



ALIGNED FOR **STRENGTH** AND **SUSTAINABILITY**

ANNUAL REPORT 2020



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 Ms. Lee Khai Yinn at 1 Robinson Road, #21-00 A1A 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 20 countries, including Australia, Bangladesh, Brunei, Hong Kong, India, Indonesia, Japan, Malaysia, New Zealand, People’s Republic of China, Philippines, Singapore, South Africa, South Korea, Sri Lanka, Switzerland, 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, Greece, Italy, Japan, Malaysia, People’s Republic of China, Romania, Russia, 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.



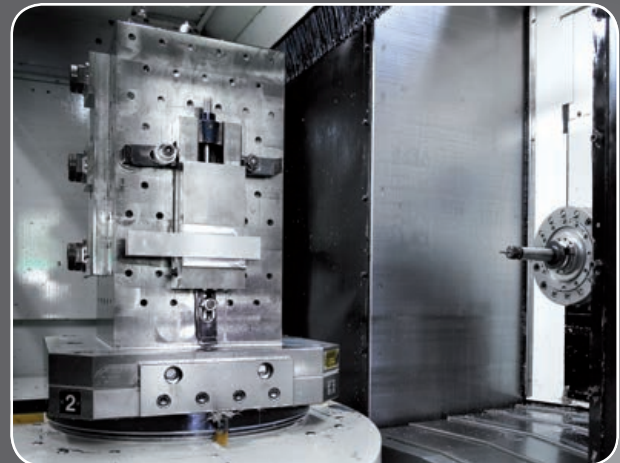
MARINE

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.

CUSTOMISING SOLUTIONS & SHAPING PEOPLE

We are at the forefront of the industry with over 1,300 products for the marine and precision engineering industries. To stay ahead, we continue developing our product range and our people to stay relevant and ready.





Dear Shareholders,

In the financial year ended 31 December 2020 (“FY2020”), the Group’s revenue increased by approximately 7.3% from S\$31.1 million in FY2019 to S\$33.4 million in FY2020. The Group also recorded a profit attributable to owners of the Company net of tax of S\$0.4 million which took into account a higher allowance for impairment on inventories of S\$1.9 million that was recognised in FY2020. We deemed the impairment necessary in view of the challenging business environment. Excluding the impact of the allowance for impairment on inventories, the Group’s net profit would have increased by S\$1.5 million or 179.2%, from S\$0.8 million in FY2019 to S\$2.3 million in FY2020.

Overall, the Group faced unprecedented challenges from the COVID-19 pandemic and surmounted them to post improved results and make headway in strengthening its capabilities. Our progress was guided by our focus to strengthen our foundations and better prepare for the future.

The first quarter of FY2020 was promising as oil price stability translated to more orders for our marine segment. Furthermore, the US-China trade war created a paradigm shift with increased demand for European material, which is what we mainly carry.

However, the Group’s performance declined in the second quarter of FY2020 as COVID-19’s impact on the global economy was more keenly felt. With lockdowns across countries, the Group faced limited manpower and disruptions in daily operations but was able to recover by swiftly adapting to local safety guidelines and adopting technology to ensure business continuity during the pandemic.

By the third and fourth quarters of FY2020, both Europe and the US had continued to grapple with the virus outbreak while the Asian counterparts had relatively more success. As international production and business activities shifted to Asia in response, our performance likewise improved. There was stronger demand for our precision engineering products and higher contribution from our stockists and traders segment, while demand for our marine segment remained stable. The precision engineering segment grew on the back of higher demand for medical equipment and electronics that facilitated telecommuting. Furthermore, global travel restrictions fuelled higher consumption of such electronic devices. Meanwhile, our marine segment saw a return in demand especially for deferred projects as oil prices stabilised.

OUTLOOK

To date, the COVID-19 pandemic continues to feature prominently in most forecasts. While vaccines have been developed and deployed to combat the spread, new strains of the virus and resurging outbreaks translate to a cloudier outlook for most in the coming financial year.

In Singapore, the rate of infection is largely under control. The country has recorded slightly over 60,000 cases with the majority being treated and discharged.¹ A country-wide vaccine rollout is underway with frontliners and more vulnerable member of society being prioritised. The Ministry of Trade and Industry (“MTI”) reported that the Singapore economy contracted by 5.4% in 2020 due to COVID-19, but maintained its 2021 forecast of 4.0% to 6.0% growth. The MTI anticipates that the manufacturing sector is likely to expand at a faster pace than previously projected due to robust semiconductor demand from the 5G and automotive markets. It also expects the construction and marine & offshore engineering sectors to recover from the low base last year but at a rate limited by safe management measures.²

¹ https://www.moh.gov.sg/news-highlights/details/1-new-case-of-locally-transmitted-covid-19-infection_31_March_2021

² https://www.mti.gov.sg/-/media/MTI/Resources/Economic-Survey-of-Singapore/2020/Economic-Survey-of-Singapore-2020/PR_AES2020.pdf

LETTER TO SHAREHOLDERS

On the global front, the International Monetary Fund (“IMF”) shared in its January 2021 World Economic Outlook report that global growth is estimated to contract by 3.5% for 2020. It forecasts that the global economy is projected to grow 5.5% in 2021 and 4.2% in 2022 due to the vaccine and policy support in a few large economies. The IMF also cautioned that although recent vaccine approvals have raised hopes of a turnaround in the pandemic in the latter part of 2021, renewed waves and new variants of the virus do pose concerns.³ The US also announced economic stimulus packages which are expected to strengthen the US economy and indirectly benefit the Group as well.

The outlook for the global semiconductor industry appears positive as it was largely resilient despite the global pandemic and resulting economic downturn. KPMG and the Global Semiconductor Alliance reported that the industry finished 2020 with a revenue growth of 6.5% and is expected to continue growing due to the mainstream adoption of Internet-of-Things, 5G and the increasing semiconductor needs of the automotive sector.⁴ As for the marine industry, oil price stability is a key factor and we anticipate that demand will continue to recover.

Against a backdrop of cautious optimism domestically and abroad, Soon Lian will focus on business stability in the short term by strengthening internal capabilities via improving process efficiency and talent management. In addition, the Group will be adding and improving its equipments to expand capacity and achieve greater precision. This will lay the groundwork for the Group to overcome challenges and capitalise on opportunities in these uncertain times. Looking further ahead, once there is greater visibility of resolution for the COVID-19 pandemic and greater economic stability, the Group will shift gears to more proactively explore growth opportunities and expand our regional network.

CONCLUSION

We at Soon Lian are pleased to have not only weathered the challenges of FY2020 but also made notable progress in strengthening our position as a leading provider of unrivalled aluminium solutions. We will continue to closely monitor the bellwethers of our industry and take appropriate action to build robust and sustainable value for our stakeholders.

On behalf of the board of directors, I would like to thank Mr Lee Sen Choon and Mr Lim Chee San who have stepped down from the board for their support and contribution in guiding the Group thus far. On that same note, I would like to welcome aboard Mr Yap Kian Peng who now joins us as Lead Independent Non-Executive Director, alongside Mr Chin Yew Choong David and Mr Lam Kwong Fai who have joined the board as Independent Non-Executive Directors. We look forward to your guidance and support.

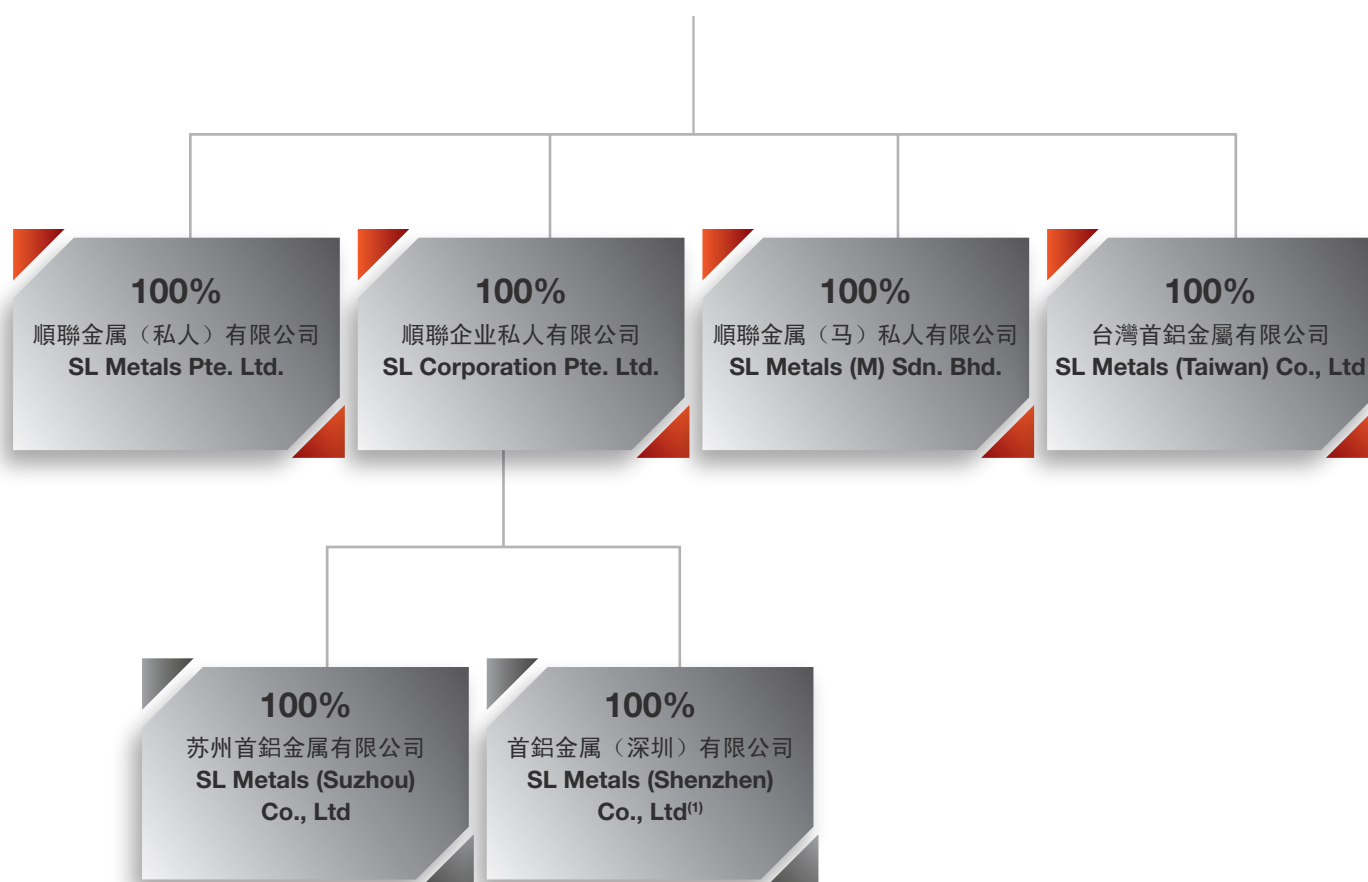
The progress and successes achieved for the year were only made possible thanks to the ongoing support we received from the people who are with us and alongside us. We would like to once again thank the management and staff, business partners and associates for your continued trust and efforts. We look forward to writing the next chapter of Soon Lian’s development with you.

TAN YEE HO

Executive Chairman

³ <https://www.imf.org/-/media/Files/Publications/WEO/2021/Update/January/English/text.ashx>

⁴ <https://home.kpmg/us/en/home/media/press-releases/2021/03/semiconductor-companies-show-resiliency-through-covid-19-with-growing-confidence-and-expected-growth-in-2021.html>



Note:

⁽¹⁾ In the process of a members' voluntary winding up

GEOGRAPHICAL PRESENCE



SUPPLIER BASE

AUSTRIA
GREECE
ITALY
JAPAN
MALAYSIA
PEOPLE'S REPUBLIC OF CHINA

ROMANIA
RUSSIA
SINGAPORE
SOUTH AFRICA
SWITZERLAND
TAIWAN
UNITED KINGDOM

UNITED STATES OF AMERICA



CUSTOMER BASE

AUSTRALIA
BANGLADESH
BRUNEI
HONG KONG
INDIA
INDONESIA
JAPAN
MALAYSIA
NEW ZEALAND

PEOPLE'S REPUBLIC OF CHINA
PHILIPPINES
SINGAPORE
SOUTH AFRICA
SOUTH KOREA
SRI LANKA
SWITZERLAND
TAIWAN

THAILAND
UNITED ARAB EMIRATES
VIETNAM



REFINING OUR CAPABILITIES & STRENGTHS

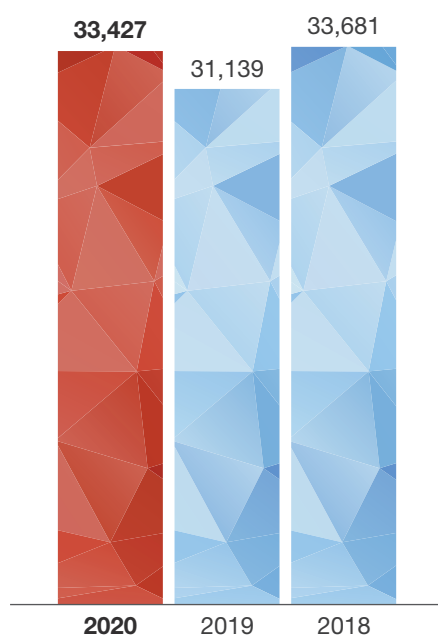
Ever in pursuit of higher levels of excellence in all aspects of our work, we seek improvement in the way things are done, applying ever greater levels of efficiency and productivity that translates into better returns.

FINANCIAL HIGHLIGHTS

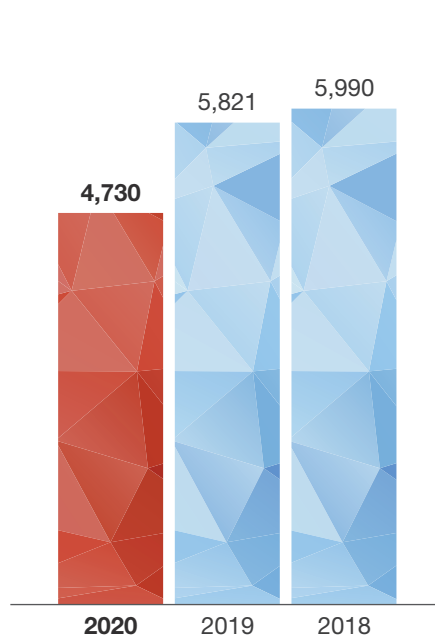
| INCOME STATEMENT | FY2020 S\$'000 | FY2019 S\$'000 | FY2018 S\$'000 |
|--------------------------------------|-------------------|-------------------|-------------------|
| Revenue | 33,427 | 31,139 | 33,681 |
| Gross profit | 4,730 | 5,821 | 5,990 |
| Profit (loss) before tax | 585 | 888 | (159) |
| Income tax expense | (174) | (75) | (90) |
| Profit (loss) after tax | 411 | 813 | (249) |
| Earnings (loss) per share (in cents) | 0.38 | 0.75 | (0.23) |

| BALANCE SHEET | As at 31 December 2020 S\$'000 | As at 31 December 2019 S\$'000 | As at 31 December 2018 S\$'000 |
|--------------------------------------|-----------------------------------|-----------------------------------|-----------------------------------|
| ASSETS | | | |
| Non-current assets | 10,820 | 11,133 | 11,121 |
| Current assets | 39,600 | 38,031 | 44,167 |
| Total assets | 50,420 | 49,164 | 55,288 |
| EQUITY AND LIABILITIES | | | |
| Total equity | 30,146 | 29,548 | 28,807 |
| Non-current liabilities | 10,154 | 6,559 | 7,230 |
| Current liabilities | 10,120 | 13,057 | 19,251 |
| Total liabilities | 20,274 | 19,616 | 26,481 |
| Total equity and liabilities | 50,420 | 49,164 | 55,288 |
| Net asset value per share (in cents) | 27.9 | 27.4 | 26.7 |

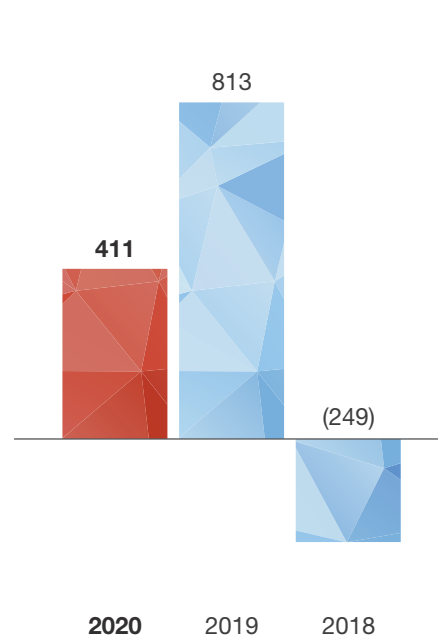
Revenue
S\$'000



Gross Profit
S\$'000

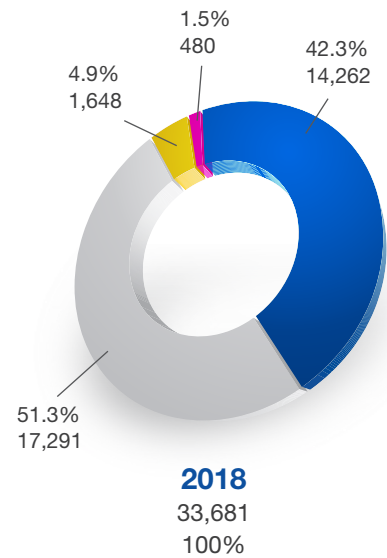
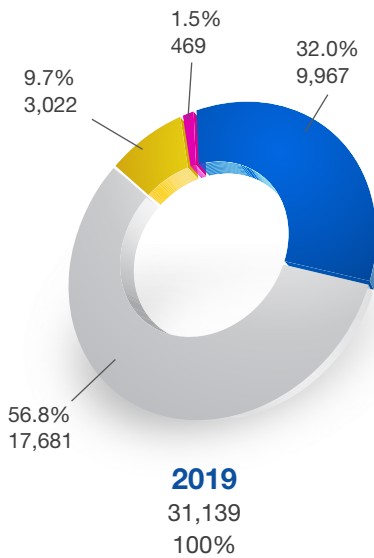
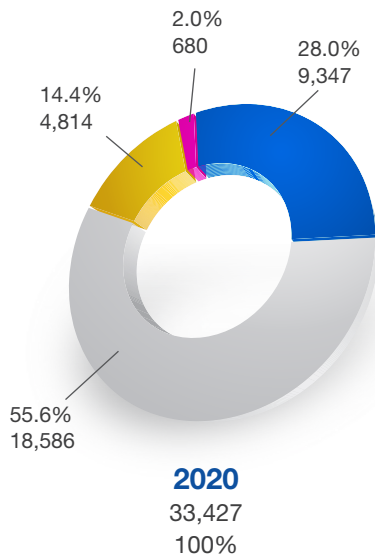


Profit (Loss) After Tax
S\$'000



REVENUE (BY OPERATING SEGMENT)

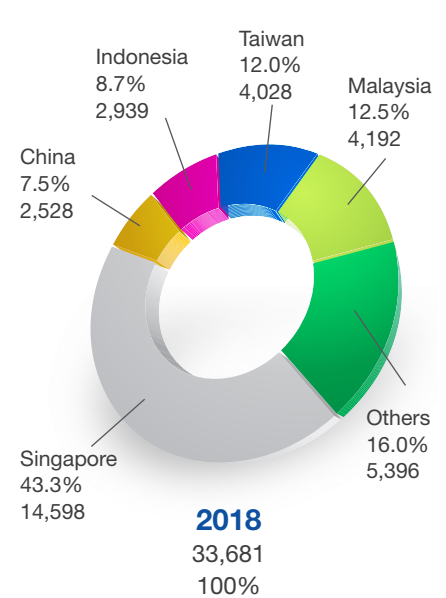
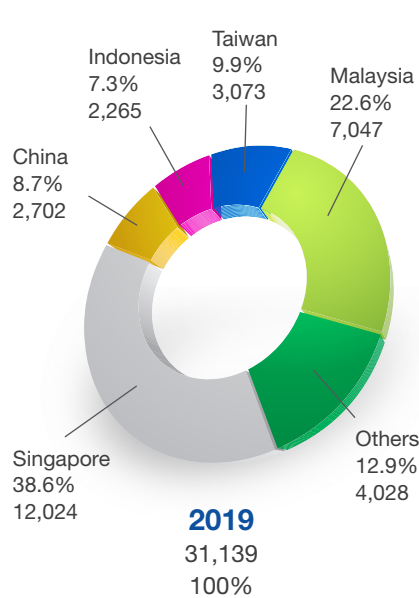
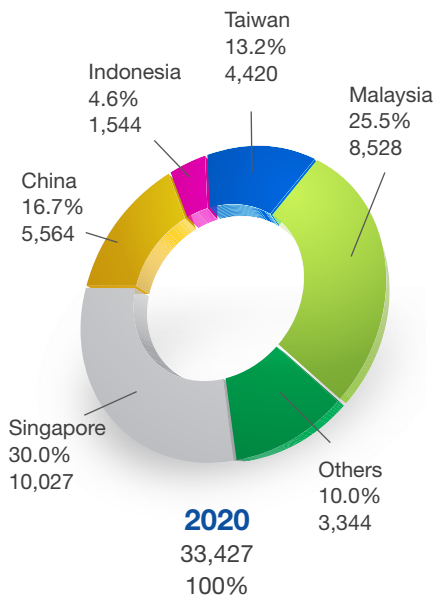
(S\$'000) (%)



