



**SOON  
LIAN**  
HOLDINGS

**STRONG**  
**AND AGILE**

ANNUAL REPORT 2022

順聯控股有限公司  
SOON LIAN HOLDINGS LIMITED

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This annual report has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "Sponsor"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (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 Mr. Bernard Lim at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542, telephone (65) 6232 3210.

# **VISION**

**INSPIRING PARTNERSHIPS  
GROWING POSSIBILITIES**

# **MISSION**

**WE DELIVER UNRIVALLED  
ALUMINIUM SOLUTIONS IGNITING  
POSSIBILITIES FOR PARTNERS  
WORLDWIDE**

# COMPANY PROFILE

Listed on the Catalist of the Singapore Exchange Securities Trading Limited in 2007, Soon Lian Holdings Limited (the “**Company**” or “**Soon Lian**”) and together with its subsidiaries (the “**Group**”) is a specialist supplier of aluminium alloy products 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 square metre 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, People’s Republic of China and Taiwan. The Group has also expanded its customer base, building a diversified clientele of over 1,000 customers in more than 15 countries, including Australia, Bangladesh, Hong Kong, India, Indonesia, Kingdom of Saudi Arabia, Malaysia, New Zealand, People’s Republic of China, Philippines, Singapore, Taiwan, Thailand, United Arab Emirates, Vietnam and others.

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 and precision engineering industries. We also supply to other aluminium stockists and traders as well as customers in other industries. We are equipped with unique Computer Numerical Control (“**CNC**”) plasma cutting system, CNC high precision bandsaw and custom-designed vertical saw which enable us to cut the aluminium 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, France, Greece, Italy, Malaysia, People’s Republic of China, Romania, Singapore, South Africa, Switzerland, Taiwan, United Kingdom and United States of America. As an endorsement of our quality management system, we were awarded the ISO 9001 certification in April 2002 and subsequently achieved upgrade to ISO 9001:2015.

We were awarded Enterprise 50 Award Winner 2007 by Accenture and The Business Times on 23 November 2007. We have also been listed as a Singapore 1000 company by DP Information Group and their partners Ernst & Young Solutions, ACRA, IDA Singapore, IE Singapore, SPRING Singapore and Singapore Business Federation (SBF) since 2009.

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.



## PRECISION ENGINEERING



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

## MARINE



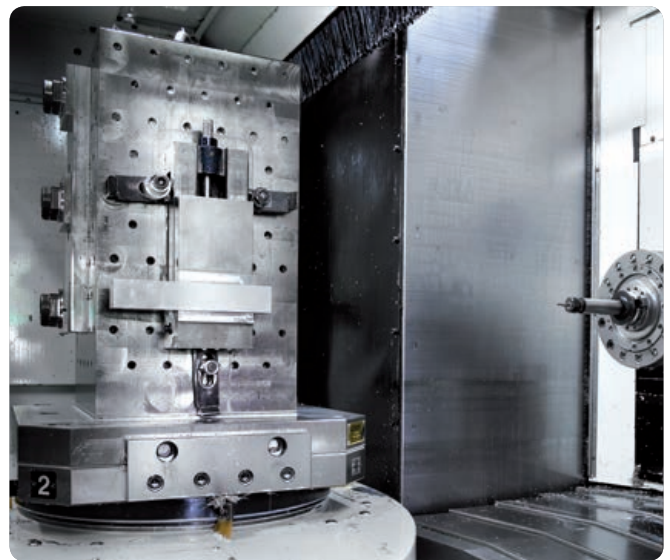
Products used in shipbuilding - hulls, decks, superstructures and cabins of light crafts such as catamarans, pleasure crafts, patrol boats, crew boats, rescue boats, speed boats and ferries.

## STOCKISTS AND TRADERS

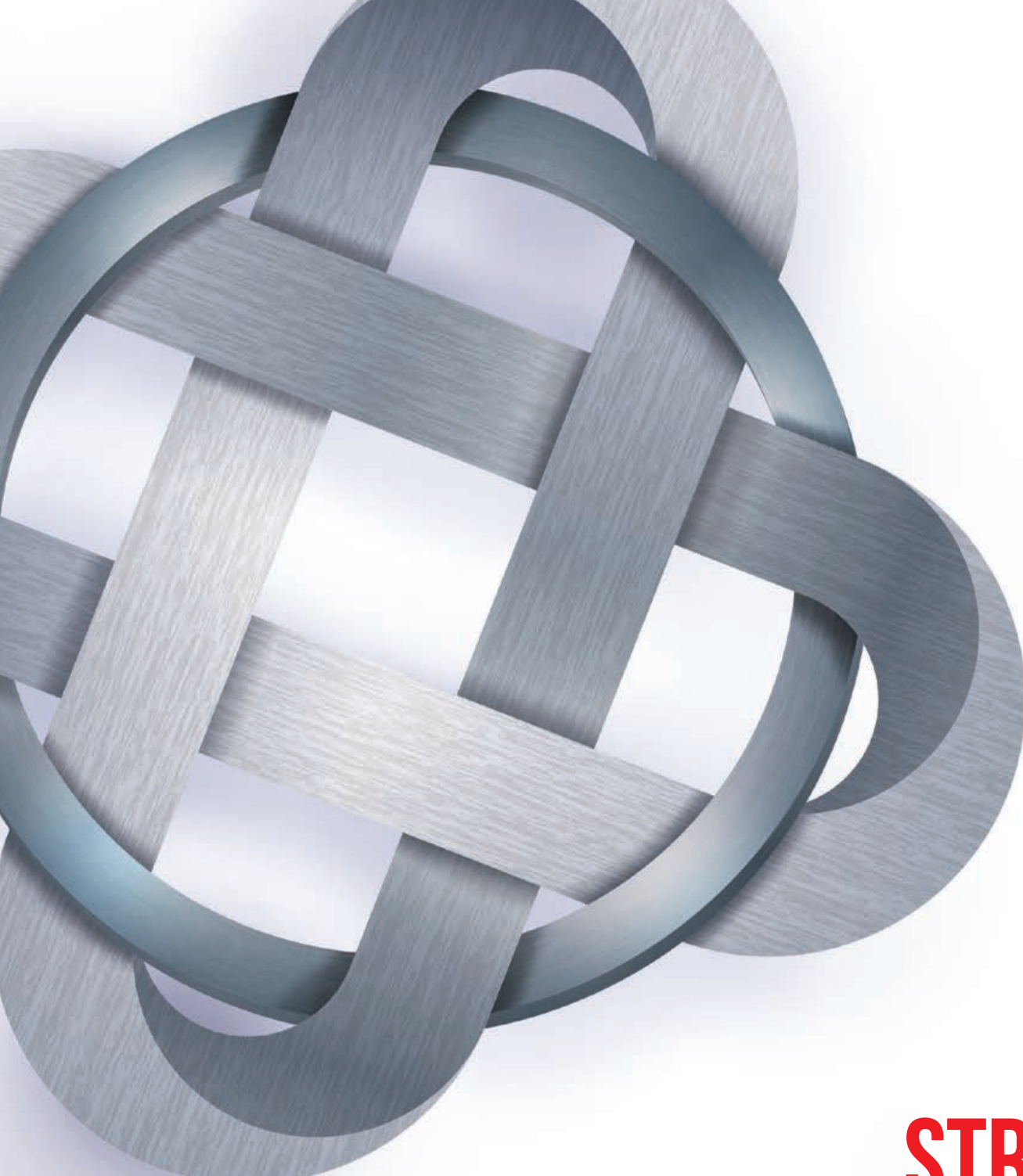


Intermediaries who buy products from the Group and resell it to end customers.

## OTHERS



High strength items in aircraft industries, oil tankers, automotive parts, rail coaches, truck frames, bridges, towers, products used in construction and fabricate industries and other scrap sales.



# **STRONG** SYNERGIES

**Remaining steadfast and working together with our people and partners, Soon Lian forges strong collaborations and partnerships to keep strong and overcome any challenges.**

# LETTER TO SHAREHOLDERS

“

The road ahead in the new year will no doubt have its challenges but we will respond with added collective commercial experience and acumen.

”



## Dear Shareholders,

The financial year ended 31 December 2022 (“**FY2022**”) was another year of steady progress where the Group leveraged on its strong synergies and agile operations to achieve an improved performance and operational enhancements despite a mixed backdrop of far-reaching events such as the conflict between Russia and Ukraine, new COVID-19 outbreaks globally, and the further relaxation of restrictions on cross-border travel especially between Singapore and Malaysia.

For FY2022, the Group recorded S\$71.5 million revenue, which was 33.4% higher as compared to FY2021 revenue of S\$53.6 million. In line with the higher sales, gross profit also improved, rising by 37.2% to S\$18.8 million. Among our four business segments, the Precision Engineering segment continues to be the main contributor to Group revenue and saw strong demand for most of the year, with a slight slowdown towards the latter part of 2022 due to softer demand from China and Taiwan. The segment contributed S\$44.6 million to Group revenue, a 28.2% increase as compared to S\$34.8 million in FY2021.

Our Marine segment likewise recorded a stronger performance which helped cushion the aforementioned slowdown. While the segment had a slow start in the first quarter of FY2022, it picked up in the second quarter onwards as regional

government projects fuelled greater demand for our products. Contribution to Group revenue from the Marine segment amounted to S\$17.7 million for FY2022, a S\$9.0 million or 103.4% increase from S\$8.7 million in FY2021.

Meanwhile, sales for our Stockist and Traders segment dipped as customers who turned to our well-stocked inventory to resolve material shortages in FY2021 now had more options with the relaxation of COVID restrictions and reopening of borders.

As a result of the abovementioned, the Group pencilled a 22.6% increase in net profit to S\$7.6 million for the year under review. As such, earnings per share continued to improve to 7.00 Singapore cents as compared to the 5.76 Singapore cents recorded for FY2021.

Furthermore, as we had done in FY2022, I on the behalf of the Board, am proposing a final dividend of 0.3 Singapore cents per ordinary share, subject to shareholders’ approval at the upcoming Annual General Meeting.

# LETTER TO SHAREHOLDERS

## OUTLOOK & STRATEGY

Moving forward, the Group anticipates that the challenges of FY2022 will continue to be a concern in FY2023. The International Monetary Fund (“IMF”) projected in a January 2023 report that global growth will fall from an estimated 3.4 percent in 2022 to 2.9 percent in 2023, before rising to 3.1 percent in 2024. The IMF said that the rise in central bank rates to fight inflation is one of the key factors behind the softening of economic activity for 2023. It also cautioned that while pent-up demand may boost growth, global economic recovery may still be hampered by severe health outcomes in China, probable escalation of the Russia-Ukraine war and tighter monetary conditions.

We share the IMF’s cautiously optimistic stance as we anticipate that encouraging developments such as the rollback of COVID-19 restrictions in Singapore and Malaysia which have alleviated manpower constraints and translated to greater stability in the supply chain may still be disrupted by sudden events such as the city-wide lockdown in China in mid-2022, which affected our operations.

For our Marine segment, stable oil prices are likely to translate to steady demand especially for government-linked projects. Meanwhile for the Precision Engineering segment, we anticipate a more moderate first half of FY2023 performance as the reopening of borders has also moderated the rising demand from customers. The second half is likely to be more stable while we do anticipate a shift of manufacturing activities from China to developing countries such as Vietnam and Thailand in response to the ongoing US-China trade war. We have plans in place to build on our existing presence in these countries and grow our customer base there.

The Group has been proactive and agile in meeting the challenges for the year and laying the foundations for future growth. In January 2023, we made strides in improving product quality with the acquisition of the ISO 9001 certification for our Malaysia subsidiary. This builds upon the certification we had received for Singapore. We target to obtain ISO certifications for our China and Taiwan branch in future.

Alongside the above, the Group has also implemented a new Enterprise Resources Planning (“ERP”) system and barcoding system that will enhance traceability and keep track of productivity. This is part of our long-term initiative to enhance our processes and make our workflow more efficient.

As we improve on quality and the way we do business, we place equal emphasis on our employees. We continued to invest in our people and strengthen staff retention by sponsoring training courses that enable them to improve their capabilities in relevant fields. We will continue to provide such opportunities for staff development in FY2023.

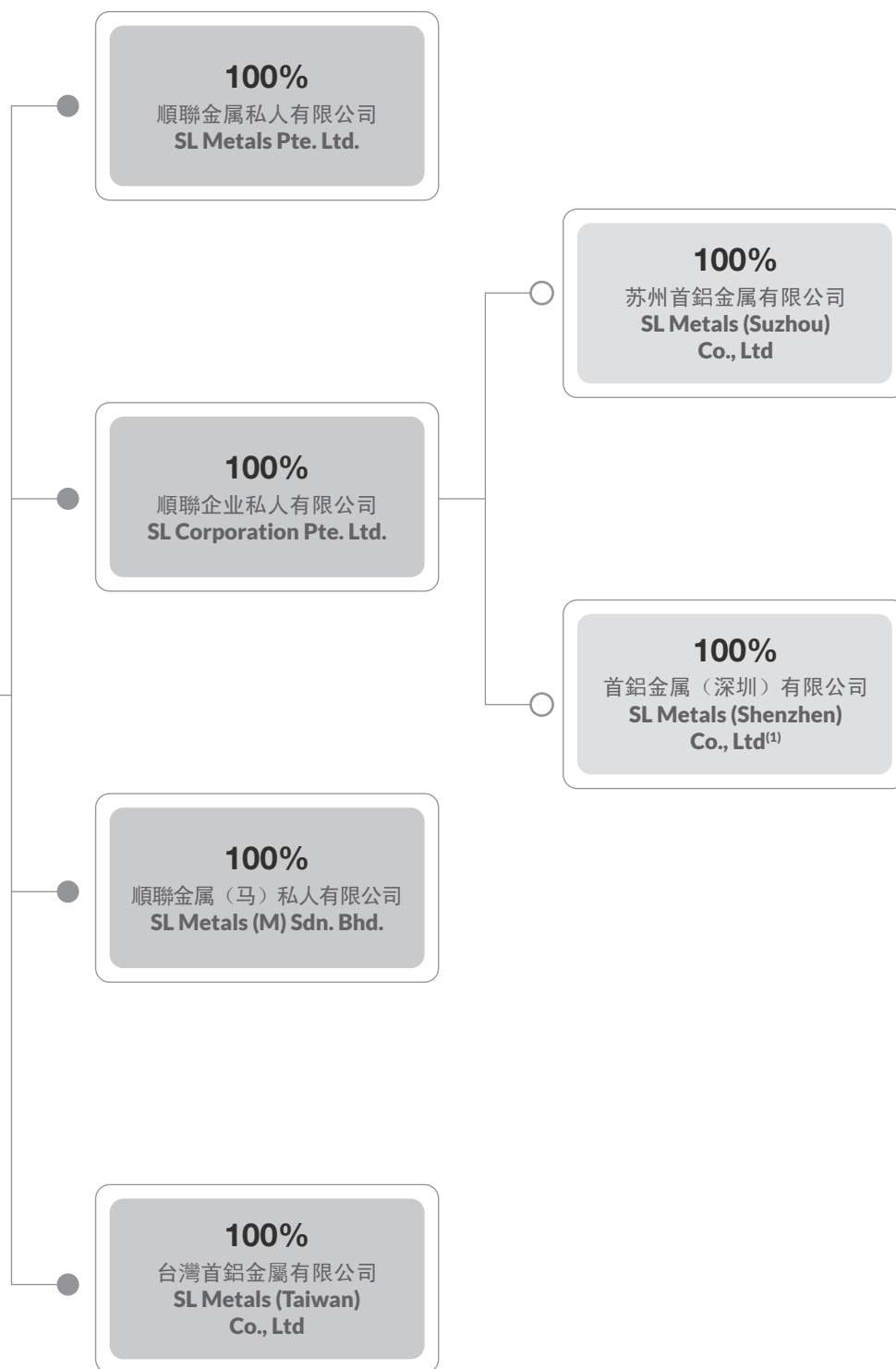
Just as how we have sustained our growth momentum over the past financial year, we will maintain that trajectory by leveraging on our improved capabilities, upskilled people and tested strategies while staying nimble to swiftly respond to new challenges and opportunities.

On behalf of the Board, I would like to once again thank all our stakeholders – from our hardworking staffs to our supportive customers and partners, we are deeply grateful for your contributions to Soon Lian. I would also like to thank the Board of Directors for their continued counsel and lastly to our shareholders who continue to journey with us as we build a stronger Soon Lian to preserve and unlock sustainable value for all.

**TAN YEE HO**  
*Executive Chairman*

<sup>1</sup> <https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023>





**Note:**

<sup>(1)</sup> In the process of a members' voluntary winding up

# GEOGRAPHICAL PRESENCE



## SUPPLIER BASE

AUSTRIA  
GREECE  
ITALY  
JAPAN  
MALAYSIA  
PEOPLE'S REPUBLIC OF  
CHINA  
ROMANIA  
SINGAPORE  
SOUTH AFRICA  
SWITZERLAND  
TAIWAN  
UNITED KINGDOM  
UNITED STATES OF  
AMERICA



## CUSTOMER BASE

AUSTRALIA	PEOPLE'S REPUBLIC OF CHINA
BANGLADESH	PHILIPPINES
HONG KONG	SINGAPORE
INDIA	TAIWAN
INDONESIA	THAILAND
MALAYSIA	UNITED ARAB EMIRATES
NEW ZEALAND	VIETNAM



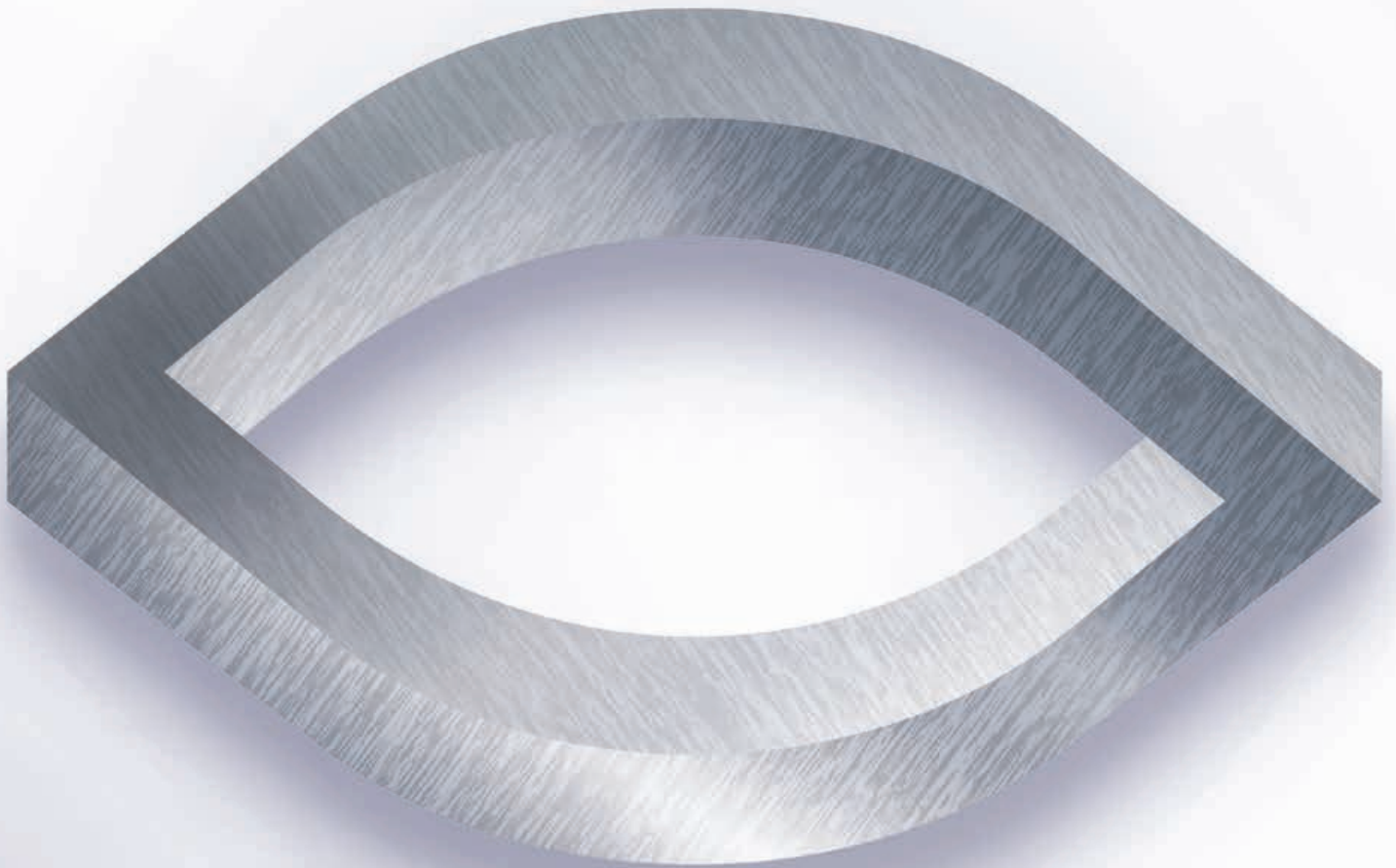


**REFINING OUR  
CAPABILITIES & STRENGTHS**

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.

# AGILE OPERATIONS

In dynamic macroeconomic business conditions, we keep at being adaptable in refining our experience and expertise to stay ahead during any market changes.

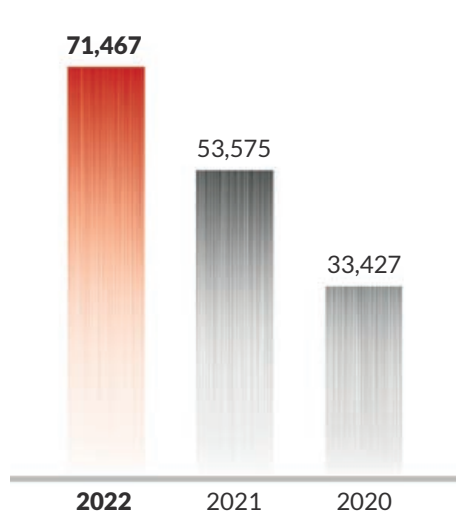


# FINANCIAL HIGHLIGHTS

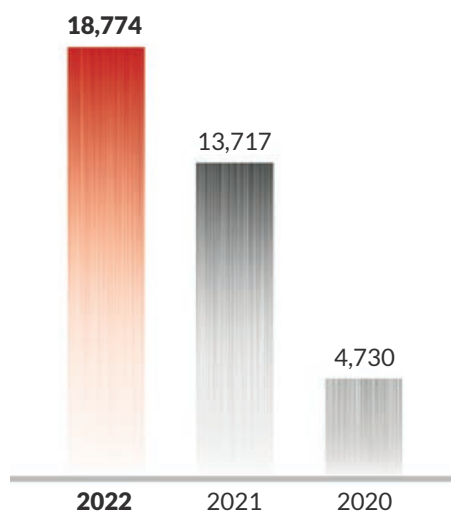
INCOME STATEMENT	FY2022 S\$'000	FY2021 S\$'000	FY2020 S\$'000
Revenue	71,467	53,575	33,427
Gross profit	18,774	13,717	4,730
Profit before income tax	9,110	7,035	585
Income tax expenses	(1,550)	(817)	(174)
Profit for the year	7,560	6,218	411
Earnings per share (in cents)	7.00	5.76	0.38

BALANCE SHEET	As at 31.12.2022 S\$'000	As at 31.12.2021 S\$'000	As at 31.12.2020 S\$'000
<b>ASSETS</b>			
Non-current assets	11,749	9,934	10,820
Current assets	76,798	50,927	39,600
Total assets	88,547	60,861	50,420
<b>EQUITY AND LIABILITIES</b>			
Total equity	42,823	36,614	30,146
Non-current liabilities	7,481	7,484	10,154
Current liabilities	38,243	16,763	10,120
Total liabilities	45,724	24,247	20,274
Total equity and liabilities	88,547	60,861	50,420
Net asset value per share (in cents)	39.7	33.9	27.9

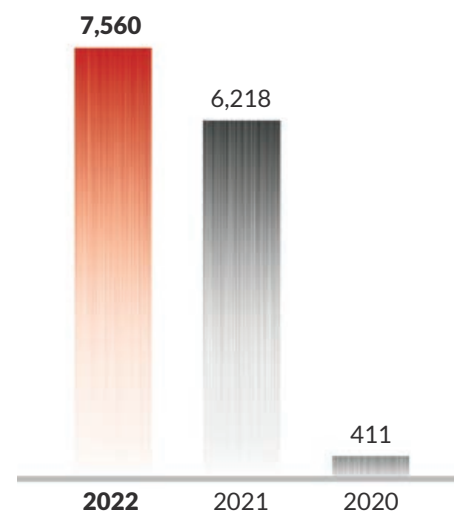
**Revenue**  
S\$'000



**Gross Profit**  
S\$'000

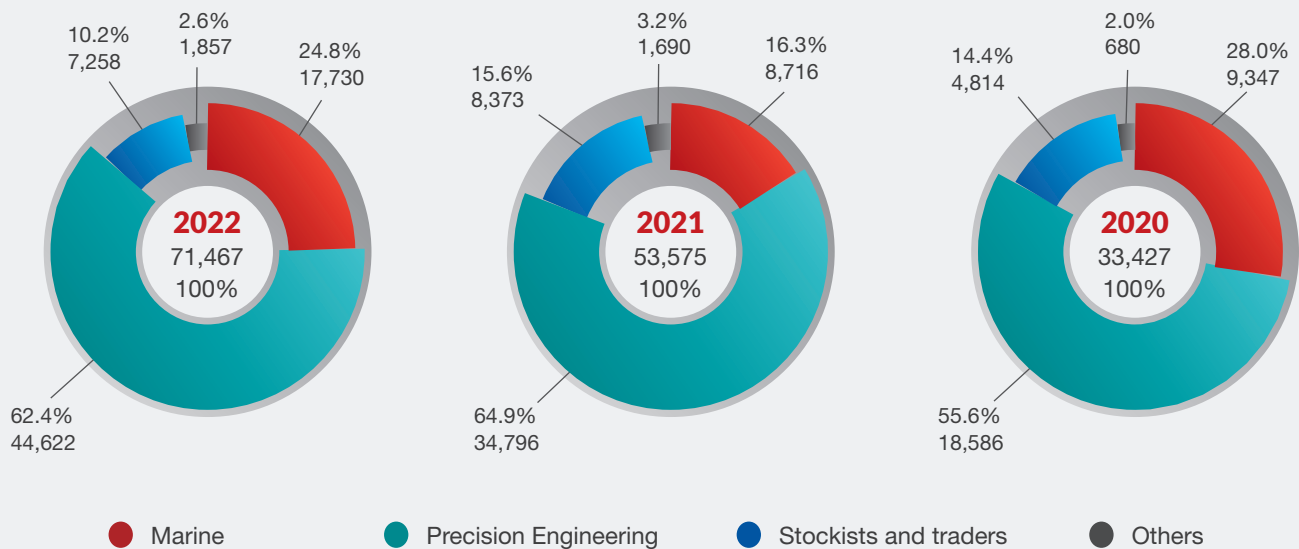


**Profit for the Year**  
S\$'000

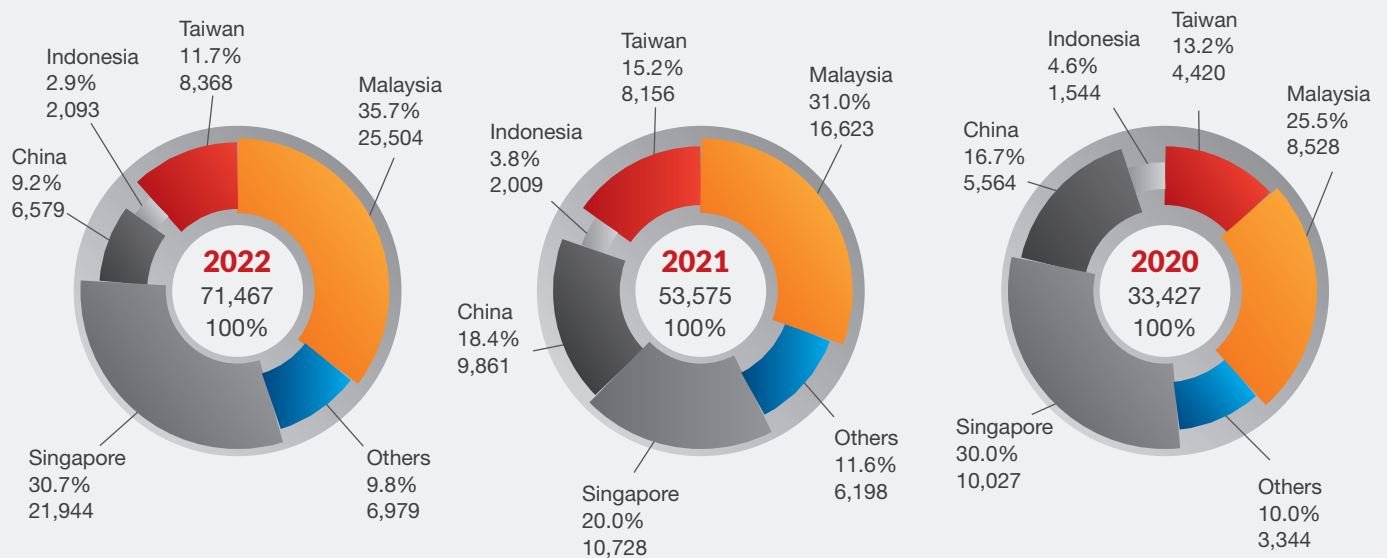


# FINANCIAL HIGHLIGHTS

## REVENUE (BY OPERATING SEGMENT) (S\$'000) (%)



## REVENUE (BY COUNTRY) (S\$'000) (%)



# OPERATIONS AND FINANCIALS REVIEW

For the year ended 31 December 2022 (“FY2022”), the Group once again proved its mettle as it deftly navigated through a year troubled by new outbreaks of COVID-19, the Russia-Ukraine conflict, and their knock-on effects which included supply chain disruption and raw material price surges. These challenges were carefully managed and the long-awaited border re-openings were leveraged upon to deliver a year of steady growth in performance and operational improvement.

