



**SOON
LIAN**
HOLDINGS

**SUSTAINING
OUR DIRECTION**

ANNUAL REPORT 2021

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 AIA Tower, Singapore 048542, telephone (65) 6232 3210.

VISION

INSPIRING PARTNERSHIPS
GROWING POSSIBILITIES

MISSION

WE DELIVER UNRIVALLED ALUMINIUM SOLUTIONS
IGNITING POSSIBILITIES FOR PARTNERS WORLDWIDE

COMPANY PROFILE



Listed on the Catalist of the Singapore Exchange Securities Trading Limited in 2007, Soon Lian Holdings Limited (the “**Company**” or “**Soon Lian**”) and together with its subsidiaries (the “**Group**”) is a specialist supplier of aluminium alloy products with an established track record of more than 35 years. The beginnings of the Group started with Soon Lian Hardware (Pte) Ltd. Founded in 1983, it occupied a 218 square metre office-cum-store in Balestier. Growing steadily, it laid the basis for the establishment of the Group which is now an international supplier with operations and warehouses in Singapore, Malaysia, People’s Republic of China and Taiwan. The Group has also expanded its customer base, building a diversified clientele of over 1,000 customers in more than 15 countries, including Australia, Bangladesh, Hong Kong, India, Indonesia, Kingdom of Saudi Arabia, Malaysia, New Zealand, People’s Republic of China, Philippines, Romania, Singapore, South Africa, South Korea, Taiwan, Thailand, United Arab Emirates, United States of America, Vietnam, Western Europe and others.

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

We source our inventories of aluminium alloy products from reputable suppliers in countries such as Austria, France, Greece, Italy, Malaysia, People’s Republic of China, Romania, Singapore, South Africa, Switzerland, Taiwan, United Kingdom and United States of America. As an endorsement of our quality management system, we were awarded the ISO 9001 certification in April 2002 and subsequently achieved upgrade to ISO 9001:2015.

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

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

BUSINESS SEGMENTS



PRECISION ENGINEERING

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



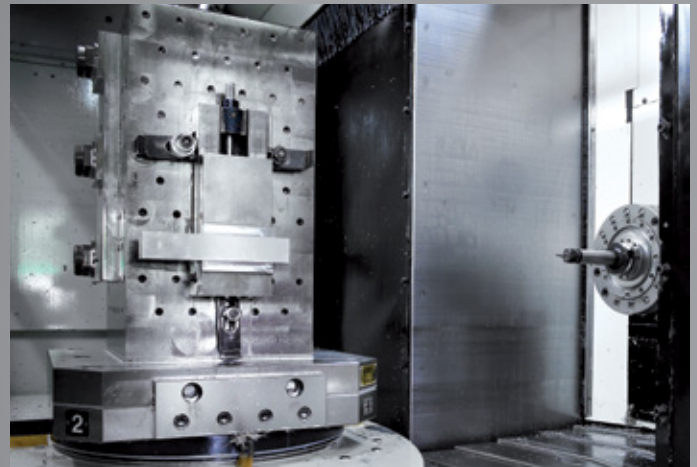
MARINE

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.

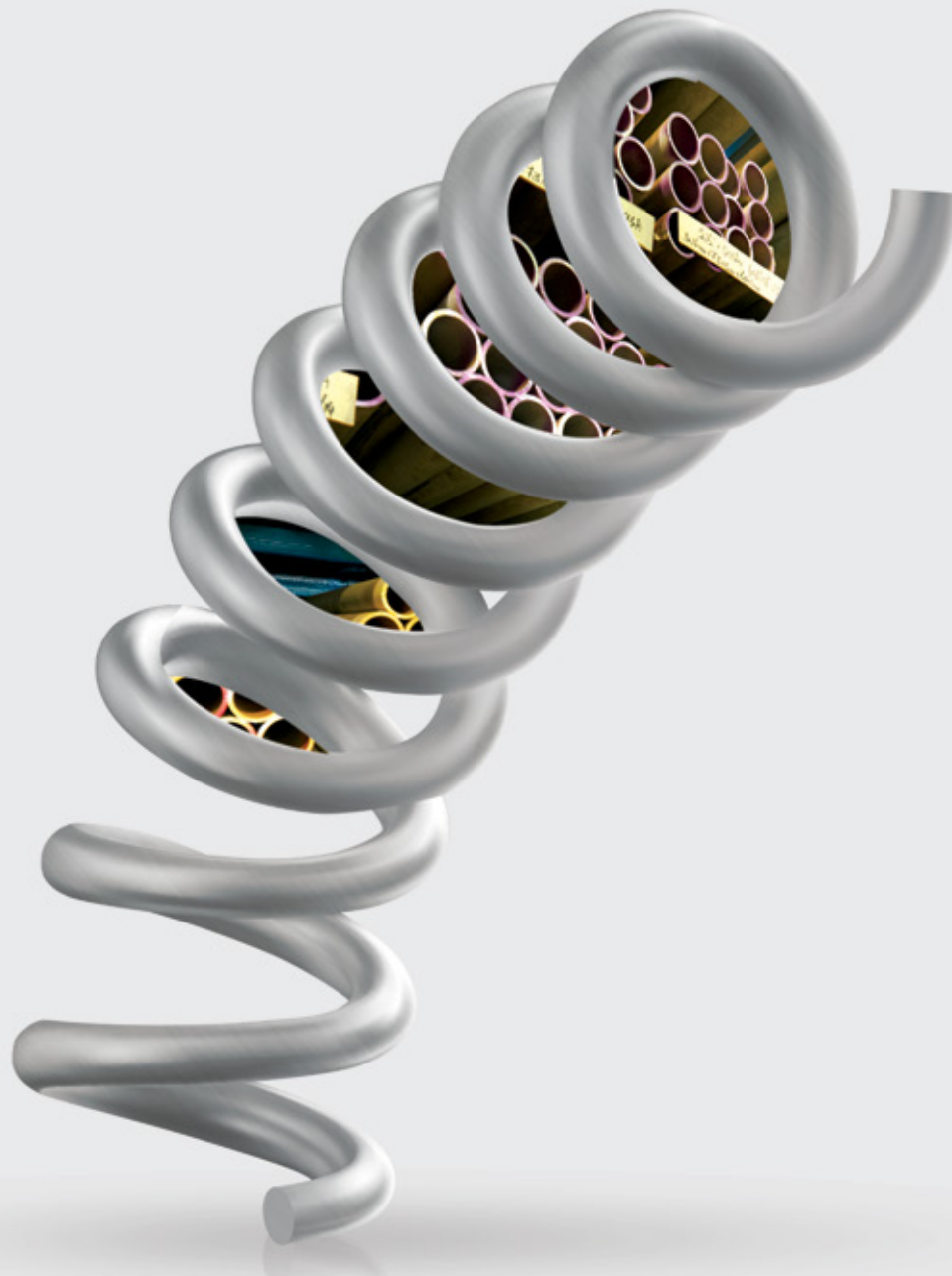


OTHERS

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.