● Marine
 ● Precision Engineering
 ● Stockists and traders
 ● Others

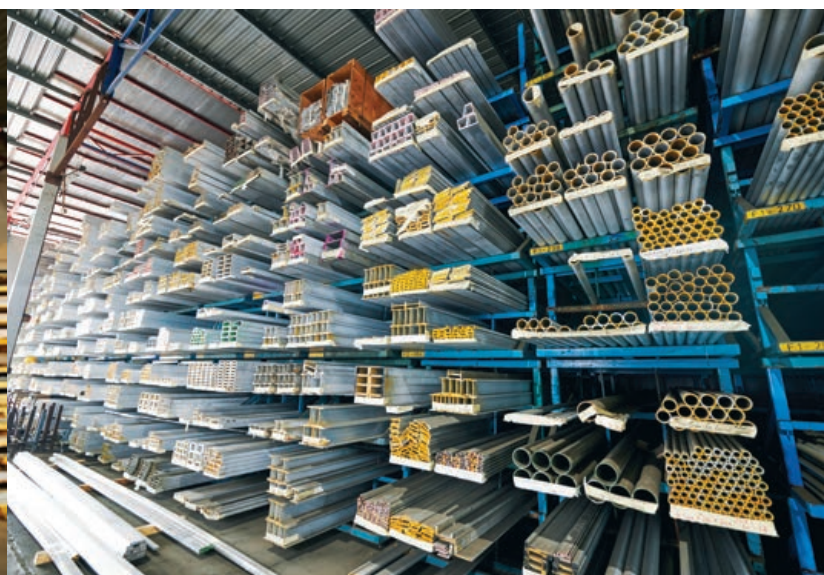
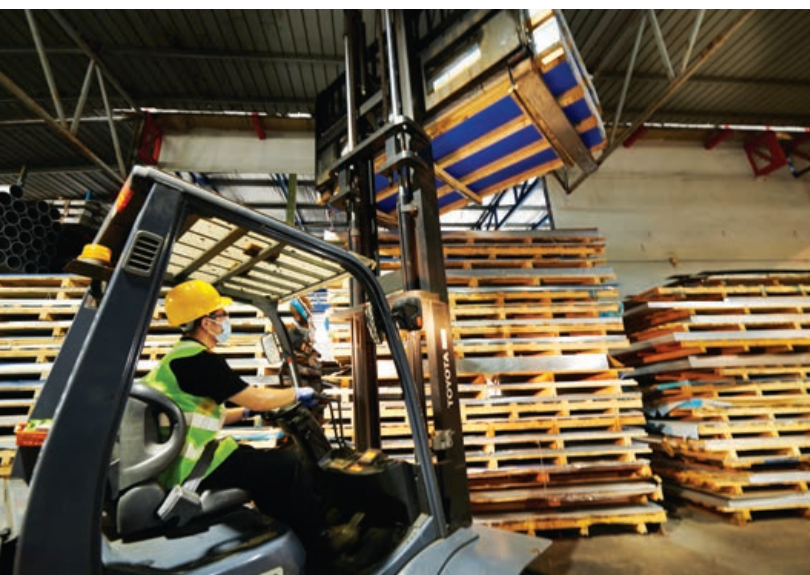
REVENUE (BY COUNTRY)

(S\$'000) (%)





順聯控股有限公司
SOON LIAN HOLDINGS LTD.
6 Tuas Lane Singapore 638615



For the year ended 31 December 2020 (“FY2020”), the Group faced a challenging operating environment especially during the first half of the year due to the COVID-19 pandemic and changes in the management team. Nevertheless, the new management swiftly took the reins to overcome the challenges by managing various stakeholders and restoring confidence as well as formulating immediate and long-term business strategies to revitalise the Group. As a result, Soon Lian’s performance improved in the second half of FY2020 and the full year results reflected a noteworthy performance.

The Group’s revenue improved by 7.3% from S\$31.1 million in FY2019 to S\$33.4 million in FY2020. This is attributable to a higher volume of sales to our customers in the precision engineering segment and the stockists and traders segment. For the former, sales climbed 5.1% from S\$17.7 million in FY2019 to S\$18.6 million in FY2020. Meanwhile, revenue from the stockists and traders segment grew by 59.3% to S\$4.8 million. The increase to total revenue was partially offset by the decrease in contribution from the marine segment which was 6.2% lower at S\$9.3 million.

From a geographical perspective, the bulk of revenue continued to come from Singapore followed by Malaysia, China and Taiwan’s contribution was higher while returns from Indonesia and other countries declined.

FINANCIAL REVIEW

As part of our strategy to address the uncertainty arising from the pandemic, the Group reassessed the adequacy for impairment of inventories and took the prudent step to record a higher allowance for impairment on inventories of S\$1.9 million in FY2020, a significantly higher amount than the S\$0.02 million allotted for FY2019.

As a result, our gross profit decreased by S\$1.1 million or 18.7%, from S\$5.8 million in FY2019 to S\$4.7 million in FY2020. Excluding the impact of the allowance for impairment on inventories, the Group’s gross profit would have risen by S\$0.8 million or 13.8%, from S\$5.8 million in FY2019 to S\$6.6 million in FY2020. We believe that the adjustment was necessary and would better position us steady in the coming financial year as we shed legacy limitations in favour of greater agility.

Consequently, the Group’s gross profit margin decreased by 4.5 percentage points, from 18.7% in FY2019 to 14.2% in FY2020. Excluding the impact of the allowance for impairment on inventories, gross profit margin in FY2020 improved by 1.1 percentage points from 18.8% in FY2019 to 19.9% in FY2020.

OPERATIONS AND FINANCIALS REVIEW



The Group's other income and gains also increased by S\$0.4 million or 43.5%, from S\$0.9 million in FY2019, to S\$1.3 million in FY2020. The increase is attributed to a combination of increases of S\$0.4 million in government grant income, of \$0.2 million in foreign exchange, and of \$0.3 million in gain on disposal of a property in property, plant and equipment when we sold a property in Johor, Malaysia. These gains were partially offset by a S\$0.4 million decrease in reversal of impairment on trade receivables.

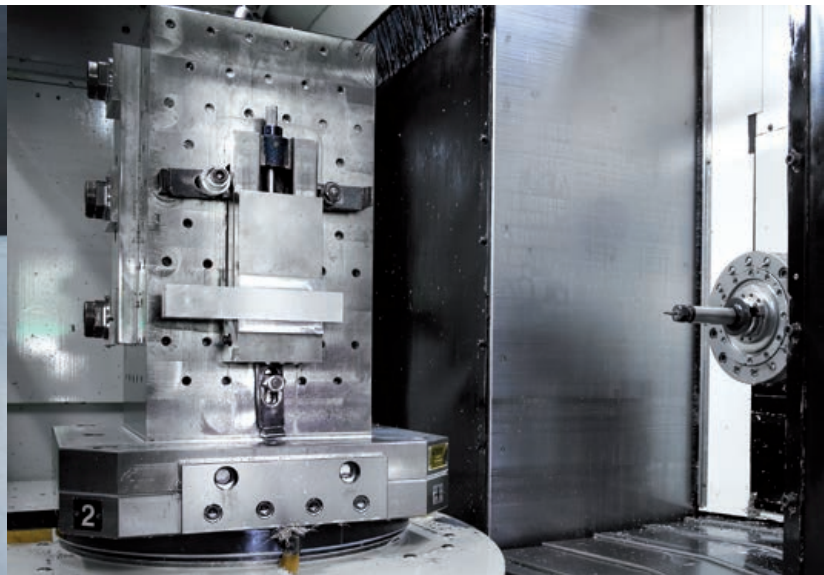
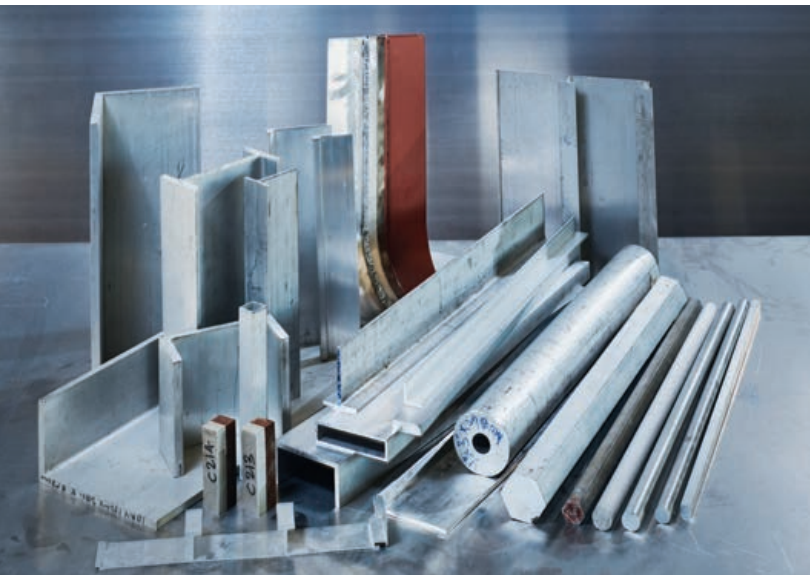
Distribution costs for FY2020 were fairly consistent with FY2019 while administrative expenses was lower by S\$0.2 million or 4.2%, from S\$4.6 million in FY2019 to S\$4.4 million in FY2020, mainly due to the decrease in short term employee benefits expense, partially offset by an increase in depreciation of right-of-use asset.

The Group's finance costs decreased by S\$0.3 million or 32.0% to S\$0.5 million from S\$0.8 million in FY2019 due to lower usage of trade finance facilities and lower interest rates in FY2020.

Other losses doubled from S\$0.1 million in FY2019 to S\$0.2 million in FY2020, mainly due to higher allowance for impairment on trade receivables.

As a result of the above, the Group recorded a profit before tax of S\$0.6 million for the year under review which although is lower than the S\$0.9 million in FY2019, is a noteworthy performance when considering the extent of challenges faced. Furthermore, if excluding the allowance for impairment on inventories, the Group's profit before tax in FY2020 would have improved by S\$1.6 million or 175.3%.

In line with the results, the Group's earnings per share for FY2020 was lower at 0.38 cents per share while total equity increased by S\$0.6 million, from S\$29.5 million as at 31 December 2019 to S\$30.1 million as at 31 December 2020, as a result of recognition of the total comprehensive income for the year.



The Group also ended the financial year with a positive working capital position of S\$29.5 million as compared to S\$25.0 million as at 31 December 2019.

For the year under review, the Group's cash and cash equivalents nearly doubled from S\$3.1 million to S\$6.0 million. This was due to net cash flows from operating activities of S\$2.8 million, arising from positive operating cash flows before changes in working capital of S\$4.1 million, partially offset by negative working capital changes of S\$1.2 million and payment of income taxes of S\$0.1 million. The increase of cash and cash equivalents was also due to net cash flows from investing activities of S\$0.5 million, mainly due to the proceeds from the disposal of the property of S\$0.7 million, partially offset by the purchase of property, plant and equipment of S\$0.2 million.

The increase was partially offset by the net cash flows used in financing activities of S\$0.4 million, mainly due to the interest payment of S\$0.5 million and repayment of lease liabilities of S\$0.4 million, partially offset by a net increase in borrowings of S\$0.5 million.

While the world at large has progressed in addressing the impact of the COVID-19 pandemic, there is still uncertainty on future prospects due to issues such as the uneven roll out of vaccine across countries and the emergence of new virus strains.

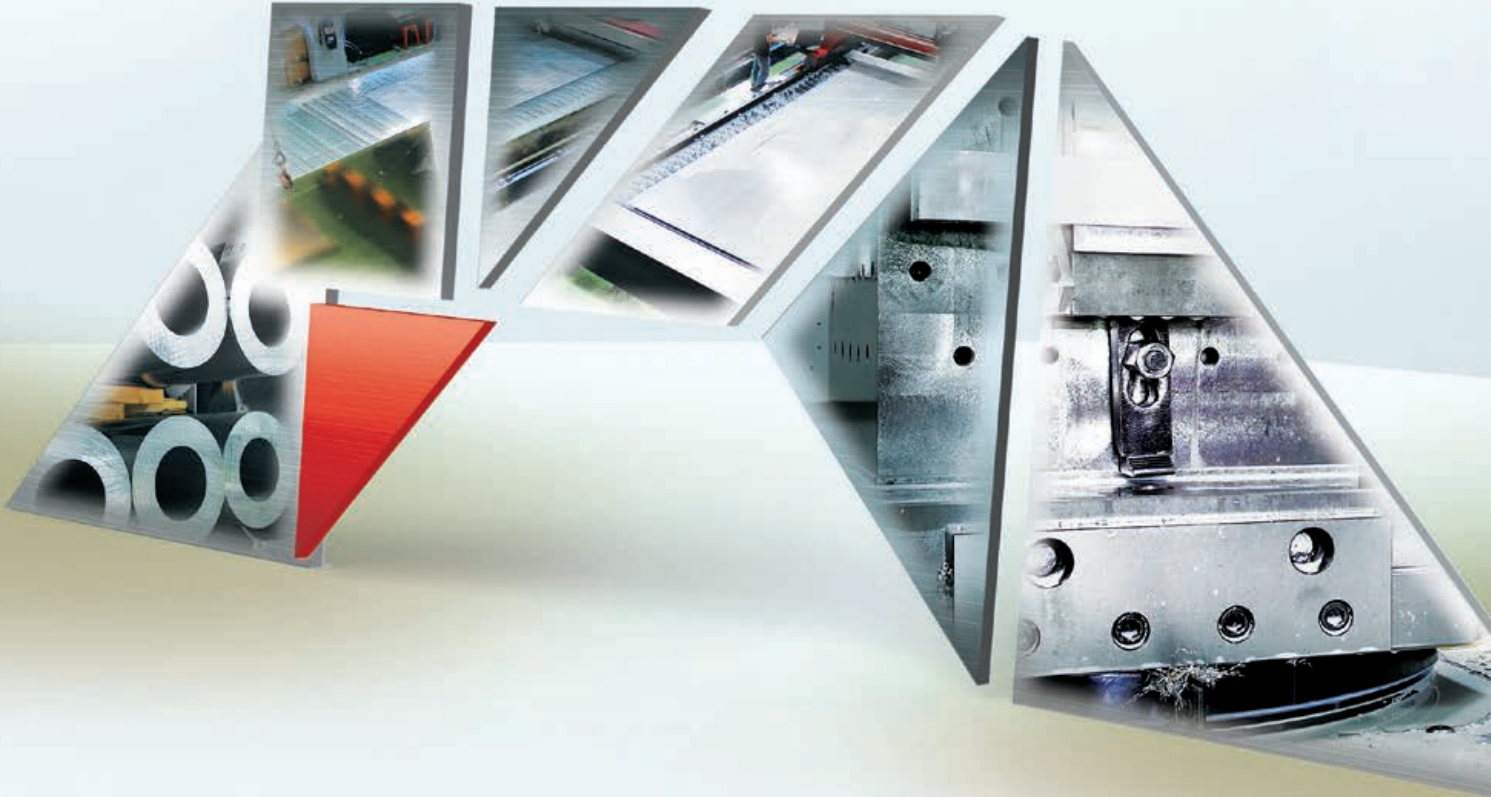
As of 23 March 2021, Singapore has progressively vaccinated key sections of society with over 1.1 million doses administered and is targeting to fully vaccinate its citizens and long term residents by the third quarter of 2021.¹ At Soon Lian, we welcome these developments as it would translate to greater stability and clarity for our operations and positions us to tap on immediate opportunities in the region.

The past financial year has tested the Group on all levels and we have emerged stronger and better positioned for the future. We look forward to working with all parties in crafting the next chapter of the Soon Lian story.

¹ <https://www.channelnewsasia.com/news/singapore/covid-19-vaccination-younger-age-groups-14480078>

BUILDING TRUST & GROWING PARTNERSHIPS

The Soon Lian brand continues to grow as we successfully bridge our customers and partners needs with the right aluminium solutions. With a track record of over 35 years, we are on strong foundations to continue delivering excellence into the future.



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 and the Chairman of the Audit Committee of M Development Ltd. and Seroja Investment 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 at Rajah & Tann. Prior to joining Rajah & Tann in 2015, Mr Chin was a Director in the corporate and finance department of Drew & Napier and was in charge of the Shanghai office from 2003 to 2008. He joined Drew & Napier in 1985 and became a Partner in 1992. He became a Director since 1 May 2001 when Drew & Napier corporatised. Mr Chin has been named by Asia Pacific Legal 500, an international legal publication, as a leading real estate lawyer.

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 the Non-Executive Chairman of M Development Ltd., and an Independent Director of Jackspeed Corporation Limited, and Universal Resources 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 Catalyst 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 Pan Asian Holdings Limited, China Kunda Technology Holdings Limited, and Capital World Limited, all of which are listed on the SGX-ST and D'Nonce Technology Bhd, which is listed on Bursa Malaysia.



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.

MAINTAINING MOMENTUM & **FUTURE FOCUSED**

To overcome the challenges of today, we uphold comprehensive risk management practices and prepare comprehensive strategies that keep us nimble as we continue to unlock and deliver sustainable value to our stakeholders.



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

Website: www.slmetalsgroup.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

RSM Chio Lim LLP

(a member of RSM International)

8 Wilkie Road, #03-08

Wilkie Edge

Singapore 228095

AUDIT PARTNER-IN-CHARGE

Woo E-Sah

(Chartered Accountant Singapore,

a member of the Institute

of Singapore Chartered Accountants)

Effective from financial year

ended 31 December 2018

SPONSOR

SAC Capital Private Limited

1 Robinson Road

#21-00

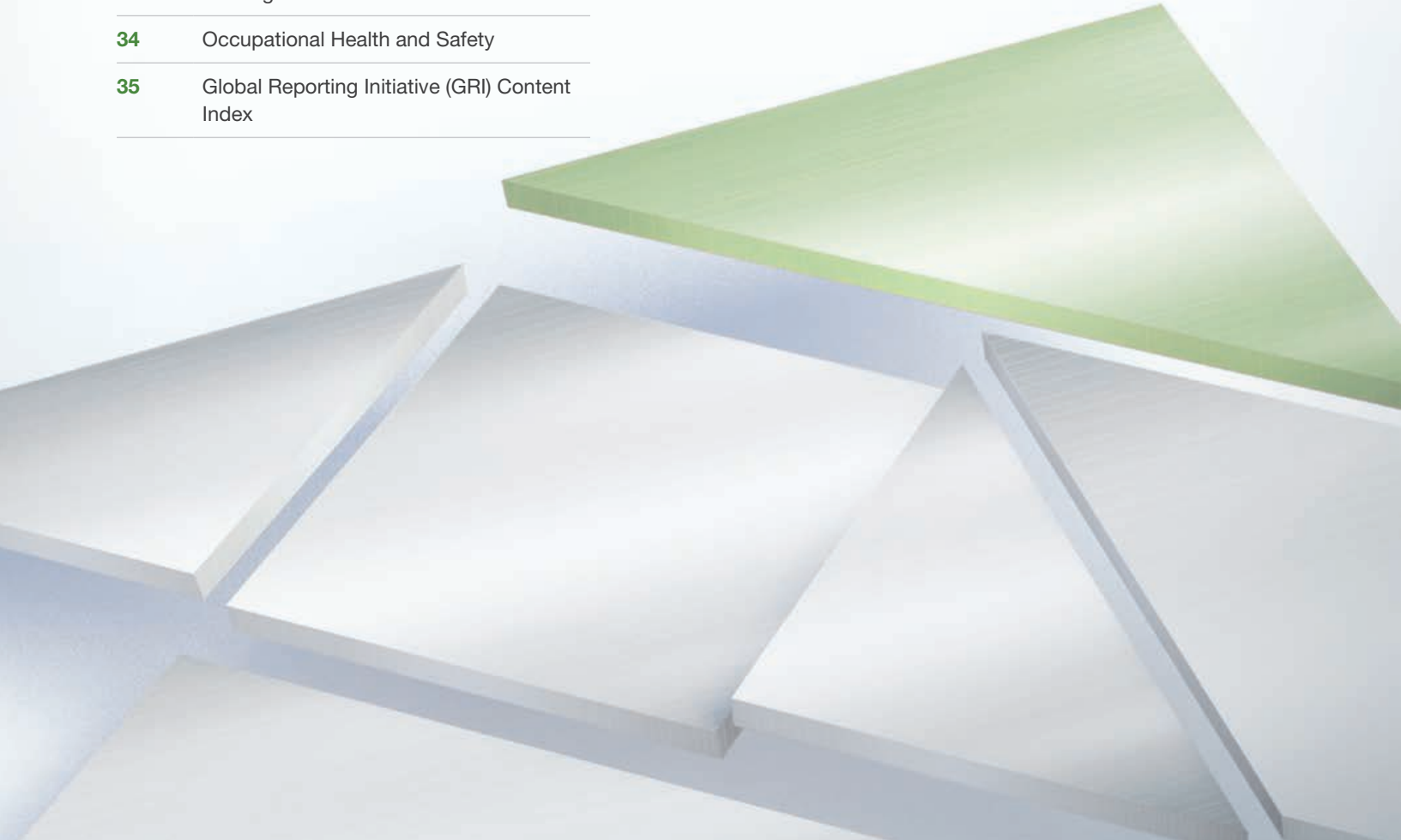
AIA Tower

Singapore 048542

SUSTAINABILITY REPORT

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Dear Stakeholders,

We are pleased to present our fourth 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 2020. Based on this achievement, we will continue to set goals and milestones for the Company and adapt to ever changing conditions in the market. By identifying and addressing the wide range of sustainability issues, challenges ahead will be managed more effectively and mitigation controls will be implemented to tackle upcoming risks that could hinder our profitability.

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

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

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



ABOUT THIS REPORT

Reporting Background

Soon Lian Holdings Limited (the “Company” or “Soon Lian”, and together with its subsidiaries, the “Group”) actively engages our employees, customers and suppliers to champion and address some of the environmental impacts together.