Group revenue increased by S\$17.9 million or 33.4%, from S\$53.6 million in FY2021 to S\$71.5 million in FY2022. This was due to improvements in sales across all segments in the first half of the fiscal year. The second half saw largely stable contributions across the board with the marine segment achieving the lion’s share of improvement for that period.

For the full year, the Precision Engineering segment continued to be the top contributor to Group revenue. Sales from the segment rose by S\$9.8 million or 28.2% to S\$44.6 million from S\$34.8 million in FY2021. The Marine segment was the second top contributor and doubled its contribution from S\$8.7 million in FY2021, to S\$17.7 million in FY2022.

Meanwhile, revenue from the Stockist and Traders segment was lower at S\$7.3 million as compared to S\$8.4 million in FY2021.

In terms of revenue contribution from countries, Malaysia remains the strongest leading market with its total of S\$25.5 million sales, an approximately 53.6% increase from S\$16.6 million in FY2021. Sales in Singapore increased two-fold from S\$10.7 million in FY2021 to S\$21.9 million for the year under review. China recorded a S\$3.3 million or 33.3% decrease in revenue as compared to FY2021. Markets such as Taiwan, Indonesia and other countries saw slight improvements to their sales numbers.



## INCOME STATEMENT HIGHLIGHTS

In line with revenue growth, the Group’s gross profit improved by 37.2% or S\$5.1 million to S\$18.8 million for FY2022, from the S\$13.7 million recorded in FY2021. Our gross profit margin remained fairly constant at 26.3% compared to the 25.6% in FY2021.

In contrast, the Group’s other income and gains fell by S\$0.3 million or 75.0% from S\$0.4 million in FY2021 to S\$0.1 million in FY2022. This was mainly due to a decrease of S\$0.2 million in foreign exchange gain adjustments.

As business activities picked up over the year, distribution costs increased, rising by 166.7% or S\$0.5 million to S\$0.8 million for the year under review. The increase was due to increase in overseas sales made through agents which ramped up significantly in the second half with the resumption of business travelling.

Similarly, administrative expenses were higher at S\$6.4 million, a S\$1.1 million or 20.8% increase from the S\$5.3 million of FY2021 due to higher staff costs.

The Group’s finance costs also increased due to higher borrowing costs and higher usage of trade finance facilities which resulted in finance costs increasing by S\$0.4 million or 133.3%, from S\$0.3 million in FY2021 to S\$0.7 million in FY2022.

Our net allowance of impairment loss on trade receivables was fairly consistent between FY2021 and FY2022, while other losses increased to S\$0.6 million mainly due to impairment loss on plant and equipment and foreign exchange adjustment loss.

Taking into account the above, the Group achieved a profit before tax of S\$9.1 million for the year under review, a 30.0% increase from S\$7.0 million in FY2021. Including taxes, the Group registered an improvement in net profit from S\$6.2 million in FY2021 to S\$7.6 million in FY2022.

On a per share basis, this amounted to earnings per share of 7.00 Singapore cents in FY2022, compared to 5.76 Singapore cents in FY2021.

# OPERATIONS AND FINANCIALS REVIEW

## STATEMENT OF FINANCIAL POSITION

The Group's non-current assets amounted to S\$11.7 million for the year under review, a S\$1.8 million increase from S\$9.9 million as at 31 December 2021, mainly due to an increase in right-of-use assets of S\$2.0 million, an increase in deferred tax assets of S\$0.4 million and decrease in property, plant and equipment of S\$0.4 million as a result of depreciation and amortisation charges.

In comparison, current assets increased by approximately half or S\$25.9 million to S\$76.8 million from S\$50.9 million the year before. This was due to an increase in inventories and in trade and other receivables by S\$27.4 million and S\$1.2 million respectively, softened by a decrease in cash and cash equivalents and non-financial assets by S\$2.1 million and S\$0.7 million respectively.

Soon Lian's non-current liabilities was fairly consistent between 31 December 2021 and 31 December 2022.

Meanwhile, current liabilities stood at S\$38.2 million as at 31 December 2022 from S\$16.8 million as at 31 December 2021, due to an increase in trade and other payables of S\$20.4 million, an increase in income tax payable of S\$0.9 million and an increase in financial liabilities – lease liabilities of S\$0.4 million.

The Group continued to maintain a positive working capital position, amounting to S\$38.6 million as at 31 December 2022, as compared to S\$34.1 million in FY2021.

As a result of the higher net profit for the year, total equity grew by S\$6.2 million to S\$42.8 million as compared to S\$36.6 million for FY2021.



## STATEMENT OF CASH FLOWS

For the year under review, net cash flows used in operating activities amounted to S\$9.7 million, mainly due to the cash outflows from changes in working capital.

Meanwhile, net cash flows used in investing activities amounted to S\$0.6 million in FY2022, mainly due to the purchase of property, plant and equipment.

Lastly, net cash flows from financing activities amounted to S\$8.2 million in FY2022, mainly due to a net proceeds from borrowings of S\$9.8 million, interest payment of S\$0.6 million, repayment of lease liabilities of S\$0.6 million and dividend payment of S\$0.3 million.

## CONCLUSION

The outlook for the year 2023 remains largely uncertain as macroeconomic events such as continued geopolitical unrest and the possibility of new viral outbreaks may disrupt global economic recovery. Nonetheless, the Group will carry on strengthening its resilience and capabilities while leveraging on its comprehensive assets, established networks and proven strategies to better enable it to unlock greater value for its stakeholders.







# **CONTINUED MOMENTUM**

**Striding forward, our key focus continues to be of driving growth and delivering greater value through business resilience, expansions and sustainability.**

# BOARD OF DIRECTORS AND KEY MANAGEMENT



## TAN YEE HO

*Executive Chairman*

Mr 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 the Board's decisions taken are in the Group's best interests and fairly reflect the Board's consensus. He will also ensure there is effective communication with shareholders and major stakeholders of the Company.

Mr Tan has been the Executive Director of the Company since 18 December 2004, and has over 35 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 Mr 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*

Mr Tan Yee Leong, was appointed as the Chief Executive Officer ("CEO") 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.

Mr Tan has been the Executive Director of the Company since 18 December 2004. He comes with over 35 years of experience in the aluminium alloy products industry and has been instrumental in managing operations of our Group. Mr Tan 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 oversaw the procurement of our Group, he also assisted our Executive Chairman, Mr Tan Yee Ho, in servicing the accounts of some local and overseas customers to keep abreast of the developments and trends in customers' demands.

# BOARD OF DIRECTORS AND KEY MANAGEMENT



## **YAP KIAN PENG**

*Lead Independent Non-Executive Director*

Mr Yap Kian Peng was re-appointed as the Independent Director of our Company on 18 December 2020. He is the Lead Independent Non-Executive Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee of our Company.

Mr Yap is currently the Executive Deputy Chairman and Chief Executive Officer of Jackspeed Corporation Limited, a company listed on the SGX-ST.

From 2005 to 2020, he has been the Executive Director of Capital Equity Holdings Pte Ltd, a private equity investment company. 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, Mr Yap 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 left as an Assistant Manager at the bank in 1998.

Mr Yap graduated from RMIT University, Australia, with a Bachelor Degree in Business (Business Administration).

He is also an Independent Director of Seroja Investment Limited and Huatong Global Limited, companies listed on the SGX-ST.



## **CHIN YEW CHOONG DAVID**

*Independent Non-Executive Director*

Mr Chin Yew Choong David was appointed as the Independent Director of our Company on 1 June 2020. He is the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee of our Company.

Mr Chin is currently a Consultant in Rajah & Tann Singapore LLP. He was previously with Drew & Napier since 1985 and became a partner in 1992. Upon incorporation in 2001, he was a director of Drew & Napier LLC until 2012. He became a Consultant with Drew & Napier LLC from 2012 until 2015 after which he joined Rajah & Tann Singapore LLP.

He graduated with an honours degree in law from the National University of Singapore and was called to the Bar in 1985.

Mr Chin is also an Independent Director of Jackspeed Corporation Limited, and Universal Resource and Services Limited, which are listed on the SGX-ST.

# BOARD OF DIRECTORS AND KEY MANAGEMENT



## LAM KWONG FAI

*Independent Non-Executive Director*

Mr Lam Kwong Fai was appointed as the Independent Director of our Company on 22 June 2020. He is the Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee of our Company.

Mr Lam is a director of various companies engaged in the business of providing corporate finance advisory and compliance advisory in Singapore and the region. He started his career as a regulator before moving into investment banking handling a variety of IPO and other corporate actions. He then moved into Catalist regulation, working with a wide portfolio of listed companies, advising on the listing rules and corporate governance. In his various capacities, he has amassed almost 20 years of experience in the Singapore corporate finance and regulatory scene.

Mr Lam obtained a Bachelor of Accountancy from Nanyang Technological University in 2002.

He is also an Independent Director of China Kunda Technology Holdings Limited, Capital World Limited and Katrina Group Limited all of which are listed on the SGX-ST.



## LEE YIH HONG

*Group Financial Controller*

Mr Lee Yih Hong joined our Company in May 2020 as our Group Financial Controller. He is responsible for the internal control, accounting, treasury management and other financial functions of the Group.

Prior to joining the Company, Mr Lee has over 14 years of experience in finance, accounting and audit. He started his career in financial audit with PricewaterhouseCoopers, Malaysia in 2006 and later joined PT Genting Plantations Nusantara as Financial Controller in 2015 and subsequently, RSM Chio Lim LLP in 2019 as Audit Senior Manager.

Mr Lee graduated with a Bachelor of Accounting (Hons.) degree from Universiti Tenaga Nasional, Malaysia. He is a member of the Malaysian Institute of Certified Public Accountants and a member of the Malaysian Institute of Accountants.

## BOARD OF DIRECTORS

**Tan Yee Ho**

*Executive Chairman*

**Tan Yee Leong**

*Chief Executive Officer and Executive Director*

**Yap Kian Peng**

*Lead Independent Non-Executive Director*

**Chin Yew Choong David**

*Independent Non-Executive Director*

**Lam Kwong Fai**

*Independent Non-Executive Director*

## AUDIT COMMITTEE

**Lam Kwong Fai**

*Chairman*

**Chin Yew Choong David**

**Yap Kian Peng**

## NOMINATING COMMITTEE

**Chin Yew Choong David**

*Chairman*

**Lam Kwong Fai**

**Yap Kian Peng**

## REMUNERATION COMMITTEE

**Yap Kian Peng**

*Chairman*

**Chin Yew Choong David**

**Lam Kwong Fai**

## REGISTERED OFFICE AND BUSINESS ADDRESS

6 Tuas Lane  
Singapore 638615  
Tel: +65 6261 8888  
Fax: +65 6862 6888  
Email: [irelations@soonlian.com](mailto:irelations@soonlian.com)  
Website: [www.smetalsgroup.com](http://www.smetalsgroup.com)

## COMPANY SECRETARY

**Tan Cinyi**

## 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

Mazars LLP  
135 Cecil Street  
#10-01  
Singapore 069536

## AUDIT PARTNER-IN-CHARGE

**Tan Chee Tyan**

*(Chartered Accountant Singapore,  
a member of the Institute  
of Singapore Chartered Accountants)*  
Effective from financial year  
ended 31 December 2021

## SPONSOR

SAC Capital Private Limited  
1 Robinson Road  
#21-00  
AIA Tower  
Singapore 048542

# SUSTAINABILITY REPORT

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## BOARD STATEMENT

### Dear Stakeholders,

We are pleased to present our sixth 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 2022. 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.

### Reporting Background and Scope

Soon Lian Holdings Limited (the “**Company**” or “**Soon Lian**”, and together with its subsidiaries, the “**Group**”), with headquarters in Singapore actively engages our employees, customers and suppliers to champion and address some of the environmental impacts together. This report covers the Group’s key operations and entities in Singapore, Malaysia, People’s Republic of China and Taiwan for the financial year from 1 January 2022 to 31 December 2022 (“**FY2022**”).

The Company’s entities includes SL Metals Pte. Ltd., SL Corporation Pte. Ltd., SL Metals (M) Sdn. Bhd., SL Metals (Taiwan) Co., Ltd, SL Metals (Suzhou) Co., Ltd and SL Metals (Shenzhen) Co., Ltd.

### Reporting Principles

We have prepared this report with reference to the Global Reporting Initiative (“**GRI**”) Standards, where we have transitioned to the latest version of the GRI Standards – the GRI Universal Standards 2021, and the SGX Core ESG Metrics. This report also complies with Rule 711A and 711B, as well as Practice Note 7F of the Singapore Exchange Securities Trading Limited Listing Manual: Section B: Rules of Catalist. The contents of this report are based on the principles of stakeholder inclusiveness, sustainability context, materiality and completeness.

We have chosen GRI as our sustainability reporting framework as it is internationally recognised and is widely adopted, enabling us to achieve a comprehensive and comparable disclosure of economic, environmental, social and governance (“**EESG**”) performance. We have used the GRI reporting principles to conduct the Company’s materiality assessment on page 25. The GRI content index and relevant references are provided from pages 38 to 41 of the Annual Report 2022.

We have used SGX ESGenome platform for this year’s Sustainability Report. SGX ESGenome is one of the four digital platforms of the Monetary Authority of Singapore’s (“**MAS**”) Project Greenprint, it is a collaboration between MAS and SGX Group.



# INTRODUCTION

## Statement on Sustainability & Policy Commitments

As a specialist supplier of aluminium alloy products, we are aware of the essential role that we play in the industry. Aluminium is strong, recyclable and essential across all industries. With that knowledge in mind, we take our social and environmental responsibilities seriously. We engage our stakeholders annually to assess the impacts of our business activities on the environment, social, governance and economy with a goal to create a better future for our business, employees, customers, communities and investors.

We employ 100 workers across Singapore, Malaysia, People's Republic of China and Taiwan. With the welfare of our workers in mind, we are committed to upholding internationally accepted labour and human rights principles such as the International Labour Organization's ("ILO") Core Labour Standards and the Universal Declaration of Human Right in our Human Rights Policy, which we have developed based on a precautionary principle approach. Our Human Rights Policy, together with the Board Diversity Policy was approved by the Board of Directors and disseminated internally.

Our Human Rights Policy applies to the Group, affiliates, partnerships and other business associations controlled directly or indirectly by the Group, and all directors, officers and employees of the Group.

## Assurance for this Report and Restatements

We have not sought external assurance for this reporting period and will consider it when our reporting matures over time. In terms of EESG data reliability, we have used internal verification. To comply with paragraph 3 of Rule 711B, the Company has subjected its sustainability reporting process for internal review by its internal auditor and in accordance with International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors ("IIA").

This report does not include any restatements from prior years' sustainability reports.

## Accessibility of the Report & Feedback

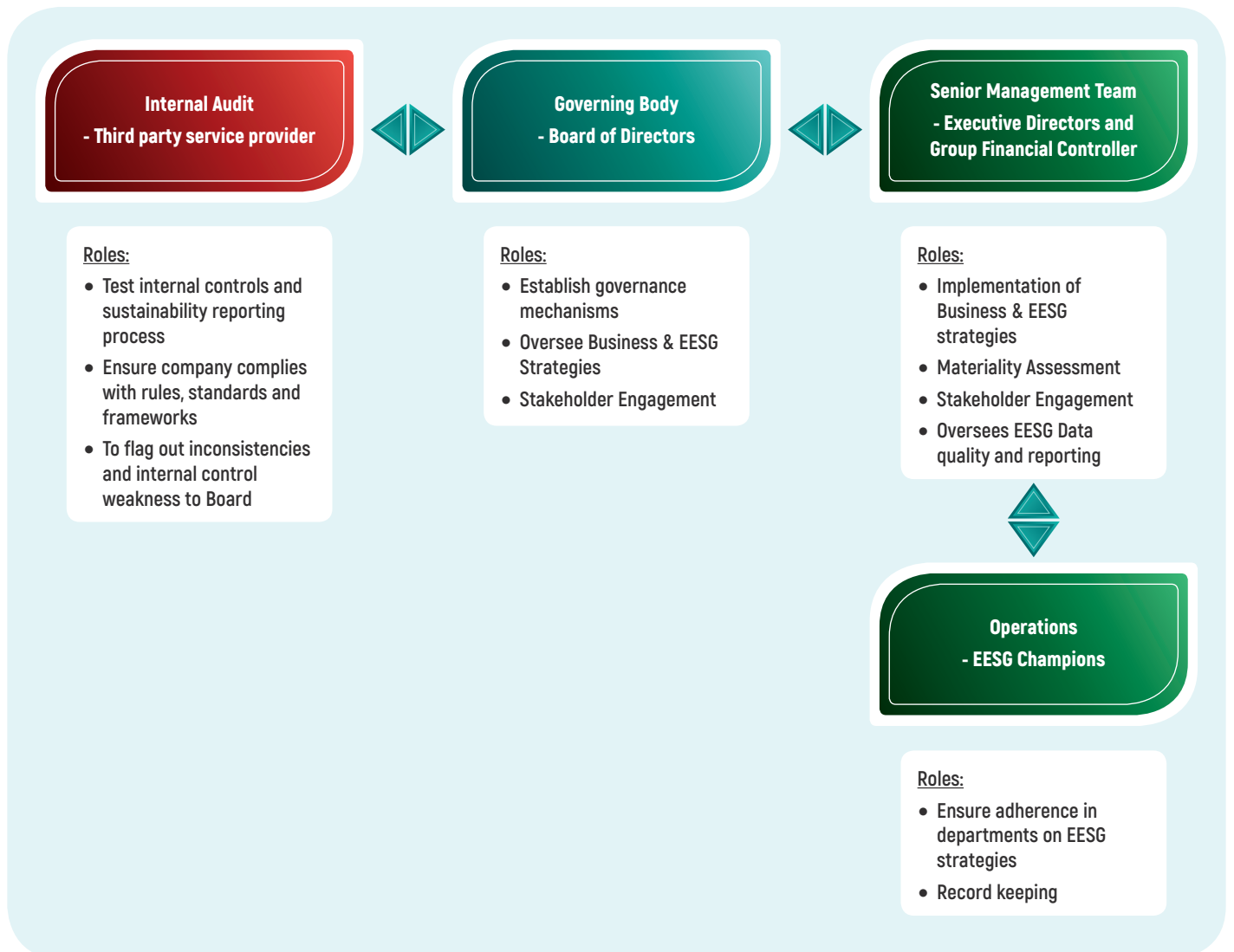
A copy of this report is available for download from our website at [www.slmetsgroup.com](http://www.slmetsgroup.com) and the website of SGX-ST at [www.sgx.com](http://www.sgx.com). We are committed to listening to our stakeholders and we look forward to your feedback. Please send your feedback to [irelations@soonlian.com](mailto:irelations@soonlian.com).

## Sustainability Governance

Our senior management team, including our Executive Directors and Group Financial Controller, is responsible for leading and overseeing our sustainability efforts. They ensure that our business objectives align with our commitments to sustainable development. We maintain ongoing communication with our Board of Directors to keep them informed of our progress towards achieving our sustainability goals.

To ensure that we uphold the best standards of EESG practices throughout our operations, we have assigned dedicated EESG Champions to gather feedback from key stakeholders and advocate the best practices in each department. The Board will set these best practices with input from stakeholders, sustainability frameworks and organisations of which Soon Lian is a member. By having designated EESG Champions at the operational level, we can ensure that EESG considerations are integrated into our day-to-day decision-making processes and that we are continuously striving to improve our EESG performance.





## Embedding Sustainability factors into Business Strategy

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 : 2015 Quality Management System certification. 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 to unlock the best value for our stakeholders.

We are grateful to our stakeholders who had steadily supported us all these years and had contributed to our success in creating a sustainable growth environment for the Company. We will continue to improve the environmental, social, governance 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.

On behalf of the Board of Directors

**TAN YEE HO**  
Executive Chairman

# INTRODUCTION



## STAKEHOLDER ENGAGEMENT

### Continual Commitment to Enhance Corporate Governance

Our company is committed to continually enhancing our corporate governance and sustainability practices. We recognise the importance of maintaining high standards of accountability, transparency, and ethical behavior to protect the interests of our stakeholders. To ensure we are upholding these standards, we regularly review and update our policies and procedures, as well as provide ongoing training for our employees. We are also dedicated to staying informed of any changes or updates to relevant laws and regulations. By prioritising strong corporate governance practices, we aim to build and maintain the trust of our stakeholders and promote sustainable long-term success for our company. Further information on the Company's adherence to the principles and provisions set out in the August 2018 Code of Corporate Governance can be found in the Company's 2022 Annual Report.

### External initiatives

We are committed to making positive and sustainable contributions to our community. We recognise the significance of adhering to external standards, international frameworks, charters, and principles that are relevant to our industry. We communicate our sustainability efforts and performance in corporate social responsibility ("CSR") to our stakeholders via our website or by releasing announcements on SGX.

We understand that our actions have an impact beyond our company and strive to make a positive difference in our community. By upholding these standards and sharing our progress, we aim to build trust and strengthen our relationships with our stakeholders.

### Membership of associations

Soon Lian has been taking significant steps to enhance its sustainability efforts by engaging actively with local, national, and international trade forums and advocacy organisations. Through its active membership and participation in work groups, Soon Lian has demonstrated its commitment to advancing sustainable business practices. In the future, the Company plans to build on these efforts by partnering and collaborating with other industry bodies. By working together with like-minded organisations, Soon Lian aims to make meaningful progress towards its sustainability goals and contribute to a more sustainable future for all.

Please see the table below the list of organisations that 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 China Business Association
6	Singapore National Employers Federation
7	Singapore Industrial Automation Association
8	Association of Singapore Marine Industries
9	Association of Small and Medium Enterprises
10	Malaysia Semiconductor Industry Association

## STAKEHOLDER ENGAGEMENT

At Soon Lian, stakeholder engagement is carried out at each level of the sustainability governance structure. Whether it is at the Board, management or at the operations level, we understand the importance of engaging with our stakeholders on EESG issues. To ensure that our EESG reporting is both comprehensive and relevant, we have conducted internal deliberations to identify material EESG factors that are most relevant to our business operations and our stakeholders. Additionally, we have sought feedback from our stakeholders to understand their expectations

and concerns regarding our EESG disclosures. This feedback has been used to improve our sustainability reporting, which we believe is a critical component of our commitment to transparency and accountability.

By taking a proactive approach and involving all levels of the organization, we are committed to achieving our sustainability objectives while maintaining a responsible and ethical business model. We believe that this approach will not only benefit our stakeholders and the environment but also contribute to our long-term success as a company.

STAKEHOLDER GROUP	ENGAGEMENT ACTIVITIES	STAKEHOLDERS' EXPECTATIONS	FREQUENCY
<b>Customers</b>	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
<b>Suppliers</b>	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
<b>Employees</b>	Provide training and development courses for most employees to remain relevant and competitive.	Staff rights, welfare, personal development and good working environment.	Daily
<b>Investors</b>	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)
<b>Business Partners</b>	Continue to actively pursue business opportunities to expand and strengthen our capabilities and competencies.	Partnership for opportunities and growth.	As needed
<b>Government And Regulators</b>	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

## IDENTIFICATION OF MATERIAL ESG FACTORS

Having gathered valuable feedback from both internal and external stakeholders through an online survey, we have identified 10 material EESG factors for FY2022 (FY2021: 6 material EESG factors) that we consider to be material to our Group and deserving of prioritisation. The 4 new material EESG factors include: Energy Consumption, Greenhouse Gas Emissions ("**GHG**"), Human Rights and Diversity.

We are committed to maintaining ongoing dialogue with our stakeholders and working to build mutually beneficial relationships. As part of this commitment, we will review our material topics on an annual basis, considering both stakeholder feedback and our own business objectives. For further details on these material topics, including our management approach and any topic boundary limitations, please refer to the relevant sections of this report. By prioritising these material topics and engaging with our stakeholders on an ongoing basis, we are working to ensure that we are meeting the needs and expectations of our stakeholders while driving long-term value for our business.

# INTRODUCTION

## MATERIAL ESG FACTORS

An overview of our material ESG factors is presented in the following table.