RESILIENCE IN ACTION

Over the years, we gear ourselves with resilience and are able to stay relevant in the industry. To keep such momentum, we will enhance our capabilities by focusing on operational efficiency and talent acquisition.



LETTER TO SHAREHOLDERS



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

Dear Shareholders,

FY2021 was an eventful year for the Group. We weathered COVID-19 restrictions and partial re-openings of business in our main markets, including Singapore. Through this period, we have manoeuvred around the challenges of operating in this pandemic environment, emerging stronger and delivering results. Underlining a year of resilience and agility, I am pleased to announce that the Group booked a healthy profit before tax of S\$7.0 million in FY2021, compared with a profit before tax of S\$0.6 million in FY2020. This was on the back of a 60.5% growth in revenue from S\$33.4 million in FY2020 to S\$53.6 million for FY2021.

During the year in review, we benefitted from the resurgence in global demand as the world economy emerged from the extended COVID-19 lockdowns and restrictions, supported by national vaccination programmes. With the growth in demand for semiconductors, our revenue in the Precision Engineering segment saw an increase. Revenue from this segment grew by 87.1% or S\$16.2 million from S\$18.6 million in FY2020 to S\$34.8 million in FY2021.

Meanwhile, as COVID-19 restrictions were eased over the course of FY2021, Oil & Gas projects in the Offshore Marine industry got back on track. The resumption in work contributed to orders in the Marine segment, our second largest business segment, as well as in our Stockists and Traders segment, with increased orders from international customers.

Overall, our Group delivered positive results undergirded by balanced and well-rounded growth in our business segments. On a per share basis, our earnings for FY2021 was 5.76 Singapore cents, compared with 0.38 Singapore cents in FY2020. On behalf of the Board, I am pleased to declare dividends of 0.3 Singapore cents per ordinary share, to be approved at the upcoming Annual General Meeting.

OUTLOOK

Looking ahead, we see mixed economic indicators. While the world economy has largely recovered from the COVID-19 recession of 2020-21, the recent Omicron variant has induced further restrictions in many countries, disrupted supply chains and downshifted economic momentum globally.

LETTER TO SHAREHOLDERS

Meanwhile, inflation is expected to remain high in 2022. Advanced economies is expected to experience an average 3.9% inflation while emerging market and developing economies are expected to experience an average inflation rate of 5.9%, before abating in 2023, says the International Monetary Fund in its World Economic Outlook 2022, issued in January 2022.

While supply chain challenges and shortages are not fully over, the outlook for the future of the global semiconductor industry remains very much positively upbeat. Demand for products powered by semiconductors is massive and driven by multiple end applications, and demand is expected to remain strong for the next few years. Global sales hit US\$553.0 billion in 2021, an increase over 2020 by 25.6%, and is projected to grow 8.8% in 2022 to reach US\$601.5 billion¹.

The maritime industry similarly, stands in a position of strength with projected CAGR growth of 3.2% to reach US\$195.5 billion by 2030². Although it still grapples with the challenges of supply chain disturbances, COVID-19 rollover effects, and most particularly, environmental concerns, there is still a demand in the need for cargo transportation through ships, technological advancements in marine vessel engines as well as in international seaborne trade have bode well for industry growth.

The Group expects both segments to remain challenging due to the competitive environment, continual supply chain disruptions, rising aluminium prices, as well as rising energy prices as witnessed in recent months. We will respond to these industry dynamics with speed and agility and continue to work on achieving greater efficiency through streamlining our business operations. Beyond this, we will monitor market trends closely and step up our marketing efforts to expand existing market segments and seize any opportunities that arise.

CONCLUSION

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

On behalf of the Board, I would like to send a heartfelt thanks to our management and staff for their energy and dedication in working together in this challenging year. I would also like to thank the Board members for their wise stewardship over the year in review. A note of strong appreciation must also be made for our customers, business partners and shareholders for their unwavering trust and support in us. Together, we will continue to seek sustainable growth and returns for our Group and shareholders.