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

We have chosen GRI as sustainability reporting framework as it is internationally recognised and is widely adopted, enabling us to achieve a comprehensive and comparable disclosure of environmental, social and government (“ESG”) performance. The GRI content index and relevant references are provided from pages 35 to 36 of the Annual Report 2020.

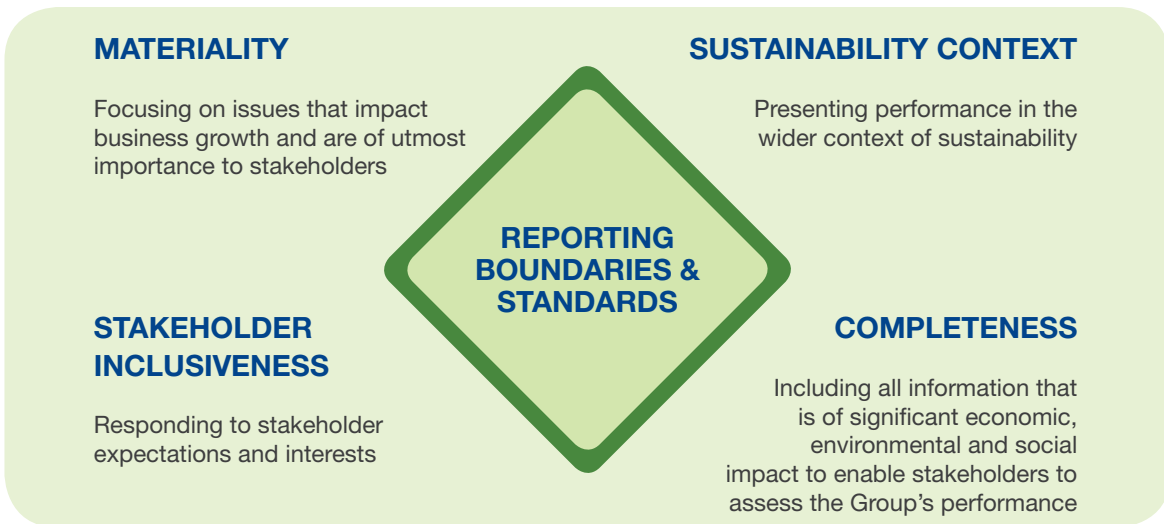
This report covers the Group’s key operations in Singapore, Malaysia, People’s Republic of China and Taiwan for the financial year from 1 January 2020 to 31 December 2020 (“FY2020”).

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

Accessibility of the Report & Feedback

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

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





We source our inventories of aluminium alloy products from reputable suppliers in countries such as Austria, Greece, Italy, Japan, Malaysia, People's Republic of China, Romania, Russia, 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 having readily available inventories at all times so as to maintain a high level of responsiveness in meeting our customers' needs.

Besides our targeted customers from the marine and precision engineering industries, we also sell to overseas stockists and traders who in turn 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.

GOVERNANCE AND SUSTAINABILITY APPROACH



Continual commitment to enhance corporate governance

Soon Lian places great emphasis on accountability, transparency, ethical business conduct and good corporate governance to enhance and safeguard the interest of its stakeholders. Our employees must maintain the highest standards of integrity at all times in all business relationships and dealings. The Company has generally adhered to the principles and provisions set out in the Code of Corporate Governance issued in August 2018. Please refer to the Corporate Governance Report found in the Annual Report 2020 of the Company for more information. Soon Lian also recognises the importance of maintaining and promoting a healthy and safe work environment for its employees.

External initiatives

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

Membership of associations

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

Please see table below for 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 |

STAKEHOLDER ENGAGEMENT

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

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

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

MATERIAL TOPICS

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



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

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

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

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



| | FY2020 (S\$'000) | FY2019 (S\$'000) | Change (%) |
|---|------------------|------------------|---------------|
| Revenue | 33,427 | 31,139 | 7.3 |
| Cost of Sales | (28,697) | (25,318) | 13.3 |
| Gross Profit | 4,730 | 5,821 | (18.7) |
| Other Income and Gains | 1,283 | 894 | 43.5 |
| Distribution Costs | (284) | (337) | (15.7) |
| Administrative Expenses | (4,395) | (4,586) | (4.2) |
| Finance Costs | (534) | (785) | (32.0) |
| Other Losses | (215) | (119) | 80.7 |
| Profit before Tax from Continuing Operations | 585 | 888 | (34.1) |
| Income Tax Expense | (174) | (75) | >100 |
| Profit Net of Tax | 411 | 813 | (49.4) |

Our Group recorded a net profit of S\$0.4 million for FY2020, as compared to a net profit of S\$0.8 million for the previous financial year ended 31 December 2019 ("FY2019"). Excluding the impact of the allowance for impairment on inventories, the Group's net profit in FY2020 improved by S\$1.5 million or 179.2% from S\$0.8 million in FY2019 to S\$2.3 million in FY2020.

In FY2020, we continue to provide value-added services to our regular and new customers through our customised products that meet with their specific requirements. The upgrading of machineries and equipments have also enabled us to reach out to more customers. Through our services, customers can focus on their core competencies and reduce any unnecessary cost.

Moving forward in this current financial year ending 31 December 2021 ("FY2021"), we will remain flexible to address challenges and opportunities alike. We are upbeat on the long-term prospects of the marine and precision engineering industries and will be gearing to be resilient and ready to capitalise on opportunities to expand our capabilities and strengths.

ANTI-CORRUPTION

Good corporate governance is critical as it allows the Group to maintain ethical environment as well as keeping in mind the interest of both stakeholders and shareholders. With the adoption of the Code of Business Conduct, it acts as a standard for the Group to comply and ensure ethical conduct within the Group. All the stakeholders, which includes Directors, officers and employees of the Group, are required to maintain high standards of integrity at all times in compliance with the law, regulations and the Group's policies. In FY2020, there was no reported incident of corruption in the Group.

Furthermore, in order to strengthen and prevent corruption, the management of the Company has put in place a whistle-blowing policy duly endorsed by the Audit Committee of the Company and approved by the Board of Directors of the Company. The details of the whistle-blowing policy have been made available to all employees. Employees are able to raise any concerns or feedbacks about possible corporate improprieties in matters of financial reporting or other matters without fearing about their identity being revealed. In FY2020, 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.



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

| Wastage | FY2020 | FY2019 |
|-------------------|---------|---------|
| Total Weight (kg) | 143,887 | 177,200 |

We are contributing through:

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

In FY2021, 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.



EMPLOYMENT



Recruitment policy

Be they young, old, educated, uneducated, retrenched or inexperienced, we hire them all, train them up and now we are proud to have a large group of such long-serving loyal employees.

Equal opportunity employee

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

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

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

Team member

The Group employs more than 70 people in Singapore, Malaysia, People's Republic of China and Taiwan. The Company has a team of capable, talented and skillful members to manage day-to-day operations in an efficient and effective manner. We also recruit people from all around the world to build a diversify team to increase our productivity.

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

Our staff turnover for FY2020 and FY2019 is as below:

| Actual Headcount / Year | FY2020 | FY2019 |
|-------------------------------------|--------|--------|
| Number of resignation / termination | <50 | <20 |
| New join | <50 | <20 |
| Actual headcount | >50 | >50 |
| Turnover rate (%) | <50 | <25 |

In FY2021, we will continue to reduce the turnover rate of our employees. We are open to suggestions and feedbacks to improve work environment and create more values for our employees.

TRAINING AND EDUCATION



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

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

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

In FY2020, the average hours of training undertaken by our employees were 7 hours (FY2019: 8 hours). Besides training provided, our employees also received regular performance feedback and career development review.

Moving forward for FY2021, external trainings will be scaled down due to the COVID-19 situation. More in-house trainings will be organised for the employees and opportunities to learn on the job will be available to further familiarise the employees with the operations of the Group.

OCCUPATIONAL HEALTH AND SAFETY

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

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

In FY2020, there was a total of 1 injury (FY2019: 4 injuries) to our male employee. Moving forward, the Group aims to reduce the workplace accident rate. In addition, safety equipments are used to prevent any injury and first aid boxes are always available in accordance with Workplace Safety and Health Act.



GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

| RI Standard | Disclosure | Page Reference and Reasons for Omission, if applicable |
|-----------------------------------|---|--|
| GENERAL DISCLOSURE | | |
| GRI 102: General Disclosures 2016 | Organizational Profile | |
| | 102-1 Name of the organisation | Annual Report 2020 Page 2 |
| | 102-2 Activities, brands, products, and services | Annual Report 2020 Page 2 |
| | 102-3 Location of headquarters | Annual Report 2020 Page 21 |
| | 102-4 Location of operations | Annual Report 2020 Page 2 |
| | 102-5 Ownership and legal form | Annual Report 2020 Page 7 |
| | 102-6 Markets served | Annual Report 2020 Page 8 |
| | 102-7 Scale of the organisation | Annual Report 2020 Page 10 |
| | 102-8 Information on employees and other workers | Annual Report 2020 Page 32 |
| | 102-9 Supply chain | Annual Report 2020 Page 25 |
| | 102-10 Significant changes to the organisation and its supply chain | No changes |
| | 102-11 Precautionary principle or approach | Not applicable |
| | 102-12 External initiatives | Annual Report 2020 Page 26 |
| | 102-13 Membership of associations | Annual Report 2020 Page 26 |
| | Strategy | |
| | 102-14 Statement from senior decision maker | Annual Report 2020 Page 23 |
| | Ethics and Integrity | |
| | 102-16 Values, principles, standards, and norms of behaviour | Annual Report 2020 Page 30 |
| | Governance | |
| | 102-18 Governance structure | Annual Report 2020 Pages 37-76 |
| | Stakeholder Engagement | |
| | 102-40 List of stakeholder groups | Annual Report 2020 Page 27 |
| | 102-41 Collective bargaining agreements | Not applicable |
| | 102-42 Identifying and selecting stakeholders | Annual Report 2020 Page 27 |
| | 102-43 Approach to stakeholder engagement | Annual Report 2020 Page 27 |
| | 102-44 Key topics and concerns raised | Annual Report 2020 Page 28 |
| | Reporting Practice | |
| | 102-45 Entities included in the consolidated financial statements | Annual Report 2020 Page 7 |
| | 102-46 Defining report content and topic boundaries | Annual Report 2020 Page 24 |
| | 102-47 List of material topics | Annual Report 2020 Page 28 |
| | 102-48 Restatements of information | Not applicable |
| | 102-49 Changes in reporting | Not applicable |
| | 102-50 Reporting period | Annual Report 2020 Page 24 |
| | 102-51 Date of most recent report | Annual Report 2020 |
| | 102-52 Reporting cycle | Annually |
| | 102-53 Contact point for questions regarding the report | Annual Report 2020 Page 24 |
| | 102-54 Claims of reporting in accordance with the GRI Standards | Annual Report 2020 Page 24 |
| | 102-55 GRI content index | Annual Report 2020 Pages 35-36 |
| | 102-56 External assurance | Annual Report 2020 Page 24 |

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

| RI Standard | Disclosure | Page Reference and Reasons for Omission, if applicable |
|---|--|--|
| GRI 103: Management Approach 2016 | 103-1 Explanation of the material topic and its boundaries | Annual Report 2020 Pages 28-34 |
| | 103-2 The management approach and its components | Annual Report 2020 Pages 28-34 |
| | 103-3 Evaluation of the management approach | Annual Report 2020 Pages 28-34 |
| GRI 201: Economic Performance 2016 | 201-1 Direct Economic value generated and distributed | Annual Report 2020 Page 29 |
| GRI 205: Anti-Corruption 2016 | 205-1 Operations assessed for risks related to corruption | Annual Report 2020 Page 30 |
| | 205-3 Confirmed incidents of corruption and actions taken | |
| GRI 301: Materials 2016 | 301-1 Materials used by weight or volume | Annual Report 2020 Page 31 |
| | 301-2 Recycled input materials used | |
| | 301-3 Reclaimed products and their packaging materials | |
| GRI 401: Materials 2016 | 401-1 New employee hired and employee turnover | Annual Report 2020 Page 32 |
| | 401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees | |
| | 401-3 Parental leave | |
| GRI 404: Training and Education 2016 | 404-1 Average hours of training per year per employee | Annual Report 2020 Page 33 |
| | 404-2 Programs for upgrading employee skills and transition assistance programs | |
| | 404-3 Percentage of employees receiving regular performance and career development reviews | |
| GRI 403: Occupational Health and Safety 2016 | 403-1 Workers representation in formal joint management – worker health and safety committees | Annual Report 2020 Page 34 |
| | 403-2 Types of injury and rates of injury, occupational diseases, lost days, and absenteeism and number of work-related fatalities | |
| | 403-3 Workers with high incidence or high risk of diseases related to their occupation | |
| | 403-4 Health and safety topics covered in formal agreements with trade unions | |

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

This report describes the Company’s corporate governance structures and practices that were in place throughout the financial year ended 31 December 2020 (“**FY2020**”), 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 FY2020, the Company has generally adhered to the principles and provisions as set out in the Code. Where there are deviations from any provisions of the Code, the Company has stated herein the provision of the Code from which it has varied, and appropriate explanations are provided for the variation, and how the practices the Company had adopted are consistent with the intent of the relevant principle of the Code. The Company will continue to assess its needs and implement appropriate practices accordingly.

BOARD MATTERS

The Board's Conduct of Affairs

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

Provision 1.1

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

All Directors objectively discharge their duties and responsibilities at all times as fiduciaries in the interests of the Company. 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.

CORPORATE GOVERNANCE REPORT

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 and industry specific knowledge, as appropriate, organised by other training institutions, in connection with their duties. Such training of Directors will be arranged and funded by the Company. The Board appointed Chin Yew Choong David and Lam Kwong Fai as Directors of the Company on 1 June 2020 and 22 June 2020 respectively, and had provided them with the necessary induction programme to familiarise them with the Group. Both Chin Yew Choong David and Lam Kwong Fai have experience as directors of companies listed on the SGX-ST and are not first time directors. In addition to that, the Board has also reappointed Yap Kian Peng as the Director of the Company on 18 December 2020.

During the financial year reported on, all Directors have received updates on (i) amendments to the Catalist Rules; (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. 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 FY2020 are set out below:

| DIRECTORS | BOARD | | AC | | NC | | RC | |
|--------------------------------------|-------|----------|------|----------|------|----------|------|----------|
| | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| Tan Yee Chin ⁽¹⁾ | 2 | 2 | 1 | 1* | 1 | 1* | 1 | 1* |
| Tan Yee Ho ⁽²⁾ | 4 | 4 | 3 | 3* | 1 | 1* | 2 | 2* |
| Tan Yee Leong ⁽³⁾ | 4 | 4 | 3 | 3* | 1 | 1* | 2 | 2* |
| Lee Sen Choon ⁽⁴⁾ | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 |
| Lim Chee San ⁽⁵⁾ | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 |
| Yap Kian Peng ⁽⁶⁾ | 2 | 2 | 1 | 1 | 1 | 1 | 1 | 1 |
| Chin Yew Choong David ⁽⁷⁾ | 2 | 2 | 2 | 2 | – | – | 1 | 1 |
| Lam Kwong Fai ⁽⁸⁾ | 2 | 2 | 2 | 2 | – | – | 1 | 1 |

* By invitation

Notes:

- (1) Tan Yee Chin ceased to be the Chief Executive Officer (“CEO”) of the Company, as well as the Chairman of the Board on 8 April 2020. He ceased to be Executive Director on 15 April 2020.
- (2) Tan Yee Ho was appointed as Chairman of the Board on 8 April 2020.
- (3) Tan Yee Leong was appointed as CEO of the Company on 8 April 2020.
- (4) Lee Sen Choon ceased to be the Lead Independent Director of the Company on 22 April 2020.
- (5) Lim Chee San ceased to be an Independent Director of the Company on 19 May 2020.
- (6) Yap Kian Peng ceased to be an Independent Director of the Company on 19 May 2020 and was reappointed as the Lead Independent Director of the Company on 18 December 2020.
- (7) Chin Yew Choong David was appointed as an Independent Director of the Company on 1 June 2020.
- (8) Lam Kwong Fai was appointed as an Independent Director of the Company on 22 June 2020.

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 FY2020. 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.

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 these 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.

CORPORATE GOVERNANCE REPORT

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, Chapter 50 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 and/or her representatives attend all the Board and Board Committees meetings and prepares minutes of meetings. The appointment and removal of the Company Secretary is decided by the Board as a whole.

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

Board Composition and Guidance

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

Provision 2.1

The criterion for independence is based on the definition set out in the Code and Practice Guidance 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) |

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

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

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

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

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

Provision 2.5

The Independent Directors are encouraged to meet, without the presence of Management, so as to facilitate a more effective check on Management. The chairman of such meetings will then provide feedback to the Board as and when appropriate. During FY2020, 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

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

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.

CORPORATE GOVERNANCE REPORT

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.

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 FY2020.

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

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 will be retiring by rotation pursuant to Regulation 104 of the Constitution and Chin Yew Choong David, Lam Kwong Fai and Yap Kian Peng will be retiring pursuant to Regulation 114 of the Constitution. Tan Yee Leong, Chin Yew Choong David, Lam Kwong Fai and Yap Kian Peng being eligible for re-election, have offered themselves for re-election. The NC has recommended to the Board that Tan Yee Leong, Chin Yew Choong David, Lam Kwong Fai and Yap Kian Peng 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 FY2020, 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.

Yap Kian Peng has served on the Board beyond nine (9) years from the date of his first appointment and the Code recommends that the independence of any Director who has served beyond nine (9) years be subject to rigorous review.

CORPORATE GOVERNANCE REPORT

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

Rigorous review is conducted by the Board to assess the continuing independence of the Non-Executive Director having served for over nine (9) years, with attention to ensuring that he remains independent in character and judgement, and continues to present an objective and constructive challenge to the assumptions and viewpoints presented by the Management and the Board. The Board's rigorous review includes, inter alia, critical examination of any conflicts of interest, as well as other factors such as his review and scrutiny of matters and proposals put before the Board, and the effectiveness of his oversight role as check and balance on the acts of the Board and the Management and their role in enhancing and safeguarding the interest of the Company and that of its Shareholders.

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

Taking into account the above factors, the Board is of the view that Yap Kian Peng continues to be considered independent Director, notwithstanding he has served on the Board for more than nine (9) years from the date of his first appointment.

Nonetheless, in view of the amendments to the Catalist Rules, which will come into effect from 1 January 2022, reappointment of directors who have served the Board beyond nine (9) years from the date of their first appointment shall be subjected to a two-tier shareholdings voting. Accordingly, Yap Kian Peng will be subjected to the two-tier shareholdings voting. If the relevant resolutions are not passed, he will be re-designated as a Non-Independent Non-Executive Director from 1 January 2022.

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.

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 | 19.05.2020 | <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 | 20.04.2018 (to be reappointed 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 | 18.12.2020 (to be reappointed at the forthcoming AGM) | <p><u>Other Principal Commitments</u></p> <ol style="list-style-type: none"> Jackspeed Corporation Limited (Executive Deputy Chairman and Chief Executive Officer) <p><u>Present Directorships</u></p> <ol style="list-style-type: none"> M Development Ltd. (Independent Non-Executive Director) Seroja Investments Limited (Independent Non-Executive Director) | Nil |
| Chin Yew Choong David <i>Non-Executive / Independent</i> | Bachelor of Laws (Honours) (National University of Singapore) | 01.06.2020 | Nil (to be reappointed at the forthcoming AGM) | <p><u>Other Principal Commitments</u></p> <ol style="list-style-type: none"> Rajah & Tann LLP (Consultant) <p><u>Present Directorships</u></p> <ol style="list-style-type: none"> Universal Resource and Services Limited (Independent Non-Executive Director) M Development Ltd. (Independent Non-Executive Chairman) Jackspeed Corporation Limited (Independent Non-Executive Chairman) | Nil |

| 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 | Nil (to be reappointed at the forthcoming AGM) | <p><u>Other Principal Commitments</u></p> <p>1. Alder Corporate Services Pte Ltd (Director)</p> <p><u>Present Directorships</u></p> <p>1. Pan Asian Holdings Limited (Independent Non-Executive Director)</p> <p>2. China Kunda Technology Holdings Limited (Independent Non-Executive Director)</p> <p>3. D'Nonce Technology Bhd (Independent Non-Executive Director)</p> <p>4. Capital World Limited (Independent Non-Executive Director)</p> | <p>1. Medtecs International Corporation Limited</p> <p>2. OEL (Holdings) Limited</p> |

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 2020.

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 FY2020, 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.

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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).

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 FY2020, 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 FY2020 are set out below:

| | Directors' Fees | Salary | Bonus | Allowances and Benefits-in-kind | Total |
|--|-----------------|--------|-------|---------------------------------|-------|
| | % | % | % | % | % |
| Between S\$250,000 and S\$500,000 | | | | | |
| Tan Yee Ho ⁽¹⁾ | – | 75 | 7 | 18 | 100 |
| Tan Yee Leong ⁽²⁾ | – | 76 | 7 | 17 | 100 |
| Below S\$250,000 | | | | | |
| Tan Yee Chin ⁽³⁾ | – | 87 | – | 13 | 100 |
| Lee Sen Choon ⁽⁴⁾ | 100 | – | – | – | 100 |
| Lim Chee San ⁽⁵⁾ | 100 | – | – | – | 100 |
| Yap Kian Peng ⁽⁶⁾ | 100 | – | – | – | 100 |
| Chin Yew Choong David ⁽⁷⁾ | 100 | – | – | – | 100 |
| Lam Kwong Fai ⁽⁸⁾ | 100 | – | – | – | 100 |

Notes:

- (1) Tan Yee Ho was appointed as Chairman of the Board on 8 April 2020.
- (2) Tan Yee Leong was appointed as CEO of the Company on 8 April 2020.
- (3) Tan Yee Chin ceased to be the CEO of the Company, as well as the Chairman of the Board on 8 April 2020. He ceased to be Executive Director on 15 April 2020.
- (4) Lee Sen Choon resigned as the Lead Independent Director of the Company on 22 April 2020 and his fee is prorated to his date of resignation.
- (5) Lim Chee San retired as an Independent Director of the Company on 19 May 2020 and his fee is prorated to his date of retirement.
- (6) Yap Kian Peng retired as an Independent Director of the Company on 19 May 2020 and was reappointed as the Lead Independent Director of the Company on 18 December 2020. His fee is prorated accordingly.
- (7) Chin Yew Choong David was appointed as an Independent Director of the Company on 1 June 2020 and his fee is prorated to his date of appointment.
- (8) Lam Kwong Fai was appointed as an Independent Director of the Company on 22 June 2020 and his fee is prorated to his date of appointment.