MATERIAL ESG FACTORS	Group's Involvement	Area of Impact	Significance of Impact (Against its Area of impact)	Management Approach (Objective/Target)
<b>ENVIRONMENTAL &amp; ECONOMIC PERFORMANCE</b>				
<b>Energy Consumption<sup>new</sup></b>	Direct	Our Head Office, Engineering facility and transport for deliveries	High severity	Improve energy efficiency
<b>Greenhouse Gas ("GHG") Emissions<sup>new</sup></b>	Direct and Indirect from electricity consumption	Our Head Office, Engineering facility and transport for deliveries	High severity	Track and manage GHG emissions
<b>Waste Management</b>	Direct	Engineering facility	Medium scale	Minimise waste by better resource utilisation, reuse and recycling
<b>Economic Performance</b>	Direct	Across our business operations	High scale, high scope	Improve value creation and having viable business operations
<b>SOCIAL</b>				
<b>Occupational Health and Safety</b>	Direct	Across our business operations	High severity, low likelihood	Maintain zero accident in the workplace
<b>Develop and Retain Talent</b>	<u>Employment</u> Direct	Our workplace and all employees	High scale, high scope	Hire and retain suitable talent through effective human resources policies
	<u>Training &amp; Education</u> Direct	Our workplace and all employees	High scale, high scope	Provide opportunities for skills and knowledge development
<b>Human Rights<sup>new</sup></b>	Direct	Our workplace and all employees	High scale, high scope	To cultivate proper human rights practices in operations and policies
<b>Diversity<sup>new</sup></b>	Direct	Our workplace and all employees	High scale, high scope	Encourage and monitor diversity performance data in workplace
<b>GOVERNANCE</b>				
<b>Anti-Corruption</b>	Direct	In dealings with a range of stakeholders and business	High severity, low likelihood	Zero-tolerance policy towards corruption and bribery

## SUSTAINABLE DEVELOPMENT GOALS (“SDGS”)

Sustainable Development Goals (“SDGS”) is a global development framework that was formulated by World Leaders at the UN Sustainable Development Summit in September 2015. Comprising of 17 SDGs, countries that support and adopt this framework, including Singapore, are tasked to mobilise efforts to

end poverty, fight inequalities, and tackle climate change, in order to achieve peace, prosperity for the people and the planet.

At Soon Lian, we have mapped our material EESG factors with UN SDGs which contributes to the sustainable development of the Company and so doing, aligning with Singapore’s SDGs.

SDG SUPPORTED	Material ESG Topics	Our Continuing Efforts
<b>ECONOMIC</b>		
 <p>8 DECENT WORK AND ECONOMIC GROWTH</p>	<i>Economic Performance</i>	We believe that customer satisfaction is the key to good economic growth and it starts from the creation of long-term economic value for our stakeholders.
  <p>12 RESPONSIBLE CONSUMPTION AND PRODUCTION</p> <p>13 CLIMATE ACTION</p>	<i>Environmental</i> <i>Energy Consumption</i> <i>GHG Emissions</i> <i>Waste Management</i>	We are committed to doing our part for future generations, and working towards the Singapore government’s goal of being a carbon-free economy in 2050 by reducing energy consumption and GHG emissions and being vigilant in managing our waste.
<b>SOCIAL</b>		
 <p>3 GOOD HEALTH AND WELL-BEING</p>	<i>Occupational Health &amp; Safety</i>	As a specialist supplier of aluminium alloy products and with our workers in high-risk situations, we take work-safety and employee’s well-being seriously. This is achieved by maintaining a low to zero rate of work-related injuries and a culture that emphasises the importance of health and safety throughout the Group and our stakeholders.
 <p>4 QUALITY EDUCATION</p>	<i>Develop and Retain Talent</i>	We invest in our people and we help them to develop knowledge, skills and abilities to perform their jobs efficiently and to promote growth.
  <p>5 GENDER EQUALITY</p> <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<i>Human Rights</i>	We are committed to upholding the fundamental human rights of all individuals and ensuring that they are protected from discrimination, exploitation and other forms of abuse.
 <p>5 GENDER EQUALITY</p>	<i>Diversity</i>	We will continue to diversify our workforce and ensure fairness in our hiring practices for all levels of employment.
<b>GOVERNANCE</b>		
 <p>16 PEACE, JUSTICE AND STRONG INSTITUTIONS</p>	<i>Anti-Corruption</i>	We believe in setting the right tone from the top. We are committed to high standards of corporate governance with zero tolerance of corruption.

# INTRODUCTION

## TASK FORCE FOR CLIMATE-RELATED FINANCIAL DISCLOSURES (TCFD) REPORT FOR FY2022

Soon Lian understands that setting the foundation of climate resilience requires developing a strong strategy and risk management framework. The recommendations of the TCFD have four overarching elements – Governance, Strategy, Risk Management and Metrics & Targets. These elements are disclosed across various sections of the Company’s Sustainability Report.

### Governance

It is Soon Lian’s belief that in order to execute the Company’s sustainability strategy, effective corporate governance on climate and sustainability-related matters should be led by strong leadership and effective oversight by Soon Lian’s Board and management.

This section discloses Soon Lian’s governance around climate-related risks and opportunities.

TCFD RECOMMENDED DISCLOSURES	Soon Lian’s approach	Reference
Describe the Soon Lian Board’s oversight of climate-related risks and opportunities	<ul style="list-style-type: none"> <li>• 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, ensuring the implementation of appropriate control systems to manage the Soon Lian’s business and financial risks and ensuring that sustainability issues are part of the Soon Lian’s values and goals.</li> <li>• The Board monitors and oversees progress on sustainability and climate-related risks and opportunities that meet shareholders’ expectations, and reviews significant issues raised.</li> <li>• The Board is also kept updated on sustainable development issues with relevant trainings arranged and funded by the Soon Lian.</li> <li>• The Board approves the Sustainability Report, which provides comprehensive EESG disclosures.</li> </ul>	<ul style="list-style-type: none"> <li>• Board Statement, Sustainability Report</li> </ul>
Describe Soon Lian’s management’s role in assessing and managing climate-related risks and opportunities	<ul style="list-style-type: none"> <li>• The Management implements Soon Lian’s business and EESG strategies, engage stakeholders annually in conducting the materiality assessment and oversee EESG data quality and reporting.</li> </ul>	<ul style="list-style-type: none"> <li>• Board Statement, Sustainability Report</li> </ul>

## Strategy

By effectively communicating Soon Lian's sustainability strategy, stakeholders can gain a deeper understanding of how climate-related concerns may impact our future performance.

This section discloses the actual and potential impacts of climate-related risks and opportunities on Soon Lian's businesses, strategy, and financial planning where such information is material.

TCFD RECOMMENDED DISCLOSURES	Soon Lian's approach	Reference
Describe the climate-related risks and opportunities that Soon Lian has identified over the short, medium, and long term  Describe the impact of climate-related risks and opportunities on Soon Lian's businesses, strategy, and financial planning	<ul style="list-style-type: none"> <li>As a specialist supplier of aluminium alloy products, Soon Lian is aware of the essential role they undertake as aluminium is recyclable and essential across all industries. Soon Lian will continue to engage their stakeholders annually with a goal to understand their impacts on the environment, economy, social and governance in the short, medium and long term.</li> <li>Soon Lian will continue to monitor sustainability developments and review their risks and opportunities.</li> </ul>	<ul style="list-style-type: none"> <li>Board Statement, Sustainability Report</li> </ul>
Describe the resilience of Soon Lian's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario	<ul style="list-style-type: none"> <li>Soon Lian is taking significant steps towards reducing greenhouse gas emissions and working towards the Singapore government's goal of being a net-zero economy by 2050.</li> <li>Soon Lian will explore the use of climate scenario analysis in the subsequent sustainability reporting.</li> </ul>	<ul style="list-style-type: none"> <li>NA</li> </ul>

## Risk Management

Risk management is the process that supports Soon Lian's achievement of their objectives by addressing the risks and managing combined potential impact of those risks. These processes are carried out by the Soon Lian's Board and management.

This section discloses how the Company identifies, assesses, and manages climate-related risks.

TCFD RECOMMENDED DISCLOSURES	Soon Lian's approach	Reference
Describe Soon Lian's processes for identifying and assessing climate-related risks	<ul style="list-style-type: none"> <li>Soon Lian gathered feedback from both internal and external stakeholders through an online survey and identified GHG emissions as one of the 10.</li> </ul>	<ul style="list-style-type: none"> <li>Identification of Material ESG Factors, Sustainability Report</li> </ul>
Describe Soon Lian's processes for managing climate-related risks	<ul style="list-style-type: none"> <li>To uphold the best standards of EESG practices throughout Soon Lian's operations, Soon Lian will designate EESG champions at the operational level to ensure that ESG considerations are integrated into day-to-day decision-making processes.</li> </ul>	<ul style="list-style-type: none"> <li>Sustainability Governance, Sustainability Report</li> </ul>
Describe how processes for identifying, assessing, and managing climate-related risks are integrated into Soon Lian's overall risk management	<ul style="list-style-type: none"> <li>Soon Lian recognises that aside from other strategic, financial and operation risks, climate-related risks affect their business as well.</li> <li>Soon Lian will continue to monitor and review developments to relevant standards.</li> </ul>	<ul style="list-style-type: none"> <li>Board Statement, Sustainability Report</li> </ul>

# INTRODUCTION

## Metrics & Targets

Metrics and targets are used to assess and manage relevant climate-related risks and opportunities where such information is material.

TCFD RECOMMENDED DISCLOSURES	Soon Lian's approach	Reference
Disclose the metrics used by Soon Lian to assess climate-related risks and opportunities in line with its strategy and risk management process	<ul style="list-style-type: none"> <li>Under the GHG emission section of the Sustainability Report, Soon Lian has prepared the Sustainability Report in accordance with leading sustainability standards and has reported on their GHG emissions.</li> </ul>	<ul style="list-style-type: none"> <li>Board Statement, Sustainability Report</li> </ul>
Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks	<ul style="list-style-type: none"> <li>Soon Lian has measured and disclosed Scope 1 and Scope 2 GHG emissions and related risks.</li> <li>Soon Lian endeavours to disclose Scope 3 emissions in the next Sustainability Report for FY2023.</li> </ul>	<ul style="list-style-type: none"> <li>Environmental (GHG emission), Sustainability Report</li> </ul>
Describe the targets used by Soon Lian to manage climate-related risks and opportunities and performance against targets	<ul style="list-style-type: none"> <li>The Company has started its foray in determining its carbon inventory for FY2022. Going forward as the Company gets more developed in its carbon management, the Company will consider adherence to internationally accepted frameworks like the Science Based Targets initiative ("<b>SBTi</b>").</li> <li>The Company's sustainability report will be submitted for an internal review by a third party internal audit firm.</li> </ul>	<ul style="list-style-type: none"> <li>Board Statement, Sustainability Report</li> </ul>



## ECONOMIC PERFORMANCE

The Group faced both challenges and opportunities in FY2022. Global economic recovery was curtailed due to the Russia-Ukraine war, COVID-19 outbreaks, and rising inflation, while the reopening of borders for trade and travel alleviated supply chain constraints and allowed for market expansion. Despite the challenges, stabilizing oil prices have led to continued orders for the Group's Marine segment, and the Precision Engineering segment is expected to maintain demand. The Group remains cautiously optimistic and has strengthened its capabilities for long-term growth through ongoing improvements such as ISO certification and employee upskilling. The Group will continue to monitor the macroeconomic situation and enact strategies to overcome challenges and capitalize on opportunities to create sustainable value for stakeholders.

In FY2022, Soon Lian registered a 22.6% increase of net profit from S\$6.2 million in FY2021 to S\$7.6 million in FY2022. The Group's revenue increased by S\$17.9 million or 33.4%, from S\$53.6 million in FY2021 to S\$71.5 million in FY2022.

The Company achieved this growth by providing value-added services to its customers through customized products that meet their specific needs. Upgraded machinery and equipment also allowed the company to expand its customer base. Soon Lian is dedicated to strengthen its agility and adaptability in the ongoing financial year, 31 December 2023, by responding to challenges and leveraging opportunities to enhance its abilities and competitive advantages. We retain a positive outlook on the future growth potential of the marine and precision engineering sectors.

## SUPPLY CHAIN MANAGEMENT

At Soon Lian, we source our inventories of aluminium alloy products from reputable suppliers in countries such as Austria, France, Greece, Italy, Malaysia, People's Republic of China, Romania, Singapore, South Africa, Switzerland, Taiwan, United Kingdom and United States of America.

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 always having readily available inventories 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 sell 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 drop suppliers that do not meet our requirements. We are constantly seeking new and innovative ways to better manage our suppliers.

# ENVIRONMENTAL

We take our role as a responsible business seriously and remain dedicated to reducing our environmental impacts and carbon footprint. The primary contributors to our environmental impact are our energy usage, fuel consumption, and manufacturing waste. Adhering to the precautionary principle, we prioritise enhancing energy and resource efficiency in our business operations to minimise our ecological impact.

Through our ongoing efforts, we have successfully decreased our carbon intensity and energy intensity. We will continue to strive for further improvements in these areas, ensuring that our business practices remain environmentally sustainable.

## ENERGY CONSUMPTION

Our electricity supply comes from national utility suppliers and it is used to power our warehouse's tools and equipment and air conditioning and lighting in our office. Our main fuel consumption is from petrol and diesel used to fuel our delivery trucks and the company's vehicles.

To monitor and evaluate our energy consumption, we frequently review it and utilise energy intensity (GJ/S\$ million) to track our performance. We have been successful in reducing our energy intensity for FY2022. In FY2022, our energy consumption was 3,036 GJ, an increase from FY2021, where it was 2,753 GJ. This increase in consumption is due to an increase of sales activities which requires the necessary consumption of diesel, petrol, and electricity usage.

Nonetheless, the energy intensity for FY2022 was 42.48 GJ/S\$million in revenue, an improvement from 51.38 GJ/S\$million in FY2021.

Going forward, we aim to optimise process efficiency in an effort to minimise energy consumption.

ENERGY CONSUMPTION	FY2022	FY2021	Variance (%)
Gigajoule (GJ)	3,035.63	2,752.55	10.3%

ENERGY INTENSITY	FY2022	FY2021	Variance (%)
Gigajoule (GJ)	3,035.63	2,752.55	10.3%
Revenue (S\$m)	71.467	53.575	33.4%
Energy intensity (GJ / S\$m)	42.48	51.38	(17.3%)

## GREENHOUSE GAS ("GHG") EMISSIONS

We believe that limiting global warming to well below 2°C and preferably to 1.5°C compared to pre-industrial levels is crucial for the future of our planet. Therefore, we are taking significant steps towards reducing our greenhouse gas emissions and working towards the Singapore government's goal of being a carbon-free economy in 2050. We understand that each business has its part to play in contributing to the global effort to prevent the worst impacts of climate change, and we are dedicated to playing our part in achieving these vital goals.

Soon Lian is not a significant user of energy nor a high intensive carbon emission company. Although the Company's emission of carbon is low, the Company is committed to lower its emissions.

CARBON EMISSION (tCO <sub>2</sub> e)	FY2022	FY2021	Variance (%)
Scope 1	155.47	149.66	3.9%
Scope 2	344.04	311.96	10.3%
Total	499.51	461.62	8.2%

CARBON INTENSITY	FY2022	FY2021	Variance (%)
Total tCO <sub>2</sub> e	499.51	461.62	8.2%
Revenue (S\$m)	71.467	53.575	33.4%
tCO <sub>2</sub> e / S\$m revenue	6.99	8.62	(18.9%)

The Company will endeavour to disclose Scope 3 carbon emissions in the next sustainability report for FY2023.

## WASTE MANAGEMENT

The Company recognises the significant impact of proper waste management on energy conservation and environmental protection. We believe that reducing and managing our waste produced is our duty for keeping the planet in better shape.

To ensure responsible waste management practices, we have proactively monitored our Group's waste management procedures. We encourage our employees to adopt the best waste management practices and continuously raise awareness of their importance.

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.

WASTAGE	FY2022	FY2021	Variance (%)
Total Weight (kg)	346,961	255,198	36.0%

In FY2022, we saw an increase in the total weight of the wastage due to increase in operating activities and this wastage subsequently turned into scrap sales.

In FY2023, 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 emphasising the importance of reduce, reuse and recycling in the Group.

## WATER CONSUMPTION

We utilise water solely for domestic purposes, such as drinking, sanitation, and cleaning. Our water supply originates solely from the local public utility, PUB. While water is not deemed a crucial ESG factor for our operations, we remain conscious of our responsibility to use water judiciously. To prevent wastage, we ensure regular maintenance of our water pipelines and taps, reducing the likelihood of leakage.

Furthermore, we frequently review our water usage to identify patterns and implement water conservation strategies. During FY2022, our water consumption amounted to 2,484 cubic meters(m<sup>3</sup>), with a water intensity of 24.84 m<sup>3</sup> per employee

WATER INTENSITY	FY2022	FY2021	Variance (%)
Potable Water Usage (m <sup>3</sup> )	2,484.00	2,718.00	(8.6%)
Employees	100	86	16.3%
m <sup>3</sup> per employee	24.84	31.60	(21.4%)

## EMPLOYMENT

### Recruitment policy

Soon Lian has a proud history of hiring and retaining a wide multitude of experienced and inexperienced employees across the board and have provided ample training for employees to constantly move up the ladder. As such, we have a large group of long-serving and loyal employees.

### Equality in the workplace

At Soon Lian, we believe in workplace equality and we strive to create a workforce that values individuals and accept all differences regardless of race, religion, gender or age. 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.

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 objectives set by Soon Lian.

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

### Retaining our people

Our staff turnover for FY2022 as follows:

Gender	Total Employee Turnover Under 30 Years Old	Total Employee Turnover 30-50 Years Old	Total Employee Turnover Over 50 Years Old	Rate of Employee Turnover Under 30 Years (%)	Rate of Employee Turnover 30-50 Years Old (%)	Rate of Employee Turnover Over 50 Years Old (%)	Total Turnover Number
Male	4	13	3	20%	65%	15%	20
Female	2	1	0	66.7%	33.3%	0	3

In FY2023, we will continue to recognise the achievements of our staffs through existing initiatives and practices. We will also constantly review and offer attractive benefits and development programs for our staffs.

### Employee benefits

We provide several benefits to our employees such as healthcare, disability and invalidity coverage and retirement provision. Our employees are also entitled to parental leave. In FY2022, 1 female employee took parental leave and returned to work at Soon Lian.

### Our team

The Group employs 100 people in Singapore, Malaysia, People's Republic of China and Taiwan. The Company has a team of capable, talented and skilful members to manage day-to-day operations in an efficient and effective manner and we recruit a workforce to build a diversified team to increase our productivity. At the end of FY2022, we have 100 full-time employees with permanent contracts. We have 6 workers who are not our employees but are hired via another agency as general workers at our factory. There are no significant changes between our workers who are not our employees between the reporting period.

We strongly encourage teamwork and our employees to be a cooperative team players. With contribution from the team, the Company can 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. We also respect our employees' right to freedom of association and collective bargaining under applicable laws. Currently, our employees are not unionised.

### Diversity in the workplace

The nature of our industry calls for a more masculine workplace where we hire more male workers to handle a physically demanding job scope in our factories. Our female employees represented approximately 34% of our full-time headcount at the Company in the reporting period and 15% of managerial and supervisory roles and 18% of head of department ranks were filled by our female employees. In FY2022, we hired 29 new employees, of which 8 were female.

## TRAINING & EDUCATION

At Soon Lian, we believe in investing in our people. We ensure that our employees are motivated, adequately trained and continuously kept relevant to updates related to their specific job positions. We help them to develop knowledge, skills and abilities to perform their job efficiently and effectively.

Trainings are provided to employees at all levels, including our new hires. 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 productivity and improve the quality 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 FY2023, more trainings will be organised for the employees and opportunities to learn on the job will be available to further familiarize the employees with the operations of the Group.

In FY2022, the average hours of training undertaken by our employees were 24.6 hours (FY2021: 13 hours). We sent our employees to trainings such as work safety courses, on the job trainings, Enterprise Resource Planning ("ERP") training and professional development courses.

Average hours of training undertaken per male employee	Average hours of training undertaken per female employee	Average hours of training undertaken by middle management employees	Average hours of training undertaken by non-management employees	Average hours of training undertaken by technical employees	Average hours of training undertaken by administrative employees	Average hours of training undertaken by production employees
26.4h	21.6h	18.4h	26.4h	26.4h	26.4h	26.4h

Besides training provided, our employees also received regular performance feedback and career development review.

## OCCUPATIONAL HEALTH & SAFETY

As a specialist supplier of aluminium alloy products and with workers in high risk situations, Soon Lian has reinforced strong health and safety protocols across the whole Group. Soon Lian is committed to uphold high standards of Occupational Health and Safety rules and maintain a culture that emphasises the importance of health and safety throughout the Group and stakeholders.

The Group is constantly promoting the need 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.

	FY2022	FY2021
Total numbers of hours worked by all employees	200,000h	172,000h
Number of Recordable Work-related Injuries	3	10

The types of injuries our employees suffered are from obtaining minor cuts when retrieving raw materials. Our workers whom are not employees did not suffer any injuries.

Although there was a reduction of work-related injuries, the Group will continue to take steps to reduce and prevent such

incidents. We will continue to hold safety briefings on good work practices such as wearing personal protective equipment at all times and constant adherence to the Group's standard operating procedures. In addition, first aid boxes are always available in accordance with the Workplace Safety and Health Act.

# GOVERNANCE

## Anti-Corruption & Bribery

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. The Group has adopted the Code of Business Conduct that acts as a standard for the Group to comply and ensure ethical conduct within the

Group. The Code has also been communicated to all employees 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.

INCIDENTS/ YEAR	FY2022	FY2021
Reported incidents of corruption	0	0
Number of employees dismissed for corruption	0	0
Business partners terminated for corruption	0	0
Legal cases brought against the Group or its employees	0	0

The Management has put in place a whistleblowing policy duly endorsed by the AC and approved by the Board. The whistleblowing policy guides employees to raise concerns or complaints about possible improprieties regarding abuse of power, non-compliance of rules and regulations/code of conduct and fraud/misconduct. Investigations of whistleblowing reports made in good faith will be carried out in an objective manner by the AC designated investigation team. The Company is committed to ensuring protection of the whistleblowers against detrimental or unfair treatment, and their reports will be treated confidentially and fairly. The designated investigation team from AC maintains a record of all concerns or complaints, the investigation and resolution, and prepares a periodic summary thereof for the AC, who is responsible for oversight and monitoring of whistleblowing.

The Company's whistleblowing policy have been made available to all employees. It includes a dedicated email address and a direct channel to the Chairman of AC. Such arrangements help ensure independent investigation of matters raised and allow appropriate actions to be taken. During FY2022, 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.

# EESG PERFORMANCE OVERVIEW

KEY PERFORMANCE INDICATORS	Financial Year Ended 31 December 2022 ("FY2022")	Financial Year Ended 31 December 2021 ("FY2021")
<b>ECONOMIC (S\$'000)</b>		
Revenue	71,467	53,575
Net Profit	7,560	6,218
Employee wage and benefits	7,713	6,063
Dividends	324 <sup>^</sup>	324
Dividend yield	1.7% <sup>^</sup>	2.2%
<b>ENVIRONMENTAL</b>		
Electricity used (kWh)	843,230	764,598
Total energy consumption (GJ)	3,035.63	2,752.55
Energy intensity (GJ/S\$ million Revenue)	42.48	51.38
Carbon dioxide (CO <sub>2</sub> ) emissions (tCO <sub>2</sub> e)	499.51	461.62
Carbon intensity ((tCO <sub>2</sub> e)/S\$ million Revenue)	6.99	8.62
Non-hazardous waste (kg)	346,961	255,198
<b>SOCIAL</b>		
Full-time employees (Number)	100	86
New hires (Number)	29	52
Female employees (%)	34%	33%
Female managers and supervisors (%)	15%	15%
Female heads of department (%)	18%	20%
Employee turnover (Number)	23	47
Rate of recordable work-related injuries	3.00	11.63
Fatal accidents – workers who are not employees (Number)	Nil	Nil
<b>GOVERNANCE</b>		
Female directors on the Board (%)	Nil	Nil
Confirmed incidents of corruption or bribery (Number)	Nil	Nil
Significant incidents of non-compliance with regulations (Number)	Nil	Nil

<sup>^</sup> Subject to Shareholders' approval at the FY2022 AGM.