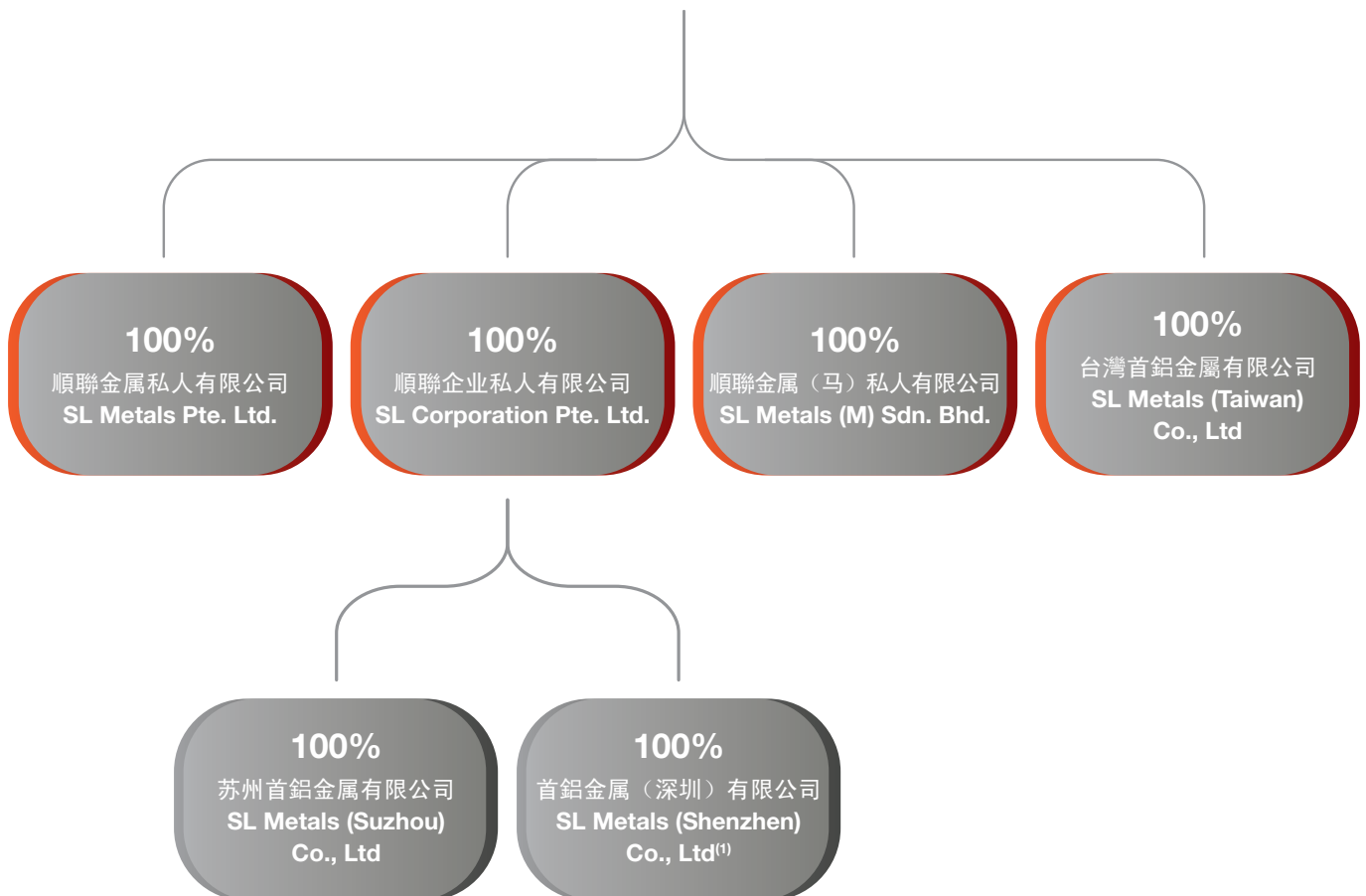
TAN YEE HO

Executive Chairman

¹ <https://www.semiconductors.org/global-semiconductor-sales-increase-24-year-to-year-in-october-annual-sales-projected-to-increase-26-in-2021-exceed-600-billion-in-2022/>

² <https://www.alliedmarketresearch.com/shipbuilding-market-A08511>

CORPORATE STRUCTURE



Note:

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

GEOGRAPHICAL PRESENCE



SUPPLIER BASE

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



CUSTOMER BASE

| | | |
|-------------------------|----------------------------|--------------------------|
| AUSTRALIA | NEW ZEALAND | TAIWAN |
| BANGLADESH | PEOPLE'S REPUBLIC OF CHINA | THAILAND |
| HONG KONG | PHILIPPINES | UNITED ARAB EMIRATES |
| INDIA | ROMANIA | UNITED STATES OF AMERICA |
| INDONESIA | SINGAPORE | VIETNAM |
| KINGDOM OF SAUDI ARABIA | SOUTH AFRICA | WESTERN EUROPE |
| MALAYSIA | SOUTH KOREA | |

GEOGRAPHICAL PRESENCE



REFINING OUR CAPABILITIES & STRENGTHS

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

ESTABLISHING CONNECTIONS

LEVERAGING STRENGTHS

We have created a positive relationship with our customers, associates, and shareholders through accountability, transparency, and integrity. We will uphold these values to build stronger networks and steady growth for the business.



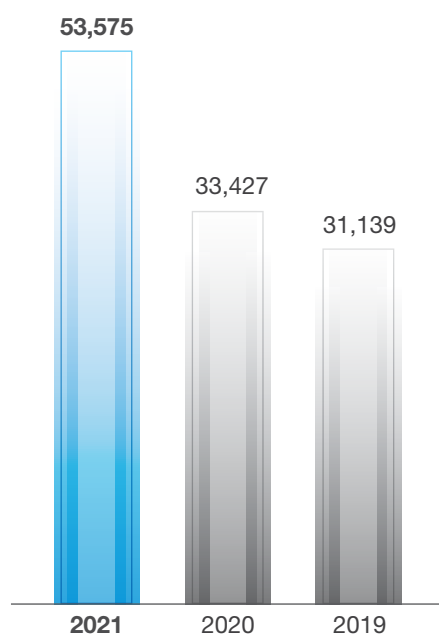
FINANCIAL HIGHLIGHTS

| INCOME STATEMENT | FY2021 S\$'000 | FY2020 S\$'000 | FY2019 S\$'000 |
|-------------------------------|-------------------|-------------------|-------------------|
| Revenue | 53,575 | 33,427 | 31,139 |
| Gross profit | 13,717 | 4,730 | 5,821 |
| Profit before income tax | 7,035 | 585 | 888 |
| Income tax expenses | (817) | (174) | (75) |
| Profit for the year | 6,218 | 411 | 813 |
| Earnings per share (in cents) | 5.76 | 0.38 | 0.75 |

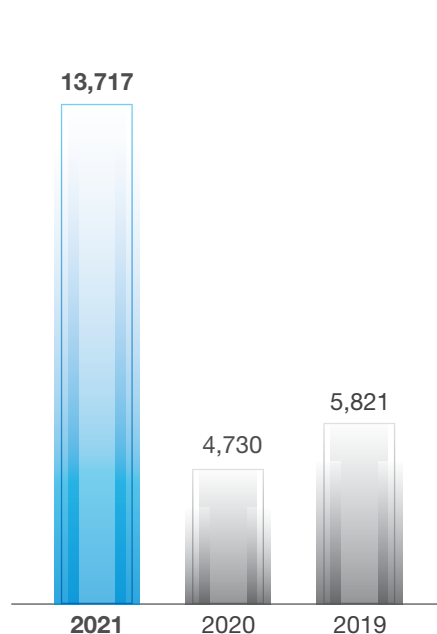
| BALANCE SHEET | As at 31.12.2021 S\$'000 | As at 31.12.2020 S\$'000 | As at 31.12.2019 S\$'000 |
|--------------------|-----------------------------|-----------------------------|-----------------------------|
| ASSETS | | | |
| Non-current assets | 9,934 | 10,820 | 11,133 |
| Current assets | 50,927 | 39,600 | 38,031 |
| Total assets | 60,861 | 50,420 | 49,164 |

| EQUITY AND LIABILITIES | | | |
|--------------------------------------|--------|--------|--------|
| Total equity | 36,614 | 30,146 | 29,548 |
| Non-current liabilities | 7,484 | 10,154 | 6,559 |
| Current liabilities | 16,763 | 10,120 | 13,057 |
| Total liabilities | 24,247 | 20,274 | 19,616 |
| Total equity and liabilities | 60,861 | 50,420 | 49,164 |
| Net asset value per share (in cents) | 33.9 | 27.9 | 27.4 |

