible that COVID-19 will have an adverse impact on the group's revenues, recoverability of receivables and results for the next financial year, the extent of which will depend on how long the outbreak lasts.

31. Changes and adoption of financial reporting standards

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the reporting entity are listed below. Adoption of the applicable new or revised standards has resulted in some changes in the detailed application of the accounting policies and some modifications to financial statements presentation and measurement as disclosed in Note 33.

SFRS(I) No.	Title
SFRS(I) 16	Leases (and Leases – Illustrative Examples & Amendments to Guidance on Other Standards)
SFRS(I) INT 23	Uncertainty over Income Tax Treatments
SFRS(I) 1-12	Improvements (2017) – Amendments: Income Taxes
SFRS(I) 1-23	Improvements (2017) – Amendments: Borrowing Costs
SFRS (I) 3	Improvements (2017) – Amendments: Business Combinations

32. New or amended standards in issue but not yet effective

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

SFRS(I) No	Title	Effective date for periods beginning on or after
SFRS (I) 3	Definition of a Business – Amendments	1 Jan 2020
SFRS(I) 1-1 and 1-8	Definition of Material – Amendments to SFRS(I)	1 Jan 2020
	The Conceptual Framework for Financial Reporting	1 Jan 2020

33. Changes in accounting policies and restatements of comparative figures

Effective from beginning of the current reporting year certain new or revised financial reporting standards were adopted as mentioned in Note 31. Adoption of those policies and any other changes have resulted in some changes in the application of the accounting policies and some modifications to financial statements presentation and these changes are summarised below.

Leases:

The financial reporting standard on leases is effective for annual periods beginning on or after 1 January 2019 and it supersedes the previous reporting standard and the related interpretations on leases. For the lessee almost all leases are brought onto the statements of financial position under a single model (except leases of less than 12 months and leases of low-value assets), eliminating the distinction between operating and finance leases. Thus, the entity has recognised a right-of-use asset and a corresponding liability in respect of all these leases (unless they qualify for low value or short-term leases) which might have a material impact on the amounts recognised in the financial statements. The amount by which each financial statement line item is impacted (debits / (credits)) in the current reporting year 2019 by the application of the new standard on leases are disclosed in the relevant notes to the financial statements. The reporting entity elected to apply the modified retrospective approach for this standard new standard on leases. Under the modified retrospective approach the comparative Information is not restated and therefore there is no presentation of a third column for the statement of financial position.

PROPERTIES OF THE GROUP

YEAR ENDED 31 DECEMBER 2019

Location	Description	Existing use	Tenure of land
6 Tuas Lane Singapore 638615	Single storey JTC detached factory with mezzanine level and rear extension	Office, workshop and warehouse	Leasehold
5 Jalan Gemilang 3 Taman Perindustrian Cemerlang 81800 Ulu Tiram Johor, Malaysia (Disposed on 19 February 2020)	Semi-detached factory	Office, workshop and warehouse	Freehold

STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2020

Issued and fully paid share capital	:	SGD 11,859,000
Number of issued shares	:	108,000,000
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share (excluding treasury shares)
Number of treasury shares	:	Nil
Number of subsidiary shares	:	Nil

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	–	–	–	–
100 - 1,000	10	2.62	10,000	0.01
1,001 - 10,000	236	61.94	1,259,000	1.16
10,001 - 1,000,000	124	32.55	13,809,600	12.79
1,000,001 and above	11	2.89	92,921,400	86.04
Total	**381**	**100.00**	**108,000,000**	**100.00**

Shareholding held by the public

Based on the information available to the Company as at 20 March 2020, approximately 27.37% the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited is complied with.

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	%
1	Soon Tien Holdings Pte. Ltd.	72,900,000	67.50
2	2G Capital Pte Ltd	5,000,000	4.63
3	Phillip Securities Pte Ltd	3,465,400	3.21
4	Citibank Nominees Singapore Pte Ltd	2,905,000	2.69
5	Sia Ling Sing	1,665,000	1.54
6	Ng Kim Ying	1,600,000	1.48
7	Tan Gin Mong	1,206,000	1.12
8	Ang Yu Seng	1,100,000	1.02
9	Maybank Kim Eng Securities Pte. Ltd.	1,055,000	0.98
10	Tan Ee Hoon	1,012,500	0.94
11	Tan Ee Tin	1,012,500	0.94
12	Tan Yee Chin	998,334	0.92
13	Tan Yee Ho	998,333	0.92
14	Tan Yee Leong	998,333	0.92
15	Kuah Kian Hoe	764,000	0.71
16	Ang De Yu	600,000	0.56
17	Lim Bok Teck	455,000	0.42
18	Sok Hang Chaw	450,000	0.42
19	Chin Kai Seng	445,800	0.41
20	Tan Lay Peng	400,000	0.37
	Total	**99,031,200**	**91.70**