# GRI

## CONTENT INDEX

GRI CONTENT INDEX	
<b>Statement of use</b>	Soon Lian Holdings Limited has reported the information cited in this GRI content index for the period of 1 January 2022 to 31 December 2022 with reference to the GRI Standards.
<b>GRI 1 used</b>	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	LOCATION
<b>GRI 2: General Disclosures 2021</b>	2-1 Organizational details	Sustainability Report – Board Statement, Page 21, Financial Statements, Note 1 (Company Information), Page 82, Note 15 (Subsidiaries), Page 104
	2-2 Entities included in the organization's sustainability reporting	Sustainability Report – Board Statement, Page 21, Financial Statements, Note 15 (Subsidiaries), Page 104
	2-3 Reporting period, frequency and contact point	Soon Lian follows an annual reporting cycle 1 January – 31 December. Sustainability Report is for the calendar year 2022 and published in April 2023. Contact Point: irelations@soonlian.com
	2-4 Restatements of information	No restatement. Sustainability Report – Board Statement, Page 21
	2-5 External assurance	We use internal verification to ensure ESG data reliability and have not sought external assurance. Sustainability Report – Board Statement, Page 21
	2-6 Activities, value chain and other business relationships	Company Profile, Page 2, Business Segments, Page 3, Corporate Structure, Page 7
	2-7 Employees	Sustainability Report - Employment, Page 34, EESG Performance Overview, Page 37
	2-8 Workers who are not employees	Sustainability Report – Employment, Page 34
	2-9 Governance structure and composition	Board of Directors & Key Management, Page 16-18, Corporate Information, Page 19, Corporate Governance Report – Provision 2.1 to 2.5, Pages 44-45
	2-10 Nomination and selection of the highest governance body	Corporate Governance Report – Provision 4.1 to 4.5. Pages 46-50
	2-11 Chair of the highest governance body	Corporate Governance Report – Provision 3.1 to 3.3, Pages 45-46
	2-12 Role of the highest governance body in overseeing the management of impacts	Corporate Governance Report – Provision 1.1, Page 42
	2-13 Delegation of responsibility for managing impacts	Corporate Governance Report – Provision 3.2, Page 45



GRI STANDARD	DISCLOSURE	LOCATION
<b>GRI 2: General Disclosures 2021</b>	2-14 Role of the highest governance body in sustainability reporting	Corporate Governance Report – Provision 1.1, Page 42
	2-15 Conflicts of interest	Sustainability Report – Anti-Corruption & Bribery, Page 36, Corporate Governance Report – Provision 10.1, Page 54
	2-16 Communication of critical concerns	Sustainability Report – Board Statement, Page 21, Anti-Corruption & Bribery, Page 36, Corporate Governance Report – Provision 10.1, Page 54
	2-17 Collective knowledge of the highest governance body	Corporate Governance Report – Provision 1.2, Page 42
	2-18 Evaluation of the performance of the highest governance body	Corporate Governance Report – Provision 4.1 to 4.5, Pages 46-50
	2-19 Remuneration policies	Corporate Governance Report – Provision 6.1 to 8.3, Pages 51-53
	2-20 Process to determine remuneration	Corporate Governance Report – Provision 6.1 to 8.3, Pages 51-53
	2-21 Annual total compensation ratio	Unable to disclose due to confidentiality constraints.
	2-22 Statement on sustainable development strategy	Sustainability Report – Board Statement, Page 21
	2-23 Policy commitments	Sustainability Report – Board Statement, Page 21, Anti-Corruption & Bribery, Page 36, Corporate Governance Report – Provision 10.1, Page 56
	2-24 Embedding policy commitments	Sustainability Report – Board Statement, Page 21, Anti-Corruption & Bribery, Page 36, Corporate Governance Report – Provision 10.1, Page 54
	2-25 Processes to remediate negative impacts	Sustainability Report – Board Statement, Page 21, Anti-Corruption & Bribery, Page 36, Corporate Governance Report – Provision 10.1, Page 54
	2-26 Mechanisms for seeking advice and raising concerns	Sustainability Report – Board Statement, Page 21, Anti-Corruption & Bribery, Page 36, Corporate Governance Report – Provision 10.1, Page 54
	2-27 Compliance with laws and regulations	Sustainability Report – EESG Performance Overview, Page 37
	2-28 Membership associations	Sustainability Report – Stakeholder Engagement, Page 24
	2-29 Approach to stakeholder engagement	Sustainability Report – Stakeholder Engagement, Page 24
2-30 Collective bargaining agreements	Sustainability Report – Employment, Page 34	

# GRI

## CONTENT INDEX

GRI STANDARD	DISCLOSURE	LOCATION
<b>GRI 3: Material Topics 2021</b>	3-1 Process to determine material topics	Sustainability Report – Identification of Material ESG Factors, Page 25
	3-2 List of material topics	Sustainability Report – Identification of Material ESG Factors, Page 25
	3-3 Management of material topics	Sustainability Report – Identification of Material ESG Factors, Page 25
<b>GRI 201: Economic Performance 2016</b>	201-1 Direct economic value generated and distributed	Financial Highlights, Page 11, Sustainability Report – Identification of Material ESG Factors, Page 25, Consolidated Statement of Profit or Loss and Other Comprehensive Income, Page 77
<b>GRI 205: Anti-corruption 2016</b>	205-1 Operations assessed for risks related to corruption	Sustainability Report – Anti-Corruption, Page 36
	205-2 Communication and training about anti-corruption policies and procedures	Sustainability Report – Anti-Corruption, Page 36
	205-3 Confirmed incidents of corruption and actions taken	Sustainability Report – Anti-Corruption, Page 36
<b>GRI 302: Energy 2016</b>	302-1 Energy consumption within the organization	Sustainability Report – Energy Consumption, Page 33, EESG Performance Overview, Page 37
	302-2 Energy consumption outside of the organization	Sustainability Report – Energy Consumption, Page 33, EESG Performance Overview, Page 37
	302-3 Energy intensity	Sustainability Report – Energy Consumption, Page 32
<b>GRI 305: Emissions 2016</b>	305-1 Direct (Scope 1) GHG emissions	Sustainability Report – GHG Emissions, Page 32
	305-2 Energy indirect (Scope 2) GHG emissions	Sustainability Report – GHG Emissions, Page 32
	305-4 GHG emissions intensity	Sustainability Report – GHG Emissions, Page 32
<b>GRI 306: Waste 2020</b>	306-1 Waste generation and significant waste-related impacts	Sustainability Report – Waste Management, Page 33
	306-2 Management of significant waste-related impacts	Sustainability Report – Waste Management, Page 33
	306-3 Waste generated	Sustainability Report – Waste Management, Page 33, EESG Performance Overview, Page 37

GRI STANDARD	DISCLOSURE	LOCATION
<b>GRI 401: Employment 2016</b>	401-1 New employee hires and employee turnover	Sustainability Report – Employment, Page 34, EESG Performance Overview, Page 37
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Report – Employment, Page 34
	401-3 Parental leave	Sustainability Report – Employment, Page 34
<b>GRI 403: Occupational Health and Safety 2018</b>	403-1 Occupational health and safety management system	Sustainability Report – Occupational Health & Safety, Page 35, EESG Performance Overview, Page 37
	403-9 Work-related injuries	Sustainability Report – Occupational Health & Safety, Page 35, EESG Performance Overview, Page 37
<b>GRI 404: Training and Education 2016</b>	404-1 Average hours of training per year per employee	Sustainability Report – Training & Education, Page 35, EESG Performance Overview, Page 37
	404-2 Programs for upgrading employee skills and transition assistance programs	Sustainability Report – Training & Education, Page 35
	404-3 Percentage of employees receiving regular performance and career development reviews	Sustainability Report – Training & Education, Page 35
<b>GRI 405: Diversity and Equal Opportunity 2016</b>	405-1 Diversity of governance bodies and employees	Sustainability Report – Employment, Page 34, EESG Performance Overview, Page 37

# CORPORATE GOVERNANCE REPORT

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 2022 (“**FY2022**”), 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 FY2022, 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 and ensuring that sustainability issues are part of the Group’s values and goals.

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. Each Director is required to promptly disclose any actual or potential conflict of interest, whether direct or indirect, in relation to a transaction or proposed transaction with the Group as soon as practicable. On an annual basis, each Director is also required to submit details of his business interests and directorships. Where a Director has actual or potential conflict of interest in relation to any matter, he should immediately declare his interest and recuse from the relevant discussion, unless the Board is of the opinion that his presence and participation is necessary to enhance the efficacy of such discussion. Nonetheless, he is to abstain from voting in relation to the relevant matters.

The Company has in place a Code of Conduct and Ethics of the Board and Employee Handbook which covers, *inter alia*, Code of Conduct and Business Conduct Guidelines. All employees of the Group are to uphold the principles set out in the Employee Handbook and conduct themselves with high standards of integrity that are in compliance with laws and regulations of the jurisdictions in which it operates.

The procedures of the general meetings provide Shareholders the opportunity to ask questions relating to each resolution tables for approval. Shareholders are encouraged to provide their views on matters relating to the Company.

#### Provision 1.2

The Executive Directors are appointed by the way of service agreements. The duties and responsibilities of the Executive Directors are clearly set out in these service agreements. New appointments to the Board will 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 organised 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, industry specific knowledge and on sustainable development as appropriate, organised by other training institutions, in connection with their duties. Such training of Directors will be arranged and funded by the Company.

# CORPORATE GOVERNANCE REPORT

During the financial year reported on, all Directors have received updates on (i) amendments to the Catalist Rules and other relevant regulatory updates; (ii) business and strategic developments of the Group by the Management; 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. The Directors have also attended sustainability reporting training courses organised by SAC Capital Private Limited and the Institute of Singapore Chartered Accounts, Singapore Environment Council and Singapore Institute of 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.

## 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 (3) 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 at least twice a year 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 FY2022 are set out below:

DIRECTORS	BOARD		AC		NC		RC	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Tan Yee Ho	3	3	3	3*	1	1*	1	1*
Tan Yee Leong	3	3	3	3*	1	1*	1	1*
Yap Kian Peng	3	3	3	3	1	1	1	1
Chin Yew Choong David	3	3	3	3	1	1	1	1
Lam Kwong Fai	3	3	3	3	1	1	1	1

\* By invitation

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 FY2022. 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 time and attention to the affairs of the Company and adequately carry out his duties as a Director. The Board believes that each individual Director is best placed to determine and ensure that he is able to devote sufficient time and attention to discharge his duties and responsibilities as a Director of the Company, bearing in mind his 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.

# CORPORATE GOVERNANCE REPORT

## 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. Board papers which contain sufficient information on issues to be considered are prepared and circulated to the Directors in advance for each meeting to give the Directors sufficient time to review the matters to be discussed. In respect of the budgets or internal forecasts, any material variance between the projections and the actual results should be disclosed to and explained to the Board.

## 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.

Together with the Management, the Company Secretary is responsible for ensuring that appropriate meeting procedures are followed and that the requirements of the Companies Act 1967 of Singapore (the "**Companies Act**") are complied with. 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 attends 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 of the Code, 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. Please refer to Provision 4.4 below for the Board's assessment on the independence of the Independent Directors.

## Provisions 2.2, 2.3 and 2.4

As at the date of this report, the Board consists of the following five (5) members, three (3) of whom are Independent Directors:

### Executive Directors

Tan Yee Ho	(Chairman and Executive Director)
Tan Yee Leong	(CEO and Executive Director)

### Non-Executive Directors

Yap Kian Peng	(Lead Independent Director)
Chin Yew Choong David	(Independent Director)
Lam Kwong Fai	(Independent Director)

# CORPORATE GOVERNANCE REPORT

With majority 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. The chairman of such meetings will then provide feedback to the Board as and when appropriate. During FY2022, 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

As at the date of this report, the Chairman of the Board, Tan Yee Ho and the CEO of the Company, Tan Yee Leong are separate individuals, but are related to each other.

All major proposals and decisions on the matters listed under the Provision 1.3 above, are discussed and reviewed by the Board as a whole. With the Independent Directors make up a majority of the Board and the establishment of three (3) Board Committees, each chaired by and comprise Independent Directors, the Board is of the view that there are adequate safeguards in place to ensure accountability and transparency. The Board will continue to review the leadership structure.

## Provision 3.2

The Chairman of the Board is 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. The CEO also assesses the principal risks of the Group and ensures that effective internal controls and risk management systems are in place.

The Company's CEO, who reports to and is a member of the Board of Directors, has the ultimate responsibility for economic, environmental, social and governance topics.

# CORPORATE GOVERNANCE REPORT

## Provision 3.3

The Board has a Lead Independent Director, Yap Kian Peng, to provide leadership in situations where the 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 flow of information between Shareholders 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 FY2022.

## **Board Membership and Performance**

***Principle 4: The Board has a formal and transparent process for the appointment and reappointment 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 KMPs;
- 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 renomination of the Directors having regard to their contribution and performance;
- 5) Reviewing and approving any new employment of related persons and the proposed terms of their employment; and
- 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 renomination as a Director.

## Provision 4.2

The NC comprises the following three (3) members (including the Lead Independent Director, Yap Kian Peng), all of whom are Independent Directors:

Chin Yew Choong David (Chairman)  
Lam Kwong Fai  
Yap Kian Peng



# CORPORATE GOVERNANCE REPORT

## 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 mainly through the business network of the Board 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 renomination and reappointment 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 renomination as a Director.

At the forthcoming AGM, Tan Yee Leong and Lam Kwong Fai will be retiring by rotation pursuant to Article 104 of the Constitution. Tan Yee Leong and Lam Kwong Fai, being eligible for re-election, have offered themselves for re-election. The NC has recommended to the Board that Tan Yee Leong and Lam Kwong Fai be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC has considered, amongst others, each of the Directors' competencies, commitment, overall contribution and performance to the Board (such as attendance, participation, preparedness and candour). Please refer to the section titled "Additional Information on Directors Nominated for Re-election - Appendix 7F to the Catalist Rules" of this report for more information on the abovementioned Directors.

## Provision 4.4

The NC reviews annually the independence of each Independent 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 and the Catalist Rules. For FY2022, the NC has reviewed and determined that all the Non-Executive Directors (namely Yap Kian Peng, Chin Yew Choong David and Lam Kwong Fai) are independent.

As at the date of this report, Yap Kian Peng holds 50,000 ordinary shares (or approximately 0.05%) in the capital of the Company. Save for the above, Yap Kian Peng, Chin Yew Choong David and Lam Kwong Fai 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. Pursuant to Rule 403(3)(d) of the Catalist Rules, the Independent Directors further confirmed that they and their respective associates do not have any employment relationships with the Company or any of its related corporations for the current or any of the past three (3) financial years.

On 11 January 2023, Singapore Exchange Regulation ("**SGX RegCo**") announced changes to the Catalist Rules limiting the tenure of independent directors to nine (9) years and to remove with immediate effect the two-tier vote mechanism for listed companies to retain long-serving independent directors who have served for more than nine years. A transition period for existing independent directors whose tenure exceeds the nine-year limit can continue to serve as independent directors until the listed companies' AGM held for the financial year ending on or after 31 December 2023.

In view of the above revised Catalist Rules, Yap Kian Peng who has served on the Board beyond nine (9) years from the date of his first appointment, 31 October 2007, will no longer be deemed independent at the Company's AGM to be held in 2024 in respect of the financial year ending 31 December 2023. The Company will commence its search process for suitable candidate to replace Yap Kian Peng.

To maintain their independence, each of Yap Kian Peng, Chin Yew Choong David and Lam Kwong Fai 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.

# CORPORATE GOVERNANCE REPORT

## Provision 4.5

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

Name of Director and Board Membership	Academic / Professional qualifications	Date of first appointment as Director	Date of last reappointment as Director	Present directorships or chairmanships in other listed companies and other principal commitments	Past directorships held over the preceding three years in other listed companies
Tan Yee Ho <i>Executive Chairman / Non-Independent</i>	GCE "O" levels	18.12.2004	29.06.2022	<u>Other Principal Commitments</u>  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.	Nil
Tan Yee Leong <i>Executive / Non-Independent</i>	GCE "O" levels	18.12.2004	27.04.2021 (to be re-appointed at the forthcoming AGM)	<u>Other Principal Commitments</u>  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 Thian Keing (Tua Konsi) Ltd	Nil

# CORPORATE GOVERNANCE REPORT

Name of Director and Board Membership	Academic / Professional qualifications	Date of first appointment as Director	Date of last reappointment as Director	Present directorships or chairmanships in other listed companies and other principal commitments	Past directorships held over the preceding three years in other listed companies
Yap Kian Peng <i>Non-Executive / Independent</i>	Bachelor Degree in Business (Business Administration) (RMIT University)	31.10.2007	27.04.2021	<u>Other Principal Commitments</u> 1. Jackspeed Corporation Limited (Executive Deputy Chairman and Chief Executive Officer)  <u>Present Directorships</u> 1. Seroja Investments Limited (Independent Non-Executive Director) 2. Huatong Global Limited (Independent Non-Executive Director)	1. M Development Ltd.
Chin Yew Choong David <i>Non-Executive / Independent</i>	Bachelor of Laws (Honours) (National University of Singapore)	01.06.2020	29.06.2022	<u>Other Principal Commitments</u> 1. Rajah & Tann LLP (Consultant)  <u>Present Directorships</u> 1. Universal Resource and Services Limited (Independent Non-Executive Director) 2. Jackspeed Corporation Limited (Independent Non- Executive Chairman)	1. M Development Ltd.

# CORPORATE GOVERNANCE REPORT

Name of Director and Board Membership	Academic / Professional qualifications	Date of first appointment as Director	Date of last reappointment as Director	Present directorships or chairmanships in other listed companies and other principal commitments	Past directorships held over the preceding three years in other listed companies
Lam Kwong Fai <i>Non-Executive / Independent</i>	Bachelor of Accountancy (Nanyang Technological University)	22.06.2020	27.04.2021 (to be re-appointed at the forthcoming AGM)	<p><u>Other Principal Commitments</u></p> <ol style="list-style-type: none"> <li>Alder Corporate Services Pte Ltd (Director)</li> </ol> <p><u>Present Directorships</u></p> <ol style="list-style-type: none"> <li>China Kunda Technology Holdings Limited (Independent Non-Executive Director)</li> <li>Capital World Limited (Independent Non-Executive Director)</li> <li>Katrina Group Limited (Independent Non-Executive Director)</li> </ol>	<ol style="list-style-type: none"> <li>OEL (Holdings) Limited</li> <li>D'Nonce Technology Bhd</li> <li>Sevens Atelier Limited</li> </ol>

For other information on the Directors, please refer to the sections titled "Board of Directors" and "Statement by Directors" of the Company's Annual Report 2022.

## Board Performance

**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 FY2022, all Directors have completed 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 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.

# CORPORATE GOVERNANCE REPORT

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. In addition, the NC, in considering the reappointment of any Director, evaluates the performance of the Director separately, including the Director's contribution at the Board and Board Committees meetings, and his time commitment to the affairs of the Company. 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.

## REMUNERATION MATTERS

### Procedures for Developing Remuneration Policies

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

#### 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 have 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 (3) members, all of whom are Independent Directors:

Yap Kian Peng (Chairman)  
Chin Yew Choong David  
Lam Kwong Fai

#### Provision 6.3

The RC will minimally, on an annual basis, review and recommend to the Board 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.

Each member of the RC will abstain from voting on any resolutions in respect of his own remuneration and the remuneration of employees related to him (if any).

# CORPORATE GOVERNANCE REPORT

## 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 FY2022, 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 Board ensures that remuneration policies and practices are sound in that they are able to attract, retain and motivate without being excessive, and thereby maximise shareholders' value. The Company has entered into service agreements with the Executive Directors, namely Tan Yee Ho and Tan Yee Leong. 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.

Having reviewed and considered the terms set out in the remuneration packages of the Executive Directors and the KMPs, 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 KMPs in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company and the Group. The RC believes that there are alternative legal avenues to these specific contractual provisions that will enable the Company to recover financial losses arising from such exceptional events from the KMPs. The RC will review such contractual provisions as and when necessary.

## 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.

## **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.

# CORPORATE GOVERNANCE REPORT

The remuneration of the Directors for FY2022 are set out below:

	Directors' Fees	Salary	Bonus	Allowances and Benefits-in-kind	Total
	%	%	%	%	%
<b>Between S\$500,000 and S\$750,000</b>					
Tan Yee Ho	-	54	33	13	100
Tan Yee Leong	-	56	33	11	100
<b>Below S\$250,000</b>					
Yap Kian Peng	100	-	-	-	100
Chin Yew Choong David	100	-	-	-	100
Lam Kwong Fai	100	-	-	-	100

The Company has disclosed Directors' remuneration for FY2022 in bands of S\$250,000. The actual remuneration of each individual Director and the aggregate remuneration of the KMPs are 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 this is in line with the intent of Principle 8 of the Code. Nevertheless, the Company is cognisant of the new Catalist Rule 1204(10D), which was implemented with effect from 11 January 2023 and will disclose the exact amounts with breakdown of remuneration paid to each individual director and the CEO, on a named basis, by the Company and its subsidiaries in its Annual Report in respect of the financial year ending 31 December 2024 onwards.

The remuneration of the KMP (who is not Directors or the CEO) for FY2022 are set out below:

	Salary	Bonus	Allowances and Benefits-in-kind	Total
	%	%	%	%
<b>Below S\$250,000</b>				
Lee Yih Hong	73	21	6	100

The Company has one (1) KMP (who is not Directors or the CEO) as at 31 December 2022.

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

Tan Ee Hoon is an immediate family member of a Director or a substantial shareholder of the Company and whose remuneration is between S\$100,000 and S\$200,000 for the financial year ended 31 December 2022. Tan Ee hoon is the sister of both Tan Yee Ho and Tan Yee Leong and she is the General Administrative Manager of SL Metals Pte. Ltd., a wholly-owned subsidiary of the Company.

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.

# CORPORATE GOVERNANCE REPORT

## ACCOUNTABILITY AND AUDIT

### Risk Management and Internal Controls

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

#### Provision 9.1

The Company had engaged CLA Global TS Risk Advisory Pte Ltd (formerly known as Nexia TS Risk Advisory Pte Ltd) (“**CLA Global TS**”) to facilitate the development of the Enterprise Risk Management framework for the Group. In consultation with CLA Global TS, 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.

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 regularly reviews 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 2022. This is in turn, supported by assurance from:

- (a) the CEO and the Group Financial Controller 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 Executive Chairman, the CEO and the Group Financial Controller that the Group has put in place a reasonably adequate and effective risk management and internal control systems during FY2022.

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 foolproof. 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.



# CORPORATE GOVERNANCE REPORT

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 coordination 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, reappointment 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 whistleblowing policy duly endorsed by the AC and approved by the Board.

The whistleblowing policy guides employees to raise concerns or complaints about possible improprieties regarding abuse of power, non-compliance of rules and regulations/code of conduct and fraud/misconduct. Investigations of whistleblowing reports made in good faith will be carried out in an objective manner by the AC designated investigation team. The Company is committed to ensuring protection of the whistleblowers against detrimental or unfair treatment, and their reports will be treated confidentially and fairly. The designated investigation team from AC maintains a record of all concerns or complaints, the investigation and resolution, and prepares a periodic summary thereof for the AC, who is responsible for oversight and monitoring of whistleblowing.

The Company's whistleblowing policy have been made available to all employees. It includes a dedicated email address and a direct channel to the Chairman of AC. Such arrangements help ensure independent investigation of matters raised and allow appropriate actions to be taken.

During FY2022, there were no complaints, concerns or issues received.

## Provisions 10.2 and 10.3

The AC comprises the following three (3) members, all of whom are Independent Directors:

Lam Kwong Fai (Chairman)  
Chin Yew Choong David  
Yap Kian Peng

# CORPORATE GOVERNANCE REPORT

The Board considers Lam Kwong Fai, who has extensive and practical accounting and financial management knowledge and experience, well qualified to chair the AC. The other two members of the AC possess experience in finance, law 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 CLA Global TS. The AC approves the hiring, removal, evaluation and compensation of the internal auditors.

CLA Global TS is a company of CLA TS Holdings Pte Ltd (formerly known as Nexia TS Holdings Pte Ltd), which is recognized as an established mid-tier accounting firm of more than 25 years. CLA Global TS possesses vast experience in providing internal audits, risk management services and advisory services in the region. The internal audit team from CLA Global TS comprised of the engagement lead, a manager and experienced staff members. The engagement lead who is a member of the Association of Chartered Certified Accountants and a member of the Institute of Internal Auditors Singapore, has more than 15 years of professional experience performing and leading internal audits, internal control reviews, corporate governance, compliance, and enterprise risk management related reviews. He has served companies listed in Singapore, Hong Kong and Chile, private companies, not-for-profit organisations, Institutions of Public Character and public sector agencies.

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 FY2022, 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 FY2022. 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 that adhere 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 warrant 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.

# CORPORATE GOVERNANCE REPORT

The AC has explicit authority to investigate any matter within its terms of reference, full access to, and the cooperation 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 reappointment to the Board. The AC has undertaken a review of all non-audit services provided by the external auditors of the Company in FY2022, which related to 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:

	FY2022
	\$
<b>Audit fees paid/payable to the external auditors</b>	
- external auditors of the Company	83,000
- other external auditors of the Group	34,600
<b>Non-audit fees paid/payable to the external auditors</b>	
- external auditors of the Company	11,000
- other external auditors of the Group	-

The existing auditor of the Company, Mazars LLP, was appointed as the external auditor of the Company, at the last AGM held on 29 June 2022 until the conclusion of the forthcoming AGM. For the audit of the financial year ending 31 December 2022, the AC has recommended the reappointment of Mazars LLP as external auditors of the Company.

During the year, the Group has appointed different auditors, i.e. firms which are not Mazars LLP member firms, for some of 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 FY2022, 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 auditor, 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 auditor;
- (h) reviewed the annual reappointment of the external auditor and determined the remuneration, and made a recommendation for the Board's approval;
- (i) met with the external auditor and internal auditor once without the presence of the Management; and
- (j) reviewed all the Group's foreign exchange exposure hedging transactions.

# CORPORATE GOVERNANCE REPORT

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 auditor 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 auditor, and were reviewed by the AC:

Key audit matters considered	How the AC reviewed these matters and what decisions were made
Expected credit losses on trade receivables	The AC reviewed the assessments made by the Management and the external auditor 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 analyses performed by the Management.
Provision of obsolescence inventory	This has been an area of focus by the Management and the external auditor, 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 auditor, 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.

## 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 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 (2) proxies to attend and vote at general meetings. A proxy need not be a member of the Company. Pursuant to the provisions of the Companies Act, corporate shareholders of the Company which provide nominee or custodial services are entitled to appoint more than two (2) proxies to attend and vote on their behalf at general meetings provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such corporate shareholders.

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) are also advertised in the newspapers, where applicable, and made available on the website of the SGX-ST.

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.

# CORPORATE GOVERNANCE REPORT

## 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 auditor 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, external auditor and the Company's sponsor attended the AGM of the Company held on 29 June 2022. Save for the aforementioned AGM, there was no other general meeting held during FY2022.

## 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.

The Company does not publish minutes of general meetings of Shareholders on its corporate website as contemplated by the Code. There are potential adverse implications, including commercial and legal implications, for the Company if the minutes of general meetings are published to the public at large (outside the confines of a shareholders' meeting). The Company is of the view that its position is consistent with the intent of Principle 11 where the minutes is available to Shareholders, including those who did not attend the relevant general meeting, who have a statutory right to be furnished copies of minutes of general meetings in accordance with Section 189 of the Companies Act.

## 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 will endeavour to maintain a balance between Shareholders' expectations and prudent capital management.

## **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.

# CORPORATE GOVERNANCE REPORT

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.slmetsgroup.com](http://www.slmetsgroup.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 have 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 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, employees, investors, customers, business partners, suppliers and government and regulators.

The Company and the Group have undertaken a process to determine the economic, environmental, social and governance issues, which are 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 2022 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.slmetsgroup.com](http://www.slmetsgroup.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 (1) 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-and trade-sensitive information of the Group.
- Directors and key officers should not deal in the Company's securities on short-term considerations.

# CORPORATE GOVERNANCE REPORT

- Directors and key officers are required to observe the insider trading laws under the Securities and Futures Act 2001 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 ongoing 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 FY2022 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**

The Directors and Management of the Company would consult SAC Capital Private Limited ("**SAC Capital**") on all material matters relating to compliance with the Catalist Rules, listing and quotation of its securities and documents to be released to shareholders, to ensure that such documents are in compliance with the Catalist Rules and proper disclosures are made.

There is no non-sponsor fee paid or payable by the Company to SAC Capital during FY2022.