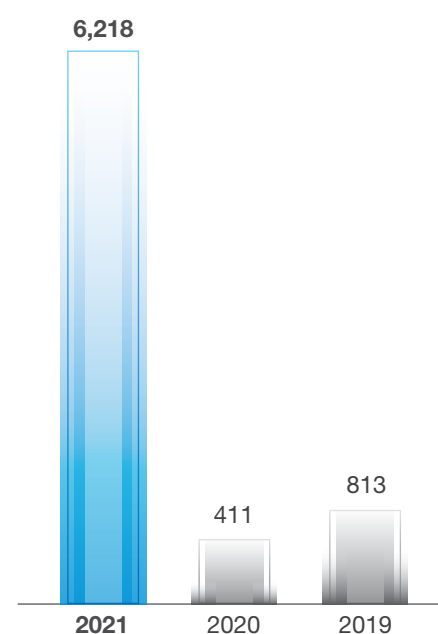
Revenue
S\$'000



Gross Profit
S\$'000



Profit for the Year
S\$'000

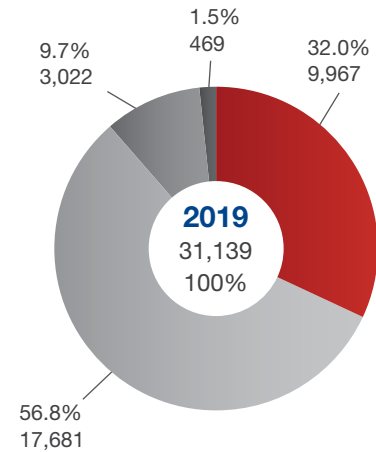
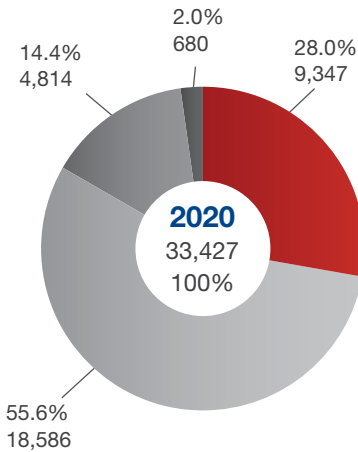
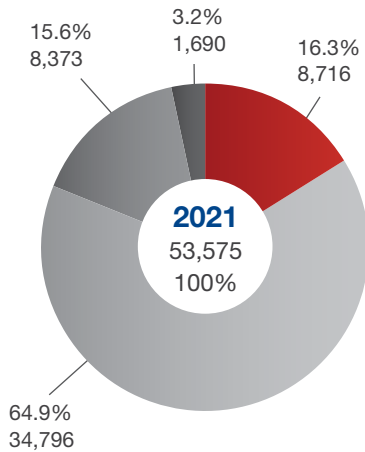


FINANCIAL HIGHLIGHTS

Year ended 31 December 2021

REVENUE (BY OPERATING SEGMENT)

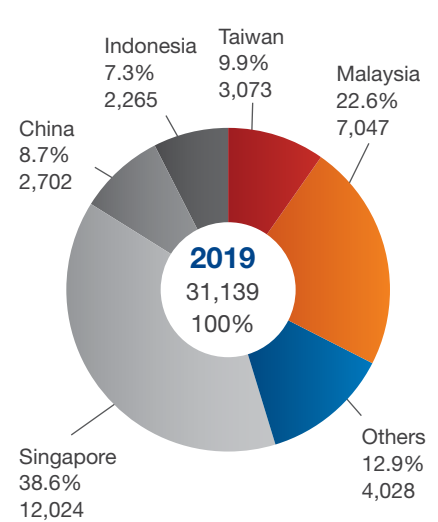
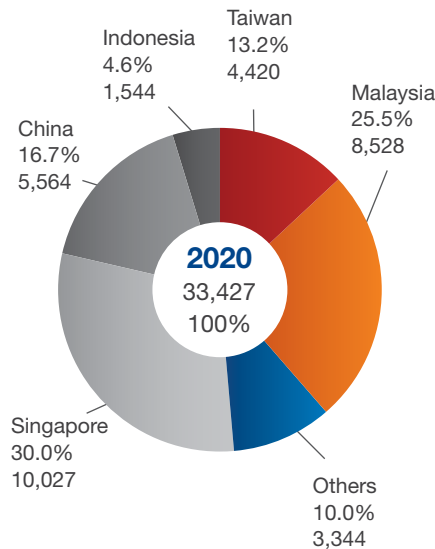
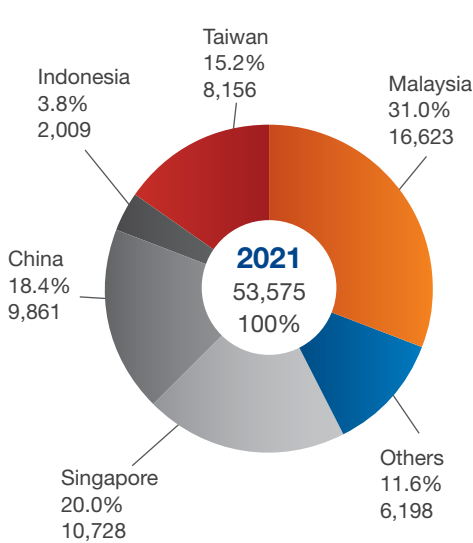
(S\$'000) (%)



● Marine
 ● Precision Engineering
 ● Stockists and traders
 ● Others

REVENUE (BY COUNTRY)

(S\$'000) (%)



OPERATIONS AND FINANCIALS REVIEW



Over the Financial Year in Review 2021, the Group weathered a challenging operating environment with COVID-19 restrictions and slowdowns amid a global pandemic that constantly evolved with new virus variants. On the positive side, the national vaccination programmes in many countries including our main markets of Singapore, Malaysia, China and Taiwan were rolled out, delivering a measure of safety to work environments, and added stability to our business.

As the global economy recovered, our local and international operations saw a resurgence, with broad-based growth across our business segments. This resulted in Group revenue increasing by S\$20.2 million or 60.5%, from S\$33.4 million in FY2020 to S\$53.6 million in FY2021. Growth was driven by our Precision Engineering segment which saw a robust 87.1% expansion in revenue from S\$18.6 million in FY2020 to S\$34.8 million in FY2021. This was underpinned by the global expansion of semiconductor demand as the electronics sector strengthened, and the accompanying demand for semiconductor manufacturing equipment, which boosted our Precision Engineering business.

The resumption of work in the Marine sector as projects were re-started saw healthy orders in this segment while supply chain disruptions and economic expansion saw growing demand for our aluminium alloy products by Stockists and Traders. Our revenue composition was diversified, with our main segments of Precision Engineering sector contributing 64.9% or S\$34.8 million to Group revenue. Marine sector and Stockist and Traders sector contributed 16.3% and 15.6% to Group revenue respectively for the year in review.