The Code recommends that the Company should fully disclose the amount and breakdown of remuneration of each individual Director and the CEO on a named basis. However, the Company has disclosed Directors' remuneration for FY2020 in bands of S\$250,000. The actual remuneration of each individual Director is not disclosed due to the confidentiality and sensitivity of remuneration matters as the Board believes that the disclosure may be prejudicial to the Group's businesses given the competitive business environment which the Group operates in and the disadvantages that it may bring. After taking into account the reasons for non-disclosure stated above, the Board is of the view that the current disclosure of the remuneration presented herein in this report is sufficient to provide Shareholders information on the Group's remuneration policies, as well as level and mix of remuneration. Accordingly, the Board is of the view that this is in line with the intent of Principle 8 of the Code.

The remuneration of the KMPs (who are not Directors or the CEO) for FY2020 are set out below:

| | Salary | Bonus | Allowances and Benefits-in-kind | Total |
|-----------------------------|--------|-------|---------------------------------|-------|
| | % | % | % | % |
| Below S\$250,000 | | | | |
| Lee Yih Hong ⁽¹⁾ | 78 | 15 | 7 | 100 |
| Ng Kim Ying ⁽²⁾ | 89 | – | 11 | 100 |
| Lim Heng Min ⁽³⁾ | 84 | 6 | 10 | 100 |

Notes:

- (1) Lee Yih Hong was appointed as Group Financial Controller of the Company on 8 June 2020.
- (2) Ng Kim Ying resigned as the Chief Financial Officer of the Company on 8 June 2020.
- (3) Lim Heng Min ceased to be the General Manager of the Company on 22 December 2020.

The Company has one (1) KMP (who is not Directors or the CEO) as at 31 December 2020.

For FY2020, the aggregate total remuneration of all KMPs (who are not Directors or the CEO) is S\$431,000.

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

Provision 8.2

Save for the above Tan Yee Ho, Tan Yee Leong and Tan Yee Chin who are substantial shareholders of the Company, the Group does not have any employees who are substantial shareholders of the Company, or are immediate family members of the Directors, the CEO or a substantial shareholder of the Company and whose remuneration exceeds S\$100,000 during FY2020.

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

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 2020. 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 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 FY2020.

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.

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, where employees of the Group may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. The details of the whistleblowing policy have been made available to all employees. During FY2020, there were no complaints, concerns or issues received.

CORPORATE GOVERNANCE REPORT

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 Choon David
Yap Kian Peng

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 Nexia TS. The AC approves the hiring, removal, evaluation and compensation of the internal auditors.

Nexia TS is a member of Nexia International and is associated with Smith & Williamson in the United Kingdom. Nexia International is a leading worldwide network of independent accounting and consulting firms, providing a comprehensive portfolio of audit, accountancy, tax and advisory services. The internal audit team from Nexia TS comprised of the engagement director, a manager and experienced staff members. The engagement director has more than 20 years of professional experience leading internal audits, internal control reviews, corporate governance, compliance, data analytics and advisory reviews, IT audits, fraud investigations and enterprise risk assessments. He has served multi-national corporations and SGX-listed companies, not-for-profit organisations, Institutions of Public Character and public sector agencies. The engagement director is a Fellow Chartered Accountant (Singapore), a Certified Internal Auditor and a member of the Institute of Internal Auditors Singapore.

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 FY2020, 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 FY2020. 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.

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 FY2020, which related to certain agreed-upon procedures for half yearly announcement and tax compliance work, and they would not, in the opinion of the AC, affect the independence and objectivity of the external auditors of the Company.

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

| | FY2020 \$ |
|---|--------------|
| Audit fees paid/payable to the external auditors | |
| - external auditors of the Company | 80,000 |
| - other external auditors of the Group | 22,000 |
| Non-audit fees paid/payable to the external auditors | |
| - external auditors of the Company | 41,000 |
| - other external auditors of the Group | 7,000 |

The existing auditor of the Company, RSM Chio Lim LLP, was appointed as the external auditor of the Company since 2007 and was reappointed as the external auditor of the Company at the last AGM held on 19 May 2020 until the conclusion of the forthcoming AGM. For the audit of the financial year ending 31 December 2021, the AC has recommended to the Board, and the Board has accepted the appointment of Mazars LLP in place of RSM Chio Lim LLP as the Group's external auditor, subject to the Shareholders' approval at the forthcoming AGM. Further information on the proposed change of external auditor is set out in the Notice of Annual General Meeting.

During the year, the Group has appointed different auditors, i.e. firms which are not RSM International 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.

CORPORATE GOVERNANCE REPORT

In FY2020, 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.

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 |
|--|---|
| Inventories – Impairment allowance | 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. |
| Trade receivables – Impairment allowance | 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. |

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.

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 19 May 2020. Save for the aforementioned AGM, there was no other general meeting held during FY2020.

CORPORATE GOVERNANCE REPORT

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 deems it appropriate to conserve funds for the Group's business activities and further expansion, the Board has not recommended any dividends to be paid in respect of FY2020.

Engagement with Shareholders

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

Provisions 12.1, 12.2 and 12.3

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

Information is communicated to Shareholders through:

- (a) annual reports that are prepared and issued to all Shareholders within the mandatory period;
- (b) half yearly and full year unaudited financial results announcements via the SGXNet within the mandatory period;
- (c) offer information statements, circulars and notices issued to all Shareholders;
- (d) disclosures to the SGX-ST via the SGXNet; and
- (e) the Company's website, www.slmetalsgroup.com, which provides corporate information, announcements, press releases and other information pertaining to the Group.

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

Engagement with Stakeholders

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

Provisions 13.1 and 13.2

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

The stakeholders have been identified as those who are impacted by the Group's business and operations and those who are similarly 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 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 2020 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.slmgroup.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.
- Directors and key officers are required to observe the insider trading laws under the Securities and Futures Act (Chapter 289) of Singapore at all times even when engaging in dealings of securities within the non-prohibitory periods.

CORPORATE GOVERNANCE REPORT

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 FY2020 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 Company has appointed SAC Capital Private Limited (“**SAC Capital**”) as the Company’s sponsor in place of ZICO Capital Pte. Ltd. (“**ZICO**”) with effect from 29 November 2020. The Directors and Management of the Company would consult 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 and ZICO during FY2020.

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

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to Tan Yee Leong, Chin Yew Choong David, Lam Kwong Fai and Yap Kian Peng, 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) | 20 April 2018 |
| Age | 58 |
| 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-term strategies and business plans and ensures that the Group is properly organised and staffed, assesses the principal risks of the Group and ensures that effective internal controls and risk management systems are in place. |
| 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 ("Shares"). 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

| | |
|---|---|
| Name of Director | Tan Yee Leong |
| 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) | 1. Fultech Industry (M) Sdn. Bhd. |
| Present | <ol style="list-style-type: none"> 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) |
| <p>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.</p> | |
| (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 |

| 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 | No |
| (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or | No |
| (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 |

CORPORATE GOVERNANCE REPORT

| Name of Director | Tan Yee Leong |
|--|---------------|
| (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust? | No |
| (k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere? | No |

| | |
|---|--|
| Name of Director | Chin Yew Choong David |
| Date of first appointment | 1 June 2020 |
| Date of last reappointment (if applicable) | N/A |
| Age | 62 |
| 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 Chin Yew Choong David as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Chin Yew Choong David'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, NC Chairman, AC Member and RC Member |
| Professional qualifications | Bachelor of Law (Honours) from National University of Singapore |
| Working experience and occupation(s) during the past 10 years | 1985 to September 2015 – Partner (and later Director when incorporated), Drew & Napier LLC September 2015 to Present – Consultant, Rajah & Tann LLP |
| 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 Catalyst 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> | |

CORPORATE GOVERNANCE REPORT

| Name of Director | Chin Yew Choong David |
|---|---|
| Past (for the last 5 years) | <ol style="list-style-type: none"> 1. Carlisle Hotel Management Pte. Ltd. (In Liquidation – Creditors’ Voluntary Winding Up) 2. Evan Hostel Pte. Ltd. (In Liquidation – Creditors’ Voluntary Winding Up) 3. Global Residence Pte. Ltd. (In Liquidation – Creditors’ Voluntary Winding Up) 4. Katong Hostel Pte. Ltd. (In Liquidation – Creditors’ Voluntary Winding Up) 5. Pearl Hill Hostel Pte. Ltd. (In Liquidation – Creditors’ Voluntary Winding Up) 6. Queensway Student Hostel Pte. Ltd. (In Liquidation – Creditors’ Voluntary Winding Up) 7. The Hill Lodge @ Mount Vernon Pte. Ltd. (In Liquidation – Creditors’ Voluntary Winding Up) 8. United Force Development (S) Pte. Ltd. 9. United Force Trading Pte. Ltd. 10. Winsta Holding Pte. Ltd. |
| Present | <ol style="list-style-type: none"> 1. Soon Lian Holdings Limited 2. Jackspeed Corporation Limited 3. M Development Ltd. 4. Universal Resource and Services Limited |
| <p>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.</p> | |
| (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? | <p>Yes.</p> <p>Mr Chin Yew Choong David was re-designated as a Non-Executive Non-Independent Director of M Development Ltd. (“MDL”) on 20 December 2016. He has served as an Independent Director of MDL between 2 October 2009 and 19 December 2016. On 26 July 2015 and 4 August 2015, MDL announced that it has placed the following entities under Winsta Holdings Pte. Ltd. (and its group companies, “Winsta Group”) into creditors voluntary liquidation:</p> <ol style="list-style-type: none"> a) Katong Hostel Pte. Ltd.; b) Evan Hostel Pte. Ltd.; c) The Hill Lodge @ Mount Vernon Pte. Ltd.; d) Global Residence Pte. Ltd.; e) Pearl Hill Hostel Pte. Ltd.; f) Queensway Student Hotel Pte. Ltd.; and g) Carlisle Hotel Management Pte. Ltd. |

| Name of Director | Chin Yew Choong David |
|--|-----------------------|
| (c) Whether there is any unsatisfied judgment against him? | No |
| (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No |
| (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No |
| (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No |
| (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No |
| (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No |
| (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No |

CORPORATE GOVERNANCE REPORT

| Name of Director | Chin Yew Choong David |
|--|--|
| <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>Yes.</p> <p><u>MDL</u> On 9 April 2015, MDL announced that it has taken steps to conduct an inquiry into the operations and affairs of its 51%-owned subsidiary, Winsta Group, including its procurement processes. On 18 September 2015, MDL announced the findings of KordaMentha, the forensic consulting firm, and the matters disclosed in the report were the subject of the litigation in the High Court of Singapore against certain management members of MDL and their associates. Mr Chin is at no time a subject of the internal inquiry and he was, together with other members of the board of MDL, overseeing the review process conducted by KordaMentha.</p> <p><u>URS</u> Mr Chin is currently an Independent Director of Universal Resource and Services Limited (“URS”) (appointed since April 2015, after the relevant subject matter as detailed below on irregularities occurred).</p> <p>In February 2017, Moore Stephens LLP, engaged by URS, highlighted irregularities in the cash and bank balances of URS’ wholly-owned subsidiary in China, namely Renqiu Kai Yuan Petroleum Technology Development Co., Ltd. and SKY Petroleum Technology Development (Tianjin) Co., Ltd (the “Matter”). In October 2017, Moore Stephens LLP was appointed by URS as special auditors to conduct an independent review into the circumstances surrounding the Matter and the state of financial affairs of URS and its subsidiaries. In May 2020, the special auditors issued its report on their findings (“Special Audit Report”) and thereafter, (i) the Singapore Exchange Regulation is currently reviewing the Special Audit Report for possible listing rule breaches; and (ii) URS had submitted the Special Audit Report to the Singapore Police Force Commercial Affairs Department and the Accounting and Corporate Regulatory Authority and highlighted that certain offences may have been committed.</p> <p>Mr Chin is at no time a subject of the special audit and he is, together with another member of the board of URS, overseeing the special audit.</p> |

| Name of Director | Chin Yew Choong David |
|--|-------------------------------|
| <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>No</p> <p>No</p> <p>No</p> |
| <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> | <p>No</p> |

CORPORATE GOVERNANCE REPORT

| | |
|---|---|
| Name of Director | Lam Kwong Fai |
| Date of first appointment | 22 June 2020 |
| Date of last reappointment (if applicable) | N/A |
| Age | 42 |
| 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> <p>April 2009 – March 2012 – Compliance Officer and Registered Professional of KW Capital 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 |

CORPORATE GOVERNANCE REPORT

| | |
|---|--|
| Name of Director | Lam Kwong Fai |
| <p>Other Principal Commitments* Including Directorships * "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.</p> | |
| Past (for the last 5 years) | <ol style="list-style-type: none"> 1. Medtecs International Corporation Limited 2. Medtecs (Asia Pacific) Pte. Ltd. 3. OEL (Holdings) Limited |
| Present | <ol style="list-style-type: none"> 1. Soon Lian Holdings Limited 2. Pan Asian Holdings Limited 3. China Kunda Technology Holdings Limited 4. D'Nonce Technology Bhd 5. Capital World Limited 6. Alder Corporate Services Pte Ltd |
| <p>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.</p> | |
| (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 |

CORPORATE GOVERNANCE REPORT

| Name of Director | Lam Kwong Fai |
|---|---|
| (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 |
| <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>No</p> <p>No</p> <p>No</p> <p>No</p> |

| Name of Director | Lam Kwong Fai |
|---|---------------|
| (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 |

CORPORATE GOVERNANCE REPORT

| | |
|---|--|
| Name of Director | Yap Kian Peng |
| Date of first appointment | 31 October 2007 |
| Date of last reappointment (if applicable) | 18 December 2020 |
| Age | 55 |
| 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 Yap Kian Peng as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Yap Kian Peng'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.) | Lead Independent Non-Executive Director, RC Chairman, AC Member and NC Member |
| Professional qualifications | Bachelor Degree in Business (Business Administration) from RMIT University |
| Working experience and occupation(s) during the past 10 years | December 2011 to Present – Chief Executive Officer, Jackspeed Corporation Limited |
| Shareholding interest in the listed issuer and its subsidiaries | As at the date of this report, Mr Yap Kian Peng holds direct interest in 50,000 shares of the Company. |
| 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 Catalyst 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"> 1. Agrow Development Pte. Ltd. 2. Capital Equity Holdings Pte. Ltd. |
| Present | <ol style="list-style-type: none"> 1. Soon Lian Holdings Limited 2. Better Resources Pte. Ltd. 3. Index Agency Pte. Ltd. 4. Index Credit Pte. Ltd. 5. Jackspeed Corporation Limited 6. Jackspeed Holdings Pte. Ltd. 7. Jackspeed Singapore Pte. Ltd. 8. Leganda Pte. Ltd. 9. M Development Ltd. 10. Newfort Realty Pte. Ltd. 11. Seroja Investments Limited 12. Simply Motor Pte. Ltd. |

| Name of Director | Yap Kian Peng |
|---|---|
| <p>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.</p> | |
| (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? | <p>Yes.</p> <p>Mr Yap Kian Peng is an independent director of M Development Ltd. (“MDL”) since 26 April 2013. On 26 July 2015 and 4 August 2015, MDL announced that it has placed the following entities under Winsta Holdings Pte. Ltd. and its group companies, (“Winsta Group”) into creditors’ voluntary liquidation:</p> <ul style="list-style-type: none"> a) Katong Hostel Pte. Ltd.; b) Evan Hostel Pte. Ltd.; c) The Hill Lodge @ Mount Vernon Pte. Ltd.; d) Global Residence Pte. Ltd.; e) Pearl Hill Hostel Pte. Ltd.; f) Queensway Student Hostel Pte. Ltd.; and g) Carlisle Hostel Management Pte. Ltd. |
| (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 | Yap Kian Peng |
|---|---|
| (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>Yes. On 9 April 2015, MDL announced that it has taken steps to conduct an inquiry into the operations and affairs of its 51%-owned subsidiary, Winsta Group, including its procurement processes. On 18 September 2015, MDL announced the findings of KordaMentha, the forensic consulting firm, and the matters disclosed in the report were the subject of the litigation in the High Court of Singapore against certain management members of MDL and their associates. Mr Yap is at no time a subject of the internal inquiry and he was, together with other members of the board of MDL, overseeing the review process conducted by KordaMentha.</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 |

The directors of the Company are pleased to present the accompanying financial statements of the Company and of the Group for the reporting year ended 31 December 2020.

1. Opinion of the directors

In the opinion of the directors,

- (a) the accompanying financial statements and the consolidated financial statements are drawn up so as to give a true and fair view of the financial position and performance of the Company and, of the financial position and performance of the Group for the reporting year covered by the financial statements or consolidated financial statements; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The board of directors approved and authorised these financial statements for issue.

2. Directors

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

| | |
|-----------------------|---------------------------------|
| Tan Yee Ho | |
| Tan Yee Leong | |
| Chin Yew Choong David | (Appointed on 1 June 2020) |
| Lam Kwong Fai | (Appointed on 22 June 2020) |
| Yap Kian Peng | (Appointed on 18 December 2020) |

3. Directors' interests in shares and debentures

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

| Name of directors and companies in which interests are held | Direct interest | | Deemed interest | |
|---|---|------------------------------|---|------------------------------|
| | At beginning of the reporting year or date of appointment, if later | At end of the reporting year | At beginning of the reporting year or date of appointment, if later | At end of the reporting year |
| Parent company <u>Soon Tien Holdings Pte. Ltd.</u> | Number of shares of no par value | | | |
| Tan Yee Ho | 250,000 | 250,000 | – | – |
| Tan Yee Leong | 250,000 | 250,000 | – | – |

STATEMENT BY DIRECTORS

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

| Name of directors and companies in which interests are held | Direct interest | | Deemed interest | |
|---|---|------------------------------|---|------------------------------|
| | At beginning of the reporting year or date of appointment, if later | At end of the reporting year | At beginning of the reporting year or date of appointment, if later | At end of the reporting year |
| The Company | | | | |
| <u>Soon Lian Holdings Limited</u> | | | Number of shares of no par value | |
| 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 body corporates of the Company.

The directors' interests as at 21 January 2021 were the same as those at the end of the reporting year.

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

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

5. Options

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

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

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

6. Report of audit committee

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

| | |
|--------------------------|--|
| Mr Lam Kwong Fai | (Chairman of audit committee and independent and non-executive director) |
| Mr Chin Yew Choong David | (Independent and non-executive director) |
| Mr Yap Kian Peng | (Independent and non-executive director) |

6. Report of audit committee (cont'd)

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

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

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

7. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that the risk management and internal control systems maintained by the Group addressing the financial, operational, compliance and information technology risks of the Group, are adequate and effective as at the end of the reporting year 31 December 2020.

8. Subsequent developments

There are no significant developments subsequent to the release of the Group's and the Company's preliminary financial statements, as announced on 25 February 2021, which would materially affect the Group's and the Company's operating and financial performance as of the date of this report.

On behalf of the directors

Tan Yee Ho
Director

Tan Yee Leong
Director

31 March 2021

INDEPENDENT AUDITOR'S REPORT

To the Members of Soon Lian Holdings Limited

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Soon Lian Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group, and statement of changes in equity of the Company for the reporting year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out from pages 84 to 134.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the reporting year ended on that date.

Basis for opinion

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

Key audit matters

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

a) Inventories – impairment allowance

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

Inventories amounted to \$21.1 million, representing 42% of the Group's total assets, as at 31 December 2020. The estimate of allowance for slow moving inventories involves a significant degree of judgement. Management determines the allowance of inventory obsolescence and net realisable value by taking into consideration various factors, including macroeconomics, general market conditions, future market demands, physical deterioration and market commodity prices. We focused on this area because the determination of allowance for inventory obsolescence involves a high level of judgement and is subject to uncertainty due to the challenging market conditions.

Key audit matters (cont'd)

a) Inventories – impairment allowance (cont'd)

Our procedures included:

- Reviewing the Group's policy of allowance for slow moving inventories and performing procedures to understand management's methodology and process of assessing the allowance of slow moving inventories;
- Evaluating the appropriateness of the inventory impairment allowance;
- Evaluating the accuracy of the Group's inventory ageing by verifying on a sample basis that inventory items were categorised appropriately in the relevant ageing band based on the purchase date of the inventories;
- Comparing the net realisable value of a sample of inventories to subsequent selling prices; and
- Assessing the adequacy of disclosures made in the financial statements.

b) Trade receivables – impairment allowance

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

Trade receivables amounted to \$11.5 million, representing 23% of the Group's total assets, as at 31 December 2020. The allowance for impairment of trade receivables is estimated by management through the application of judgement and use of subjective assumptions. The estimate of impairment loss is based on the historical trend of these receivables, which includes analysis of the age of these receivables, credit worthiness of the customers and post year end receipts, and using an allowance matrix based on its historical observed default rates over the expected life of the trade receivables.