# CORPORATE GOVERNANCE REPORT

## ADDITIONAL INFORMATION ON DIRECTORS 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 Leong and Lam Kwong Fai, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

Name of Director	Tan Yee Leong
Date of first appointment	18 December 2004
Date of last reappointment (if applicable)	27 April 2021
Age	60
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 Leong 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 Leong'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 Leong is responsible for leading the development and execution of the Group's short and long 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.
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Chief Executive Officer and Executive Director
Professional qualifications	GCE "O" Levels
Working experience and occupation(s) during the past 10 years	December 2004 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 Leong holds direct interest in 998,333 shares of the Company (" <b>Shares</b> "). In addition, Mr Tan Yee Leong 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 Leong (CEO and Executive Director of the Company) and Mr Tan Yee Ho (Executive Chairman of the Company) are siblings.  As at the date of this report, Mr Tan Yee Leong is a controlling 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 Leong is also related to the other controlling shareholders of the Company, namely, (i) Soon Tien Holdings Pte. Ltd. (as one of the beneficial owners); and (ii) Mr Tan Yee Ho and Mr Tan Yee Chin (as siblings).  As at the date of this report, Mr Tan Yee Leong is a director on each of the boards of all the subsidiaries of the Company.
Conflict of interest (including any competing business)	No



# CORPORATE GOVERNANCE REPORT

<b>Name of Director</b>	<b>Tan Yee Leong</b>
Undertaking (in the format set out in Appendix 7H) under Rule 704(6) of the Catalist Rules has been submitted to the listed issuer	Yes
<b>Other Principal Commitments* Including Directorships</b> * "Principal Commitments" has the same meaning as defined in the Code. * Excludes the Principal Commitments as listed in the "Working experience and occupation(s) during the past 10 years" section above.	
Past (for the last 5 years)	1. Fultech Industry (M) Sdn. Bhd.
Present	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. SL Metals (Taiwan) Co., Ltd. 7. Soon Tien Holdings Pte. Ltd. 8. Soon Tien Investments Pte. Ltd. 9. Concentrate Holdings Pte. Ltd. 10. Concentrate Engineering Pte. Ltd. 11. Concentrate Engineering (M) Sdn. Bhd. 12. Soon Thian Keing (Tua Konsi) Ltd. 13. SL Metals (Shenzhen) Co., Ltd (currently in the process of a members' voluntary winding up)
<b>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.</b>	
(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

# CORPORATE GOVERNANCE REPORT

Name of Director	Tan Yee Leong
(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
(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	No  No  No

# CORPORATE GOVERNANCE REPORT

Name of Director	Tan Yee Leong
<p>(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,</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	No
<p>(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?</p>	No

# CORPORATE GOVERNANCE REPORT

Name of Director	Lam Kwong Fai
Date of first appointment	1 June 2020
Date of last reappointment (if applicable)	27 April 2021
Age	45
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 Lam Kwong Fai as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Lam Kwong Fai'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	Non-Executive
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Independent Non-Executive Director, AC Chairman, NC Member and RC Member
Professional qualifications	Bachelor of Accountancy from Nanyang Technological University
Working experience and occupation(s) during the past 10 years	<p>July 2020 to Present – Founder and Director of Alder Corporate Services Pte Ltd</p> <p>July 2019 to May 2020 – Chief Executive Officer of Crowe Horwath Capital Pte. Ltd.</p> <p>June 2017 to July 2019 – Founder and Chief Executive Officer of 3 Peaks Capital Private Limited</p> <p>July 2014 to June 2017 – Associate Director, Continuing Sponsorship of PrimePartners Corporate Finance Pte. Ltd.</p> <p>April 2012 to June 2014 – Director of CNP Compliance Pte. Ltd.</p>
Shareholding interest in the listed issuer and its subsidiaries	None
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	None
Conflict of interest (including any competing business)	No
Undertaking (in the format set out in Appendix 7H) under Rule 704(6) of the Catalist Rules has been submitted to the listed issuer	Yes
<p>Other Principal Commitments* Including Directorships</p> <p>* "Principal Commitments" has the same meaning as defined in the Code.</p> <p>* Excludes the Principal Commitments as listed in the "Working experience and occupation(s) during the past 10 years" section above.</p>	
Past (for the last 5 years)	<ol style="list-style-type: none"> <li>1. Medtecs International Corporation Limited</li> <li>2. OEL (Holdings) Limited</li> <li>3. D'Nonce Technology Bhd</li> <li>4. Sevens Atelier Limited</li> </ol>

# CORPORATE GOVERNANCE REPORT

<b>Name of Director</b>	<b>Lam Kwong Fai</b>
Present	<ol style="list-style-type: none"> <li>1. Soon Lian Holdings Limited</li> <li>2. China Kunda Technology Holdings Limited</li> <li>3. Capital World Limited</li> <li>4. Katrina Group Limited</li> <li>5. Alder Corporate Services Pye Ltd</li> </ol>
<b>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.</b>	
(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

# CORPORATE GOVERNANCE REPORT

Name of Director	Lam Kwong Fai
(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
<p>(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :—</p> <p>(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or</p> <p>(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</p> <p>(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</p> <p>(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,</p> <p>in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?</p>	<p>Lam Kwong Fai is an independent director of Katrina Group Ltd. since 4 May 2022. On 22 and 25 June 2022, Katrina Group Ltd announced that the Chief Executive Officer and 2 employees of ST Hospitality Pte. Ltd. received a notice to assist with an investigation being conducted by the Urban Redevelopment Authority (“URA”) into possible breaches of the minimum stay requirement in respect of the provision of short-term accommodation provided by ST Hospitality Pte. Ltd. and/or its subsidiaries. As at the date of this report, the investigations are still on-going.</p> <p>No</p> <p>No</p> <p>No</p>
(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

# STATEMENT BY DIRECTORS

The directors present their statement to the members together with the audited consolidated financial statements of Soon Lian Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2022.

## 1. Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the statements of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended in accordance with the provisions of the Singapore Companies Act 1967 (the “Act”) and Singapore Financial Reporting Standards (International); and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

## 2. Directors

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

Tan Yee Ho	Executive Chairman
Tan Yee Leong	Executive Director
Chin Yew Choong David	Independent Non-Executive Director
Lam Kwong Fai	Independent Non-Executive Director
Yap Kian Peng	Independent Non-Executive Director

## 3. Arrangements to enable directors to acquire shares or debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects were, or one of whose objects was, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, except as disclosed in paragraphs 4 and 5 below.

# STATEMENT BY DIRECTORS

## 4. Directors' interests in shares or debentures

The directors of the Company holding office at the end of the financial year had no interest in the share capital and debentures of the Company and related corporations (other than wholly-owned subsidiaries), as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act 1967 (the "Act"), except as disclosed below:

Name of directors and companies in which interests are held	Direct interest		Deemed interest	
	At beginning of financial year	At end of financial year	At beginning of financial year	At end of financial year
	<u>Number of shares of no par value</u>			
<b>Parent company</b>				
<b>Soon Tien Holdings Pte. Ltd.</b>				
Tan Yee Ho	250,000	250,000	-	-
Tan Yee Leong	250,000	250,000	-	-
<b>The company</b>				
<b>Soon Lian Holdings Limited</b>				
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
Yap Kian Peng	50,000	50,000	-	-

By virtue of Section 7 of the Act, Tan Yee Ho and Tan Yee Leong are deemed to have an interest in the Company and in all the related corporations of the Company.

The directors' interests in the shares and options of the Company on 21 January 2023 were the same as at 31 December 2022.

## 5. Share options

There were no share options granted by the Company or its subsidiaries during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares under option in the Company or its subsidiaries as at the end of the financial year.

## 6. Audit Committee

The Audit Committee of the Company comprises three non-executive directors and at the date of this report, they are:

Mr Lam Kwong Fai (Chairman)  
Mr Chin Yew Choong David  
Mr Yap Kian Peng

The Audit Committee has convened two meetings during the year with key management and the internal and external auditors of the Company.



# STATEMENT BY DIRECTORS

## 6. Audit Committee (cont'd)

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Act, the Singapore Exchange Securities Trading Limited ("SGX") Listing Manual and the Code of Corporate Governance. In performing those functions, the Audit Committee:

- (i) reviewed with the independent external auditor with their audit plan;
- (ii) 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;
- (iii) 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;
- (iv) reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption;
- (v) reviewed the interested person transactions (as defined in Chapter 9 of the SGX's Listing Manual);

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Mazars LLP for re-appointment as external auditors of the Group at the forthcoming Annual General Meeting of the Company.

## 7. Auditors

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

On behalf of the board of directors

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**Tan Yee Ho**  
Director

Singapore  
6 April 2023

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**Tan Yee Leong**  
Director

# INDEPENDENT AUDITOR'S REPORT

To the Members of Soon Lian Holdings Limited

## Report on the Audit of Financial Statements

### Opinion

We have audited the accompanying consolidated financial statements of Soon Lian Holdings Limited (the "Company") and its subsidiaries (the "Group") which comprise the consolidated statements of financial position of the Group and of the statement of financial position of the Company as at 31 December 2022, the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group 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 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

### Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("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 sufficient and appropriate to provide a basis of our opinion.

### Overview

#### Audit Approach

We designed a risk-based audit approach in identifying and assessing the risks of material misstatement at both the financial statement and assertion levels.

#### Materiality

As in all our audits, we exercised our professional judgment in determining our materiality, which was also affected by our perception of the financial information needs of the users of the financial statements, being the magnitude of misstatement in the financial statements that makes it probable for a reasonably knowledgeable person to change or be influenced in his economic decision.

#### Scope of audit

For the audit of the current financial year's financial statements, we identified 4 significant components which required a full scope audit of their financial information, either because of their size or/and their risk characteristics.

Out of the 4 significant components, 3 were audited by component auditors under our instructions and the remaining 1 were directly audited by us. We determined the component materiality and our level of involvement in their audit necessary for us, in our professional judgement, to obtain sufficient appropriate audit evidence as a basis for our opinion on the Group's financial statements as a whole.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Soon Lian Holdings Limited

## Report on the Audit of Financial Statements (cont'd)

### Area of focus

We focused our resources and effort on areas which were assessed to have higher risks of material misstatement, including areas which involve significant judgments and estimates to be made by directors.

### 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 financial year. These matters include the salient areas of focus in our audit and do not represent all the risks identified by our audit. 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.

Key audit matter	Our audit response
<b>Expected credit losses on trade receivables (refer to Note 3.2, Note 18 and Note 28 to the financial statements)</b>	
<p>As at 31 December 2022, the Group reported trade receivables with carrying amount of approximately S\$14,777,000 (2021: S\$14,234,000), net of allowance for expected credit losses ("ECL") of approximately S\$2,747,000 (2021: S\$2,791,000), representing 19.2% (2021: 27.9%) of the Group's current assets.</p> <p>In applying SFRS(I) 9 Financial Instruments ("SFRS(I) 9"), the Group used an allowance matrix to estimate ECL for trade receivables. The ECL rates are based on the Group's historical loss experience of the various customer groups that are assessed by geographical locations, adjusted for forward looking factors, including their best estimate of the impact of COVID-19, specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables.</p> <p>As the determination of the ECL requires significant judgement and estimation of management and in consideration of the significance of trade receivables in the Group, we consider management's assessment and application of SFRS(I) 9 to the impairment of trade receivables as a key audit matter.</p>	<p>Our audit procedures included, and were not limited to, the following:</p> <ul style="list-style-type: none"><li>• We obtained an understanding of the Group's process in assessing and determining the loss rates used in their allowance matrix;</li><li>• We reviewed the appropriateness of the bases of the Group for determining the loss rates, with reference to the historical payment trends of its customers, analysed by past due dates and the customers' geographical locations, adjusted for the Group's outlook of the macro-economic environment and conditions in which its customers operate in, and considered the subsequent receipts, where applicable. In the review, we also considered management's assessment on the recoverability of these trade receivables;</li><li>• We assessed and tested the arithmetic accuracy of the allowance matrix;</li><li>• For major outstanding receivables, we performed background checks on the customers to assess whether the receivables could be credit impaired; and</li><li>• We reviewed the appropriateness and sufficiency of the corresponding disclosures made in the financial statements.</li></ul>

# INDEPENDENT AUDITOR'S REPORT

To the Members of Soon Lian Holdings Limited

## Report on the Audit of Financial Statements (cont'd)

### Key Audit Matters (cont'd)

Key audit matter	Our audit response
<b>Provision for inventories obsolescence (refer to Note 3.2 and Note 17 to the financial statements)</b>	
<p>As at 31 December 2022, the Group reported inventories with carrying amount of approximately S\$54,809,000 (2021: S\$27,441,000), net of provision for inventories obsolescence of approximately S\$2,841,000 (2021: S\$2,499,000), representing 71.4% (2021: 53.9%) of the Group's current assets.</p> <p>With reference to SFRS(I) 2 Inventories, inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete inventory.</p> <p>The assessment of the provision for inventories obsolescence requires the use of significant judgement and estimates. The management is of the view that it is necessary to provide a general provision for the slow moving inventories. These provisions are due to potentially reduced movement in inventories and decrease in market demand arising from current and future economic impact.</p> <p>In consideration of the significance of the balance and aforementioned significant estimates and judgement applied by management, we consider this as a key audit matter.</p>	<p>Our audit procedures included, and were not limited to, the following:</p> <ul style="list-style-type: none"><li>• We reviewed the Group's policy of allowance for slow moving inventories;</li><li>• We assessed the appropriateness of provision for inventories obsolescence;</li><li>• We assessed and tested the arithmetic accuracy of the allowance matrix;</li><li>• We assessed and where found necessary, critically challenged judgements and estimates used by management in measuring the provision for inventories obsolescence; and</li><li>• We reviewed the completeness and appropriateness of corresponding disclosures made in the financial statements.</li></ul>

### Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and the independent auditors' report thereon, which we obtained prior to the date of this report.

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

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

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

# INDEPENDENT AUDITOR'S REPORT

To the Members of Soon Lian Holdings Limited

## Report on the Audit of Financial Statements (cont'd)

### *Responsibilities of Management and Director for the Financial Statements*

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide 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 director's responsibilities include overseeing the Group's financial reporting process.

### *Auditors' Responsibilities for the Audit of the Financial Statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

To the Members of Soon Lian Holdings Limited

## **Report on the Audit of Financial Statements (cont'd)**

### *Auditors' Responsibilities for the Audit of the Financial Statements (cont'd)*

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

## **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 the subsidiary entities incorporated in Singapore of which we are auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditors' report is Tan Chee Tyan.

**MAZARS LLP**  
Public Accountants and  
Chartered Accountants  
Singapore

6 April 2023

# CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2022

	Note	Group	
		2022 \$'000	2021 \$'000
<b>Revenue</b>	4	71,467	53,575
Cost of sales		(52,693)	(39,858)
<b>Gross profit</b>		18,774	13,717
Other income	5	106	379
Distribution costs		(815)	(342)
Administrative expenses		(6,426)	(5,271)
Finance costs	6	(667)	(335)
Loss allowance for expected credit losses, net	8	(1,216)	(1,107)
Other expenses	7	(646)	(6)
<b>Profit before income tax</b>	8	9,110	7,035
Income tax expenses	9	(1,550)	(817)
<b>Profit for the year</b>		7,560	6,218
<b>Other comprehensive (loss) / income:</b>			
<b>Items that may be reclassified subsequently to profit or loss</b>			
Exchange differences on translating foreign operations, net of tax		(1,027)	250
<b>Other comprehensive (loss) / income for the year, net of tax</b>		(1,027)	250
<b>TOTAL COMPREHENSIVE INCOME FOR THE YEAR</b>		6,533	6,468
<b>Profit attributable to owners of the Company, net of tax</b>		7,560	6,218
<b>Total comprehensive income attributable to owners of the Company</b>		6,533	6,468
<b>Earnings per share attributable to owners of the Company (cents per share)</b>			
Basic earnings per share	10	7.00	5.76
Diluted earnings per share	10	7.00	5.76

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

# STATEMENTS OF FINANCIAL POSITION

As at 31 December 2022

	Note	Group		Company	
		2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	11	6,418	6,823	-	-
Right-of-use assets	12	2,455	470	-	-
Land use right	13	2,168	2,303	-	-
Intangible assets	14	-	-	-	-
Investments in subsidiaries	15	-	-	11,283	11,283
Deferred tax assets	16	708	338	-	-
<b>Total non-current assets</b>		<b>11,749</b>	<b>9,934</b>	<b>11,283</b>	<b>11,283</b>
<b>Current assets</b>					
Inventories	17	54,809	27,441	-	-
Trade and other receivables	18	16,129	14,854	1,861	2,018
Prepayments		612	1,326	13	28
Cash and cash equivalents	19	5,248	7,306	265	721
<b>Total current assets</b>		<b>76,798</b>	<b>50,927</b>	<b>2,139</b>	<b>2,767</b>
<b>Total assets</b>		<b>88,547</b>	<b>60,861</b>	<b>13,422</b>	<b>14,050</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Equity</b>					
Share capital	20	10,579	10,579	10,579	10,579
Retained earnings		32,319	25,321	1,844	2,722
Other reserves	21	(75)	714	-	-
<b>Total equity</b>		<b>42,823</b>	<b>36,614</b>	<b>12,423</b>	<b>13,301</b>
<b>Non-current liabilities</b>					
Lease liabilities	22	1,806	211	-	-
Borrowings	23	5,675	7,273	-	-
<b>Total non-current liabilities</b>		<b>7,481</b>	<b>7,484</b>	<b>-</b>	<b>-</b>
<b>Current liabilities</b>					
Income tax payable		1,473	591	-	-
Lease liabilities	22	783	434	-	-
Borrowings	23	1,629	1,707	-	-
Trade and other payables	24	34,358	14,031	999	749
<b>Total current liabilities</b>		<b>38,243</b>	<b>16,763</b>	<b>999</b>	<b>749</b>
<b>Total liabilities</b>		<b>45,724</b>	<b>24,247</b>	<b>999</b>	<b>749</b>
<b>Total equity and liabilities</b>		<b>88,547</b>	<b>60,861</b>	<b>13,422</b>	<b>14,050</b>

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



# CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2022

Group	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000	Total equity \$'000
<b>Balance at 1 January 2021</b>	10,579	19,307	260	30,146
Transferred (from) to retained earnings	-	(204)	204	-
Total comprehensive income for the year	-	6,218	250	6,468
<b>Balance at 31 December 2021</b>	10,579	25,321	714	36,614
Transferred (from) to retained earnings	-	(238)	238	-
Total comprehensive income for the year	-	7,560	(1,027)	6,533
Dividend paid (Note 32)	-	(324)	-	(324)
<b>Balance at 31 December 2022</b>	10,579	32,319	(75)	42,823

Company	Share capital \$'000	Retained earnings \$'000	Total equity \$'000
<b>Balance at 1 January 2021</b>	10,579	3,109	13,688
Loss for the financial year, representing total comprehensive loss for the financial year	-	(387)	(387)
<b>Balance at 31 December 2021</b>	10,579	2,722	13,301
Loss for the financial year, representing total comprehensive loss for the financial year	-	(554)	(554)
Dividend paid (Note 32)	-	(324)	(324)
<b>Balance at 31 December 2022</b>	10,579	1,844	12,423

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

	Note	Group 2022 \$'000	2021 \$'000
<b>Operating activities</b>			
Profit before income tax		9,110	7,035
Adjustments for:			
Interest income		(6)	(3)
Interest expense	6	667	335
Depreciation of property, plant and equipment	11	789	815
Depreciation of right-of-use assets	12	573	374
Amortisation of land use right	13	135	136
Loss allowance for expected credit losses, net	29	1,216	1,107
Provision / (Reversal) for inventories obsolescence	8	403	(123)
Bad debts written-off	7	-	2
Bad debts recovered	5	(1)	(14)
Inventories written-off	7	1	4
Gains on disposal of property, plant and equipment	5	(15)	(9)
Plant and equipment written-off	7	4	-
Impairment loss on plant and equipment	7	243	-
Net effect of exchange rate changes in consolidating foreign operations		(1,222)	225
Operating cash flows before movements in working capital		11,897	9,884
Changes in working capital			
Cash restricted in use		(88)	(1)
Inventories		(27,772)	(6,249)
Trade and other receivables		(2,490)	(3,988)
Prepayments		714	(774)
Trade and other payables		9,017	5,936
Cash (used in) / generated from operations		(8,722)	4,808
Income taxes paid		(1,000)	(337)
<b>Net cash (used in) / generated from operating activities</b>		<b>(9,722)</b>	<b>4,471</b>
<b>Investing activities</b>			
Disposal of property, plant and equipment		22	20
Purchase of property, plant and equipment	11	(674)	(348)
Interest received		6	3
<b>Net cash used in investing activities</b>		<b>(646)</b>	<b>(325)</b>
<b>Financing activities</b>			
Repayments of borrowings and bills payables to bank		(4,184)	(4,294)
Proceeds from new borrowings and bills payables to bank		13,992	2,182
Lease liabilities		(638)	(440)
Interest paid		(624)	(303)
Dividend paid		(324)	-
<b>Net cash generated from / (used in) financing activities</b>		<b>8,222</b>	<b>(2,855)</b>
<b>Net (decreased) / increased in cash and cash equivalents</b>		<b>(2,146)</b>	<b>1,291</b>
Cash and cash equivalents at beginning of financial year		7,294	6,003
<b>Cash and cash equivalents at end of financial year</b>	19	<b>5,148</b>	<b>7,294</b>

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

# CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2022

## Reconciliation of liabilities arising from financing activities

	1 January 2022	Financing cash flows	Non-cash movements				31 December 2022
			Acquisition	Lease modification	Interest expense	Foreign exchange movement	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Liabilities</b>							
Borrowings	8,980	(1,681)	-	-	5	-	7,304
Bills payables to bank	2,182	11,489	-	-	-	(179)	13,492
Lease liabilities	645	(638)	2,667	(117)	38	(6)	2,589

	1 January 2021	Financing cash flows	Non-cash movements				31 December 2021
			Acquisition	Lease modification	Interest expense	Foreign exchange movement	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Liabilities</b>							
Borrowings	11,161	(2,181)	-	-	-	-	8,980
Bills payables to bank	2,113	69	-	-	-	-	2,182
Lease liabilities	968	(440)	90	-	32	(5)	645

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

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 1. General

Soon Lian Holdings Limited (the “Company”) (Registration Number: 200416295G) is listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (the “SGX-ST”) and incorporated and domiciled in Singapore with limited liability.

The registered office and its principal place of business is at 6 Tuas Lane, Singapore 638615.

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 15 to the financial statements.

The parent company is Soon Tien Holdings Pte. Ltd., which is incorporated in Singapore.

The financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2022 were authorised for issue by the Board of Directors at the date of the Directors’ Statement.

## 2. Summary of significant accounting policies

### 2.1 Basis of preparation

The financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the “Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)s”) including related Interpretations of SFRS(I)s (“SFRS(I) INTs”) and are prepared on the historical cost basis, except as disclosed in the accounting policies below.

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company are presented in Singapore dollar (“\$”) which is also the functional currency of the Company, and all values presented are rounded to the nearest thousand (“\$’000”), unless otherwise indicated.

In the current year, the Group has adopted all the new and revised SFRS(I)s and SFRS(I) INTs that are relevant to its operations and effective for annual periods beginning on or after 1 January 2022. The adoption of these new or revised SFRS(I)s and SFRS(I) INTs did not result in changes to the Group’s and Company’s accounting policies, and has no material effect on the current or prior year’s financial statement and is not expected to have a material effect on future periods.

The adoption of SFRS(I) 1-37 from 1 January 2022 resulted in a change in accounting policy in the assessment of onerous contracts. Before the amendment, the Group only included incremental costs to fulfil a contract when determining whether a contract is onerous. With the amendment, the Group includes both the incremental costs and an allocation of other costs that relate directly to fulfilling contracts when determining whether a contract is onerous.

The amendments are applied on a retrospective basis on contracts for which the Group has not yet fulfilled all its obligations on 1 January 2022. Based on the Group’s assessment, there is no onerous contract identified with the revision of the accounting policy.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.1 Basis of preparation (cont'd)

*SFRS(I) and SFRS(I) INT issued but not yet effective*

At the date of authorisation of these statements, the following SFRS(I) and SFRS(I) INT that are relevant to the Group were issued but not yet effective:

SFRS (I)	Title	Effective date (annual periods beginning on or after)
SFRS(I) 1-1	Amendments to SFRS(I) 1-1: <i>Classification of Liabilities as Current or Non-current</i>	1 January 2024
SFRS(I) 10, SFRS(I) 1-28	Amendments to SFRS(I) 10 and SFRS(I) 1-28: <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined
SFRS(I) 1-8	Amendments to SFRS(I) 1-8: <i>Definition of Accounting Estimates</i>	1 January 2023
SFRS(I) 1-12, SFRS(I) 1	Amendments to SFRS(I) 1-12: <i>Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction</i>	1 January 2023
SFRS(I) 16	Amendments to SFRS(I) 16: <i>Lease Liability in a Sale and Leaseback</i>	1 January 2024
Various	Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: <i>Disclosure of Accounting Policies</i>	1 January 2023
Various	Amendments to SFRS(I) 1-1: <i>Non-current Liabilities with Covenants</i>	1 January 2024

Consequential amendments were also made to various standards as a result of these new/revised standards.

The Group does not intend to early adopt any of the above new or revised standards, interpretations and amendments to the existing standards. Management anticipates that the adoption of the aforementioned new or revised standards will not have a material impact on the financial statements of the Group and Company in the period of their initial adoption.

### 2.2 Basis of consolidation

The financial statements of the Group comprise the financial statements of the Company and its subsidiaries. Subsidiaries are entities (including structured entities) (i) over which the Group has power and the Group is (ii) able to use such power to (iii) affect its exposure, or rights, to variable returns from them through its involvement with them.

The Group reassesses whether it controls the subsidiaries if facts and circumstance indicate that there are changes to the one or more of the three elements of control.

When the Group has less than a majority of the voting rights of an investee, it still has power over the investee when the voting rights are sufficient, after considering all relevant facts and circumstances, to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers, among others, the extent of its voting rights relative to the size and dispersion of holdings of the other vote holders, currently exercisable substantive potential voting rights held by all parties, rights arising from contractual arrangements and voting patterns at previous shareholders' meetings.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.2 Basis of consolidation (cont'd)

Intra-group assets and liabilities, equity, income, expenses and cashflows relating to intragroup transactions are eliminated on consolidation.

The financial statements of the subsidiaries used in the preparation of the financial statements are prepared for the same reporting date as that of the Company. Where necessary, accounting policies of subsidiaries have been changed to ensure consistency with the policies adopted by the Group.

Non-controlling interests are identified separately from the Group's equity therein. On an acquisition-by-acquisition basis, non-controlling interests may be initially measured either at fair value or at their proportionate share of the fair value of the acquiree's identifiable net assets. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Losses in the subsidiary are attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any differences between the amount by which the non-controlling interests are adjusted to reflect the changes in the relative interests in the subsidiary and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company.

When the Group loses control over a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to accumulated profits) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

Investments in subsidiaries are carried at cost less any impairment loss that has been recognised in profit or loss in the Company's separate financial statements.

### 2.3 Business combinations

The acquisition of subsidiaries is accounted for using the acquisition method when the acquired set of activities and assets constitute a business. When determining the acquired set of activities and assets constitute a business, the Group assesses whether the acquired set of activities and assets includes, at a minimum, an input and substantive process, which together contribute to the creation of outputs.

The Group has the option to apply a "concentration test" as a simplified assessment to determine whether an acquired set of activities and assets is not a business. The Group makes the election separately for each transaction or other event. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. For each business combination, the Group determines whether to measure the non-controlling interests in the acquiree at fair value or at proportionate share in the recognised amounts of the acquiree's identifiable net assets. Acquisition-related costs are recognised in profit or loss as incurred and included in administrative expenses.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 Business Combinations are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held-for-sale in accordance with SFRS(I) 5 Non-Current Assets Held for Sale and Discontinued Operations, which are recognised and measured at the lower of cost and fair value less costs to sell.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.3 Business combinations (cont'd)

The Group recognises any contingent consideration to be transferred for the acquiree at the fair value on the acquisition date. Contingent consideration classified as equity is not remeasured and its subsequent settlement shall be accounted for within equity. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of SFRS(I) 9 Financial Instruments, is measured at fair value with the changes in fair value recognised in the statement of profit or loss in accordance with SFRS(I) 9. Other contingent consideration that is not within the scope of SFRS(I) 9 is measured at fair value at each reporting date with changes in fair value recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under SFRS(I) 3 are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with SFRS(I) 1-12 Income Taxes and SFRS(I) 1-19 Employee Benefits respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with SFRS(I) 2 Share-based Payment; and
- assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date, and is subject to a maximum of one year.