Geographically, sales was strong across a wide spectrum of countries including our leading markets of Malaysia, China, Taiwan and Singapore. Malaysia revenue climbed 95.3% year-on-year to S\$16.6 million, China, 76.7% to S\$9.9 million and Taiwan, 86.4% to S\$8.2 million. Meanwhile, Singapore saw a steady 7.0% improvement over the year to S\$10.7 million.

INCOME STATEMENT HIGHLIGHTS

With robust topline expansion, the Group registered a significant improvement in net profit after tax from S\$0.4 million in FY2020 to S\$6.2 million in FY2021. On a per share basis, this amounted to earnings per share of 5.76 Singapore cents in FY2021, compared to 0.38 Singapore cents in FY2020.

Gross profit increased by S\$9.0 million or 191.5%, from S\$4.7 million in FY2020 to S\$13.7 million in FY2021. Gross profit margin increased by 11.4 percentage points, from 14.2% in FY2020 to 25.6% in FY2021. The increase in both gross profit and gross profit margin was mainly due to allowance for impairment on inventories of S\$1.9 million recognised in FY2020 as compared to a net reversal of impairment on inventories of S\$0.1 million in FY2021. Overall, the Group recorded a higher selling price for aluminum products compared to FY2020.

Other income decreased by S\$0.9 million or 69.2%, from S\$1.3 million in FY2020 to S\$0.4 million in FY2021, mainly due to a decrease of S\$0.3 million in gain on disposal of property, plant and equipment, a decrease of S\$0.3 million in government grant income, and a decrease of S\$0.4 million in reversal of impairment on trade receivables.

OPERATIONS AND FINANCIALS REVIEW



Distribution costs remained fairly constant in both FY2021 and FY2020. Administrative expenses increased by S\$0.9 million or 20.5%, from S\$4.4 million in FY2020 to S\$5.3 million in FY2021, mainly due to the increase in higher staff costs.

Finance costs decreased by S\$0.2 million or 40.0%, from S\$0.5 million in FY2020 to S\$0.3 million in FY2021. The impairment loss on trade receivables increased by S\$0.9 million or 450% from S\$0.2 million in FY2020 to S\$1.1 million in FY2021. Other expenses remained fairly constant in both FY2020 and FY2021. As a result of the above, the Group recorded a profit before tax of S\$7.0 million in FY2021, as compared to a profit before tax of S\$0.6 million in FY2020.

STATEMENT OF FINANCIAL POSITION

Non-current assets decreased by S\$0.9 million, from S\$10.8 million as at 31 December 2020 to S\$9.9 million as at 31 December 2021, mainly due to a decrease in property, plant and equipment of S\$0.5 million, decrease in right-of-use assets of S\$0.3 million and decrease in land use right of S\$0.1 million as a result of depreciation and amortisation charges.

Current assets increased by S\$11.3 million, from S\$39.6 million as at 31 December 2020 to S\$50.9 million as at 31 December 2021. This was mainly due to an increase in trade and other receivables of S\$2.9 million, cash and cash equivalents of S\$1.3 million, prepayments of S\$0.7 million and inventories of S\$6.3 million.

Non-current liabilities decreased by S\$2.7 million, from S\$10.2 million as at 31 December 2020 to S\$7.5 million as at 31 December 2021, mainly due to a net decrease in long-term bank loans of S\$2.3 million after repayment and decrease in lease liability (non-current portion) of S\$0.4 million.

Current liabilities increased by S\$6.7 million, from S\$10.1 million as at 31 December 2020 to S\$16.8 million as at 31 December 2021, mainly due to an increase in trade and other payables of S\$6.0 million, an increase in income tax payable of S\$0.5 million and an increase in borrowings (current portion) of S\$0.1 million.

Overall, the Group reported a positive working capital position of S\$34.1 million as at 31 December 2021, as compared to S\$29.5 million as at 31 December 2020. Total equity increased by S\$6.5 million, from S\$30.1 million as at 31 December 2020 to S\$36.6 million as at 31 December 2021, mainly as a result of the net profit for the year.

STATEMENT OF CASH FLOWS

Net cash flows from operating activities were higher by S\$1.7 million in FY2021 as compared to FY2020, mainly due to the improvement in cash inflows before changes in working capital. Net cash flows used in investing activities amounted to S\$0.3 million in FY2021, mainly due to the purchase of property, plant and equipment.

Net cash flows used in financing activities amounted to S\$2.9 million in FY2021, mainly due to a net repayment of borrowings of S\$2.1 million, interest payment of S\$0.3 million and repayment of lease liabilities of S\$0.4 million.

BROADENING OUR HORIZON

Even in the face of challenges, Soon Lian continues to thrive and deliver solid results. We will expand our reach, grow our operations, and monitor our performance accordingly to strengthen our presence.



BOARD OF DIRECTORS AND KEY MANAGEMENT



TAN YEE HO

Executive Chairman

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

Mr Tan has been the Executive Director of the Company since 18 December 2004, and has over 35 years of experience in the aluminium alloy products industry. He has been with our Group since we commenced our operations in 1984 and was primarily responsible for sales and procurement. He was instrumental in expanding our Group's businesses in the various overseas markets and as our overseas market expanded, he relinquished his responsibilities in procurement to Mr Tan Yee Leong in 1995 to focus on sales and marketing; subsequently taking on the position of Sales Executive Director when the Group was listed in 2007.



TAN YEE LEONG

Chief Executive Officer and Executive Director

Mr Tan Yee Leong, was appointed as the Chief Executive Officer ("CEO") of the Company since 8 April 2020. As CEO, he is responsible for the overall management, operations, charting and reviewing of corporate directions and strategies of our Group.

Mr Tan has been the Executive Director of the Company since 18 December 2004. He comes with over 35 years of experience in the aluminium alloy products industry and has been instrumental in managing operations of our Group. Mr Tan started his career with our Group in 1984, focusing on sales to local and overseas customers, and moving on to the procurement function in 1995; subsequently taking on the position of Procurement Executive Director when the Group was listed in 2007. While he oversaw the procurement of our Group, he also assisted our Executive Chairman, Mr Tan Yee Ho, in servicing the accounts of some local and overseas customers to keep abreast of the developments and trends in customers' demands.

BOARD OF DIRECTORS AND KEY MANAGEMENT



YAP KIAN PENG

Lead Independent Non-Executive Director

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

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

From 2005 to 2020, he has been the Executive Director of Capital Equity Holdings Pte Ltd, a private equity investment company. From 2004 to 2010, he was the Executive Director of CKG Chemicals Pte Ltd. He was employed by Maybank from 2001 to 2004, initially as a Senior Business Development Manager and subsequently promoted to be the team head of the Trade Finance Business Development Group in Maybank. From 1998 to 2000, Mr Yap was a Director of You Yi Glass Contractor Pte Ltd, a company engaged in the business of trading in glass sheets. He joined Oversea-Chinese Banking Corporation Limited in 1992 and left as an Assistant Manager at the bank in 1998.