Our procedures included:

- Reviewing the aging of trade receivables;
- Assessing management's assumptions and estimates, the payment history of customers, in particular, of those relating to the collectability of material unimpaired trade receivables balances as at 31 December 2020;
- Reviewing management's assessment and inputs used in determining the allowance matrix through aging analyses and review of historical credit loss experiences;
- Checking the arithmetic accuracy of the computation of expected credit losses; and
- Assessing whether the financial statements disclosures appropriately reflect the Group's exposure to credit risk.

INDEPENDENT AUDITOR'S REPORT

To the Members of Soon Lian Holdings Limited

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- a) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

INDEPENDENT AUDITOR'S REPORT

To the Members of Soon Lian Holdings Limited

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

- d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on other legal and regulatory requirements

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

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

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2021

Engagement partner – effective from year ended 31 December 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2020

| | Notes | Group | |
|---|-------|----------------|----------------|
| | | 2020 \$'000 | 2019 \$'000 |
| Revenue | 5 | 33,427 | 31,139 |
| Cost of sales | | (28,697) | (25,318) |
| Gross profit | | 4,730 | 5,821 |
| Other income and gains | 6 | 1,283 | 894 |
| Distribution costs | 9 | (284) | (337) |
| Administrative expenses | 9 | (4,395) | (4,586) |
| Finance costs | 7 | (534) | (785) |
| Other losses | 6 | (215) | (119) |
| Profit before tax | | 585 | 888 |
| Income tax expense | 10 | (174) | (75) |
| Profit for the year | | 411 | 813 |
| Other comprehensive income (loss) | | | |
| Items that may be reclassified subsequently to profit or loss: | | | |
| Exchange differences on translating foreign operations, net of tax | | 187 | (72) |
| Other comprehensive income (loss) for the year, net of tax: | | 187 | (72) |
| Total comprehensive income for the year | | 598 | 741 |
| Profit attributable to owners of the Company, net of tax | | 411 | 813 |
| Profit net of tax | | 411 | 813 |
| Total comprehensive income attributable to owners of the Company | | 598 | 741 |
| Total comprehensive income | | 598 | 741 |
| Earnings per share | | Cents | Cents |
| Basic | 12 | 0.38 | 0.75 |
| Diluted | 12 | 0.38 | 0.75 |

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

STATEMENTS OF FINANCIAL POSITION

At at 31 December 2020

| | Notes | Group | | Company | |
|---|-------|----------------|----------------|----------------|----------------|
| | | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 13 | 7,291 | 7,992 | – | – |
| Right-of-use assets | 14 | 759 | 284 | – | – |
| Land use right | 15 | 2,439 | 2,574 | – | – |
| Intangible assets | 16 | – | 17 | – | – |
| Investments in subsidiaries | 17 | – | – | 11,283 | 11,283 |
| Deferred tax assets | 10 | 331 | 266 | – | – |
| Total non-current assets | | 10,820 | 11,133 | 11,283 | 11,283 |
| Current assets | | | | | |
| Asset classified as held for sale | 18 | – | 386 | – | – |
| Inventories | 19 | 21,073 | 23,542 | – | – |
| Trade and other receivables | 20 | 11,961 | 9,991 | 2,003 | 1,640 |
| Other non-financial assets | 21 | 552 | 141 | 24 | 24 |
| Cash and cash equivalents | 22 | 6,014 | 3,971 | 671 | 513 |
| Total current assets | | 39,600 | 38,031 | 2,698 | 2,177 |
| Total assets | | 50,420 | 49,164 | 13,981 | 13,460 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Share capital | 23 | 10,579 | 10,579 | 10,579 | 10,579 |
| Retained earnings | | 19,307 | 18,900 | 3,109 | 2,536 |
| Other reserves | 24 | 260 | 69 | – | – |
| Total equity | | 30,146 | 29,548 | 13,688 | 13,115 |
| Non-current liabilities | | | | | |
| Financial liabilities – Lease liability | 25 | 578 | 387 | – | – |
| Other financial liabilities | 26 | 9,576 | 6,172 | – | – |
| Total non-current liabilities | | 10,154 | 6,559 | – | – |
| Current liabilities | | | | | |
| Liability classified as held for sale | 18 | – | 154 | – | – |
| Income tax payable | | 119 | 16 | – | 7 |
| Financial liabilities – Lease liability | 25 | 390 | 197 | – | – |
| Other financial liabilities | 26 | 1,585 | 1,738 | – | – |
| Trade and other payables | 27 | 8,026 | 10,952 | 293 | 338 |
| Total current liabilities | | 10,120 | 13,057 | 293 | 345 |
| Total liabilities | | 20,274 | 19,616 | 293 | 345 |
| Total equity and liabilities | | 50,420 | 49,164 | 13,981 | 13,460 |

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

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2020

| Group | Total equity \$'000 | Share capital \$'000 | Retained earnings \$'000 | Other reserves \$'000 |
|--|------------------------|-------------------------|-----------------------------|--------------------------|
| Current year: | | | | |
| Opening balance at 1 January 2020 | 29,548 | 10,579 | 18,900 | 69 |
| Changes in equity: | | | | |
| Total comprehensive income for the year | 598 | – | 411 | 187 |
| Transferred (from) to retained earnings | – | – | (4) | 4 |
| Closing balance at 31 December 2020 | 30,146 | 10,579 | 19,307 | 260 |
| Previous year: | | | | |
| Opening balance at 1 January 2019 | 28,807 | 10,579 | 18,089 | 139 |
| Changes in equity: | | | | |
| Total comprehensive income (loss) for the year | 741 | – | 813 | (72) |
| Transferred (from) to retained earnings | – | – | (2) | 2 |
| Closing balance at 31 December 2019 | 29,548 | 10,579 | 18,900 | 69 |

| Company | Total equity \$'000 | Share capital \$'000 | Retained earnings \$'000 |
|--|------------------------|-------------------------|-----------------------------|
| Current year: | | | |
| Opening balance at 1 January 2020 | 13,115 | 10,579 | 2,536 |
| Changes in equity: | | | |
| Total comprehensive income for the year | 573 | – | 573 |
| Closing balance at 31 December 2020 | 13,688 | 10,579 | 3,109 |
| Previous year: | | | |
| Opening balance at 1 January 2019 | 13,091 | 10,579 | 2,512 |
| Changes in equity: | | | |
| Total comprehensive income for the year | 24 | – | 24 |
| Closing balance at 31 December 2019 | 13,115 | 10,579 | 2,536 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2020

| | Group | |
|---|--------------|----------------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Cash flows from operating activities | | |
| Profit before tax | 585 | 888 |
| Adjustments for: | | |
| Interest income | (15) | (4) |
| Interest expense | 534 | 785 |
| Fair value loss on foreign exchange contracts | – | 2 |
| Depreciation of property, plant and equipment | 859 | 833 |
| Depreciation of right-of-use assets | 278 | 137 |
| Amortisation of land use right | 135 | 136 |
| Amortisation of intangible assets | 18 | 29 |
| Reversal of impairment on trade receivables | (214) | (726) |
| Allowance for impairment on inventories | 1,915 | 20 |
| Bad debts written-off | 12 | 25 |
| Inventory written-off | 35 | – |
| Gains on disposal of property, plant and equipment | (276) | (27) |
| Property, plant and equipment written-off | 4 | – |
| Net effect of exchange rate changes in consolidating foreign operations | 188 | (69) |
| Operating cash flows before changes in working capital | 4,058 | 2,029 |
| Cash restricted in use | (11) | – |
| Inventories | 519 | 4,882 |
| Trade and other receivables | (1,787) | 1,185 |
| Other non-financial assets | (411) | (36) |
| Trade and other payables | 531 | (1,984) |
| Net cash flows from operations | 2,899 | 6,076 |
| Income taxes paid | (132) | (69) |
| Net cash flows from operating activities | 2,767 | 6,007 |
| Cash flows from investing activities | | |
| Disposal of property, plant and equipment | 720 | 157 |
| Purchase of property, plant and equipment (Notes 13 and 22B) | (206) | (1,018) |
| Interest received | 15 | 4 |
| Net cash flows from (used in) investing activities | 529 | (857) |
| Cash flows from financing activities | | |
| Decrease in borrowings | (6,588) | (11,321) |
| Increase from new borrowings | 7,113 | 5,570 |
| Lease liabilities | (415) | (249) |
| Interest paid | (489) | (772) |
| Net cash flows used in financing activities | (379) | (6,772) |
| Net increase (decrease) in cash and cash equivalents | 2,917 | (1,622) |
| Cash and cash equivalents, consolidated statement of cash flows, beginning balance | 3,086 | 4,708 |
| Cash and cash equivalents, consolidated statement of cash flows, ending balance (Note 22A) | 6,003 | 3,086 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

1. General

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

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

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

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

The registered office and principal place of business of the Company is: 6 Tuas Lane, Singapore 638615.

Uncertainties relating to the Covid-19 pandemic:

The Covid-19 pandemic and the aftermath of the pandemic has caused and will continue to cause disruptions resulting in uncertainties surrounding the Group’s business, including its relationships with its existing and future customers, suppliers and employees. The pandemic had and will continue to have an effect on the Group’s financial position, financial performance, cash flows and prospects for the foreseeable future. The extent to which the Group will be impacted by the pandemic remains uncertain. Management will continue to closely monitor the further economic development and its impact.

Statement of compliance with financial reporting standards

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

Accounting convention

The financial statements are prepared on a going concern basis under the historical cost convention except where a financial reporting standard requires an alternative treatment (such as fair values) as disclosed where appropriate in these financial statements.

Basis of preparation of the financial statements

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting year. Actual results could differ from those estimates. The estimates and assumptions are reviewed on an ongoing basis. Apart from those involving estimations, management has made judgements in the process of applying the Group’s accounting policies. The areas requiring management’s most difficult, subjective or complex judgements, or areas where assumptions and estimates are significant to the financial statements, are disclosed at Note 2C, where applicable.

1. General (cont'd)

Basis of presentation

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

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

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

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

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

Sale of goods

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

Other income

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

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

2A. Significant accounting policies (cont'd)

Government grants

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

Employee benefits

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

Borrowing costs

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

Foreign currency transactions

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

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

2A. Significant accounting policies (cont'd)

Translation of financial statements of other entities

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

Income tax

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

Property, plant and equipment

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

| | |
|-------------------------------------|-----------------------------------|
| Freehold property | – 50 years |
| Leasehold property and improvements | – over terms of lease of 20 years |
| Plant and equipment | – 5 to 10 years |

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

2A. Significant accounting policies (cont'd)

Property, plant and equipment (cont'd)

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

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

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.

Right-of-use assets

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

| | | |
|------------------|---|---------------------------------|
| Warehouse space | - | over the lease terms of 3 years |
| Office equipment | - | over the lease terms of 5 years |
| Office space | - | over the lease terms of 3 years |

Leases of lessee

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

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

2A. Significant accounting policies (cont'd)

Leases of lessor

For a lessor each of lease is classified as either an operating lease or a finance lease. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership of an underlying asset. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset and it is presented in its statement of financial position as a receivable at an amount equal to the net investment in the lease. For a finance lease the finance income is recognised over the lease term, based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the lease.

Intangible assets

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

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

Customer lists – 5 years

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

Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

2A. Significant accounting policies (cont'd)

Business combinations

A business combination is a transaction or other event which requires that the assets acquired and liabilities assumed constitute a business. It is accounted for by applying the acquisition method of accounting. The cost of a business combination includes the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer, in exchange for control of the acquiree. The acquisition-related costs are expensed in the periods in which the costs are incurred and the services are received except for any costs to issue debt or equity securities are recognised in accordance with the financial reporting standard on financial instruments. As of the acquisition date, the acquirer recognises, separately from goodwill, the identifiable assets acquired, the liabilities assumed and any non-controlling interest in the acquiree measured at acquisition-date fair values as defined in and that meet the conditions for recognition under the financial reporting standard on business combinations. If there is gain on bargain purchase, for the gain on bargain purchase a reassessment is made of the identification and measurement of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of the business combination and any excess remaining after this reassessment is recognised immediately in profit or loss.

There were no acquisitions during the reporting year.

Inventories

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

Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees issued are initially measured at fair value. Subsequently, they are measured at the higher of the loss allowance determined in accordance with SFRS(I) 9 and the amount initially recognised less, where appropriate, the cumulative amount of income recognised in accordance with the principles of SFRS(I) 15.

Liabilities arising from financial guarantees, if any are included within 'Other financial liabilities'.

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

2A. Significant accounting policies (cont'd)

Carrying amounts of non-financial assets

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

Financial instruments

Recognition and derecognition of financial instruments:

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

At initial recognition the financial asset or financial liability is measured at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

Classification and measurement of financial assets:

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

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

2A. Significant accounting policies (cont'd)

Financial instruments (cont'd)

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

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

Classification and measurement of financial liabilities:

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

Cash and cash equivalents

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

Derivative financial instruments

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

Fair value measurement

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

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

2A. Significant accounting policies (cont'd)

Fair value measurement (cont'd)

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

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

2B. Other explanatory information

Provisions

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

Segment reporting

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

Assets classified as held for sale

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

NOTES TO THE FINANCIAL STATEMENTS

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

2C. Critical judgements, assumptions and estimation uncertainties

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

Expected credit loss allowance on trade receivables:

The allowance for expected credit losses (ECL) assessment requires a degree of estimation and judgement. It is based on the lifetime ECL for trade receivables. In measuring the expected credit losses, management considers all reasonable and supportable information such as the Group's past experience at collecting receipts, any increase in the number of delayed receipts in the portfolio past the average credit period, and forward-looking information such as forecasts of future economic conditions (including the impact of the Covid-19 pandemic). The carrying amounts might change materially within the next reporting year but these changes may not arise from assumptions or other sources of estimation uncertainty at the end of the reporting year. The carrying amount is disclosed in the note on trade and other receivables.

Allowance on inventories:

The allowance for impairment of inventories assessment requires a degree of estimation and judgement. The level of the loss allowance is assessed by taking into account the recent sales experience, the ageing of inventories, other factors that affect inventory obsolescence and subsequent events. Possible changes in these estimates could result in revisions to the stated value of the inventories. The carrying amount of inventories at the end of the reporting year is disclosed in the note on inventories.

Income tax amounts:

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

NOTES TO THE FINANCIAL STATEMENTS

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3. Related party relationships and transactions

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

3A. Members of a group:

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

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

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

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

3B. Key management compensation:

| | Group | |
|---|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Salaries and other short-term employee benefits | 1,252 | 1,396 |
| Contributions to defined contribution plans | 54 | 59 |
| | <u>1,306</u> | <u>1,455</u> |

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

| | Group | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Remuneration of directors of the Company | 792 | 890 |
| Fees to directors of the Company | 77 | 85 |
| Fees to directors of a subsidiary | <u>2</u> | <u>2</u> |

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

3C. Other receivables from related parties:

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

| | Subsidiaries | |
|--------------------------------------|--------------|---------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| <u>Company</u> | | |
| <u>Other receivables:</u> | | |
| Balance at beginning of the year | 1,640 | 1,757 |
| Amounts paid in | (517) | (1,029) |
| Amounts paid out | 880 | 912 |
| Balance at end of the year (Note 20) | 2,003 | 1,640 |

4. Financial information by operating segments

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

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

The Group supplies aluminium alloy products.

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

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

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

Segment assets consist principally of trade receivables.

Unallocated assets and liabilities comprise property, plant and equipment, inventories (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.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

4B. Profit or loss from operations and reconciliations

| | Precision engineering \$'000 | Marine \$'000 | Stockists and traders \$'000 | Other customers \$'000 | Unallocated \$'000 | Group \$'000 |
|--|------------------------------------|------------------|------------------------------------|------------------------------|-----------------------|-----------------|
| Continuing operations 2020 | | | | | | |
| Revenue by segment | | | | | | |
| Total revenue by segment | 18,586 | 9,347 | 4,814 | 680 | – | 33,427 |
| Recurring EBITDA | | | | | | |
| Finance costs | – | – | – | – | (534) | (534) |
| Depreciation and amortisation | – | – | – | – | (1,290) | (1,290) |
| ORBT | 3,133 | 853 | 486 | 258 | (1,824) | 2,906 |
| Other unallocated items | | | | | (2,321) | (2,321) |
| Profit before tax from continuing operations | | | | | | 585 |
| Income tax expense | | | | | | (174) |
| Profit from operations | | | | | | 411 |
| Continuing operations 2019 | | | | | | |
| Revenue by segment | | | | | | |
| Total revenue by segment | 17,681 | 9,967 | 3,022 | 469 | – | 31,139 |
| Recurring EBITDA | | | | | | |
| Finance costs | – | – | – | – | (785) | (785) |
| Depreciation and amortisation | – | – | – | – | (1,135) | (1,135) |
| ORBT | 3,881 | 1,169 | 446 | 325 | (1,920) | 3,901 |
| Other unallocated items | | | | | (3,013) | (3,013) |
| Profit before tax from continuing operations | | | | | | 888 |
| Income tax expense | | | | | | (75) |
| Profit from operations | | | | | | 813 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

4C. Assets and reconciliations

| | Precision engineering \$'000 | Marine \$'000 | Stockists and traders \$'000 | Other customers \$'000 | Unallocated \$'000 | Group \$'000 |
|--------------------------------------|------------------------------------|------------------|------------------------------------|------------------------------|-----------------------|-----------------|
| 2020: | | | | | | |
| Total assets for reportable segments | 7,371 | 1,894 | 2,186 | 81 | – | 11,532 |
| Unallocated: | | | | | | |
| Property, plant and equipment | – | – | – | – | 7,291 | 7,291 |
| Right-of-use assets | – | – | – | – | 759 | 759 |
| Land use right | – | – | – | – | 2,439 | 2,439 |
| Deferred tax assets | – | – | – | – | 331 | 331 |
| Inventories | – | – | – | – | 21,073 | 21,073 |
| Cash and cash equivalents | – | – | – | – | 6,014 | 6,014 |
| Other unallocated amounts | – | – | – | – | 981 | 981 |
| Total group assets | 7,371 | 1,894 | 2,186 | 81 | 38,888 | 50,420 |
| 2019: | | | | | | |
| Total assets for reportable segments | 5,673 | 2,529 | 1,324 | 8 | – | 9,534 |
| Unallocated: | | | | | | |
| Asset classified as held for sale | – | – | – | – | 386 | 386 |
| Property, plant and equipment | – | – | – | – | 7,992 | 7,992 |
| Right-of-use assets | – | – | – | – | 284 | 284 |
| Land use right | – | – | – | – | 2,574 | 2,574 |
| Deferred tax assets | – | – | – | – | 266 | 266 |
| Inventories | – | – | – | – | 23,542 | 23,542 |
| Cash and cash equivalents | – | – | – | – | 3,971 | 3,971 |
| Other unallocated amounts | – | – | – | – | 615 | 615 |
| Total group assets | 5,673 | 2,529 | 1,324 | 8 | 39,630 | 49,164 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

4D. Liabilities and reconciliations

| | Precision engineering \$'000 | Marine \$'000 | Stockists and traders \$'000 | Other customers \$'000 | Unallocated \$'000 | Group \$'000 |
|---------------------------------------|------------------------------------|------------------|------------------------------------|------------------------------|-----------------------|-----------------|
| 2020: | | | | | | |
| Unallocated: | | | | | | |
| Income tax payable | - | - | - | - | 119 | 119 |
| Borrowings | - | - | - | - | 11,161 | 11,161 |
| Lease liabilities | - | - | - | - | 968 | 968 |
| Trade and other payables | - | - | - | - | 8,026 | 8,026 |
| Total group liabilities | - | - | - | - | 20,274 | 20,274 |
| 2019: | | | | | | |
| Unallocated: | | | | | | |
| Liability classified as held for sale | - | - | - | - | 154 | 154 |
| Income tax payable | - | - | - | - | 16 | 16 |
| Borrowings | - | - | - | - | 7,910 | 7,910 |
| Lease liabilities | - | - | - | - | 584 | 584 |
| Trade and other payables | - | - | - | - | 10,952 | 10,952 |
| Total group liabilities | - | - | - | - | 19,616 | 19,616 |

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

4E. Other material items and reconciliations

| | Precision engineering \$'000 | Marine \$'000 | Stockists and traders \$'000 | Other customers \$'000 | Unallocated \$'000 | Group \$'000 |
|---|------------------------------------|------------------|------------------------------------|------------------------------|-----------------------|-----------------|
| Impairment (reversal) of receivables and inventories, and inventories and bad debts written-off (net) | | | | | | |
| 2020 | (104) | (190) | 91 | 1 | 1,950 | 1,748 |
| 2019 | (622) | (80) | - | - | 21 | (681) |
| Expenditure for non-current assets | | | | | | |
| 2020 | - | - | - | - | 206 | 206 |
| 2019 | - | - | - | - | 1,261 | 1,261 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

4F. Geographical information

| | Revenue | | Non-current assets | |
|------------------|---------|--------|--------------------|--------|
| | 2020 | 2019 | 2020 | 2019 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Singapore | 10,027 | 12,024 | 9,576 | 10,097 |
| Malaysia | 8,528 | 7,047 | 290 | 419 |
| China | 5,564 | 2,702 | 422 | 179 |
| Taiwan | 4,420 | 3,073 | 201 | 172 |
| Indonesia | 1,544 | 2,265 | – | – |
| Other countries | 3,344 | 4,028 | – | – |
| Total operations | 33,427 | 31,139 | 10,489 | 10,867 |

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

4G. Information about major customers

| | Group | |
|--|--------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Revenue | | |
| Top 1 customer in precision engineering segment (2019: marine segment) | 3,718 | 3,051 |

There are no customers with revenue transactions of over 10% of the Group revenue in 2020.