SUBSTANTIAL SHAREHOLDERS

(as recorded in the Company's Register of Substantial Shareholders)

	Direct Interest		Deemed Interest	
Name of shareholder	**No. of shares**	**% of shares**	**No. of shares**	**% of shares**
Soon Tien Holdings Pte. Ltd.	72,900,000	67.50	–	–
Tan Yee Chin (1)(2)	998,334	0.92	73,300,000	67.87
Tan Yee Ho (1)	998,333	0.92	72,900,000	67.50
Tan Yee Leong (1)	998,333	0.92	72,900,000	67.50

Notes:

(1) Each of Tan Yee Chin, Tan Yee Ho and Tan Yee Leong is deemed to have an interest in the shares held by Soon Tien Holdings Pte. Ltd. by virtue of his holding more than 20% of the total issued shares in Soon Tien Holdings Pte. Ltd..

(2) Tan Yee Chin is deemed to have an interest in the 400,000 shares held by his wife, Tan Lay Peng.

PROPOSED RESOLUTIONS FOR FORTHCOMING ANNUAL GENERAL MEETING

As announced by Soon Lian Holdings Limited (the "**Company**") on 15 April 2020, the Annual General Meeting ("**AGM**") of the Company for the financial year ended 31 December 2019 ("**FY2019**") has been postponed and will be convened on or before 29 June 2020. Accordingly, this Annual report is not accompanied by the Notice of AGM and the Proxy Form. The Notice of AGM, together with the Proxy Form and any relevant supporting documents, will be sent to shareholders of the Company at a later date. Shareholders are advised to refer to further announcement(s) to be made by the Company via SGXNet.

Following are the proposed resolutions to be voted/passed at the AGM of the Company for FY2019.

AS ORDINARY BUSINESS

1. To receive and adopt the Statement by Directors and the Audited Financial Statements of the Company for the financial year ended 31 December 2019, together with the Auditor's Report thereon. **Resolution 1**

2. To note the retirement of Mr Yap Kian Peng, a Director of the Company, pursuant to Regulation 104 of the Constitution of the Company ("**Constitution**").

   [See Explanatory Note (i)]

3. To note the retirement of Mr Lim Chee San, a Director of the Company, pursuant to Regulation 114 of the Constitution.

   [See Explanatory Note (i)]

4. To re-elect Mr Tan Yee Ho, a Director of the Company retiring pursuant to Regulation 104 of the Constitution and who, being eligible, offer himself for re-election as a Director of the Company. **Resolution 2**

   [See Explanatory Note (i)]

5. To approve the payment of Directors' fees of S$85,000 for the financial year ended 31 December 2019 (FY2018: S$85,000). **Resolution 3**

6. To re-appoint Messrs RSM Chio Lim LLP as the Company's Auditors and to authorise the Directors of the Company to fix their remuneration. **Resolution 4**

AS SPECIAL BUSINESS

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

7. Proposed Share Issue Mandate **Resolution 5**

   "That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist ("**Rules of Catalist**"), the Directors of the Company be authorised and empowered to:

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

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

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

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

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

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

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

    (b) new shares arising from exercising share options or vesting of share awards, provided that such share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and

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

    and, in sub-paragraph (1) above and this sub-paragraph (2), "subsidiary holdings" has the meaning given to it in the Rules of Catalist;

    Adjustments in accordance with sub-paragraph (2)(a) or sub-paragraph (2)(b) above are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution.

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

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

[See Explanatory Note (ii)]

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

PROPOSED RESOLUTIONS FOR FORTHCOMING ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Yap Kian Peng shall retire as an Independent Non-Executive Director of the Company, after the conclusion of the Annual General Meeting. He shall also cease to be the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee of the Company.

Mr Lim Chee San shall retire as an Independent Non-Executive Director of the Company, after the conclusion of the Annual General Meeting. He shall also cease to be the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee of the Company.

Mr Tan Yee Ho shall, upon re-election as a Director of the Company, remain as the Chairman of the Board of Directors of the Company, and an Executive Director of the Company.

Detailed information on Mr Tan Yee Ho can be found under the sections entitled “Board of Directors”, “Corporate Governance Report” and “Directors’ Statement” of the Company’s Annual Report 2019. Please also refer to the section entitled “Corporate Governance Report” of the Company’s Annual Report 2019 for the detailed information of Mr Tan Yee Ho as required pursuant to Rule 720(5) of the Rules of Catalist.

(ii) The proposed Ordinary Resolution 5 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to allot and issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to existing shareholders of the Company.

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

SOON LIAN
HOLDINGS

SINGAPORE · MALAYSIA · TAIWAN · CHINA

Soon Lian Holdings Limited
(Company registration no. 200416295G)

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