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

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



LEE YIH HONG

Group Financial Controller

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

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

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

BOARD OF DIRECTORS

Tan Yee Ho

Executive Chairman

Tan Yee Leong

Chief Executive Officer and Executive Director

Yap Kian Peng

Lead Independent Non-Executive Director

Chin Yew Choong David

Independent Non-Executive Director

Lam Kwong Fai

Independent Non-Executive Director

AUDIT COMMITTEE

Lam Kwong Fai

Chairman

Chin Yew Choong David

Yap Kian Peng

NOMINATING COMMITTEE

Chin Yew Choong David

Chairman

Lam Kwong Fai

Yap Kian Peng

REMUNERATION COMMITTEE

Yap Kian Peng

Chairman

Chin Yew Choong David

Lam Kwong Fai

REGISTERED OFFICE AND BUSINESS ADDRESS

6 Tuas Lane

Singapore 638615

Tel: +65 6261 8888

Fax: +65 6862 6888

Email: irelations@soonlian.com

Website: www.slmetsgroup.com

COMPANY SECRETARY

Tan Cinyi

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

Tricor Barbinder Share Registration Services

(A division of Tricor Singapore Pte. Ltd.)

80 Robinson Road

#02-00

Singapore 068898

AUDITORS

Mazars LLP

135 Cecil Street

#10-01

Singapore 069536

AUDIT PARTNER-IN-CHARGE

Tan Chee Tyan

(Chartered Accountant Singapore,

a member of the Institute

of Singapore Chartered Accountants)

Effective from financial year

ended 31 December 2021

SPONSOR

SAC Capital Private Limited

1 Robinson Road

#21-00

AIA Tower

Singapore 048542

SUSTAINABILITY REPORT

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BOARD STATEMENT

Dear Stakeholders,

We are pleased to present our fifth 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 2021. 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 governance (“ESG”) performance. The GRI content index and relevant references are provided from pages 33 to 34 of the Annual Report 2021.

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 2021 to 31 December 2021 (“FY2021”).

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 irelations@soonlian.com.



SUPPLY CHAIN MANAGEMENT

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

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

This is in line with our inventory management strategy of 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 2021 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 | STAKEHOLDERS' 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 expectations of our key stakeholders and striving towards building mutual beneficial relationships. We will review our material topics annually considering our stakeholders' feedback and our own business goals. A more detailed discussion on the material topics, including management approach and topic boundary limitations, if any, is provided in the following respective sections of this report.

ECONOMIC PERFORMANCE

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



| | FY2021 (S\$'000) | FY2020 (S\$'000) | Change (%) |
|---|------------------|------------------|----------------|
| Revenue | 53,575 | 33,427 | 60.3 |
| Cost of sales | (39,858) | (28,697) | 38.9 |
| Gross profit | 13,717 | 4,730 | >100 |
| Other income | 379 | 1,283 | (70.5) |
| Distribution costs | (342) | (284) | 20.4 |
| Administrative expenses | (5,271) | (4,395) | 19.9 |
| Finance costs | (335) | (534) | (37.3) |
| Impairment loss on trade receivables, net | (1,107) | (164) | >100 |
| Other expenses | (6) | (51) | (88.2) |
| Profit before income tax | 7,035 | 585 | >100 |
| Income tax expenses | (817) | (174) | >100 |
| Profit for the year | 6,218 | 411 | >100 |

Our Group recorded a net profit of S\$6.2 million for FY2021, as compared to a net profit of S\$0.4 million for the previous financial year ended 31 December 2020 ("FY2020").

In FY2021, 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 2022 ("FY2022"), 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 FY2021, there was no reported incident of corruption in the Group.

The Management has put in place a whistleblowing policy duly endorsed by the AC and approved by the Board.

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

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

During FY2021, there were no complaints, concerns or issues received.

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



WASTE MANAGEMENT

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

We are contributing through:

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

| Wastage | FY2021 | FY2020 |
|-------------------|---------|---------|
| Total Weight (kg) | 255,198 | 143,887 |

In FY2021, we saw an increase in the total weight of the wastage due to increase in operating activities and this wastage subsequently turned into scrap sales.

In FY2022, 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 objectives set by Soon Lian.

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

Team member

The Group employs more than 80 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 diversified 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 FY2021 and FY2020 is as below:

| Actual Headcount / Year | FY2021 | FY2020 |
|-------------------------------------|--------|--------|
| Number of resignation / termination | <50 | <50 |
| New join | >50 | <50 |
| Actual headcount | >50 | >50 |
| Turnover rate (%) | >50 | <50 |

The Group experienced higher turnover rate in FY2021 mainly due to the turnover of general production workers.

In FY2022, we will strive 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 FY2021, the average hours of training undertaken by our employees were 13 hours (FY2020: 7 hours). Besides training provided, our employees also received regular performance feedback and career development review.

Moving forward for FY2022, 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 need and importance of a safe and conducive working environment. Working in a safe environment helps to protect the well-being of our employees, visitors and customers as well as reducing the number of accident injury. A policy for reporting workplace incident has also been put in place, which is in compliance with the Workplace Safety and Health Act and Work Injury Compensation Act.