Goodwill arising on acquisition is recognised as an asset at the acquisition date and is initially measured at cost, being the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer previously held equity interest (if any) in the entity over net acquisition-date fair value amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than the carrying amount of the unit (including the goodwill), the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

The attributable amount of goodwill is included in the determination of gain or loss on disposal of the subsidiary or jointly controlled entity.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.4 Revenue recognition

The Group is principally in the business of trading of aluminium alloy materials. Revenue from contracts with its customers is recognised when or as the Group satisfies a performance obligation by transferring a promised good in the ordinary course of the Group's activities to its customer, at a transaction price that reflects the consideration the Group expects to be entitled in exchange for the goods and that is allocated to that performance obligation. The goods is transferred when or as the customer obtains control of the goods.

#### Sale of goods

The Group sells a range of aluminium alloy materials to its customers. Revenue is recognised at a point in time when control of the goods is transferred to the end customers (i.e. when the goods are delivered in accordance with the applicable incoterms or/and terms and conditions and significant risks and rewards of ownership of the goods have been transferred to the customer). A corresponding receivable is recognised for the consideration that is unconditional when only the passage of time is required before the payment is due.

### 2.5 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.6 Retirement benefit costs

Payments to defined contribution retirement benefit plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

The Group participates in the national pension schemes as defined by the laws of People's Republic of China ("PRC"). Subsidiaries incorporated in the PRC are required to provide staff pension benefits to their employees under existing PRC legislation. These subsidiaries are required to contribute a certain percentage of their payroll costs to the pension scheme to fund the benefits. The pension funds are managed by government agencies, which are responsible for paying pensions to the retired employees. Contributions under the pension scheme are charged to the profit or loss as they become payable in accordance with the rules of the pension scheme.

### 2.7 Employee leave entitlements

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the financial year.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.8 Income tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the financial year.

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and are accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each financial year and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year and based on the tax consequence that will follow from the manner in which the Group expects, at the end of the financial year, to recover or settle the carrying amounts of its assets and liabilities except for the investment properties where investment properties measured at fair value are presented to be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited directly to equity, in which case the tax is also recognised directly in equity, or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

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

- when the sales tax that is incurred on purchases is not recoverable from the tax authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.9 Foreign currency transactions and translation

Foreign currency transactions are translated into the individual entities' respective functional currencies at the exchange rates prevailing on the date of the transaction. At the end of each financial year, monetary items denominated in foreign currencies are retranslated at the rates prevailing as of the end of the financial year. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the year. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the year except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised directly in equity. For such non-monetary items, any exchange component of that gain or loss is also recognised directly in equity through other comprehensive income.

Exchange differences relating to assets under construction for future productive use, are included in the cost of those assets where they are regarded as an adjustment to interest costs on foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are classified as equity and transferred to the Group's translation reserve. Such translation differences are recognised in profit or loss in the period in which the foreign operation is disposed of.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

### 2.10 Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. The cost of property, plant and equipment includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost of property, plant and equipment if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the 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 repair and maintenance expenses are recognised in profit or loss when incurred.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.10 Property, plant and equipment (cont'd)

Depreciation is charged so as to write off the cost or valuation of assets, other than freehold land and properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold property and improvements	-	Over terms of lease of 5 to 20 years
Plant and equipment	-	5 to 10 years

For right-of-use assets for which ownership of the underlying asset is not transferred to the Group by the end of the lease term, depreciation is charged over the lease term, using the straight-line method. The lease periods are disclosed in Note 2.12.

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

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

The gain or loss, being the difference between the sales proceeds and the carrying amount of the asset, arising on disposal or retirement of an item of property, plant and equipment is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to accumulated profits directly.

Fully depreciated plant and equipment are retained in the financial statements until they are no longer in use.

### 2.11 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 lease term of 20 years.

### 2.12 Right-of-use assets

Right-of-use assets for which ownership of the underlying asset is not transferred to the Company by the end of the lease term, depreciation is charged over the lease term, using the straight-line method.

Depreciation is charged so as to write off the cost of assets over their estimated useful lives, using the straight-line method, on the following bases:

Warehouse space	-	Over the lease terms of 1 to 5 years
Office equipment	-	Over the lease terms of 5 years
Office space	-	Over the lease terms of 2 to 3 years
Dormitory	-	Over the lease terms of 2 years
Cranes	-	Over the lease terms of 5 years

### 2.13 Intangible assets

#### Customer lists

Customer lists which are acquired in business combinations are carried at fair values at the date of acquisition, and amortised on a straight-line basis over the period of the expected benefits. Customer lists have estimated useful lives of 5 years.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.14 Impairment of non-financial assets

The Group reviews the carrying amounts of its non-financial assets as at each reporting date to assess for any indication of impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Irrespective of whether there is any indication of impairment, the Group also tests its intangible assets with indefinite useful lives and intangible assets not yet available for use for impairment annually by comparing their respective carrying amounts with their corresponding recoverable amounts.

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss for the amount by which the asset's carrying amount exceeds the recoverable amount is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

### 2.15 Financial instruments

The Group recognises a financial asset or a financial liability in its statement of financial position when the Group becomes party to the contractual provisions of the instrument.

#### Financial assets

##### Initial recognition and measurement

With the exception of trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient, all financial assets are initially measured at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value. Such trade receivables that do not contain a significant financing component or for which the Group applies a practical expedient are measured at transaction price as defined in SFRS(I) 15 *Revenue from Contracts with Customers* in Note 2.4.

The classification of the financial assets at initial recognition as subsequently measured at amortised cost, fair value through other comprehensive income ("FVTOCI") and fair value through profit or loss ("FVTPL") depends on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The Group's business model refers to how the Group manages its financial assets in order to generate cash flows which determines whether cash flows will result from collecting contractual cash flows, selling financial assets or both.

The Group determines whether the asset's contractual cash flows are solely payments of principal and interest ("SPPI") on the principal amount outstanding to determine the classification of the financial assets.

##### Financial assets at amortised cost

A financial asset is subsequently measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and 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. Financial assets at amortised cost include trade and other receivables and cash and cash equivalents.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.15 Financial instruments (cont'd)

#### Financial assets (cont'd)

##### Financial assets at amortised cost (cont'd)

Subsequent to initial recognition, the financial asset at amortised cost are measured using the effective interest method and is subject to impairment. Gains or losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

##### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and allocating the interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or where appropriate, a shorter period, to the net carrying amount of the financial instrument. Income and expense are recognised on an effective interest basis for debt instruments other than those financial instruments at fair value through profit or loss.

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, and recognised in interests income.

##### Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on financial assets measured at amortised cost. At each reporting date, the Group assesses whether the credit risk on a financial asset has increased significantly since initial recognition by assessing the change in the risk of a default occurring over the expected life of the financial instrument. Where the financial asset is determined to have low credit risk at the reporting date, the Group assumes that the credit risk on a financial assets has not increased significantly since initial recognition.

The Group uses reasonable and supportable forward-looking information that is available without undue cost or effort as well as past due information when determining whether credit risk has increased significantly since initial recognition.

Where the credit risk on that financial instrument has increased significantly since initial recognition, the Group measures the loss allowance for a financial instrument at an amount equal to the lifetime ECL. Where the credit risk on that financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL.

The Group applies the simplified approach to recognise the ECL for trade receivables, which is to measure the loss allowance at an amount equal to lifetime ECL. As a practical expedient, the Group uses an allowance matrix derived based on historical credit loss experience adjusted for current conditions and forecasts of future economic conditions for measuring ECL.

While they are not financial assets, assets arising from the Group's contracts with customers under SFRS(I) 15 are assessed for impairment in accordance with SFRS(I) 9, similar to that of trade receivables.

The amount of ECL or reversal thereof that is required to adjust the loss allowance at the reporting date to the amount that is required to be recognised is recognised in profit or loss.

The Group directly reduces the gross carrying amount of a financial asset when the entity has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof.

For details on the Group's accounting policy for its impairment of financial assets, refer to Note 29.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.15 Financial instruments (cont'd)

#### Financial assets (cont'd)

##### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the financial asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds receivables.

#### Financial liabilities and equity instruments

##### Classification as debt or equity

Financial liabilities and equity instruments issued by Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

##### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

##### *Ordinary share capital*

Ordinary share capital is classified as equity. Incremental costs directly attributable to the issue of ordinary shares and share options are recognised as a deduction from equity.

#### Financial liabilities

##### Initial recognition and measurement

All financial liabilities are initially measured at fair value, minus transaction costs, except for those financial liabilities classified as at fair value through profit or loss, which are initially measured at fair value.

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading or it is designated as such upon initial recognition. Financial liabilities classified as at fair value through profit or loss comprise derivatives that are not designated or do not qualify for hedge accounting.

##### Other financial liabilities

##### *Trade and other payables*

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method, with interest expense recognised on an effective yield basis in finance costs. A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.15 Financial instruments (cont'd)

#### Financial liabilities and equity instruments

##### Financial liabilities (cont'd)

##### Other financial liabilities (cont'd)

##### *Borrowings*

Interest-bearing bank loans are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see Note 2.5 above). A gain or loss is recognised in profit or loss when the liability is derecognised and through the amortisation process.

##### *Financial guarantee contracts*

The Company has issued corporate guarantees to banks for banking facilities granted by them to certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment terms.

Financial guarantee contract liabilities are measured initially at their fair values plus transaction costs and subsequently at the higher of the amount of the loss allowance and the amount initially recognised less cumulative amortisation in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*.

##### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

### 2.16 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the first-in-first-out method and comprises all costs of purchases, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

### 2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, bank overdrafts and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value.

### 2.18 Leases

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

Where a contract contains more than one lease component, the Group allocates the consideration in the contract to each lease component on the basis of the relative standalone price of the lease component. Where the contract contains non-lease components, the Group applied the practical expedient to not to separate non-lease components from lease components, and instead account for each lease component and any associated non-lease components as a single lease component.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.18 Leases (cont'd)

The Group recognises a right-of-use asset and lease liability at the lease commencement date for all lease arrangement for which the Group is the lessee, except for leases which have lease term of 12 months or less and leases of low value assets for which the Group applied the recognition exemption allowed under SFRS(I) 16 Leases. For these leases, the Group recognises the lease payment as an operating expense on a straight-line basis over the term of the lease.

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

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

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

The Group generally uses the incremental borrowing rate as the discount rate. To determine the incremental borrowing rate, the Group obtains a reference rate and makes certain adjustments to reflect the terms of the lease and the asset leased.

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

- fixed payments, including in-substance fixed payments less any lease incentive receivable,
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date,
- amounts expected to be payable under a residual value guarantee,
- the exercise price under a purchase option that the Group is reasonably certain to exercise, and
- payments of penalties for terminating the lease if the Group is reasonably certain to terminate early and lease payments for an optional renewal period if the Group is reasonably certain to exercise an extension option.

The lease liability is measured at amortised cost using the effective interest method. The Group remeasures the lease liability when there is a change in the lease term due to a change in assessment of whether it will exercise a termination or extension or purchase option or due to a change in future lease payment resulting from a change in an index or a rate used to determine those payment.

Where there is a remeasurement of the lease liability, a corresponding adjustment is made to the right-of-use asset or in profit or loss where there is a further reduction in the measurement of the lease liability and the carrying amount of the right-of-use asset has been reduced to zero.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 2. Summary of significant accounting policies (cont'd)

### 2.19 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the financial year, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, which is discounted using a pre-tax discount rate.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received, and the amount of the receivable can be measured reliably.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss as they arise.

### 2.20 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an expense, the grant is recognised as income in profit or loss on a systematic basis over the periods in which the related costs, for which the grants are intended to compensate, is expensed. Where the grant relates to an asset, the grant is recognised as deferred capital grant on the statement of financial position and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalment.

Non-monetary government grant is recognised at nominal amount.

### 2.21 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

## 3. Critical accounting judgement and key sources of estimation uncertainty

The Group made judgements, estimates and assumptions about the carrying amounts of assets and liabilities that were not readily apparent from other sources in the application of the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors that are considered to be reasonable under the circumstances. Actual results may differ from the estimates.

### 3.1 Critical judgements made in applying the Group's accounting policies

Management is of the opinion that there are no critical judgements (other than those involving estimates) that have a significant effect on the amounts recognised in the financial statements.

### 3.2 Key sources of estimation uncertainty

The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 3. Critical accounting judgement and key sources of estimation uncertainty (cont'd)

### 3.2 Key sources of estimation uncertainty (cont'd)

#### Measurement of ECL of trade receivables

The Group uses a provision matrix to measure ECL for trade receivables. The ECL rates are based on the Group's historical loss experience of the various customer groups that are assessed by geographical locations, product types and internal ratings, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates of the countries (eg. Singapore, People's Republic of China ("PRC"), Malaysia, Taiwan) and the growth rates of the major industries in which its customers operate. The Group adjusts the allowance matrix at each reporting date. Such estimation of the ECL rates may not be representative of the actual default in the future. The carrying amount of the Group's trade receivables as at 31 December 2022 was \$14,777,000 (2021: \$14,234,000). The expected loss allowance on the Group's trade receivables as at 31 December 2022 was \$2,747,000 (2021: \$2,791,000) (Note 18).

#### Inventory valuation method

Inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete inventory and identifies items of inventory which have a market price, being the selling price quoted from the market of similar items, that is lower than its carrying amount. Management then estimates the amount of inventory loss as a provision for inventories obsolescence. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventory which could then consequentially impact the Group's results, cash flows and financial position. The carrying amount of the Group's inventories as at 31 December 2022 was \$54,809,000 (2021: \$27,441,000). The provision for inventories obsolescence for the year ended 31 December 2022 was \$2,841,000 (2021: \$2,499,000) (Note 17).

#### Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset was already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Group's property, plant and equipment as at 31 December 2022 was \$6,418,000 (2021: \$6,823,000) (Note 11).

#### Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amount of the Group's current tax payable as at 31 December 2022 was \$1,473,000 (2021: \$591,000).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 4. Revenue

	Group	
	2022	2021
	\$'000	\$'000
Sale of goods	70,808	53,136
Other income - sales of aluminium	659	439
	<u>71,467</u>	<u>53,575</u>

The disaggregation of revenue from contracts with customers is disclosed in Note 28.

## 5. Other income

	Group	
	2022	2021
	\$'000	\$'000
Foreign exchange gain, net	-	224
Interest income	6	3
Gains on disposal of property, plant and equipment	15	9
Government grant income	73	57
Job Support Scheme	-	55
Bad debts recovered	1	14
Others	11	17
	<u>106</u>	<u>379</u>

During the financial year ended 31 December 2021, The Jobs Support Scheme (the "JSS") is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

## 6. Finance costs

	Group	
	2022	2021
	\$'000	\$'000
Interest expenses	629	303
Interest on lease liabilities	38	32
	<u>667</u>	<u>335</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 7. Other expenses

	Note	Group	
		2022 \$'000	2021 \$'000
Foreign exchange loss, net		398	-
Impairment loss on plant and equipment	11	243	-
Bad debts written off		-	2
Inventories written off		1	4
Plant and equipment written off		4	-
		<u>646</u>	<u>6</u>

## 8. Profit before income tax

The following charges/(credit) were included in the determination of profit before taxation:

	Note	2022 \$'000	2021 \$'000
Directors' remuneration of the Company			
- Short-term benefits		1,075	1,091
- Employers' contribution to defined contribution plans		20	16
- Directors' fees		150	150
Directors' fees of a subsidiary		2	2
Employee benefits expenses (including key management personnel remuneration)			
- Short-term benefits		5,934	4,624
- Employers' contribution to defined contribution plans		436	269
- Other benefits		248	63
Audit fees paid to auditors:			
- Auditors of the Company		83	68
- Other auditors of subsidiaries		35	26
Non-audit fees paid to auditors:			
- Auditors of the Company		11	11
- Other auditors of subsidiaries		-	12
Loss allowance for expected credit losses, net	29	1,216	1,107
Depreciation of property, plant and equipment	11	789	815
Depreciation of right-of-use assets	12	573	374
Amortisation of land use rights	13	135	136
Provision / (Reversal) for inventories obsolescence*	17	403	(123)

\* Included under cost of sales

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 9. Income tax expenses

	Group	
	2022 \$'000	2021 \$'000
<b>Current tax expense</b>		
Current financial year	1,921	813
(Over) / Underprovision in previous financial years	(1)	11
	<u>1,920</u>	<u>824</u>
<b>Deferred tax expense</b>		
Current financial year	(370)	(7)
	<u>(370)</u>	<u>(7)</u>
<b>Income tax expense</b>	<u>1,550</u>	<u>817</u>

Reconciliation of effective tax rate is as follows:

	Group	
	2022 \$'000	2021 \$'000
Profit before income tax	<u>9,110</u>	<u>7,035</u>
Income tax expense at the above rate	1,549	1,196
Expenses not deductible for tax purposes	179	202
Tax exemption	(17)	-
(Over) / Underprovision in previous financial years	(1)	11
Effect of different tax rates in different countries	172	139
Undistributed earning additional tax @ 5%	50	21
Utilisation of previously unrecognised deferred tax assets	(382)	(752)
Total Income tax expense	<u>1,550</u>	<u>817</u>

The Company is incorporated in Singapore and accordingly is subject to income tax rate of 17% (2021: 17%). Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. There were no changes in the enterprise income tax of the different applicable jurisdictions in the current year from the last year.

# NOTES TO THE FINANCIAL STATEMENTS

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## 10. Earnings per share

The calculation of the basic earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

	Group	
	2022	2021
	\$'000	\$'000
Profit for the financial year attributable to ordinary equity holders of the Company	7,560	6,218
	2022	2021
	No. of shares	No. of shares
	'000	'000
Weighted average number of ordinary shares in issue at beginning and end of the financial year	108,000	108,000

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 11. Property, plant and equipment

Group	Note	Leasehold property and improvements \$'000	Plant and equipment \$'000	Total \$'000
<b>Cost:</b>				
At 1 January 2021		6,240	5,344	11,584
Additions		-	351	351
Disposals		-	(126)	(126)
Foreign exchange adjustments		-	42	42
At 31 December 2021		6,240	5,611	11,851
Additions		2	672	674
Disposals		-	(164)	(164)
Written off		-	(7)	(7)
Foreign exchange adjustments		(2)	(144)	(146)
At 31 December 2022		6,240	5,968	12,208
<b>Accumulated depreciation:</b>				
At 1 January 2021		858	3,435	4,293
Depreciation for the year		388	427	815
Disposals		-	(112)	(112)
Foreign exchange adjustments		1	31	32
At 31 December 2021		1,247	3,781	5,028
Depreciation for the year		386	403	789
Disposals		-	(157)	(157)
Written off		-	(3)	(3)
Foreign exchange adjustments		(1)	(109)	(110)
At 31 December 2022		1,632	3,915	5,547
<b>Accumulated impairment:</b>				
At 1 January 2021/31 December 2021		-	-	-
Addition	7	-	243	243
At 31 December 2022		-	243	243
<b>Carrying amount:</b>				
At 31 December 2022		4,608	1,810	6,418
At 31 December 2021		4,993	1,830	6,823

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 11. Property, plant and equipment (cont'd)

The Group's leasehold property with a carrying amount of approximately \$4,542,000 (2021: \$4,878,000) were pledged to secure bank borrowings (Note 23).

The Group's motor vehicle with a carrying amount of approximately \$277,000 (2021: \$318,000) were under lease liabilities agreement (Note 22).

During the financial year, the Group has carried out a review of the recoverable amount of certain equipment and machine following certain changes to the operational and production plan which resulted in these equipment and machine redundant to the Group. An impairment loss of \$243,000 (2021: Nil), representing the write-down of the equipment and machine to the recoverable amount was recognised in "Other Expenses" line item of the consolidated statement of profit or loss and other comprehensive income as disclosed in Note 7 to the financial statements.

## 12. Right-of-use assets

The details of right-of-use assets are as follows:-

	Dormitory \$'000	Warehouse space \$'000	Office equipment \$'000	Office space \$'000	Cranes \$'000	Total \$'000
<b>Group</b>						
<b>Cost:</b>						
At 1 January 2021	-	370	53	751	-	1,174
Additions	58	33	-	-	-	91
Foreign exchange adjustments	-	-	-	(6)	-	(6)
At 31 December 2021	58	403	53	745	-	1,259
Additions	-	2,458	-	191	18	2,667
Lease modifications	-	(400)	-	(715)	-	(1,115)
Foreign exchange adjustments	-	(3)	-	(30)	-	(33)
At 31 December 2022	58	2,458	53	191	18	2,778
<b>Accumulated depreciation:</b>						
At 1 January 2021	-	52	20	343	-	415
Depreciation for the year	14	130	10	220	-	374
At 31 December 2021	14	182	30	563	-	789
Depreciation for the year	29	315	10	218	1	573
Lease modifications	-	(286)	-	(749)	-	(1,035)
Foreign exchange adjustments	-	(2)	2	(4)	-	(4)
At 31 December 2022	43	209	42	28	1	323
<b>Carrying amount:</b>						
At 31 December 2022	15	2,249	11	163	17	2,455
At 31 December 2021	44	221	23	182	-	470



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 13. Land use right

	Note	Group	
		2022	2021
		\$'000	\$'000
<b>Cost:</b>			
At 1 January and 31 December		2,800	2,800
<b>Accumulated amortisation:</b>			
At 1 January		497	361
Amortisation for the year	8	135	136
At 31 December		632	497
<b>Carrying amount:</b>			
At 31 December		2,168	2,303

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 15 years (2021: 16 years).

As at the end of the reporting year, the land use right is pledged to secure bank borrowings as disclosed in Note 23.

## 14. Intangible assets

		Group	
		2022	2021
		\$'000	\$'000
<b>Cost:</b>			
At 1 January		160	154
Foreign exchange adjustments		(17)	6
At 31 December		143	160
<b>Accumulated amortisation:</b>			
At 1 January		160	154
Foreign exchange adjustments		(17)	6
At 31 December		143	160
<b>Carrying amount:</b>			
At 31 December		-	-

# NOTES TO THE FINANCIAL STATEMENTS

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## 15. Investments in subsidiaries

	Company	
	2022	2021
	\$'000	\$'000
Investments in subsidiaries, at cost	12,206	12,206
Less: Impairment loss	(923)	(923)
Carrying amount	11,283	11,283

The Company issued financial guarantees to financial institutions for the credit facilities obtained by its subsidiaries.

Details of the subsidiaries are as follows:

Name of subsidiary and independent auditors	Country of incorporation	Principal activities	Effective percentage of equity held	
			2022	2021
			%	%
<b><u>Held directly by the Company</u></b>				
SL Metals Pte. Ltd. <sup>(a)</sup>	Singapore	Supplier of aluminium alloy products	100	100
SL Metals (M) Sdn. Bhd. <sup>(b)</sup>	Malaysia	Supplier of aluminium alloy products	100	100
SL Corporation Pte. Ltd. <sup>(a)</sup>	Singapore	Investment holding	100	100
SL Metals (Taiwan) Co., Ltd. <sup>(c)</sup>	Taiwan	Supplier of aluminium alloy products	100	100
<b><u>Held through SL Corporation Pte. Ltd.</u></b>				
SL Metals (Suzhou) Co, Ltd <sup>(d)</sup>	People's Republic of China	Supplier of aluminium alloy products	100	100
SL Metals (Shenzhen) Co., Ltd <sup>(e)</sup> - Dormant	People's Republic of China	Dormant	100	100

<sup>(a)</sup> Audited by Mazars LLP, Singapore.

<sup>(b)</sup> Audited by Mazars PLT, Malaysia.

<sup>(c)</sup> Audited by Moores Rowland CPAs, Taiwan.

<sup>(d)</sup> Audited by Mazars Shanghai, PRC.

<sup>(e)</sup> Dormant during the year. The subsidiary is currently under members' voluntary winding up.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 16. Deferred tax assets

The movements in deferred tax position for the financial year are as follows:

	Group	
	2022	2021
	\$'000	\$'000
At beginning of financial year	338	331
Credit to profit or loss	370	7
At end of financial year	708	338

Deferred tax assets are recognised to the extent that realisation of the related tax benefits through future taxable profits is probable.

### Deferred tax expense recognised in profit or loss include:

	Group	
	2022	2021
	\$'000	\$'000
Plant and equipment	88	478
Unabsorbed tax losses	72	(72)
Provision	(530)	(413)
Total deferred income tax credit recognised in profit or loss	(370)	(7)

### Deferred tax balance in the statements of financial position:

	Group	
	2022	2021
	\$'000	\$'000
<u>Deferred tax assets/(liabilities)</u>		
Plant and equipment	(169)	(81)
Unabsorbed tax losses	-	72
Provision	877	347
	708	338

Temporary differences arising from interests in subsidiaries are insignificant.

For the Singapore companies, the realisation of the future income tax benefits from tax loss carry forward 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.

Deferred tax assets have not been recognised in respect of the tax losses due to uncertainty in the availability of future taxable profit against which the Group and the Company can utilise the tax losses. The tax losses carryforwards from Singapore companies amounted to \$319,000 (2021: \$2,570,000).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 17. Inventories

	Group	
	2022	2021
	\$'000	\$'000
Finished goods	54,809	27,441

Inventories are stated after providing the allowance for inventories obsolescence as follows:

	Note	Group	
		2022	2021
		\$'000	\$'000
At 1 January		2,499	2,591
Provision / (Reversal) for inventories obsolescence	8	403	(123)
Foreign exchange adjustments		(61)	31
Balance at end of the year		2,841	2,499

Inventories with a carrying amount of \$13,492,000 (2021: \$2,182,000) have been pledged as security for bills payables (see Note 24).

The Group has recognised a provision of \$403,000 (2021: Nil), being part of provision for inventories obsolescence in the current financial year ended 31 December 2022. During the financial year ended 31 December 2021, the Group recognised a reversal of \$123,000 as the inventories were sold above their carrying amounts.

## 18. Trade and other receivables

	Note	Group		Company	
		2022	2021	2022	2021
		\$'000	\$'000	\$'000	\$'000
Trade receivables		17,524	17,025	-	-
Less: Loss allowance	29	(2,747)	(2,791)	-	-
Net trade receivables		14,777	14,234	-	-
Other receivables					
- Subsidiaries		-	-	1,861	2,018
- Third parties		1,352	620	-	-
Net other receivables		1,352	620	1,861	2,018
Total		16,129	14,854	1,861	2,018

Trade receivables are non-interest bearing and the Group generally extend credit period of 30 - 150 (2021: 30 - 90) days from date of invoice. They are recognised at the transaction price which represent their fair value on initial recognition.

The non-trade amounts due from subsidiaries are unsecured, interest-free, and are repayable on demand except for one of a subsidiary is unsecured, bears interest at 4% (2021: 4%) per annum and is repayable on demand. The interest income of \$24,000 (2021: \$25,000) derived from the amount due from a subsidiary is included in interest income.

Other receivables from third parties are unsecured, interest-free, and are repayable on demand. Included in other receivables is prepayment made for acquisition of machineries amounting to \$262,000 (Note 25).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 18. Trade and other receivables (cont'd)

The details of the impairment of trade receivables and credit exposures are disclosed in Note 29.