5. Revenue

Revenue from contracts with customers

| | Group | |
|---------------|--------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Sale of goods | 33,243 | 30,891 |
| Other income | 184 | 248 |
| Total revenue | 33,427 | 31,139 |

NOTES TO THE FINANCIAL STATEMENTS

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6. Other income and gains and (other losses)

| | Group | |
|--|--------------|------------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Allowance for impairment on trade receivables | (164) | (45) |
| Allowance for impairment on inventories | – | (47) |
| Bad debts written-off | (12) | (25) |
| Inventories written-off | (35) | – |
| Plant and equipment written-off | (4) | – |
| Foreign exchange adjustment gains | 209 | 22 |
| Fair value loss on foreign exchange contracts (Note 26C) | – | (2) |
| Interest income | 15 | 4 |
| Reversal for impairment on trade receivables | 378 | 771 |
| Reversal for impairment on inventories | – | 27 |
| Gains on disposal of property, plant and equipment | 276 | 27 |
| Government grant income | 112 | 23 |
| Job support scheme ^(a) | 293 | – |
| Rental income | – | 20 |
| Net | <u>1,068</u> | <u>775</u> |
| Presented in profit or loss as: | | |
| Other income and gains | 1,283 | 894 |
| Other losses | (215) | (119) |
| Net | <u>1,068</u> | <u>775</u> |

(a) The Jobs Support Scheme is introduced by the government under the Stabilisation and Support Package that was announced during Budget 2020, with the intention of providing greater assurance and support to workers and enterprises during the Covid-19 pandemic. During the reporting year ended 31 December 2020, wage support received from the government for the period April 2020 to December 2020 has been recorded within other income.

7. Finance costs

| | Group | |
|-------------------------------|------------|------------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Interest expense | 489 | 772 |
| Interest on lease liabilities | 45 | 13 |
| Total finance costs | <u>534</u> | <u>785</u> |

NOTES TO THE FINANCIAL STATEMENTS

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8. Employee benefits expense

| | Group | |
|--|--------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Short term employee benefits expense | 3,303 | 3,444 |
| Contributions to defined contribution plans | 318 | 349 |
| Other benefits | 84 | 56 |
| Total employee benefits expense | 3,705 | 3,849 |
| The employee benefits expense is charged as follows: | | |
| Cost of sales | 784 | 819 |
| Administrative expenses (Note 9) | 2,921 | 3,030 |
| | 3,705 | 3,849 |

9. Other expenses

The major components and other selected components include the following:

| | Group | |
|------------------------------------|--------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| <u>Distribution costs</u> | | |
| Commission expenses | 229 | 125 |
| Entertainment expenses | 43 | 90 |
| Exhibition expenses | – | 72 |
| Travelling expenses | 10 | 37 |
| | 2,921 | 3,030 |
| <u>Administrative expenses</u> | | |
| Employee benefits expense (Note 8) | 2,921 | 3,030 |
| | 2,921 | 3,030 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

10. Income tax

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

| | Group | |
|---|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| <u>Current tax expense:</u> | | |
| Current tax expense | 191 | 62 |
| Under adjustments in respect of prior periods | 48 | – |
| Subtotal | 239 | 62 |
| <u>Deferred tax expense:</u> | | |
| Deferred tax (income) expense | (40) | 13 |
| Over adjustments in respect of prior periods | (25) | – |
| Subtotal | (65) | 13 |
| Total income tax expense | 174 | 75 |

The reconciliation of income taxes below is determined by applying the Singapore corporate tax rate. The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2019: 17%) to profit or loss before income tax as a result of the following differences:

| | Group | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Profit before tax | 585 | 888 |
| Income tax expense at the above rate | 99 | 151 |
| (Income not subject to tax) expenses not deductible for tax purposes | (118) | 79 |
| Tax exemptions | – | (20) |
| Under adjustments to tax in respect of prior periods | 23 | – |
| Effect of different tax rates in different countries | 114 | 15 |
| Deferred tax assets not recognised (not recognised previously) | 56 | (150) |
| Total income tax expense | 174 | 75 |

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

NOTES TO THE FINANCIAL STATEMENTS

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10. Income tax (cont'd)

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

| | Group | |
|---|--------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Excess of tax values over net book value on plant and equipment | (94) | (80) |
| Tax loss carryforwards | (27) | 189 |
| Unutilised capital allowances carryforwards | - | 54 |
| Deferred tax assets not recognised | 56 | (150) |
| Total deferred income tax expense recognised in profit or loss | (65) | 13 |

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

| | Group | |
|---|---------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| <u>From deferred tax assets recognised in profit or loss:</u> | | |
| Excess of tax values over net book value of plant and equipment | 800 | 706 |
| Tax loss carryforwards | 564 | 537 |
| Deferred tax assets not recognised | (1,033) | (977) |
| Net balance | 331 | 266 |

Temporary differences arising from interests in subsidiaries are insignificant.

For the Singapore companies, the realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined. The tax loss carryforwards from Singapore companies amounted to \$3,320,000 (2019: \$3,159,000).

For the People's Republic of China companies, the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances can be carried forward for 5 years. In the reporting year ended 31 December 2020, the tax loss carryforwards of \$8,000 (2019: \$90,000) will expire in 2024.

11. Items in profit or loss

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

| | Group | |
|---|--------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Audit fees to the independent auditors of the Company | 80 | 83 |
| Audit fees to the other independent auditors | 22 | 20 |
| Other fees to the independent auditors of the Company | 41 | 39 |
| Other fees to the other independent auditors | 7 | 11 |

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12. Earnings per share

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

| | Group | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| <hr/> | | |
| Numerators: earnings attributable to equity | | |
| Continuing operations: attributable to equity holders | 411 | 813 |
| | <u>'000</u> | <u>'000</u> |
| <hr/> | | |
| Denominators: weighted average number of equity shares | | |
| Basic | 108,000 | 108,000 |
| Diluted | 108,000 | 108,000 |

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

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

NOTES TO THE FINANCIAL STATEMENTS

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13. Property, plant and equipment

| Group | Freehold property \$'000 | Leasehold property and improvements \$'000 | Plant and equipment \$'000 | Total \$'000 |
|-------------------------------------|-----------------------------|---|-------------------------------|-----------------|
| <u>Cost:</u> | | | | |
| At 1 January 2019 | 459 | 5,743 | 5,248 | 11,450 |
| Additions | – | 512 | 749 | 1,261 |
| Disposals | – | – | (441) | (441) |
| Transfer to held for sale (Note 18) | (457) | – | – | (457) |
| Foreign exchange adjustments | (2) | – | (12) | (14) |
| At 31 December 2019 | – | 6,255 | 5,544 | 11,799 |
| Additions | – | 12 | 194 | 206 |
| Disposals | – | (27) | (438) | (465) |
| Foreign exchange adjustments | – | – | 44 | 44 |
| At 31 December 2020 | – | 6,240 | 5,344 | 11,584 |
| <u>Accumulated depreciation:</u> | | | | |
| At 1 January 2019 | 66 | 181 | 3,117 | 3,364 |
| Depreciation for the year | 5 | 308 | 520 | 833 |
| Disposals | – | – | (311) | (311) |
| Transfer to held for sale (Note 18) | (71) | – | – | (71) |
| Foreign exchange adjustments | – | – | (8) | (8) |
| At 31 December 2019 | – | 489 | 3,318 | 3,807 |
| Depreciation for the year | – | 380 | 479 | 859 |
| Disposals | – | (11) | (392) | (403) |
| Foreign exchange adjustments | – | – | 30 | 30 |
| At 31 December 2020 | – | 858 | 3,435 | 4,293 |
| <u>Carrying value:</u> | | | | |
| At 1 January 2019 | 393 | 5,562 | 2,131 | 8,086 |
| At 31 December 2019 | – | 5,766 | 2,226 | 7,992 |
| At 31 December 2020 | – | 5,382 | 1,909 | 7,291 |

The depreciation expense is charged as follows:

| | Group | |
|-------------------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Cost of sales | 515 | 471 |
| Administrative expenses | 344 | 362 |
| Total | 859 | 833 |

As at the end of the reporting year, the Group's leasehold property is mortgaged to the bank for credit facilities and term loans as disclosed in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

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

In 2019, plant and equipment with a net book value of \$419,000 were registered in the names of the former director who hold the assets in trust for the Group.

Certain items are under lease liabilities agreements (see Note 25). Certain assets under property, plant and equipment are acquired under lease contracts (see Note 22B).

14. Right-of-use assets

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

| Group | Warehouse space \$'000 | Office equipment \$'000 | Office space \$'000 | Total \$'000 |
|----------------------------------|---------------------------|----------------------------|------------------------|-----------------|
| <u>Cost:</u> | | | | |
| At 1 January 2019 | – | 53 | 110 | 163 |
| Additions | – | – | 258 | 258 |
| At 31 December 2019 | – | 53 | 368 | 421 |
| Additions | 370 | – | 383 | 753 |
| At 31 December 2020 | 370 | 53 | 751 | 1,174 |
| <u>Accumulated depreciation:</u> | | | | |
| At 1 January 2019 | – | – | – | – |
| Depreciation for the year | – | 10 | 127 | 137 |
| At 31 December 2019 | – | 10 | 127 | 137 |
| Depreciation for the year | 52 | 10 | 216 | 278 |
| At 31 December 2020 | 52 | 20 | 343 | 415 |
| <u>Carrying value:</u> | | | | |
| At 1 January 2019 | – | 53 | 110 | 163 |
| At 31 December 2019 | – | 43 | 241 | 284 |
| At 31 December 2020 | 318 | 33 | 408 | 759 |

The depreciation expense is charged as follows:

| | Group | |
|-------------------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Cost of sales | 188 | 109 |
| Administrative expenses | 90 | 28 |
| Total | 278 | 137 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

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

| Group | Warehouse space | Office equipment | Office space | Total |
|---|-----------------|------------------|---------------|-------------|
| Number of right-of-use assets | 1 | 4 | 2 | 7 |
| Remaining term - range | 2.6 years | 3 years | 1.8 – 2 years | – |
| Remaining term - average | 2.6 years | 3 years | 1.9 years | – |
| Weighted average incremental borrowing rate applied to lease liabilities – 2020 | 2.9% | 3.3% | 5.1% – 7.1% | 2.9% – 7.1% |
| Weighted average incremental borrowing rate applied to lease liabilities – 2019 | – | 3.3% | 7.1% | 3.3% – 7.1% |

The leases are for warehouse space, office equipment and office space.

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

15. Land use right

| | Group | |
|---|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| <u>Cost:</u> | | |
| At beginning and end of the year | 2,800 | 2,800 |
| <u>Accumulated amortisation:</u> | | |
| At beginning of the year | 226 | 90 |
| Amortisation for the year | 135 | 136 |
| At end of the year | 361 | 226 |
| <u>Carrying value:</u> | | |
| At beginning of the year | 2,574 | 2,710 |
| At end of the year | 2,439 | 2,574 |
| <u>Amount to be amortised</u> | | |
| – Not later than one year | 136 | 136 |
| – Later than one year and not later than five years | 544 | 544 |
| – Later than five years | 1,759 | 1,894 |
| | 2,439 | 2,574 |

15. Land use right (cont'd)

The amortisation expense is charged as follows:

| | Group | |
|---------------|--------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Cost of sales | 135 | 136 |

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.

As at the end of the reporting year, the land use right is mortgaged to the bank for credit facilities and term loans as disclosed in Note 26.

16. Intangible assets

| | Group | |
|----------------------------------|--------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Customer lists | – | 17 |
| <u>Cost:</u> | | |
| At beginning of the year | 147 | 146 |
| Foreign exchange adjustments | 7 | 1 |
| At end of the year | 154 | 147 |
| <u>Accumulated amortisation:</u> | | |
| At beginning of the year | 130 | 100 |
| Amortisation for the year | 18 | 29 |
| Foreign exchange adjustments | 6 | 1 |
| At end of the year | 154 | 130 |
| <u>Carrying value:</u> | | |
| At beginning of the year | 17 | 46 |
| At end of the year | – | 17 |

The amortisation expense is charged to administrative expenses.

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31 December 2020

17. Investments in subsidiaries

| | Company | |
|---|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Movement during the year: | | |
| At the beginning of the year | 11,283 | 10,957 |
| Additions | – | 326 |
| At the end of the year | 11,283 | 11,283 |
| Total cost comprising: | | |
| Unquoted equity shares at cost | 12,206 | 12,206 |
| Allowance for impairment | (923) | (923) |
| Total | 11,283 | 11,283 |
| Analysis of amounts denominated in non-functional currencies: | | |
| Malaysian Ringgit | 931 | 931 |
| Taiwan Dollar | 661 | 661 |
| Movement in allowance for impairment: | | |
| Balance at beginning and end of the year | 923 | 923 |

Details of the subsidiaries are as follows:

| Name of subsidiaries, country of incorporation, place of operations, principal activities and independent auditors | Cost in books of company | | Effective percentage of equity held | |
|--|-----------------------------|----------------|--|-----------|
| | 2020 \$'000 | 2019 \$'000 | 2020 % | 2019 % |
| <u>Held by the Company</u> | | | | |
| SL Metals Pte. Ltd. Singapore Supplier of aluminium alloy products (RSM Chio Lim LLP) | 8,444 | 8,444 | 100 | 100 |
| SL Metals (M) Sdn. Bhd. ^(a) Malaysia Supplier of aluminium alloy products (ASQ PLT) | 931 | 931 | 100 | 100 |
| SL Corporation Pte. Ltd. Singapore Investment holding (RSM Chio Lim LLP) | 2,170 | 2,170 | 100 | 100 |
| SL Metals (Taiwan) Co., Ltd. ^(b) Taiwan Supplier of aluminium alloy products (RSM Taiwan) | 661 | 661 | 100 | 100 |
| | 12,206 | 12,206 | | |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

17. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows: (cont'd)

| Name of subsidiaries, country of incorporation, place of operations, principal activities and independent auditors | Effective percentage of equity held | |
|--|-------------------------------------|-----------|
| | 2020 % | 2019 % |
| <u>Held through SL Corporation Pte. Ltd.</u> | | |
| SL Metals (Suzhou) Co., Ltd ^(a) People's Republic of China Supplier of aluminium alloy products (Shu Lun Pan Certified Public Accountants LLP) | 100 | 100 |
| SL Metals (Shenzhen) Co., Ltd ^(c) People's Republic of China Dormant | 100 | 100 |

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

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

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

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

18. Asset / Liability held for sale

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

(i) Asset classified as held for sale

| | Group 2019 \$'000 |
|------------------------------------|-------------------------|
| Freehold property (Note 13) | 457 |
| Accumulated depreciation (Note 13) | (71) |
| Carrying value | <u>386</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

18. Asset / Liability held for sale (cont'd)

(ii) Liability classified as held for sale

| | Group 2019 \$'000 |
|------------|-------------------------|
| Term loans | 154 |

19. Inventories

| | Group | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Finished goods and goods for resale | 21,073 | 23,542 |
| Inventories are stated after allowance. | | |
| Movements in allowance: | | |
| Balance at beginning of the year | 645 | 645 |
| Charged to profit or loss, included in cost of sales | 1,915 | 20 |
| Foreign exchange adjustments | 31 | (20) |
| Balance at end of the year | 2,591 | 645 |
| Changes in inventories of finished goods | 2,469 | 4,902 |
| Purchase of inventories | 22,761 | 18,029 |
| The amount of inventories included in cost of sales | 25,230 | 22,931 |

Inventories with a carrying amount of \$2,113,000 (2019: \$5,570,000) have been pledged as security for bills payables (see Note 27).

NOTES TO THE FINANCIAL STATEMENTS

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20. Trade and other receivables

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| <u>Trade receivables:</u> | | | | |
| Outside parties | 13,199 | 11,392 | - | - |
| Less: allowance for impairment | (1,667) | (1,858) | - | - |
| Net trade receivables - subtotal | 11,532 | 9,534 | - | - |
| <u>Other receivables:</u> | | | | |
| Subsidiaries (Note 3) | - | - | 2,003 | 1,640 |
| Income tax recoverable | - | 5 | - | - |
| Outside parties | 429 | 452 | - | - |
| Net other receivables - subtotal | 429 | 457 | 2,003 | 1,640 |
| Total trade and other receivables | 11,961 | 9,991 | 2,003 | 1,640 |
| Movements in above allowance on trade receivables: | | | | |
| Balance at beginning of the year | 1,858 | 2,799 | - | - |
| Reversed for trade receivables to profit or loss included in (other income and gains) and other losses, net | (214) | (726) | - | - |
| Bad debts used | - | (199) | - | - |
| Foreign exchange adjustments | 23 | (16) | - | - |
| Balance at end of the year | 1,667 | 1,858 | - | - |

The expected credit losses (ECL) on the above trade receivables are based on the simplified approach to measuring ECL which uses a lifetime ECL allowance approach for all trade receivables recognised from initial recognition of these assets. These assets are grouped based on shared credit risk characteristics and the days past due for measuring the ECL. The allowance matrix is based on the historical observed default rates (over a period of 36 months) over the expected life of the trade receivables and is adjusted for forward-looking estimates including the impact of the Covid-19 pandemic. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed. The ageing of the assets is as follows:

| Group | Gross amount | | Expected loss rate | | Loss allowance | |
|------------------------|----------------|----------------|--------------------|-----------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 % | 2019 % | 2020 \$'000 | 2019 \$'000 |
| Current | 6,290 | 1,457 | 6.2 | 4.3 | (390) | (63) |
| 1 to 30 days past due | 1,566 | 2,276 | 8.9 | 11.0 | (139) | (250) |
| 31 to 60 days past due | 1,146 | 1,976 | 12.9 | 16.0 | (148) | (316) |
| Over 60 days past due | 4,197 | 5,683 | 23.6 | 21.6 | (990) | (1,229) |
| | 13,199 | 11,392 | | | (1,667) | (1,858) |

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

20. Trade and other receivables (cont'd)

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivables customers is 30 to 90 days (2019: 30 to 90 days). But some customers take a longer period to settle the amounts.

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

| | Group | |
|-----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Top 1 customer | 1,200 | 1,006 |
| Top 2 customers | 2,158 | 1,951 |
| Top 3 customers | 3,013 | 2,561 |

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

21. Other non-financial assets

| | Group | | Company | |
|-------------|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| Prepayments | 552 | 141 | 24 | 24 |

22. Cash and cash equivalents

| | Group | | Company | |
|-------------------------|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| Restricted in use | 11 | – | – | – |
| Not restricted in use | 6,003 | 3,971 | 671 | 513 |
| Cash at end of the year | 6,014 | 3,971 | 671 | 513 |

The interest earning balances are not significant.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

22. Cash and cash equivalents (cont'd)

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

| | Group | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Amount as shown above | 6,014 | 3,971 |
| Restricted cash | (11) | – |
| Bank overdrafts (Note 26) | – | (885) |
| Cash and cash equivalents for consolidated statement of cash flows purposes at end of the year | <u>6,003</u> | <u>3,086</u> |

22B. Non-cash transactions:

| | Group | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Acquisitions of certain assets under property, plant and equipment under lease contracts | – | 243 |

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

| Group | 2019 \$'000 | Cash flows \$'000 | Non-cash changes \$'000 | 2020 \$'000 |
|---|----------------|----------------------|-------------------------------|----------------|
| Lease liabilities (Note 25) | 584 | (415) | 799 ^(a) | 968 |
| Liability classified as held for sale (Note 18) | 154 | (154)* | – | – |
| Other financial liabilities (Note 26) | 7,025 | 4,136 * | – | 11,161 |
| Bills payables (Note 27) | 5,570 | (3,457)* | – | 2,113 |
| Total liabilities from financing activities | <u>13,333</u> | <u>110</u> | <u>799</u> | <u>14,242</u> |

* Reflected in consolidated statement of cash flows as decrease in borrowings \$6,588,000 and increase from new borrowings \$7,113,000.

| Group | 2018 \$'000 | Cash flows \$'000 | Non-cash changes \$'000 | 2019 \$'000 |
|---|----------------|----------------------|-------------------------------|----------------|
| Lease liabilities (Note 25) | – | (249) | 833 ^(a,b) | 584 |
| Liability classified as held for sale (Note 18) | – | – | 154 ^(b) | 154 |
| Other financial liabilities (Note 26) | 8,176 | (685)* | (466) ^(b) | 7,025 |
| Bills payables (Note 27) | 10,636 | (5,066)* | – | 5,570 |
| Total liabilities from financing activities | <u>18,812</u> | <u>(6,000)</u> | <u>521</u> | <u>13,333</u> |

* Reflected in consolidated statement of cash flows as decrease in borrowings \$11,321,000 and increase from new borrowings \$5,570,000.

NOTES TO THE FINANCIAL STATEMENTS

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22. Cash and cash equivalents (cont'd)

22C. Reconciliation of movement of liabilities to cash flows arising from financing activities: (cont'd)

- (a) Acquisition of plant and equipment, interest charged and foreign exchange movements.
- (b) Reclassification from other financial liabilities to lease liabilities and liability classified as held for sale

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

23. Share capital

| | Number of shares issued '000 | Share capital \$'000 |
|--|---------------------------------------|----------------------------|
| <u>Group and Company</u> | | |
| Ordinary shares of no par value: | | |
| Balance at beginning and end of the year | | |
| 31 December 2019 and 2020 | 108,000 | 10,579 |

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

Capital management:

The objectives when managing capital are: to safeguard the Group's ability to continue as a going concern, so that it can continue to provide returns for owners and benefits for other stakeholders, and to provide an adequate return to owners by pricing the sales commensurately with the level of risk. The management sets the amount of capital to meet its requirements and the risk taken. There were no changes in the approach to capital management during the reporting year. The management manages the capital structure and makes adjustments to it where necessary or possible in the light of changes in conditions and the risk characteristics of the underlying assets.