In FY2021, there was a total of 10 injuries (FY2020: 1 injury) to 9 male employees and 1 female employee. The Group has taken immediate steps to reduce such incidents in the future, including holding of safety briefings on good work practice such as wearing personal protective equipment at all time at work and carrying out work according to the standard operating procedures, etc. Moving forward, the Group aims to reduce the workplace accident rate. In addition, 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 2021 Page 2 |
| | 102-2 Activities, brands, products, and services | Annual Report 2021 Page 2 |
| | 102-3 Location of headquarters | Annual Report 2021 Page 19 |
| | 102-4 Location of operations | Annual Report 2021 Page 2 |
| | 102-5 Ownership and legal form | Annual Report 2021 Page 7 |
| | 102-6 Markets served | Annual Report 2021 Page 8 |
| | 102-7 Scale of the organisation | Annual Report 2021 Page 11 |
| | 102-8 Information on employees and other workers | Annual Report 2021 Page 30 |
| | 102-9 Supply chain | Annual Report 2021 Page 23 |
| | 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 2021 Page 24 |
| | 102-13 Membership of associations | Annual Report 2021 Page 24 |
| | Strategy | |
| | 102-14 Statement from senior decision maker | Annual Report 2021 Page 21 |
| | Ethics and Integrity | |
| | 102-16 Values, principles, standards, and norms of behaviour | Annual Report 2021 Page 28 |
| | Governance | |
| | 102-18 Governance structure | Annual Report 2021 Pages 35-64 |
| | Stakeholder Engagement | |
| | 102-40 List of stakeholder groups | Annual Report 2021 Page 25 |
| | 102-41 Collective bargaining agreements | Not applicable |
| | 102-42 Identifying and selecting stakeholders | Annual Report 2021 Page 25 |
| | 102-43 Approach to stakeholder engagement | Annual Report 2021 Page 25 |
| | 102-44 Key topics and concerns raised | Annual Report 2021 Page 26 |
| | Reporting Practice | |
| | 102-45 Entities included in the consolidated financial statements | Annual Report 2021 Page 7 |
| | 102-46 Defining report content and topic boundaries | Annual Report 2021 Page 22 |
| | 102-47 List of material topics | Annual Report 2021 Page 26 |
| | 102-48 Restatements of information | Not applicable |
| | 102-49 Changes in reporting | Not applicable |
| | 102-50 Reporting period | Annual Report 2021 Page 22 |
| | 102-51 Date of most recent report | 12 April 2021 |
| | 102-52 Reporting cycle | Annually |
| | 102-53 Contact point for questions regarding the report | Annual Report 2021 Page 22 |
| | 102-54 Claims of reporting in accordance with the GRI Standards | Annual Report 2021 Page 22 |
| | 102-55 GRI content index | Annual Report 2021 Pages 33-34 |
| | 102-56 External assurance | Annual Report 2021 Page 22 |

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 2021 Pages 26-32 |
| | 103-2 The management approach and its components | Annual Report 2021 Pages 26-32 |
| | 103-3 Evaluation of the management approach | Annual Report 2021 Pages 26-32 |
| GRI 201: Economic Performance 2016 | 201-1 Direct Economic value generated and distributed | Annual Report 2021 Page 27 |
| GRI 205: Anti-Corruption 2016 | 205-1 Operations assessed for risks related to corruption | Annual Report 2021 Page 28 |
| | 205-3 Confirmed incidents of corruption and actions taken | |
| GRI 301: Materials 2016 | 301-1 Materials used by weight or volume | Annual Report 2021 Page 29 |
| | 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 2021 Page 30 |
| | 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 2021 Page 31 |
| | 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 2021 Page 32 |
| | 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 | |

CORPORATE GOVERNANCE REPORT

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

This report describes the Company’s corporate governance structures and practices that were in place throughout the financial year ended 31 December 2021 (“**FY2021**”), 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 FY2021, 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 Catalyst ("**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.

During the financial year reported on, all Directors have received updates on (i) amendments to the Catalyst Rules and other relevant regulatory updates; (ii) business and strategic developments of the Group by the Management; and (iii) developments in financial reporting and governance standards, where relevant, by the continuing sponsor and external auditors of the Company, so as to enable them to make well-informed decisions and to properly discharge their duties as Directors. 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 FY2021 are set out below:

| DIRECTORS | BOARD | | AC | | NC | | RC | |
|-----------------------|-------|----------|------|----------|------|----------|------|----------|
| | Held | Attended | Held | Attended | Held | Attended | Held | Attended |
| Tan Yee Ho | 3 | 3 | 2 | 2* | 1 | 1* | 1 | 1* |
| Tan Yee Leong | 3 | 3 | 2 | 2* | 1 | 1* | 1 | 1* |
| Yap Kian Peng | 3 | 3 | 2 | 2 | 1 | 1 | 1 | 1 |
| Chin Yew Choong David | 3 | 3 | 2 | 2 | 1 | 1 | 1 | 1 |
| Lam Kwong Fai | 3 | 3 | 2 | 2 | 1 | 1 | 1 | 1 |

* By invitation

CORPORATE GOVERNANCE REPORT

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 FY2021. 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 issues to be considered are prepared and circulated to the Directors in advance for each meeting to give the Directors sufficient time to review the matters to be discussed. In respect of the budgets or internal forecasts, any material variance between the projections and the actual results should be disclosed to and explained to the Board.

Provision 1.7

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

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

Together with the Management, the Company Secretary is responsible for ensuring that appropriate meeting procedures are followed and that the requirements of the Companies Act 1967 of Singapore (the "**Companies Act**") are complied with. The Company Secretary assists the Chairman and the Chairman of each Board Committee in the development of the agendas for the various Board and Board Committees meetings. The Company Secretary attends all the Board and Board Committees meetings and prepares minutes of meetings. The appointment and removal of the Company Secretary is decided by the Board as a whole.

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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 FY2021, the Independent Directors have met informally at least once without the presence of Management to discuss matters such as the Group's financial performance, corporate governance initiatives, board processes, succession planning as well as leadership development and the remuneration of Directors and key management personnel ("KMPs").

Chairman and Chief Executive Officer

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

Provision 3.1

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

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

Provision 3.2

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

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

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.

CORPORATE GOVERNANCE REPORT

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 FY2021.

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.

CORPORATE GOVERNANCE REPORT

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 Ho and Chin Yew Choong David will be retiring by rotation pursuant to Article 104 of the Constitution. Tan Yee Ho and Chin Yew Choong David, being eligible for re-election, have offered themselves for re-election. The NC has recommended to the Board that Tan Yee Ho and Chin Yew Choong David 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 FY2021, 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.

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.

CORPORATE GOVERNANCE REPORT

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 came 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 was re-appointed as an Independent Director under the two-tier shareholdings voting during the AGM on 27 April 2021 and this appointment shall continue in force until the earlier of the retirement or resignation of Yap Kian Peng as a Director or the conclusion of the third AGM of the Company following his reappointment.

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 (to be re-appointed at the forthcoming AGM) | <u>Other Principal Commitments</u> 1. Soon Tien Holdings Pte. Ltd. 2. Soon Tien Investments Pte. Ltd. 3. Concentrate Holdings Pte. Ltd. 4. Concentrate Engineering Pte. Ltd. 5. Concentrate Engineering (M) Sdn. Bhd. | 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 |
|---|---|---------------------------------------|---|---|--|
| Tan Yee Leong <i>Executive / Non-Independent</i> | GCE "O" levels | 18.12.2004 | 27.04.2021 | <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 |
| Yap Kian Peng <i>Non-Executive / Independent</i> | Bachelor Degree in Business (Business Administration) (RMIT University) | 31.10.2007 | 27.04.2021 | <u>Other Principal Commitments</u> 1. Jackspeed Corporation Limited (Executive Deputy Chairman and Chief Executive Officer) <u>Present Directorships</u> 1. Seroja Investments Limited (Independent Non-Executive Director) | 1. M Development Ltd. |
| Chin Yew Choong David <i>Non-Executive / Independent</i> | Bachelor of Laws (Honours) (National University of Singapore) | 01.06.2020 | 27.04.2021 (to be re-appointed at the forthcoming AGM) | <u>Other Principal Commitments</u> 1. Rajah & Tann LLP (Consultant) <u>Present Directorships</u> 1. Universal Resource and Services Limited (Independent Non-Executive Director) 2. Jackspeed Corporation Limited (Independent Non-Executive Chairman) | 1. M Development Ltd. |