The Group's and the Company's trade and other receivables are denominated in the following currencies as at the reporting date:

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Singapore dollar	8,730	3,860	1,275	1,385
United States dollar	2,719	2,914	-	-
Malaysia ringgit	1,077	1,825	-	-
Chinese renminbi	2,014	3,747	-	-
New Taiwan dollar	1,589	2,508	586	633
	<u>16,129</u>	<u>14,854</u>	<u>1,861</u>	<u>2,018</u>

## 19. Cash and cash equivalents

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Cash and bank balances	<u>5,248</u>	<u>7,306</u>	<u>265</u>	<u>721</u>

The interest earning balances are not significant.

Included in cash and cash equivalents are bank deposits amounting to \$100,000 (2021: \$12,000) which are not freely remissible for use by the Group. In the financial year ended 31 December 2021, the bank deposit is for performance guarantee. The fixed deposit with licensed bank for financial year ended 31 December 2022 is for a tenure of approximately 4 years with effective interest rate of 1.7% per annum.

The Group's and the Company's cash and bank balances are denominated in the following currencies as at the reporting date:

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Singapore dollar	2,025	2,195	265	721
United States dollar	715	1,266	-	-
Malaysia ringgit	1,462	645	-	-
Chinese renminbi	978	2,466	-	-
New Taiwan dollar	60	725	-	-
Others	8	9	-	-
	<u>5,248</u>	<u>7,306</u>	<u>265</u>	<u>721</u>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 19. Cash and cash equivalents (cont'd)

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following at the end of the financial year:

	Group	
	2022	2021
	\$'000	\$'000
Cash and bank balances	5,248	7,306
Restricted cash	(100)	(12)
Cash and cash equivalents	<u>5,148</u>	<u>7,294</u>

## 20. Share capital

	Group and Company			
	2022	2021	2022	2021
	'000	'000	\$'000	\$'000
<b>Issued and fully paid</b>				
At 1 January and 31 December	<u>108,000</u>	<u>108,000</u>	<u>10,579</u>	<u>10,579</u>

The holders of ordinary shares are entitled to dividends as declared from time to time and are entitled to one vote per share without restrictions and have no par value at meetings of the Company.

## 21. Other reserves

	Group	
	2022	2021
	\$'000	\$'000
Statutory reserve	685	447
Foreign currency translation reserve	(760)	267
	<u>(75)</u>	<u>714</u>

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 21. Other reserves (cont'd)

### Statutory reserve

	Group	
	2022	2021
	\$'000	\$'000
At beginning of the year	447	243
Transferred from profit or loss	238	204
At end of the year	685	447

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the People's Republic of China (PRC), the subsidiary is required to make appropriation to a Statutory Reserve Fund (SRF). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the reserve fund reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

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 until such retention equals the amount of total capital and it should not be used to distribute dividends.

### Foreign currency translation reserve

	Group	
	2022	2021
	\$'000	\$'000
At beginning of the year	267	17
Exchange differences on translating foreign operations	(1,027)	250
At end of the year	(760)	267

The foreign currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the presentation currency of the Group.

## 22. The Group as a lessee

The Group leases dormitory, warehouse and certain office equipment for one to five years and rentals are fixed for an average of one to five years.

The Group leases motor vehicles for six years. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The Company's obligations under such leases are secured by the lessors' title to the leased assets, which will revert to the lessors in the event of default by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 22. The Group as a lessee (cont'd)

Recognition exemptions

The Group has certain IT equipment and office equipment with lease terms of 12 months or less. For such leases, the Group has elected not to recognise right-of use assets and lease liabilities.

### (a) Lease liabilities

	Group	
	2022	2021
	\$'000	\$'000
Lease liabilities, current	783	434
Lease liabilities, non-current	1,806	211
	2,589	645

The total cash outflow for leases during the financial year ended 31 December 2022 is \$638,000 (2021: \$440,000).

The maturity analysis of lease liabilities is disclosed in Note 29.

### (b) Amounts recognised in profit or loss

	Group	
	2022	2021
	\$'000	\$'000
Interest expense on lease liabilities	38	32
Expense relating to short-term leases	82	84
	82	84

## 23. Borrowings

	Group	
	2022	2021
	\$'000	\$'000
<b>Secured</b>		
Bank borrowings	4,033	4,352
<b>Unsecured</b>		
Bank borrowings	3,271	4,628
	7,304	8,980
Less: Amount due for settlement within 12 months (shown under current liabilities)	(1,629)	(1,707)
Amount due for settlement after 12 months	5,675	7,273



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 23. Borrowings (cont'd)

The Group's bank borrowings consist of the followings bank loans:

- (i) Bank loan A are secured by first mortgage over the Group's leasehold property and land use right (Notes 11 and 13) and corporate guarantee from the Company. The effective interest rate of the bank loan at the reporting date is 5.28% (2021: 1.91%) per annum and the interest rate is repriced quarterly.
- (ii) Bank loan B with a carrying amount of \$10,000 (2021: \$71,000) is repayable by 72 (2021: 72) monthly instalments. Repayment commences from November 2017. The effective interest rate of the bank loan at the reporting date is 6% (2021: 6%) per annum.
- (iii) Bank loan C with a carrying amount of \$60,000 (2021: \$121,000) is repayable by 72 (2021: 72) monthly instalments. Repayment commences from February 2017. The effective interest rate of the bank loan at the reporting date is 6% (2021: 6%) per annum.
- (iv) Bank loan D with a carrying amount of \$1,907,000 (2021: \$2,641,000) is repayable by 60 (2021: 60) monthly instalments. Repayment commences from July 2020. The effective interest rate of the bank loan at the reporting date is 2.25% (2021: 2.25%) per annum.
- (v) Bank loan E with a carrying amount of \$1,294,000 (2021: \$1,795,000) is repayable by 60 (2021: 60) monthly instalments. Repayment commences from August 2020. The effective interest rate of the bank loan at the reporting date is 2% (2021: 2%) per annum.

The Group's borrowings are denominated in the Singapore dollar.

## 24. Trade and other payables

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Trade payables:				
Third parties	15,679	9,107	-	-
Bills payables to banks	13,492	2,182	-	-
	29,171	11,289	-	-
Other payables	5,187	2,742	999	749
Trade and other payables	34,358	14,031	999	749

Trade payables are non-interest bearing and are generally settled within 30 to 90 days (2021: 30 to 90 days) credit terms.

Other payables are non-trade in nature, unsecured, interest-free, repayable on demand.

The range of floating interest rates for bills payable to banks was 2.3% to 9.24% (2021: 3.74% to 4.36%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

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## 24. Trade and other payables (cont'd)

The Group's and the Company's trade and other payables balances are denominated in the following currencies as at the reporting date:

	Group		Company	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Singapore dollar	4,980	3,109	999	749
United States dollar	23,198	6,455	-	-
Malaysia ringgit	3,349	3,029	-	-
Chinese renminbi	571	534	-	-
New Taiwan dollar	2,260	762	-	-
Euro	-	142	-	-
	<u>34,358</u>	<u>14,031</u>	<u>999</u>	<u>749</u>

## 25. Capital commitments

	2022 \$'000	2021 \$'000
Capital expenditure contracted but not provided for		
- Commitments for the acquisition of machineries	<u>1,576</u>	<u>-</u>

## 26. Significant related party transactions

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
  - (i) Has control or joint control over the Company;
  - (ii) Has significant influence over the Company; or
  - (iii) Is a member of the key management personnel of the Company or of a parent of the Company.
- (b) An entity is related to the Company if any of the following conditions applies:
  - (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
  - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
  - (iii) Both entities are joint ventures of the same third party;
  - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
  - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 26. Significant related party transactions (cont'd)

- (b) An entity is related to the Company if any of the following conditions applies: (cont'd)
- (vi) The entity is controlled or jointly controlled by a person identified in (a);
  - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
  - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

The effect of the Group's and Company's transactions and arrangements with related parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand unless otherwise stated.

During the financial year, in addition to those disclosed elsewhere in these financial statements, the Company entered into the following transactions with related parties:

	2022 \$'000	2021 \$'000
<b>Subsidiaries</b>		
Management fee income	1,200	1,200
Loan interest income	24	25

### **Compensation of directors and key management personnel**

The remuneration of directors and other members of key management during the financial year was as follows:

	Group	
	2022 \$'000	2021 \$'000
Salaries and other short-term employee benefits	1,415	1,423
Contributions to defined contribution plans	22	16
	1,437	1,439

## 27. Contingent liabilities, unsecured

As at 31 December 2022, the Company has given guarantees amounting to \$32,336,000 (2021: \$23,136,000) to certain banks in respect of banking facilities granted to the subsidiaries.

The Company has not recognised any liability in respect of the guarantees given to the banks for banking facilities granted to the subsidiaries as the Company's directors have assessed that the likelihood of the subsidiaries defaulting on repayment of its loan is remote.

As at the end of the financial year, the total amount of unsecured loans drawn down and outstanding covered by the guarantees is \$3,271,000 (2021: \$4,628,000). Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the respective subsidiaries to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings. There has been no default or non-repayment since the utilisation of the banking facilities.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 28. Segment information

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.

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.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 28. Segment information (cont'd)

Unallocated assets and liabilities comprise property, plant and equipment, inventories (which are common for all operating segments), other non-financial assets, other receivables, cash and cash equivalents, right-of-use assets, land use right, trade and other payables, other financial liabilities, lease liabilities, income tax payable and deferred tax assets.

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

### Profit or loss from operations and reconciliations

2022	Precision engineering \$'000	Marine \$'000	Stockists and traders \$'000	Other customers \$'000	Unallocated \$'000	Group \$'000
<b>Continuing operations</b>						
<b>Revenue by segment</b>						
Total revenue by segment	44,622	17,730	7,258	1,857	-	71,467
<b>Recurring EBITDA</b>	15,261	2,866	1,289	867	(403)	19,880
Finance costs	-	-	-	-	(667)	(667)
Impairment loss on plant and equipment	-	-	-	-	(243)	(243)
Depreciation and amortisation	-	-	-	-	(1,497)	(1,497)
ORBT	15,261	2,866	1,289	867	(2,810)	17,473
Other unallocated items					(8,363)	(8,363)
Profit before tax from continuing operations						9,110
Income tax expense						(1,550)
<b>Profit from operations</b>						<b>7,560</b>
<b>2021</b>						
<b>Continuing operations</b>						
<b>Revenue by segment</b>						
Total revenue by segment	34,796	8,716	8,373	1,690	-	53,575
<b>Recurring EBITDA</b>	10,119	2,069	1,620	724	123	14,655
Finance costs	-	-	-	-	(335)	(335)
Depreciation and amortisation	-	-	-	-	(1,325)	(1,325)
ORBT	10,119	2,069	1,620	724	(1,537)	12,995
Other unallocated items					(5,960)	(5,960)
Profit before tax from continuing operations						7,035
Income tax expense						(817)
<b>Profit from operations</b>						<b>6,218</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 28. Segment information (cont'd)

### Assets and reconciliations

2022	Precision engineering \$'000	Marine \$'000	Stockists and traders \$'000	Other customers \$'000	Unallocated \$'000	Group \$'000
Total assets for reportable segments	7,596	4,171	2,818	192	-	14,777
Unallocated:						
Property, plant and equipment	-	-	-	-	6,418	6,418
Right-of-use assets	-	-	-	-	2,455	2,455
Land use right	-	-	-	-	2,168	2,168
Deferred tax assets	-	-	-	-	708	708
Inventories	-	-	-	-	54,809	54,809
Restricted cash	-	-	-	-	100	100
Cash and cash equivalents	-	-	-	-	5,148	5,148
Other unallocated amounts	-	-	-	-	1,964	1,964
<b>Total group assets</b>	<b>7,596</b>	<b>4,171</b>	<b>2,818</b>	<b>192</b>	<b>73,770</b>	<b>88,547</b>
2021	Precision engineering \$'000	Marine \$'000	Stockists and traders \$'000	Other customers \$'000	Unallocated \$'000	Group \$'000
Total assets for reportable segments	9,885	613	3,405	331	-	14,234
Unallocated:						
Property, plant and equipment	-	-	-	-	6,823	6,823
Right-of-use assets	-	-	-	-	470	470
Land use right	-	-	-	-	2,303	2,303
Deferred tax assets	-	-	-	-	338	338
Inventories	-	-	-	-	27,441	27,441
Restricted cash	-	-	-	-	12	12
Cash and cash equivalents	-	-	-	-	7,294	7,294
Other unallocated amounts	-	-	-	-	1,946	1,946
<b>Total group assets</b>	<b>9,885</b>	<b>613</b>	<b>3,405</b>	<b>331</b>	<b>46,627</b>	<b>60,861</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 28. Segment information (cont'd)

### Liabilities and reconciliations

2022	Precision engineering \$'000	Marine \$'000	Stockists and traders \$'000	Other customers \$'000	Unallocated \$'000	Group \$'000
Unallocated:						
Income tax payable	-	-	-	-	1,473	1,473
Borrowings	-	-	-	-	7,304	7,304
Lease liabilities	-	-	-	-	2,589	2,589
Trade and other payables	-	-	-	-	34,358	34,358
<b>Total group assets</b>	-	-	-	-	45,724	45,724

2021	Precision engineering \$'000	Marine \$'000	Stockists and traders \$'000	Other customers \$'000	Unallocated \$'000	Group \$'000
Unallocated:						
Income tax payable	-	-	-	-	591	591
Borrowings	-	-	-	-	8,980	8,980
Lease liabilities	-	-	-	-	645	645
Trade and other payables	-	-	-	-	14,031	14,031
<b>Total group assets</b>	-	-	-	-	24,247	24,247

### 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, inventories and bad debts written-off (net)						
2022	597	(208)	840	(14)	404	1,619
2021	535	233	313	14	(119)	976
Expenditure for non- current assets						
2022	-	-	-	-	674	674
2021	-	-	-	-	348	348

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 28. Segment information (cont'd)

### Geographical information

	Revenue		Non-current assets	
	2022 \$'000	2021 \$'000	2022 \$'000	2021 \$'000
Singapore	21,944	10,728	9,279	8,891
Malaysia	25,504	16,623	316	204
China	6,579	9,861	1,303	311
Taiwan	8,368	8,156	143	190
Indonesia	2,093	2,009	-	-
Other countries	6,979	6,198	-	-
Total operations	71,467	53,575	11,041	9,596

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.

### Information about major customers

	Group	
	2022 \$'000	2021 \$'000
<u>Revenue</u>		
Top 1 (2021: Top 1) customer in precision engineering segment	12,500	6,325
Top 1 (2021: Nil) customer in marine segment	7,511	-

There are two customers (2021: one customer) with revenue transactions of over 10% of the Group revenue in 2022.

## 29. Financial instruments and financial risks

The Group's activities expose it to credit risk, market risks (including foreign currency risk and interest rate risk) and liquidity risk. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 29. Financial instruments and financial risks (cont'd)

### Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults.

The Group's credit risk arises from bank balances and trade and other receivables. Bank balances are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies and the Group does not expect the impairment loss from bank balances to be material, if any.

To assess and manage its credit risk, the Group categorises the aforementioned financial assets according to their risk of default. The Group defines default to have taken place when internal or/and external information indicates that the financial asset is unlikely to be received, which could include a breach of debt covenant, and/or where contractual payments are 90 days past due as per SFRS(I) 9's presumption.

In their assessment, the management considers, amongst other factors, the latest relevant credit ratings from reputable external rating agencies where available and deemed appropriate, historical credit experiences, latest available financial information and latest applicable credit reputation of the debtor.

The Group's internal credit risk grading categories are as follows:

Category	Description	Basis of recognising ECL
1	Low credit risk Note 1	12-months ECL
2	Non-significant increase in credit risks since initial recognition and financial asset is $\leq$ 30 days past due	12-months ECL
3	Significant increase in credit risk since initial recognition Note 2 or financial asset is $>$ 30 days past due	Lifetime ECL
4	Evidence indicates that financial asset is credit-impaired Note 3	Difference between financial asset's gross carrying amount and present value of estimated future cash flows discounted at the financial asset's original effective interest rate
5	Evidence indicates that the management has no reasonable expectations of recovering the write off amount Note 4	Written off

#### Note 1. Low credit risk

The financial asset is determined to have low credit risk if the financial assets have a low risk of default, the counterparty has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the counterparty to fulfil its contractual cash flow obligations. Generally, this is the case when the Group assesses and determines that the debtor has been, is in and is highly likely to be, in the foreseeable future and during the (contractual) term of the financial asset, in a financial position that will allow the debtor to settle the financial asset as and when it falls due.

#### Note 2. Significant increase in credit risk

In assessing whether the credit risk of the financial asset has increased significantly since initial recognition, the Group compares the risk of default occurring on the financial asset as of reporting date with the risk of default occurring on the financial asset as of date of initial recognition, and considered reasonable and supportable information, that is available without undue cost or effort, that is indicative of significant increases in credit risk since initial recognition.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 29. Financial instruments and financial risks (cont'd)

### *Credit risk (cont'd)*

Note 2. Significant increase in credit risk (cont'd)

In assessing the significance of the change in the risk of default, the Group considers both past due (i.e. whether it is more than 30 days past due) and forward looking quantitative and qualitative information.

Forward looking information includes the assessment of the latest performance and financial position of the debtor, adjusted for the Group's future outlook of the industry in which the debtor operates based on independently obtained information (e.g. expert reports, analyst's reports etc) and the most recent news or market talks about the debtor, as applicable. In its assessment, the Group will generally, for example, assess whether the deterioration of the financial performance and/or financial position, adverse change in the economic environment (country and industry in which the debtor operates), deterioration of credit risk of the debtor, etc. is in line with its expectation as of the date of initial recognition of the financial asset. Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contract payments are >30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Note 3. Credit impaired

In determining whether financial assets are credit-impaired, the Group assesses whether one or more events that have a detrimental impact on the estimated future cashflows of the financial asset have occurred. Evidence that a financial asset is credit impaired includes the following observable data:

- Significant financial difficulty of the debtor;
- Breach of contract, such as a default or being more than 90 days past due;
- It is becoming probable that the debtor will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for the financial asset because of financial difficulties.

Note 4. Write off

Generally, the Group writes off, partially or fully, the financial asset when it assesses that there is no realistic prospect of recovery of the amount as evidenced by, for example, the debtor's lack of assets or income sources that could generate sufficient cashflows to repay the amounts subjected to the write-off.

The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

During the financial year ended 31 December 2022, the Group wrote off \$1,225,000 (2021: \$Nil) of trade receivables, of which \$Nil (2021: \$Nil) was recognised in profit or loss during the year. The amounts were trade receivables from third parties which have been outstanding for at least 2 years and are not secured. In consideration of the aforementioned factors and the financial ability of the debtors, the Group assessed there is no reasonable expectation of recovery.

The Group has significant concentration of credit risk arising from two (2021: one) customers, which represents 35% (2021: 9%) of total trade receivables of the Group as at year end.

With reference to Note 27, the Company provides financial guarantees to certain banks in respect of bank facilities and credit terms granted to certain subsidiaries. As at the end of the financial year, the Company also provides financial guarantee to certain subsidiary for unsecured loan drawn down and outstanding covered by the guarantee. The date when the Group becomes a committed party to the guarantee is considered to be the date of initial recognition for the purpose of assessing the financial asset for impairment. In determining whether there has been a significant risk of a default occurring on the drawn-down facilities, the Group considered the change in the risk that the specified debtor (i.e. the applicable subsidiaries) will default on the contract. The Company assessed that the credit risk relating to the financial guarantees is insignificant to the Company.

As at the end of the financial year, other than as disclosed above, there was no significant concentration of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the statements of financial position.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 29. Financial instruments and financial risks (cont'd)

### Credit risk (cont'd)

#### Trade receivables (Note 18)

The Group uses the practical expedient under SFRS(I) 9 in the form of allowance matrix to measure the ECL for trade receivables, where the loss allowance is equal to lifetime ECL.

The ECL for trade receivables are estimated using an allowance matrix by reference to the historical credit loss experience of the various customer groups that are assessed by geographical locations, product types and internal ratings, adjusted for forward looking factors, including their best estimate of the impact of COVID-19, specific to the debtors and the economic environment which could affect the ability of the debtors to settle the financial assets. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates of the countries (eg. Singapore, China, Malaysia and Taiwan) and the growth rates of the major industries which its customers operate in.

Trade receivables are written off when there is evidence to indicate that the customer is in severe financial difficulty such as being under liquidation or bankruptcy and there is no reasonable expectations for recovering the outstanding balances.

The impairment loss for trade receivables are determined as follows:

Group	Current	Past due for 1 to 30 days	Past due for 31 to 60 days	Past due more than 60 days	Total
<b>31 December 2022</b>					
Expected credit loss rates	8.7%	10.3%	11.7%	32.7%	
Trade receivables (\$'000)	6,120	3,542	3,432	4,430	17,524
Impairment loss	(530)	(365)	(402)	(1,450)	(2,747)
<b>31 December 2021</b>					
Expected credit loss rates	3.2%	2.5%	5.2%	46.0%	
Trade receivables (\$'000)	8,807	2,008	974	5,236	17,025
Impairment loss	(280)	(51)	(51)	(2,409)	(2,791)

#### Other receivables (Note 18)

As of 31 December 2022, the Company recorded other receivables from subsidiaries of \$1,861,000 (2021: \$2,018,000) consequent to an extension of loans to the subsidiaries. The Company assessed the loss allowance of these amounts on a 12-month ECL basis consequent to their assessment and conclusion that these receivables are of low credit risk. In its assessment of the credit risk of the subsidiaries, the Company considered amongst other factors, the financial position of the subsidiaries as of 31 December 2022, the past financial performance and cashflow trends, adjusted for the outlook of the industry and economy in which the subsidiaries operate in. Using 12-month ECL, the Company determined that the ECL is insignificant.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 29. Financial instruments and financial risks (cont'd)

### Credit risk (cont'd)

The movement in the impairment loss during the financial year and the Group's and Company's exposure to credit risk in respect of the trade receivables is as follows:

	Note	Note (i) \$'000	Category 5 \$'000	Total \$'000
<b>Internal credit risk grading</b>				
<b>Impairment loss</b>				
Balance at 1 January 2021		1,667	-	1,667
Additions		1,107	-	1,107
Foreign exchange adjustments		17	-	17
<b>Balance at 31 December 2021</b>		<b>2,791</b>	<b>-</b>	<b>2,791</b>
Additions	8	1,270	-	1,270
Reversal	8	(2)	-	(2)
Recovered	8	(52)	-	(52)
Reclassification between categories		(1,225)	1,225	-
Write-off of receivables		-	(1,225)	(1,225)
Foreign exchange adjustments		(35)	-	(35)
<b>Balance at 31 December 2022</b>		<b>2,747</b>	<b>-</b>	<b>2,747</b>
<b>Gross carrying amount</b>				
At 31 December 2022		17,524	-	17,524
At 31 December 2021		17,025	-	17,025
<b>Net carrying amount</b>				
At 31 December 2022		14,777	-	14,777
At 31 December 2021		14,234	-	14,234

Note (i) For trade receivables the Group uses the practical expedient under SFRS(I) 9 in the form of an allowance matrix to measure the ECL, where the loss allowance is equal to lifetime ECL.

### Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates.

#### Foreign currency risk

The Group is exposed to foreign currency risk on certain income, expenses, monetary assets, mainly cash and cash equivalents, and liabilities that are denominated in currencies other than the functional currencies of the respective entities in the Group. As at the reporting date, the Group and Company do not have significant foreign currency risk exposure except for the financial assets denominated in United States dollar.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 29. Financial instruments and financial risks (cont'd)

### Market risks (cont'd)

#### Foreign currency risk (cont'd)

The carrying amounts of the Group's and Company's foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year are as follows:

Group	United States dollar \$'000
<hr/>	
<b>2022</b>	
Monetary assets:	
Cash and bank balances	715
Trade and other receivables	2,719
	<hr/> 3,434 <hr/>
Monetary liabilities:	
Trade and other payables	23,198
	<hr/> 23,198 <hr/>
Net financial liabilities at end of the year	<hr/> <hr/> (19,764) <hr/> <hr/>
<hr/>	
<b>Group</b>	<b>United States dollar \$'000</b>
<hr/>	
<b>2021</b>	
Monetary assets:	
Cash and bank balances	1,266
Trade and other receivables	2,914
	<hr/> 4,180 <hr/>
Monetary liabilities:	
Trade and other payables	6,455
	<hr/> 6,455 <hr/>
Net financial liabilities at end of the year	<hr/> <hr/> (2,275) <hr/> <hr/>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 29. Financial instruments and financial risks (cont'd)

### Market risks (cont'd)

#### Foreign currency risk (cont'd)

##### Foreign currency sensitivity analysis

The following analysis details the Group's sensitivity to a 10% change in various foreign currencies against the respective functional currencies of the Group entities. The sensitivity analysis assumes an instantaneous 10% change in the foreign currency exchange rates from the end of the financial year, with all variables held constant.

If the relevant foreign currency strengthens/weakens by 10% (2021: 10%) against the functional currency of the Company, profit or loss will decrease/increase by \$1,976,000 (2021: \$228,000).

#### Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Group's interest rate risk relates to interest bearing liabilities.

The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short-term borrowings.

The Group's interest rate risk arises primarily from the floating rate borrowings with financial institutions.

The interest rates and terms of repayment of the Group's floating rate borrowings are disclosed as follows:

	Principal S\$'000	Interest rate range
<b>Fixed rate</b>		
<b><u>2022</u></b>		
Borrowings and lease liabilities	19,352	1.95% to 9.24%
<b><u>2021</u></b>		
Borrowings and lease liabilities	7,455	1.95% to 7.12%
<b>Floating rate</b>		
<b><u>2022</u></b>		
Borrowings and lease liabilities	4,033	1.95% to 5.28%
<b><u>2021</u></b>		
Borrowings and lease liabilities	4,352	1.91% to 1.95%

##### Interest rate sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for bank deposits and interest-bearing financial liabilities at the end of the financial year and the stipulated change taking place at the beginning of the year and held constant throughout the financial year in the case of instruments that have floating rates. A 100-basis point increase or decrease is used and represents management's assessment of the possible change in interest rates.

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the profit for the financial year ended 31 December 2022 of the Group would decrease/increase by \$40,000 (2021: \$44,000).

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 29. Financial instruments and financial risks (cont'd)

### Market risks (cont'd)

#### Interest rate risk (cont'd)

##### Interest rate benchmark reform and associated risks

In view of the reform of major interest rate benchmarks that is being undertaken globally, the Group monitors and manages its potential transition to alternative rates, as applicable. The Group evaluates the contracts that could be affected, and takes a proactive approach in approaching the relevant counterparties to discuss about and assess the potential impact on the Group.

The Group applied the practical expedient under the Phase 2 amendments to SFRS(I) 9 *Financial Instruments*, SFRS(I) 1-39 *Financial Instruments: Recognition and Measurement* and SFRS(I) 7 *Financial Instruments: Disclosures*, which assist entities in applying the Standards when changes are made to contractual cash flows or hedging relationships because of the ongoing reform of inter-bank offered rates ("IBOR") and other interest rate benchmarks (the "reform"), to not consider whether the changes required by the Reform to contractual cash flows of financial instrument measured at amortised cost would result in the derecognition of the financial asset or financial liability. Instead, the Group changes the basis for determining the contractual cash flows prospectively by revising the effective interest rate used. The exception applies only to the extent that the change is required by interest rate benchmark reform when both these conditions are met:

- a) the change is necessary as a direct consequence of the reform; and
- b) the new basis for determining the contractual cash flows as a result of the reform is economically equivalent to the previous basis.