In order to maintain or adjust the capital structure, the management may adjust the amount of dividends paid to owners, return capital to owners, issue new shares, or sell assets to reduce debt. Adjusted capital comprises all components of equity (that is, share capital and reserves).

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

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

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

The above externally imposed capital requirements have been complied with by the Group for the reporting years ended 31 December 2020 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

23. Share capital (cont'd)

Capital management (cont'd):

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

| | Group | |
|---|---------------|---------------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Net debt: | | |
| All current and non-current borrowings including leases (Notes 18, 25, 26 and 27) | 14,242 | 14,218 |
| Less: cash and cash equivalents | (6,003) | (3,971) |
| Net debt | <u>8,239</u> | <u>10,247</u> |
| Adjusted capital: | | |
| Total equity | 30,146 | 29,548 |
| Adjusted capital | <u>30,146</u> | <u>29,548</u> |
| Debt-to-adjusted capital ratio | <u>0.27</u> | <u>0.35</u> |

There was a favourable change due to higher cash and cash equivalents balances at the end of the reporting year.

The debt-to-adjusted capital ratio (leverage ratio) is a key financial measure that is used by management to assess the borrowing capacity of the entity. The ratio is calculated as net debt (total principal debt outstanding less unrestricted cash) divided by the adjusted capital. If the entity has more cash than debt, the ratio can be negative.

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

24. Other reserves

| | Group | |
|---|------------|-----------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Statutory reserve (Note 24A) | 243 | 239 |
| Foreign currency translation reserve (Note 24B) | 17 | (170) |
| | <u>260</u> | <u>69</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 2020

24. Other reserves (cont'd)

24A. Statutory reserve

| | Group | |
|---------------------------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| At beginning of the year | 239 | 237 |
| Transferred from profit or loss | 4 | 2 |
| At end of the year | 243 | 239 |

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

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

24B. Foreign currency translation reserve

| | Group | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| At beginning of the year | (170) | (98) |
| Exchange differences on translating foreign operations | 187 | (72) |
| At end of the year | 17 | (170) |

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

25. Financial liabilities – lease liabilities

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

| | Group | |
|--------------------------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Lease liabilities, current | 390 | 197 |
| Lease liabilities, non-current | 578 | 387 |
| | 968 | 584 |

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

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

| | Group | |
|---|--------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Total lease liabilities recognised at beginning of the year | 584 | 321 |
| Additions | 755 | 502 |
| Accretion of interest | 45 | 13 |
| Lease payments | (415) | (249) |
| Foreign exchange adjustments | (1) | (3) |
| Total lease liabilities at end of reporting year | 968 | 584 |

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

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

Lease liabilities under operating leases are secured by the right-of-use assets because these will revert to the lessor in the event of default.

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

| Group | Minimum payments \$'000 | Finance charges \$'000 | Present value \$'000 |
|---------------------------------|-------------------------------|------------------------------|----------------------------|
| <u>2020</u> | | | |
| Minimum lease payments payable: | | | |
| Not later than one year | 421 | (31) | 390 |
| Between 2 and 5 years | 609 | (31) | 578 |
| Total | 1,030 | (62) | 968 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

A summary of the maturity analysis of lease liabilities that shows the remaining contractual maturities is as follows (cont'd):

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

| Assets | Group | |
|---|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Net book value of plant and equipment under lease liabilities | 359 | 581 |
| Net book value of right-of-use assets under lease liabilities | 759 | 284 |
| | 1,118 | 865 |

Total cash outflow for leases for the year ended 31 December 2020 are shown in the consolidated statement of cash flows.

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

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

| Assets | Group | |
|--------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Office space | – | 415 |

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

| | Group | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Expense relating to short-term leases included in other expenses | 113 | 94 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

26. Other financial liabilities

| | Group | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| <u>Non-current:</u> | | |
| <u>Financial instruments with floating interest rates:</u> | | |
| Term loans (secured) (Note 26A) | 4,350 | 4,702 |
| <u>Financial instruments with fixed interest rates:</u> | | |
| Term loans (unsecured) (Note 26A) | 5,226 | 1,470 |
| Total non-current portion | 9,576 | 6,172 |
| <u>Current:</u> | | |
| <u>Financial instruments with floating interest rates:</u> | | |
| Bank overdrafts (unsecured) (Note 26A) | – | 885 |
| Term loans (secured) (Note 26A) | 340 | 301 |
| Derivative financial instruments (Note 26B) | – | 2 |
| <u>Financial instruments with fixed interest rates:</u> | | |
| Term loans (unsecured) (Note 26A) | 1,245 | 550 |
| Total current portion | 1,585 | 1,738 |
| Total | 11,161 | 7,910 |
| The non-current portion is repayable as follows: | | |
| Due within 2 to 5 years | 6,627 | 2,984 |
| After 5 years | 2,949 | 3,188 |
| Total non-current portion | 9,576 | 6,172 |

The range of floating interest rates paid were as follows:

| | Group | |
|-----------------------------|-------------------|-------------------|
| | 2020 | 2019 |
| Bank overdrafts (unsecured) | – | 5.50% |
| Term loans (secured) | 1.91% to 3.27% | 3.04% to 3.27% |

The range of fixed interest rates paid were as follows:

| | Group | |
|------------------------|-------------------|-------|
| | 2020 | 2019 |
| Term loans (unsecured) | 2.00% to 6.00% | 6.00% |

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

26. Other financial liabilities (cont'd)

26A. Term loans

| | Group | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Term loan 1 (secured) ^(a) | 4,690 | 5,003 |
| Term loan 2 (unsecured) ^(b) | 743 | 1,056 |
| Term loan 3 (unsecured) ^(c) | 724 | 964 |
| Term loan 4 (unsecured) ^(d) | 3,001 | – |
| Term loan 5 (unsecured) ^(e) | 2,003 | – |
| | 11,161 | 7,023 |

^(a) Term loan 1 is repayable by 180 (2019: 180) monthly instalments commencing from May 2018.

^(b) Term loan 2 is repayable by 72 (2019: 72) monthly instalments commencing from February 2017.

^(c) Term loan 3 is repayable by 72 (2019: 72) monthly instalments commencing from November 2017.

^(d) Term loan 4 is repayable by 60 monthly instalments commencing from June 2020.

^(e) Term loan 5 is repayable by 60 monthly instalments commencing from July 2020.

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

- (a) The first and legal charge over a subsidiary's leasehold property and land use right (Notes 13 and 15); and
- (b) Corporate guarantee from the Company.

26B. Derivative financial instruments

| | Group | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| <u>Liabilities – Contracts with negative fair values:</u> | | |
| Derivatives not designated as hedging instruments - foreign exchange contracts | – | 2 |
| Total at end of the year | – | 2 |

The movements during the year were as follows:

| | | |
|---|---|---|
| Losses in profit or loss under other losses | – | 2 |
| At the end of the year | – | 2 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

26. Other financial liabilities (cont'd)

26B. Derivative financial instruments (cont'd)

Forward currency exchange contracts

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

| | Reference currency | Principal | | Fair value | |
|---|-----------------------|--------------|--------------|----------------|----------------|
| | | 2020 '000 | 2019 '000 | 2020 \$'000 | 2019 \$'000 |
| Forward currency contracts ^(a) | USD | – | 500 | – | (2) |
| | | | | – | (2) |

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

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

27. Trade and other payables

| | Group | | Company | |
|---|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| <u>Trade payables:</u> | | | | |
| Outside parties and accrued liabilities | 5,579 | 5,029 | 293 | 338 |
| Bills payables to banks ^(a) | 2,113 | 5,570 | – | – |
| Trade payables – subtotal | 7,692 | 10,599 | 293 | 338 |
| <u>Other payables:</u> | | | | |
| Outside parties | 334 | 353 | – | – |
| Other payables – subtotal | 334 | 353 | – | – |
| Total trade and other payables | 8,026 | 10,952 | 293 | 338 |

^(a) The range of floating interest rates was 2.09% to 5.95% (2019: 3.68% to 4.13%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

28. Operating lease income commitments – as lessor

At the end of the reporting year, there were no minimum lease receivables committed under non-cancellable operating leases, the rental income for the year are as follows:

| | Group | |
|----------------------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Rental income for the year | – | 20 |

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

29. Financial instruments: information on financial risks

29A. Categories of financial assets and liabilities

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

| | Group | | Company | |
|--|----------------|----------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 | 2020 \$'000 | 2019 \$'000 |
| <u>Financial assets:</u> | | | | |
| Financial assets at amortised cost | 17,975 | 13,957 | 2,674 | 2,153 |
| <u>Financial liabilities:</u> | | | | |
| Financial liabilities at amortised cost | 20,155 | 19,598 | 293 | 338 |
| Financial liabilities at fair value through profit or loss | – | 2 | – | – |
| Total financial liabilities | 20,155 | 19,600 | 293 | 338 |

Further quantitative disclosures are included throughout these financial statements.

29B. Financial risk management

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

1. Minimise interest rate, currency, credit and market risk for all kinds of transactions.
2. Maximise the use of "natural hedge": favouring as much as possible the natural off-setting of sales and costs and payables and receivables denominated in the same currency and therefore put in place hedging strategies only for the excess balance. The same strategy is pursued with regard to interest rate risk.
3. All financial risk management activities are carried out and monitored by senior management staff.

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

29B. Financial risk management (cont'd)

4. All financial risk management activities are carried out following acceptable market practices.
5. When appropriate consideration is given to entering into derivatives or any other similar instruments solely for hedging purposes.

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

The Group Financial Controller who monitors the procedures reports to the board.

With regard to derivatives, the policies include the following:

1. The management documents all derivatives including the relationship between them and the hedged items at inception and throughout their life.
2. Hedge ineffectiveness is recognised in profit or loss as soon as it arises.
3. Hedge effectiveness is assessed at the inception of the hedge and at each end of the reporting year ensuring that the criteria in financial reporting standard on financial instruments are met.
4. Only financial institutions with acceptable credit ratings are used as counterparties for derivatives.

29C. Fair values of financial instruments

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

29D. Credit risk on financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

29E. Liquidity risk – financial liabilities maturity analysis

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

| Group | Less than 1 year \$'000 | 2 – 5 years \$'000 | Over 5 years \$'000 | Total \$'000 |
|--|-------------------------------|--------------------------|---------------------------|-----------------|
| <u>Non-derivative financial liabilities:</u> | | | | |
| <u>2020:</u> | | | | |
| Gross borrowing commitments | 1,642 | 7,278 | 3,422 | 12,342 |
| Gross lease liabilities | 421 | 609 | – | 1,030 |
| Trade and other payables | 8,038 | – | – | 8,038 |
| At end of the year | 10,101 | 7,887 | 3,422 | 21,410 |
| <u>2019:</u> | | | | |
| Gross borrowing commitments | 2,031 | 3,501 | 4,222 | 9,754 |
| Gross lease liabilities | 219 | 425 | – | 644 |
| Trade and other payables | 11,000 | – | – | 11,000 |
| At end of the year | 13,250 | 3,926 | 4,222 | 21,398 |

| | Less than 1 year Group | |
|--|---------------------------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| <u>Derivative financial liabilities:</u> | | |
| <u>Gross settled:</u> | | |
| Foreign currency forward contracts | – | 675 |
| At end of the year | – | 675 |

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

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

The Company has no liability due after 1 year.

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 to 90 days (2019: 30 to 90 days). The classification of the financial assets is shown in the statements of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

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

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

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

| | Within 1 year | |
|---|---------------|--------|
| | Company | |
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Corporate guarantee in favour of subsidiaries | 13,274 | 13,478 |
| At end of the year | 13,274 | 13,478 |

| | Group | |
|------------------------------|--------|--------|
| | 2020 | 2019 |
| | \$'000 | \$'000 |
| Bank facilities: | | |
| Undrawn borrowing facilities | 10,641 | 41,773 |

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

29F. Interest rate risk

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

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

| | Group | |
|--------------------------------------|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| Financial liabilities with interest: | | |
| Fixed rates | 7,439 | 2,604 |
| Floating rates | 6,803 | 11,614 |
| Total at end of the year | 14,242 | 14,218 |

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

Sensitivity analysis:

| | Group | |
|--|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| <u>Financial liabilities:</u> | | |
| A hypothetical variation in floating interest rates by 100 basis points with all other variables held constant, would have an increase in pre-tax profit for the year by | 68 | 116 |

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

29G. Foreign currency risks

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

29G. Foreign currency risks (cont'd)

Analysis of amounts denominated in foreign currencies:

| Group | US Dollars \$'000 | Malaysian Ringgit \$'000 | Euro \$'000 | Total \$'000 |
|---|----------------------|-----------------------------|----------------|-----------------|
| <u>2020</u> | | | | |
| <u>Financial assets:</u> | | | | |
| Cash | 279 | 446 | 1 | 726 |
| Loans and receivables | 1,021 | – | 77 | 1,098 |
| Total financial assets | 1,300 | 446 | 78 | 1,824 |
| <u>Financial liabilities:</u> | | | | |
| Trade and other payables | 3,486 | – | 39 | 3,525 |
| Total financial liabilities | 3,486 | – | 39 | 3,525 |
| Net financial (liabilities) assets at end of the year | (2,186) | 446 | 39 | (1,701) |

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

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

Sensitivity analysis:

| | Group | |
|---|----------------|----------------|
| | 2020 \$'000 | 2019 \$'000 |
| A hypothetical 10% strengthening in the exchange rate of the functional currency S\$ against the US\$ with all other variables held constant would have a favourable effect on profit before tax of | 219 | 500 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2020

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

29G. Foreign currency risks (cont'd)

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

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

30. Changes and adoption of financial reporting standards

For the current reporting year new or revised financial reporting standards were issued by the Singapore Accounting Standards Council. Those applicable to the Group are listed below. Those applicable new or revised standards did not require any significant modification of the measurement methods or the presentation in the financial statements.

| SFRS No. | Title |
|------------------------|---|
| SFRS (I) 3 | Definition of a Business – Amendments to SFRS (I) 3 |
| SFRS (I) 1-1 and 1-8 | Definition of Material – Amendments to SFRS (I) 1-1 and 1-8 |
| SFRS (I) PS 2 | SFRS(I) Practice Statement 2 Making Materiality Judgements |
| SFRS (I) 1-39; 7 and 9 | Interest Rate Benchmark Reform – Amendments to SFRS (I) 1-39; 7 and 9 The Conceptual Framework for Financial Reporting |

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

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

| SFRS No. | Title | Effective date for periods beginning on or after |
|---------------|--|--|
| SFRS (I) 16 | Covid-19-Related Rent Concessions – Amendments to SFRS (I) 16 | 1 Jun 2020 |
| SFRS (I) 3 | Definition of a Business - Reference to the Conceptual Framework – Amendments to SFRS (I) 3 | 1 Jan 2022 |
| SFRS (I) 1-16 | Property, Plant and Equipment: Proceeds before Intended Use – Amendments to SFRS (I) 1-16 | 1 Jan 2022 |
| SFRS (I) 1-37 | Onerous Contracts – Costs of Fulfilling a Contract – Amendments to SFRS (I) 1-37 | 1 Jan 2022 |
| SFRS (I) 9 | Financial Instruments – Fees in the “10 per cent” test for derecognition of financial liabilities (Annual Improvement Project) | 1 Jan 2022 |
| Various | Annual Improvements to SFRS(I)s 2018-2020 | 1 Jan 2022 |
| SFRS (I) 1-1 | Presentation of Financial Statements- amendment relating to Classification of Liabilities as Current or Non-current | 1 Jan 2023 |

PROPERTIES OF THE GROUP

Year ended 31 December 2020

| 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 17 March 2021

| | | |
|-------------------------------------|---|--------------------|
| 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 holdings | : | Nil |

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

| Size of Shareholdings | No. of Shareholders | % | No. of Shares | % |
|-----------------------|---------------------|--------|---------------|--------|
| 1 – 99 | – | – | – | – |
| 100 – 1,000 | 12 | 3.20 | 11,100 | 0.01 |
| 1,001 – 10,000 | 232 | 61.87 | 1,236,100 | 1.14 |
| 10,001 – 1,000,000 | 120 | 32.00 | 13,798,400 | 12.78 |
| 1,000,001 and above | 11 | 2.93 | 92,954,400 | 86.07 |
| Total | 375 | 100.00 | 108,000,000 | 100.00 |

SHAREHOLDING HELD BY THE PUBLIC

Based on the information available to the Company as at 17 March 2021, 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 Catalist of the Singapore Exchange Securities Trading Limited is complied with.

TWENTY LARGEST SHAREHOLDERS

| No. | Name of Shareholder | No. of Shares | % |
|-------|---------------------------------------|---------------|-------|
| 1. | Soon Tien Holdings Pte. Ltd. | 72,900,000 | 67.50 |
| 2. | 2G Capital Pte. Ltd. | 5,000,000 | 4.63 |
| 3. | Philip Securities Pte. Ltd. | 3,468,400 | 3.21 |
| 4. | Citibank Nominees Singapore Pte. Ltd. | 2,935,000 | 2.72 |
| 5. | Sia Ling Sing | 1,665,000 | 1.54 |
| 6. | Ng Kim Ying | 1,600,000 | 1.48 |
| 7. | Tan Gin Mong | 1,206,000 | 1.12 |
| 8. | Ang Yu Seng | 1,100,000 | 1.02 |
| 9. | Maybank Kim Eng Securities Pte. Ltd. | 1,055,000 | 0.98 |
| 10. | Tan Ee Hoon | 1,012,500 | 0.94 |
| 11. | Tan Ee Tin | 1,012,500 | 0.94 |
| 12. | Tan Yee Chin | 998,334 | 0.92 |
| 13. | Tan Yee Ho | 998,333 | 0.92 |
| 14. | Tan Yee Leong | 998,333 | 0.92 |
| 15. | Kuan Nian Hoe | 764,000 | 0.71 |
| 16. | Ang De Yu | 600,000 | 0.56 |
| 17. | Tan Yong Kee | 517,900 | 0.48 |
| 18. | Lim Bok Teck | 455,000 | 0.42 |
| 19. | Sok Hang Chaw | 450,000 | 0.42 |
| 20. | Chin Kai Seng | 445,800 | 0.41 |
| Total | | 99,182,100 | 91.84 |

STATISTICS OF SHAREHOLDINGS

At as 17 March 2021

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 ⁽¹⁾⁽²⁾ | 998,334 | 0.92 | 73,300,000 | 67.87 |
| Tan Yee Ho ⁽¹⁾ | 998,333 | 0.92 | 72,900,000 | 67.50 |
| Tan Yee Leong ⁽¹⁾ | 998,333 | 0.92 | 72,900,000 | 67.50 |

Note:

- (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 Annual General Meeting of the shareholders of Soon Lian Holdings Limited (the “Company”) for the financial year ended 31 December 2020 (“FY2020”) will be held via electronic means on Tuesday, 27 April 2021 at 10:00 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 2020, together with the Auditor’s Report thereon. **Resolution 1**

2. 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 2**

[See Explanatory Note (i)]

3. To re-elect Mr Chin Yew Choong David, a Director of the Company retiring pursuant to Article 114 of the Constitution and who, being eligible, offer himself for re-election as a Director of the Company. **Resolution 3**

[Mr Chin Yew Choong David shall, upon re-election as a Director of the Company, remains as the Independent Director, Chairman of the Nominating Committee, as well as member of the Audit Committee and Remuneration Committee of the Company. Mr Chin Yew Choong David 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 Chin Yew Choong David 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)]

4. To re-elect Mr Lam Kwong Fai, a Director of the Company retiring pursuant to Article 114 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, remains as the Independent Director, 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 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 re-elect Mr Yap Kian Peng, a Director of the Company retiring pursuant to Article 114 of the Constitution and who, being eligible, offer himself for re-election as a Director of the Company. **Resolution 5**

[Mr Yap Kian Peng shall, upon re-election as a Director of the Company, remains as the Lead Independent Director, Chairman of the Remuneration Committee, as well as member of the Audit Committee and Nominating Committee of the Company. Mr Yap Kian Peng shall be considered independent for the purpose of Rule 704(7) of the Rules of Catalist. There are no relationships (including immediate family relationships) between Mr Yap Kian Peng 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)]

NOTICE OF ANNUAL GENERAL MEETING

6. To approve the continued appointment of Mr Yap Kian Peng as an Independent Director for purposes of Rule 406(3)(d)(iii) of the Rules of Catalist by all shareholders. **Resolution 6**

That contingent upon the passing of Ordinary Resolution 5 above and in accordance with Rule 406(3)(d)(iii) of the Rules of Catalist which will take effect on 1 January 2022: (a) the continued appointment of Mr Yap Kian Peng as an Independent Director be and is hereby approved; and (b) the authority conferred by this resolution shall continue in force until the earlier of the retirement or resignation of Mr Yap Kian Peng as a Director or the conclusion of the third Annual General Meeting of the Company following the passing of this resolution.

[See Explanatory Note (ii)]

7. To approve the continued appointment of Mr Yap Kian Peng as an Independent Director for purposes of Rule 406(3)(d)(iii) of the Rules of Catalist by shareholders, excluding the Directors and the Chief Executive Officer of the Company and their respective associates **Resolution 7**

That contingent upon the passing of Ordinary Resolutions 5 and 6 above and in accordance with Rule 406(3)(d)(iii) of the Rules of Catalist which will take effect on 1 January 2022: (a) the continued appointment of Mr Yap Kian Peng as an Independent Director be and is hereby approved; and (b) the authority conferred by this resolution shall continue in force until the earlier of the retirement or resignation of Mr Yap Kian Peng as a Director or the conclusion of the third Annual General Meeting of the Company following the passing of this resolution.