As of 31 December 2022, in relation to the aforementioned, the Group is mainly exposed to non-derivative financial liabilities in the form of bank borrowings. The Group is still in the process of communicating with the counterparties and specific changes have yet to be agreed.

The following table contains details of all the financial instruments that the Group hold as at 31 December 2022 that have cash flows that will be affected by the interest rate benchmark reform as they have not yet transitioned to new benchmark rates.

Financial instruments prior to transition	Financial instrument maturity year	Carrying amount/ Notional amount \$'000	Fair value \$'000	Transition progress to new benchmark rates
<b>Group</b>				
<b>Non derivative financial instrument</b>				
Bank borrowings	2033	4,033	Not applicable	Not transited

#### Liquidity risks

Liquidity risk refers to the risk in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risk is managed by matching the payment and receipt cycle.

The Group monitors its liquidity risk and maintains a level of cash and bank balances deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 29. Financial instruments and financial risks (cont'd)

### Liquidity risks (cont'd)

The Group prepares cash flows projections on a regular basis for its core operations to ensure as far as possible, that it will always have sufficient liquidity to meet its liabilities when due. The Group's operations are financed mainly through trade financing and internal funds. In addition, the Group has access to lines of credit from financial institutions, and within the Group, where necessary, as follows:

	2022 \$'000	2021 \$'000
Bank facilities:		
Undrawn borrowing facilities	9,477	9,493

The following table details the Group's remaining contractual maturity for its non-derivative financial instruments. The table has been drawn up based on contractual undiscounted cash flows of financial instruments based on the earlier of the contractual date or when the Group is expected to receive or (pay). The table includes both interest and principal cash flows.

	Effective interest rate %	Less than 1 year \$'000	Group 2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Undiscounted Financial Assets</b>					
Cash and cash equivalents	-	5,148	100	-	5,248
Trade and other receivables (excluding GST receivables)	-	15,284	-	-	15,284
<b>As at 31 December 2022</b>		<b>20,432</b>	<b>100</b>	<b>-</b>	<b>20,532</b>
Cash and cash equivalents	-	7,306	-	-	7,306
Trade and other receivables (excluding GST receivables)	-	14,448	-	-	14,448
<b>As at 31 December 2021</b>		<b>21,754</b>	<b>-</b>	<b>-</b>	<b>21,754</b>
<b>Undiscounted Financial Liabilities</b>					
Trade and other payables					
- Third parties (excluding GST payables)	-	20,804	-	-	20,804
- Bill payables to banks	2.3% - 9.24%	13,492	-	-	13,492
Borrowings	1.95% - 6.00%	1,881	3,995	2,724	8,600
Lease liabilities	1.95% - 5.29%	867	1,918	-	2,785
<b>As at 31 December 2022</b>		<b>37,044</b>	<b>5,913</b>	<b>2,724</b>	<b>45,681</b>
Trade and other payables					
- Third parties (excluding GST payables)	-	11,662	-	-	11,662
- Bill payables to banks	3.74% - 4.36%	2,182	-	-	2,182
Borrowings	1.9% - 6.0%	1,756	4,773	2,558	9,087
Lease liabilities	1.95% - 7.12%	444	234	-	678
<b>As at 31 December 2021</b>		<b>16,044</b>	<b>5,007</b>	<b>2,558</b>	<b>23,609</b>
<b>Total undiscounted net financial (liabilities)/ assets</b>					
- At 31 December 2022		(16,612)	(5,813)	(2,724)	(25,149)
- At 31 December 2021		5,710	(5,007)	(2,558)	(1,855)



# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 29. Financial instruments and financial risks (cont'd)

### Liquidity risk (cont'd)

	Effective interest rate %	Less than 1 year \$'000	Company 2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
<b>Undiscounted Financial Assets</b>					
Cash and cash equivalents	-	265	-	-	265
Trade and other receivables	-	1,861	-	-	1,861
<b>As at 31 December 2022</b>		<b>2,126</b>	<b>-</b>	<b>-</b>	<b>2,126</b>
Cash and cash equivalents	-	721	-	-	721
Trade and other receivables	-	2,018	-	-	2,018
<b>As at 31 December 2021</b>		<b>2,739</b>	<b>-</b>	<b>-</b>	<b>2,739</b>
<b>Undiscounted Financial Liabilities</b>					
Trade and other payables	-	980	-	-	980
Maximum amount of financial guarantees	-	16,853	-	-	16,853
<b>As at 31 December 2022</b>		<b>17,833</b>	<b>-</b>	<b>-</b>	<b>17,833</b>
Trade and other payables	-	729	-	-	729
Maximum amount of financial guarantees	-	6,919	-	-	6,919
<b>As at 31 December 2021</b>		<b>7,648</b>	<b>-</b>	<b>-</b>	<b>7,648</b>
<b>Total undiscounted net financial liabilities</b>					
- At 31 December 2022		<b>(15,707)</b>	<b>-</b>	<b>-</b>	<b>(15,707)</b>
- At 31 December 2021		<b>(4,909)</b>	<b>-</b>	<b>-</b>	<b>(4,909)</b>

### Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the statements of financial position and as follows:

	Note	Group 2022 \$'000	Group 2021 \$'000
<b>Financial assets at amortised cost</b>			
Trade and other receivables (excluding GST receivables)	18	15,284	14,448
Cash and cash equivalents	19	5,248	7,306
		<b>20,532</b>	<b>21,754</b>
<b>Financial liabilities at amortised cost</b>			
Trade and other payables (excluding GST payables)	24	34,296	13,844
Lease liabilities	22	2,589	645
Borrowings	23	7,304	8,980
		<b>44,189</b>	<b>23,469</b>

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 29. Financial instruments and financial risks (cont'd)

### Liquidity risk (cont'd)

### Financial instruments by category (cont'd)

	Note	Company	
		2022 \$'000	2021 \$'000
<b>Financial assets at amortised cost</b>			
Trade and other receivables	18	1,861	2,018
Cash and cash equivalents	19	265	721
		<u>2,126</u>	<u>2,739</u>
<b>Financial liabilities at amortised cost</b>			
Trade and other payables (excluding GST payables)	24	980	729
		<u>980</u>	<u>729</u>

## 30. Fair value of assets and liabilities

The carrying amounts of cash and bank balances, bank borrowings, current trade and other receivables and payables approximate their respective fair values due to the relative short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements.

## 31. Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance except where decisions are made to exit businesses or close companies.

The capital structure of the Group consists of debts, which includes the borrowings disclosed in Note 23 and equity attributable to owners of the Company, comprising issued capital and reserves as disclosed in Notes 20 and 21.

The Group's management reviews the capital structure on a regularly basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from 2021.

Management monitors capital based on a gearing ratio and the gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as borrowings plus bills payables to bank and lease liabilities less cash and cash equivalents.

# NOTES TO THE FINANCIAL STATEMENTS

31 December 2022

## 31. Capital management policies and objectives (cont'd)

	Group	
	2022	2021
	\$'000	\$'000
<b>Net debt:</b>		
All current and non-current borrowings including leases (Notes 22, 23 and 24)	23,385	11,807
Less: cash and cash equivalents	(5,148)	(7,294)
Net debt	<u>18,237</u>	<u>4,513</u>
<b>Adjusted capital:</b>		
Total equity	42,823	36,614
Adjusted capital	<u>42,823</u>	<u>36,614</u>
Debt-to-adjusted capital ratio	<u>0.43</u>	<u>0.12</u>

The Group is in compliance with externally imposed capital requirements for the financial years ended 31 December 2022 and 2021.

As disclosed in Note 21, certain subsidiaries of the Group are required by the Foreign Enterprise Law of the PRC and Taiwan to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC and Taiwan authorities.

The review of the Group's capital risk management policies and objectives is conducted by the Audit Committee and the Board of Directors.

## 32. Dividends

	Group	
	2022	2021
	\$'000	\$'000
<b>Ordinary dividends</b>		
Final dividend paid in respect of the previous financial year of \$0.003 (2021: Nil) per ordinary share	<u>324</u>	<u>-</u>

During the financial year ended 31 December 2022, the Group declared final tax-exempt dividend of \$0.003 per ordinary share of the Company totalling approximately \$324,000 in respect of the financial year ended 31 December 2021.

The Company proposed a final tax-exempt dividend of \$0.003 per ordinary share of the Company totalling approximately \$324,000 in respect of the financial year ended 31 December 2022, subject to the approval of shareholders at the next Annual General Meeting of the Company.

# PROPERTIES OF THE GROUP

Year ended 31 December 2022

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

# STATISTICS OF SHAREHOLDINGS

At as 13 March 2023

Issued and fully paid share capital	:	S\$11,859,000
Number of issued shares	:	108,000,000
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
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	11	3.23	10,100	0.01
1,001 – 10,000	221	64.81	1,145,800	1.06
10,001 – 1,000,000	97	28.44	12,713,800	11.77
1,000,001 and above	12	3.52	94,130,300	87.16
Total	341	100.00	108,000,000	100.00

## SHAREHOLDING HELD BY THE PUBLIC

Based on the information available to the Company as at 13 March 2023, approximately 27.42% the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual Section B: Rules of Catalyst 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	3,521,400	3.26
4.	CITIBANK NOMINEES SINGAPORE PTE LTD	2,785,000	2.58
5.	NG KIM YING	1,600,000	1.48
6.	TAN YONG KEE	1,559,800	1.44
7.	UOB KAY HIAN PTE LTD	1,353,100	1.25
8.	SIA LING SING	1,231,000	1.14
9.	ANG YU SENG	1,100,000	1.02
10.	MAYBANK SECURITIES PTE. LTD.	1,055,000	0.98
11.	TAN EE HOON	1,012,500	0.94
12.	TAN EE TIN	1,012,500	0.94
13.	TAN YEE CHIN	998,334	0.92
14.	TAN YEE HO	998,333	0.92
15.	TAN YEE LEONG	998,333	0.92
16.	KUAH KIAN HOE	745,700	0.69
17.	LIM THIAM HONG	709,100	0.66
18.	ANG DE YU	600,000	0.56
19.	LIM BOK TECK	455,000	0.42
20.	SOK HANG CHAW	450,000	0.42
	Total	100,085,100	92.67

# STATISTICS OF SHAREHOLDINGS

At as 13 March 2023

## SUBSTANTIAL SHAREHOLDERS

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

	Direct Interest		Deemed Interest	
	No. of shares	% of shares	No. of shares	% of shares
Soon Tien Holdings Pte. Ltd.	72,900,000	67.50	-	-
Tan Yee Chin <sup>(1)(2)</sup>	998,334	0.92	73,300,000	67.87
Tan Yee Ho <sup>(1)</sup>	998,333	0.92	72,900,000	67.50
Tan Yee Leong <sup>(1)</sup>	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, Tay Lay Peng.

# NOTICE OF ANNUAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the Annual General Meeting of the shareholders of Soon Lian Holdings Limited (the “Company”) will be held at 6 Tuas Lane Singapore 638615 on Wednesday, 26 April 2023 at 9.00 a.m. to transact the following businesses:

## 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 2022, together with the Auditor’s Report thereon. **Resolution 1**
2. To declare a final tax exempt (one-tier) dividend of 0.3 Singapore cent per ordinary share for the financial year ended 31 December 2022. **Resolution 2**
3. To re-elect Mr Tan Yee Leong, a Director of the Company retiring pursuant to Article 104 of the Constitution of the Company (“**Constitution**”) and who, being eligible, offer himself for re-election as a Director of the Company. **Resolution 3**  
  
[See Explanatory Note (i)]
4. To re-elect Mr Lam Kwong Fai, a Director of the Company retiring pursuant to Article 104 of the Constitution and who, being eligible, offer himself for re-election as a Director of the Company. **Resolution 4**  
  
[Mr Lam Kwong Fai shall, upon re-election as a Director of the Company, remain as Chairman of the Audit Committee, as well as member of the Nominating Committee and Remuneration Committee of the Company. Mr Lam Kwong Fai shall be considered independent for the purpose of Rule 704(7) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist (“**Rules of Catalist**”). There are no relationships (including immediate family relationships) between Mr Lam Kwong Fai and the other Directors of the Company, the Company, its related corporations, its substantial shareholders or its officers, which may affect his independence.]  
  
[See Explanatory Note (i)]
5. To approve the payment of Directors’ fees of up to S\$150,000 for the financial year ended 31 December 2022 (FY2021: S\$150,000). **Resolution 5**
6. To re-appoint Mazars LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

## 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 7**

“That pursuant to Section 161 of the Companies Act 1967 (“**the Act**”) 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

# NOTICE OF ANNUAL GENERAL MEETING

- (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), the Act and the Company’s 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.



# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- (i) Detailed information on Messrs Tan Yee Leong and Lam Kwong Fai can be found under the sections entitled “Board of Directors”, “Corporate Governance Report” and “Directors’ Statement” of the Company’s Annual Report 2022. Please also refer to the section entitled “Corporate Governance Report” of the Company’s Annual Report 2022 for the detailed information of Messrs Tan Yee Leong and Lam Kwong Fai as required pursuant to Rule 720(5) of the Rules of Catalist.

The proposed Ordinary Resolution 7 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.

- (ii) 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.

## BY ORDER OF THE BOARD

Tan Cinyi  
Company Secretary

Singapore  
Date: 11 April 2023

## NOTES:

- The members of the Company are invited to attend physically, speak and vote at the Annual General Meeting of the Company (“AGM”) pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. **There will be no option for members to participate virtually.** Printed copies of this notice of AGM (“Notice”), the proxy form and the FY2022 Annual Report will NOT be sent to Shareholders. The documents will be made available to Shareholders via publication on the Company’s corporate website ([https://slmetalsgroup.com/.](https://slmetalsgroup.com/)) and on the SGX website (<https://www.sgx.com/securities/company-announcements>).
- Members (including CPF Investment Scheme (“CPFIS”) and Supplementary Retirement Scheme (“SRS”) investors) may participate in the AGM by:
  - attending the AGM in person;
  - raising questions at the AGM or submitting questions in advance of the AGM; and/or
  - voting at the AGM (i) themselves personally; or (ii) through their duly appointed proxy(ies).

CPFIS/SRS investors who hold SGX shares through CPF Agent Banks/SRS Operators:

- may vote at the AGM if they are appointed as proxies by their respective CPF Agent Banks/SRS Operators, and should contact their respective CPF Agent Banks/SRS Operators if they have any queries regarding their appointment as proxies; or
- may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, in which case they should approach their CPF Agent Banks/SRS Operators to submit their votes at least (7) working days prior to the date of AGM (i.e. by 9.00 a.m. on 17 April 2023) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

# NOTICE OF ANNUAL GENERAL MEETING

Please bring along your NRIC/passport so as to enable the Company to verify your identity. Members are requested to arrive early to facilitate the registration process and are advised not to attend the AGM if they are feeling unwell. Members are strongly encouraged to exercise social responsibility to rest at home and consider appoint / appoint a proxy(ies) to attend the Meeting. We encourage members to mask up when attending the AGM.

3. A member who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her/its behalf at the AGM. A member of the Company which is a corporation is entitled to appoint its authorised representative or proxy to vote on its behalf.

Where such member appoints two (2) proxies, the proportion of his shareholding to be represented by each proxy shall be specified. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his name in the Depository Register and any second named proxy as an alternate to the first named.

4. A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

“Relevant Intermediary” has the meaning prescribed to it in Section 181 of the Companies Act 1967:

- (a) a banking corporation licensed under the Banking Act 1970, or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence holder to provide under the Securities and Futures Act 2001 and who holds shares in that capacity; and
  - (c) Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with the subsidiary legislation.
5. A proxy need not be a member of the Company.
  6. A member can appoint the Chairman of the AGM as his/her/its proxy **but this is not mandatory**.

If a member wishes to appoint the Chairman of the AGM as proxy, such member (whether individual or corporate) must give specific instructions as to voting for, voting against, or abstentions from voting on, each resolution in the instrument appointing the Chairman of the AGM as proxy. If no specific direction as to voting or abstentions from voting in respect of a resolution in the form of proxy, the appointment of the Chairman at the AGM as proxy for that resolution will be treated as invalid.

7. The Proxy Form must be submitted to the Company in the following manner:
  - (a) if submitted by hand or by post, to the Registered Office Address of the Company, at 6 Tuas Lane Singapore 638615 (Opening Hours is 8.30 a.m. to 5.30 p.m., Mondays to Fridays (excluding Public Holidays)) ; or
  - (b) if submitted electronically, be submitted via email to: [agmfy2022@soonlian.com](mailto:agmfy2022@soonlian.com).

in either case, not less than 48 hours before the time appointed for holding the AGM (and any adjournment thereof), i.e. by no later than **9.00 a.m. on 24 April 2023**.

A member who wishes to submit an instrument of proxy by (a) or (b) must first download the proxy form, which is available on SGX website at the URL <https://www.sgx.com/securities/company-announcements>, complete and sign the proxy form, before submitting it by post to the addresses provided above, or scanning and sending it by email to the email address provided above. Members are strongly encouraged to submit completed Proxy Forms electronically via email.

If a proxy is to be appointed, the instrument appointing the proxy must be signed by the appointer on his/her/its attorney duly authorized in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorized. The Proxy Form has been uploaded together with the Notice of AGM on SGXNet on the same day.

Where this instrument appointing a proxy or proxies is signed on behalf of the appointer by an attorney, the power of attorney or a notarially certified copy thereof (failing previous registration with the Company) must be lodged with this instrument of proxy, failing which this instrument of proxy may be treated as invalid.

Members (whether individual or corporate) appointing a proxy must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the Proxy Form, failing which the appointment may be treated as invalid.

The Company shall be entitled to reject a Proxy Form if it is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument (such as in the case where the appointor submits more than one instrument of proxy).

# NOTICE OF ANNUAL GENERAL MEETING

In the case of Shares entered in the Depository Register, a Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to appoint the proxy or proxies.

Completion and return of the Proxy Form by a member will not prevent him/her from attending, speaking and voting at the AGM if he/she so wishes. The appointment of the proxy(ies) for the AGM will be deemed to be revoked if the member attends the AGM in person and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the relevant instrument appointing a proxy(ies) to the AGM.

## 8. Member's Queries

Members may raise questions at the AGM or submit questions related to the resolutions to be tabled for approval at the AGM, in advance of the AGM, in the following manner by **5:00 p.m. on 18 April 2023** (the "**Cut-off Time**"):

- (a) in hard copy by sending personally or by post and lodging the same at the Company's registered address at 6 Tuas Lane Singapore 638615; or
- (b) by email to [agmfy2022@soonlian.com](mailto:agmfy2022@soonlian.com).

For verification purpose, when submitting any questions by post or via email, members **MUST** provide the Company with their particulars (comprising full name (for individuals)/ company name (for corporates), email address, contact number, NRIC/passport number/ company registration number, shareholding type and number of shares held).

The Company will endeavour to address substantial and relevant questions (determined by the Company in its sole discretion) to the resolutions to be tabled for approval at the AGM by way of an announcement to be released on SGXNet and on the Company's website by **9.00 a.m. on 22 April 2023** (being, no later than 48 hours before the closing date and time for the lodgement of the Proxy Forms).

Any subsequent clarification sought by members after the Cut-off Time will be addressed at the AGM. Members may also ask questions during the AGM.

The minutes of the AGM will be published on SGXNet within one (1) month after the date of the AGM.

9. Important reminder. Any changes to the manner of conducting the AGM will be announced by the Company on SGXNet. Members are advised to check SGXNet regularly for any further updates.

## Personal Data Privacy:

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

## NOTICE OF RECORD AND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Register of Members and Share Transfer Books of the Company will be closed on 20 June 2023 for the purpose of determining members' entitlements to a final tax exempt (one-tier) dividend of 0.3 Singapore cent per ordinary share for the financial year ended 31 December 2022 ("**Proposed Final Dividend**"). The Proposed Final Dividend, if approved by shareholders at the AGM, will be paid on 10 July 2023.

Duly completed transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.), at 80 Robinson Road, #11-02 Singapore 068898 up to the close of business at 5.00 p.m. on 19 June 2023 will be registered to determine members' entitlements to the Proposed Final Dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited ("**CDP**") are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 19 June 2023 will be entitled to the Proposed Final Dividend.

In respect of shares in Securities Accounts with CDP, the Proposed Final Dividend will be paid by the Company to CDP which will in turn distribute the dividend entitlements to such holders of shares in accordance with its practice.

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*This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"). This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

*The contact person for the Sponsor is Mr. Bernard Lim at 1 Robinson Road #21-00 AIA Tower Singapore 048542, telephone (65) 6232 3210.*

# Soon Lian holdings limited

(Incorporated in the Republic of Singapore)  
(Company Registration No.: 200416295G)

## ANNUAL GENERAL MEETING PROXY FORM

### IMPORTANT:

1. The Annual General Meeting (the "Meeting") will be held physically at the registered office of the Company pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. **There will be no option for members to participate virtually.** The Notice of Meeting has been published on 11 April 2023 on the SGX website and the Company's website at <https://slmetalsgroup.com/>.
2. For investors who have used their CPF monies and/or SRS monies to buy the Company's shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF and/or SRS investors who wish to vote should contact their CPF and/or SRS Approved Nominees to submit their voting instructions by 9.00 a.m. on 17 April 2023.
3. By submitting this proxy form, the member accepts and agrees to the personal data privacy terms set out in this proxy form.
4. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the Meeting as a member's proxy to attend, speak and vote on his/her/its behalf at the Meeting.

I/We \_\_\_\_\_ NRIC/Passport No./ Registration No. \_\_\_\_\_

of \_\_\_\_\_  
being a member/ members of Soon Lian Holdings Limited (the "Company") hereby appoint:

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

and/or (delete as appropriate)

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

or failing which, the Chairman ("Chairman") of the Annual General Meeting of the Company (the "AGM"), as \*my/our proxy to attend, speak and to vote for \*me/us on \*my/our behalf at the AGM of the Company to be held at 6 Tuas Lane Singapore 638615 on 26 April 2023 at 9.00 a.m. and at any adjournment thereof. \*I/We direct \*my/our proxy(ies) to vote for, or against, or abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder.

(Voting will be conducted by poll. If you wish to your proxy/proxies to exercise all your votes "For", "Against" or "Abstain", please indicate with a "√" in the box provided. Alternatively, please indicate the number of shares as appropriate. If no specific direction as to voting is given, the proxy/proxies (except where the Chairman of the AGM is appointed as my/our proxy) will vote or abstain from voting at his/her/their discretion on any matter arising at the AGM and at any adjournment thereof. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as my/our proxy for that resolution will be treated as invalid.)

No.	Resolutions	For	Against	Abstain
<b>ORDINARY BUSINESS</b>				
1.	To receive and adopt the Directors' Statement, Audited Financial Statements and Auditor's Report for the financial year ended 31 December 2022			
2.	To declare a final tax exempt (one-tier) dividend of 0.3 Singapore cent per ordinary share			
3.	To re-elect Mr Tan Yee Leong as Director pursuant to Article 104 of the Company's Constitution			
4.	To re-elect Mr Lam Kwong Fai as Director pursuant to Article 104 of the Company's Constitution			
5.	To approve the payment of Directors' Fees for the financial year ended 31 December 2022			
6.	To re-appoint Mazars LLP as Auditor of the Company			
<b>SPECIAL BUSINESS</b>				
7.	To authorise the Directors to allot and issue new shares			

\* delete as appropriate

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2023

Total number of Shares held

\_\_\_\_\_  
Signature(s) of member(s) or common seal

**IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS FORM**



**NOTES:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81F of the Securities and Futures Act 2001), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
  2. A member of the Company may physically attend and vote at the AGM, or:
    - (a) a member of the Company entitled to attend and vote at the AGM and who is not a relevant intermediary is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead. Where such member appoints more than one (1) proxy, he/she shall specify the proportion of his/her shareholdings to be represented by each proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100% of the shareholding and the second name proxy shall be deemed to be an alternate to the first named proxy; and
    - (b) a member of the Company entitled to attend and vote at the AGM and who is a relevant intermediary is entitled to appoint more than two (2) proxies to attend and vote at the AGM of the Company, but each such proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one (1) proxy, the number of shares in relation to which each proxy has been appointed shall be specified in the proxy form. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.
- A "relevant intermediary" means:
- (a) a banking corporation licensed under the Banking Act 1970 or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
  - (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act 2001 and who holds shares in that capacity; or
  - (c) the Central Provident Fund Board established by the Central Provident Fund Act 1953, in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of shareholders of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.
3. In appointing a proxy, if no specific directions as to voting is given by a member, the proxy/proxies (except where the Chairman of the AGM is appointed as the member's proxy) will vote or abstain from voting at his/her/their discretion on any matter arising at the AGM and at any adjournment thereof. In the absence of specific direction as to the voting is given by a member, the appointment of the Chairman of the AGM as the member's proxy for the relevant resolutions will be treated as invalid.
  4. CPFIS/SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective CPF Agent Banks/SRS operators to submit their votes by 9.00 a.m. on 17 April 2023 (being at least seven (7) working days before the date of the AGM) to allow sufficient time for their respective SRS operators to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

*fold here*

Affix  
Postage  
Stamp

The Company Secretary  
**SOON LIAN HOLDINGS LIMITED**  
6 Tuas Lane  
Singapore 638615

*fold here*

5. A proxy need not be a member of the Company.
6. The duly executed Proxy Form must be submitted to the Company in the following manner:
  - (a) if submitted by hand or by post, to the Registered Office Address of the Company, at 6 Tuas Lane Singapore 638615 (Opening Hours is 8.30 a.m. to 5.30 p.m., Mondays to Fridays (excluding Public Holidays)); or
  - (b) if submitted electronically, be submitted via email to: [agmfy2022@soonlian.com](mailto:agmfy2022@soonlian.com).in either case, not less than 48 hours before the time appointed for holding the AGM (and at any adjournment thereof). Members are strongly encouraged to submit completed Proxy Forms electronically via email.
7. This instrument of proxy must be signed by the appointor or of his/her/its attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its common seal or signed on its behalf by a duly authorised officer or attorney.  
Where the instrument appointing a proxy or proxies is submitted by email, it must be authorised in the following manner:
  - (a) by way of the affixation of an electronic signature by the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation; or
  - (a) by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the instrument under hand and submitting a scanned copy of the signed instrument by email.
8. Where this instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney or a notarially certified copy thereof (failing previous registration with the Company) must be lodged with this instrument of proxy, failing which this instrument of proxy may be treated as invalid.
9. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM in accordance with Section 179 of the Companies Act 1967.
10. A member may withdraw instrument appointing the Chairman of the AGM as proxy by sending an email to the Company's Share Registrar at [agmfy2022@soonlian.com](mailto:agmfy2022@soonlian.com) to notify the Company of the withdrawal, at least 48 hours before the time for holding the AGM.
11. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM as the proxy.
12. In the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as the proxy lodged if such members are not shown to have shares entered against their names in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 11 April 2023.



**SINGAPORE · MALAYSIA · TAIWAN · CHINA**

**Soon Lian Holdings Limited**

(Company registration no. 200416295G)

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