[See Explanatory Note (ii)]

8. To approve the payment of Directors' fees of S\$77,000 for the financial year ended 31 December 2020 (FY2019: S\$85,000). **Resolution 8**

9. To appoint Mazars LLP as Auditor of the Company in place of the retiring Auditor, RSM Chio Lim LLP, and to authorise the Directors to fix its remuneration. **Resolution 9**

[See Explanatory Note (iii)]

AS SPECIAL BUSINESS

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

10. Proposed Share Issue Mandate **Resolution 10**

"That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore (the "**Companies 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 Companies Act and the Constitution; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.”

[See Explanatory Note (iv)]

- 11. 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, Chin Yew Choong David, Lam Kwong Fai and Yap Kian Peng can be found under the sections entitled “Board of Directors”, “Corporate Governance Report” and “Directors’ Statement” of the Company’s Annual Report 2020. Please also refer to the section entitled “Corporate Governance Report” of the Company’s Annual Report 2020 for the detailed information of Messrs Tan Yee Leong, Chin Yew Choong David, Lam Kwong Fai and Yap Kian Peng as required pursuant to Rule 720(5) of the Rules of Catalist.
- (ii) The ordinary resolutions proposed in Resolutions 6 and 7 are in anticipation of Rule 406(3)(d)(iii) of the Rules of Catalist which will take effect from 1 January 2022.

Mr Yap Kian Peng was first appointed as a Director of the Company on 31 October 2007 and he assumed the role of an Independent Non-Executive Director following the Company’s public listing on the SGX-ST on 13 December 2007. He retired as a director at the Company’s FY2019 Annual General Meeting on 19 May 2020. Mr Yap Kian Peng was re-appointed as an Independent Non-Executive Director on 18 December 2020. He has served the Board beyond nine years in aggregate.

With effect from 1 January 2022, Rule 406(3)(d)(iii) of the Rules of Catalist will provide that a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (A) all shareholders; and (B) shareholders, excluding the Directors and the Chief Executive Officer of the Company and their respective associates.

Accordingly, Mr Yap Kian Peng has submitted himself for the two-tier voting process in accordance with Rule 406(3)(d)(iii) of the Rules of Catalist.

Resolution 6 and 7, if passed, will remain in force until the earlier of the following: (i) the retirement or resignation of Mr Yap Kian Peng; or (ii) the conclusion of the third Annual General Meeting of the Company following the passing of such resolutions.

If Resolution 6 is not passed, Resolution 7 will not be put to the vote at the Annual General Meeting in the interest of efficiency.

If Resolution 7 is not passed, Mr Yap Kian Peng will be re-designated as a non-independent non-executive director from 1 January 2022.

- (iii) The proposed Ordinary Resolution 9 above is to approve the appointment of Mazars LLP (“Mazars”) as Auditor of the Company in place of the retiring Auditor, RSM Chio Lim LLP (“RSM Chio Lim”), and to authorise the Directors to fix its remuneration.

The Company has received the notice of nomination from a shareholder, Mr Tan Yee Ho, dated 31 March 2021 on the appointment of Mazars in place of the retiring Auditor, RSM Chio Lim. RSM Chio Lim has served as the External Auditor of the Company and its subsidiaries (the “Group”) since 2007.

The Audit Committee (“AC”) is of the view that the change of Auditor is in the best interests of the Company as it would enable the Company to benefit from a change of perspectives and save costs. As both Mazars and RSM Chio Lim are considered as part of the “Mid-Tier” audit firms, the quality of the audit services to be provided by Mazars is expected to be comparable to that currently provided by RSM Chio Lim. There will be no change in the scope of the audit to be undertaken by Mazars. Mazars is expected to be appointed as the auditors of the Company as well as its Singapore-incorporated subsidiaries. The AC has also considered the Audit Quality Indicators listed in the Audit Quality Indicators Disclosure Framework issued by the Accounting and Corporate Regulatory Authority of Singapore (“ACRA”) in assessing the suitability of Mazars as the Company’s new Auditor. Upon recommendation from the AC and after due deliberation, the Board is of the view that it would be in the best interests of the Company to effect a change of Auditor with effect from the financial year ending 31 December 2021. Accordingly, RSM Chio Lim will not be seeking reappointment at the forthcoming Annual General Meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services. Operating in 91 countries and territories around the world, they draw on the expertise of 40,400 professionals – 24,400 in the Mazars integrated partnership and 16,000 via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development. Mazars takes pride in their technical expertise and the quality of their work, operating as one, integrated team.

Mazars Singapore is a firm of Chartered Accountants registered with ACRA and is an international audit and advisory firm committed to helping their clients confidently build and grow their businesses. With more than 245 professionals in Singapore, Mazars Singapore serves clients of all sizes across Asia-Pacific whilst remaining seamless and agile in their approach. The firm also works with clients of all sizes and providing range of services to businesses and individuals in a variety of industries. It has significant experience acting as Auditor for companies listed on the SGX-ST.

For more information about Mazars LLP, please visit its website at – www.mazars.sg.

For the audit of the Group, the audit engagement team will comprise at least the following professionals: one (1) engagement partner, one (1) engagement concurring partner, one (1) engagement manager, one (1) audit senior and two (2) audit associates. In addition, the audit of the Group will also be reviewed by an independent engagement quality control review partner.

Mr Tan Chee Tyan will be the audit engagement partner assigned to the audit of the Company and its subsidiaries. Mr Tan Chee Tyan is a practising member of Institute of Singapore Chartered Accountants and a public accountant registered with ACRA. Mr Tan Chee Tyan has extensive experience over a span of more than 25 years with public accounting firms in Singapore and Malaysia in a wide range of industries, including auditing companies with similar business activities as the Group. Mr Tan Chee Tyan is currently the engagement partner of several Singapore listed and private companies with operations in various geographical locations including the People's Republic of China, Hong Kong, France, Singapore and Malaysia. Mr Tan Chee Tyan was last selected by ACRA for Practise Monitoring Programme review in 2016 and received no adverse feedback.

The Board, with the concurrence of the AC, is satisfied that Mazars will be able to meet the audit requirements of the Group after having considered factors such as the adequacy of the resources and experience of Mazars and the audit engagement partner assigned to the audit, Mazars' other audit engagements, the size and complexity of the Group, and the number and experience of supervisory and professional staff who will be assigned to the Group's audit. Mazars has given their consent to be appointed as the Auditor, subject to the approval of the shareholders at the Annual General Meeting.

The Directors wish to express their appreciation for the services rendered by RSM Chio Lim in the past. The appointment of Mazars as Auditor in place of RSM Chio Lim will take effect subject to the approval of the same by the shareholders at the Annual General Meeting.

In accordance with Rule 712(3) of the Catalist Rules:

- (a) the outgoing Auditor, RSM Chio Lim have given their professional clearance to Mazars and confirmed that they are not aware of any professional reasons why the new Auditor, Mazars, should not accept appointment as Auditor of the Company;
- (b) the Directors confirm that there were no disagreements with RSM Chio Lim on accounting treatments within the last 12 months;
- (c) the Directors confirm that they are not aware of any circumstances connected with the proposed change of Auditor that should be brought to the attention of shareholders of the Company;
- (d) the specific reasons for the proposed change of Auditor have been disclosed above. The proposed change of Auditor is neither due to the resignation of RSM Chio Lim as Auditor of the Company, nor due to RSM Chio Lim declining to stand for reappointment nor due to the dismissal of RSM Chio Lim as Auditor of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

- (e) the Directors confirm that the Company has complied with Rule 712 and Rule 715 of the Rules of Catalist in relation to the proposed appointment of Mazars.
- (iv) The proposed Ordinary Resolution 10 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to allot and issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to existing shareholders of the Company.

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

BY ORDER OF THE BOARD

Tan Cinyi
Company Secretary
Singapore

Date: 12 April 2021

Notes:

- a) A Member (including a relevant intermediary*) entitled to vote at the Annual General Meeting (the “AGM”) must appoint Chairman of the AGM to act as proxy and direct the vote at the AGM.
- b) The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or on his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or duly authorised officer, failing which the instrument of proxy may be treated as invalid.
- c) A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act.
- d) In the case of joint shareholders, all holders must sign the form of proxy.

IMPORTANT NOTICE TO SHAREHOLDERS

The AGM is being convened, and will be held, only by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020. Printed copies of this Notice and Annual Report of the Company for the financial year ended 31 December 2020 (the “Annual Report”), and the proxy form will be sent by post to Shareholders. These documents will also be made available on SGX website at the URL <https://www.sgx.com/securities/company-announcements> and the Company’s corporate website at the URL <https://www.slmgroup.com/>.

Alternative arrangements relating to, among others, attendance at the AGM by way of electronic means (including arrangements by which the AGM can be electronically accessed via live audio-visual webcast or live audio-only stream), submission of questions in advance of the AGM, addressing of substantial and relevant questions prior to, or at the AGM and/or voting by appointing the Chairman of the AGM as proxy at the AGM, are set out below.

NOTICE OF ANNUAL GENERAL MEETING

Due to the current COVID-19 situation and the related elevated safe distancing measures in Singapore, a Shareholder (including a relevant intermediary*) will not be able to attend the AGM in person. A Shareholder (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such Shareholder wishes to exercise his/her/its voting rights at the AGM.

* Pursuant to Section 181 of the Companies Act, any shareholder who is a relevant intermediary is required to appoint the Chairman of the AGM to attend and vote at the AGM. Relevant intermediary is either:

- (i) a banking corporation licensed under the Banking Act (Cap. 19) or its wholly-owned subsidiary which provides nominee services and holds shares in that capacity;
- (ii) a capital market services license holder which provides custodial services for securities under the Securities and Futures Act (Cap. 289) and holds in that capacity; or
- (iii) the Central Provident Fund (“CPF”) Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased on behalf of CPF investors.

Shareholders may participate at the AGM by taking note of the following steps:

1. Registration for Live Webcast

A Shareholder will be able to follow the proceedings of the AGM through a live audio-visual webcast or live audio-only stream (collectively, “**Live Webcast**”) via mobile phone, tablet, computer or any such electronic device.

In order to do so, a Shareholder must pre-register no later than 10.00 a.m. on 24 April 2021 (“**Registration Deadline**”), at the URL <http://soonlianholdings.availeasemgdwebinar.com/> authentication of their status as Shareholders.

Shareholders who have been authenticated will receive email instructions to access the Live Webcast of the proceedings of the AGM by 26 April 2021. Shareholders who have registered by the Registration Deadline but did not receive email instructions by 26 April 2021 may contact the Company by email at: agmfy2020@soonlian.com for assistance.

Shareholders are reminded that the EGM proceedings are private. Accordingly, shareholders must not forward the abovementioned email instructions to other persons who are not Shareholders and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the Live Webcast.

Investors who hold shares through relevant intermediaries as defined in Section 181(1C) of the Companies Act, including CPF and SRS Investors, and wish to participate in the AGM should, in addition to pre-registering, approach their respective agents, including CPF Agent Banks and SRS Operators, as soon as possible so that the necessary arrangements can be made by the relevant agents for their participation in the AGM.

2. Shareholders' Queries

Shareholders will not be able to speak or ask questions during the Live Webcast, therefore it is important for them to submit their questions in advance of the AGM.

All questions must be submitted no later than 10.00 a.m. on 24 April 2021 to the Company:

- (a) via mail to the Company's registered office at 6 Tuas Lane Singapore 638615; or
- (b) via email to: agmfy2020@soonlian.com.

For verification purpose, when submitting any questions by post or via email, Shareholders 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 the substantial queries from Shareholders prior to, or at the AGM and upload the Company's responses on the SGX website. The minutes of the AGM, which include responses to substantial queries from the Shareholders which are addressed during the AGM, shall thereafter be published on SGX website, within one (1) month from the conclusion of the AGM.

Investors who hold shares through relevant intermediaries as defined in Section 181(1C) of the Companies Act, including CPF and SRS Investors, can submit their questions in relation to any resolution set out in the Notice of AGM upon pre-registration, however, they should, in addition to pre-registering, approach their respective agents, including CPF Agent Banks and SRS Operators, as soon as possible, so that the necessary arrangements can be made by the relevant agents for their participation in the AGM.

NOTICE OF ANNUAL GENERAL MEETING

3. Proxy Voting

A Shareholder (including a relevant intermediary) will not be able to attend the AGM physically in person. If a Shareholder (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. The instrument appointing the Chairman of the AGM as proxy has been uploaded together with this Notice of AGM on SGX website on the same day.

Shareholders (whether individual or corporate) appointing the Chairman of the AGM as 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 will be treated as invalid.

The instrument appointing the Chairman of the AGM as proxy must be submitted to the Company in the following manner:

- (a) if by post, to the Registered Office Address of the Company, at 6 Tuas Lane Singapore 638615 (Opening Hours is 9.00 a.m. to 5.30 p.m., Mondays to Fridays (excluding Public Holidays)); or
- (b) if sent by email to: agmfy2020@soonlian.com.

in either case, not less than 48 hours before the time for holding the AGM and at any adjournment thereof.

A Shareholder who wishes to submit an instrument of proxy by (a) and (b) must first download the proxy form, which is available on SGX website at the URL <https://www.sgx.com/securities/company-announcements>, complete the printed form that was downloaded or received by post and sign the proxy form, before submitting it by post to the address provided above, or scanning and sending it by email to the email address provided above. In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for Shareholders to submit completed proxy forms by post, Shareholders are strongly encouraged to submit completed proxy forms electronically via email.

Investors who hold shares through relevant intermediaries as defined in Section 181(1C) of the Companies Act, including CPF and SRS Investors, and wish to appoint the Chairman of the AGM as proxy, should approach their respective agents, including CPF Agent Banks and SRS Operators, to submit their votes at least seven (7) working days before the AGM (i.e. by 10.00 a.m. on 16 April 2021) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

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

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 Chairman of the AGM as proxy.

The Annual Report has been uploaded on SGX website on 12 April 2021.

IMPORTANT NOTICE: Due to the evolving COVID-19 situation in Singapore, the Company may change the AGM arrangements at short notice. The Company will announce any changes to the holding or conduct of the AGM via the SGX website. Shareholders are advised to check the SGX website regularly for updates on the AGM.

Personal Data Privacy:

By (a) submitting an instrument appointing the Chairman of the AGM as proxy to attend and vote at the AGM and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the AGM via Live Webcast, or (c) submitting any question prior to the AGM in accordance with this Notice, a Shareholder consents to the collection, use and disclosure of the Shareholder's personal data by the Company (or its agents or service providers) for the following purposes:

- (i) processing and administration by the Company (or its agents or service providers) of proxy forms appointing the Chairman of the AGM as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof);
- (ii) processing of the registration for purpose of granting access to Shareholders (or their corporate representatives in the case of Shareholders which are legal entities) to the Live Webcast to observe the proceedings of the AGM and providing them with any technical assistance where necessary;

NOTICE OF ANNUAL GENERAL MEETING

- (iii) addressing substantial and relevant questions from Shareholders received before the AGM and if necessary, following up with the relevant Shareholders in relation to such questions;
- (iv) preparation and compilation of the attendance list, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines by the relevant authorities.

Photographic, sound and/or video recordings of the AGM may be made by the Company for record keeping and to ensure the accuracy of the minutes prepared of the AGM. Accordingly, the personal data of a member (such as his name, his presence at the AGM and any questions he may raise or motions he propose/second) may be recorded by the Company for such purpose.

This Notice 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 Notice, including the correctness of any of the statements or opinions made or reports contained in this Notice.

The contact person for the Sponsor is Ms. Lee Khai Yinn at 1 Robinson Road, #21-00 A1A Tower, Singapore 048542, telephone (65) 6232 3210.

NOTICE OF NOMINATION OF AUDITOR

Date: 31 March 2021

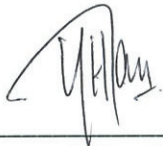
The Board of Directors
Soon Lian Holdings Limited
6 Tuas Lane
Singapore 638615

Dear Sirs

NOTICE OF NOMINATION OF AUDITOR

I, Mr Tan Yee Ho, being a shareholder of Soon Lian Holdings Limited (the “**Company**”), would like to nominate Mazars LLP as Auditor of the Company in place of RSM Chio Lim LLP at the forthcoming Annual General Meeting.

Yours faithfully



Name of Shareholder: Tan Yee Ho

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 "AGM") is being convened and will be held by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020.
2. Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the AGM can be electronically accessed via "live" audio-visual webcast or "live" audio-only stream (collectively "Live Webcast"), submission in advance of the AGM, addressing of substantial and relevant questions at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the accompanying section entitled "Important Notice to Shareholders" of the Notice of AGM. For the avoidance of doubt, the aforesaid section is circulated together with and forms part of the Notice of AGM in respect of the AGM.
3. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
4. Please read the notes to this proxy form.

I/We _____ NRIC/Passport No./ Registration No. _____

of _____
being a member(s) of Soon Lian Holdings Limited (the "Company"), hereby appoint the Chairman of the Annual General Meeting as *my/our proxy to attend, speak and to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company ("AGM") to be held by way of electronic means on 27 April 2021 at 10.00 a.m. and at any adjournment thereof.

*I/We direct the Chairman of the AGM, being *my/our proxy, to vote for or against, or abstain from voting on the Ordinary Resolutions to be proposed at the AGM as indicated hereunder.

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

| No. | Resolutions | For** | Against** | Abstain** |
|-----|--|-------|-----------|-----------|
| 1 | To receive and adopt the Directors' Statements, Audited Financial Statements and Auditors' Report for the financial year ended 31 December 2020 | | | |
| 2 | To re-elect Mr Tan Yee Leong as Director pursuant to Article 104 of the Company's Constitution | | | |
| 3 | To re-elect Mr Chin Yew Choong David as Director pursuant to Article 114 of the Company's Constitution | | | |
| 4 | To re-elect Mr Lam Kwong Fai as Director pursuant to Article 114 of the Company's Constitution | | | |
| 5 | To re-elect Mr Yap Kian Peng as Director pursuant to Article 114 of the Company's Constitution | | | |
| 6 | To approve the continued appointment of Mr Yap Kian Peng as an Independent Director for purposes of Rule 406(3)(d)(iii) of the Rules of Catalyst by all shareholders | | | |
| 7 | To approve the continued appointment of Mr Yap Kian Peng as an Independent Director for purposes of Rule 406(3)(d)(iii) of the Rules of Catalyst by shareholders, excluding the directors and the chief executive officer of the Company and their respective associates | | | |
| 8 | To approve the payment of Directors' Fees for the financial year ended 31 December 2020 | | | |
| 9 | To appoint Mazars LLP as Auditor of the Company in place of the retiring Auditor, RSM Chio Lim LLP, and to authorise the Directors to fix its remuneration | | | |
| 10 | To authorise the Directors to allot and issue shares | | | |

Notes:

* Delete where inapplicable accordingly

** Voting will be conducted by poll. If you wish the Chairman of the AGM as your proxy to exercise all your votes "For" or "Against" the relevant resolution, please mark an "X" in the relevant box provided in respect of that resolution. Alternatively, please indicate the number of votes "For" or "Against" in the relevant box provided in respect of that resolution. If you mark an "X" in the abstain box for a particular resolution, you are directing your proxy, who is the Chairman of the AGM, not to vote on that resolution.

Dated this _____ day of _____ 2021

Total number of Shares held

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

IMPORTANT: PLEASE READ NOTES OVERLEAF



NOTES:

1. Please insert the total number of shares in the capital of the Company (“**Shares**”) held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the Shares held by you.
2. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. If a member (whether individual or corporate) wishes to exercise his/her/its voting rights at the AGM, he/she/it must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM. In appointing the Chairman of the AGM as proxy, a member (whether individual or corporate) must give specific instructions as to voting, or abstentions from voting, in the form of proxy, failing which the appointment will be treated as invalid.
Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.
3. The Chairman of the AGM, as proxy, need not be a member of the Company.
4. The instrument appointing the Chairman of the AGM as proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a notarial certified copy thereof, must:
 - (a) if by post, to the Registered Office Address of the Company, at 6 Tuas Lane Singapore 638615 (Opening Hours is 9.00 a.m. to 5.30 p.m., Mondays to Fridays (excluding Public Holidays)); or
 - (b) if sent by email to: agmfy2020@soonlian.com.

in either case, not less than 48 hours before the time for holding the AGM and at any adjournment thereof and in default the instrument of proxy shall not be treated as valid.

fold here

Affix
Postage
Stamp

The Company Secretary

SOON LIAN HOLDINGS LIMITED

6 Tuas Lane
Singapore 638615

fold here

In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

5. The instrument appointing the Chairman of the AGM as proxy must be under the hand of the appointor or his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the AGM as proxy is executed by a corporation, it must be executed under its common seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation, failing which the instrument of proxy may be treated as invalid.
6. A corporation which is a member may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the AGM.
7. The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the AGM as proxy. In addition, in the case of members whose Shares are entered against their names in the Depository Register, the Company may reject any instrument appointing the Chairman of the AGM as proxy lodged if such members are not shown to have shares entered against their names in the Depository Register at seventy-two (72) hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.
8. For investors who have used their CPF monies (“**CPF Investor**”) and/or SRS monies (“**SRS Investor**”) (as may be applicable) to buy Shares, this proxy form is not valid for their use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF Investors and/or SRS Investors who wish to appoint the Chairman of the AGM to act as their proxy should approach their respective CPF Agent Banks and/or SRS Operators to submit their votes at least seven (7) working days before the AGM (i.e. by 10.00 a.m. on 16 April 2021).

Personal Data Privacy:

By submitting an instrument appointing the Chairman of the AGM as proxy, the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2021.



SINGAPORE · MALAYSIA · TAIWAN · CHINA

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