CORPORATE GOVERNANCE REPORT

| Name of Director and Board Membership | Academic / Professional qualifications | Date of first appointment as Director | Date of last reappointment as Director | Present directorships or chairmanships in other listed companies and other principal commitments | Past directorships held over the preceding three years in other listed companies |
|---|--|---------------------------------------|--|---|--|
| Lam Kwong Fai <i>Non-Executive / Independent</i> | Bachelor of Accountancy (Nanyang Technological University) | 22.06.2020 | 27.04.2021 | <u>Other Principal Commitments</u> 1. Alder Corporate Services Pte Ltd (Director) <u>Present Directorships</u> 1. Pan Asian Holdings Limited (Independent Non-Executive Director) 2. China Kunda Technology Holdings Limited (Independent Non-Executive Director) 3. Capital World Limited (Independent Non-Executive Director) 4. Katrina Group Limited (Independent Non-Executive Director) | 1. Medtecs International Corporation Limited 2. OEL (Holdings) Limited 3. D'Nonce Technology Bhd |

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 2021.

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 FY2021, 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.

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 FY2021, the RC did not seek any external professional advice on remuneration.

CORPORATE GOVERNANCE REPORT

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 FY2021 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 | – | 62 | 23 | 15 | 100 |
| Tan Yee Leong | – | 65 | 23 | 12 | 100 |
| Below S\$250,000 | | | | | |
| Yap Kian Peng | 100 | – | – | – | 100 |
| Chin Yew Choong David | 100 | – | – | – | 100 |
| Lam Kwong Fai | 100 | – | – | – | 100 |

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 FY2021 in bands of S\$250,000. The actual remuneration of each individual Director and the aggregate remuneration of the KMPs are not disclosed due to the confidentiality and sensitivity of remuneration matters as the Board believes that the disclosure may be prejudicial to the Group's businesses given the competitive business environment which the Group operates in and the disadvantages that it may bring. After taking into account the reasons for non-disclosure stated above, the Board is of the view that the current disclosure of the remuneration presented herein in this report is sufficient to provide Shareholders information on the Group's remuneration policies, as well as level and mix of remuneration. Accordingly, the Board is of the view that this is in line with the intent of Principle 8 of the Code.

The remuneration of the KMP (who is not Directors or the CEO) for FY2021 are set out below:

| | Salary | Bonus | Allowances and Benefits-in-kind | Total |
|-------------------------|--------|-------|---------------------------------|-------|
| | % | % | % | % |
| Below S\$250,000 | | | | |
| Lee Yih Hong | 82 | 11 | 7 | 100 |

The Company has one (1) KMP (who is not Directors or the CEO) as at 31 December 2021.

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

There is one employee Tan Ee Hoon who is an immediate family member of a Director or a substantial shareholder of the Company and whose remuneration is between S\$100,000 and S\$200,000 for the financial year ended 31 December 2021. Tan Ee hoon is the sister of both Tan Yee Ho and Tan Yee Leong and she is the General Administrative Manager of SL Metals Pte. Ltd., a wholly-owned subsidiary of the Company.

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

Provision 8.3

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

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

Provision 9.1

The Company had engaged Nexia TS Risk Advisory Pte Ltd (“**Nexia TS**”) to facilitate the development of 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 2021. This is in turn, supported by assurance from:

- (a) the CEO and the Group Financial Controller that the financial records of the Group have been properly maintained and the financial statements give a true and fair view of the Group’s operations and finances; and
- (b) the Executive Chairman, the CEO and the Group Financial Controller that the Group has put in place a reasonably adequate and effective risk management and internal control systems during FY2021.

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

Audit Committee

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

Provision 10.1

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

CORPORATE GOVERNANCE REPORT

The principal functions of the AC are as follows:

- 1) to review with the external auditors, their audit plan, their evaluation of the system of internal accounting controls, their letter to the Management and the Management's response;
- 2) to review the half yearly and annual, and quarterly if applicable, financial statements and results announcements before submission to the Board for approval;
- 3) to ensure coordination between the external auditors and the Management;
- 4) to review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Group's operating results or financial positions, and the Management's response;
- 5) to make recommendations to the Board on the appointment, reappointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors;
- 6) to oversee internal controls and risk management, and to assess the adequacy and effectiveness of internal controls and risk management systems;
- 7) to ensure that the Company establishes and maintains on an on-going basis, an effective internal audit function that is adequately resourced and independent of the activities it audits;
- 8) to approve the hiring, removal, evaluation and compensation of the internal auditors, as well as the scope of the internal audit and the annual internal audit plan;
- 9) to review interested person transactions (if any) falling within the scope of Chapter 9 of the Catalist Rules;
- 10) to review potential conflicts of interest, if any;
- 11) to review all foreign exchange exposure, hedging transactions and any formal hedging policies and procedures; and
- 12) any other functions and duties as may be required by statute or the Catalist Rules.

The Management has put in place a whistleblowing policy duly endorsed by the AC and approved by the Board.

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

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

During FY2021, 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 Choong 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 company of Nexia TS Public Accounting Corporation, 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. Nexia TS possesses vast experience in providing internal audits, risk management services and advisory services in the region. The internal audit team from Nexia TS comprised of the engagement lead, a manager and experienced staff members. The engagement lead who is a member of the Association of Chartered Certified Accountants and a member of the Institute of Internal Auditors Singapore, has more than 13 years of professional experience performing and leading internal audits, internal control reviews, corporate governance, compliance, and enterprise risk management related reviews. He has served companies listed in Singapore, Hong Kong and Chile, private companies, not-for-profit organisations, Institutions of Public Character and public sector agencies.

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

The internal auditors will submit their annual audit planning for approval by the AC and report their findings to the AC. In FY2021, 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 FY2021. 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.

CORPORATE GOVERNANCE REPORT

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 FY2021, which related to tax compliance work, and they would not, in the opinion of the AC, affect the independence and objectivity of the external auditors of the Company.

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

| | FY2021 |
|---|---------------|
| | \$ |
| Audit fees paid/payable to the external auditors | |
| - external auditors of the Company | 68,000 |
| - other external auditors of the Group | 26,300 |
| Non-audit fees paid/payable to the external auditors | |
| - external auditors of the Company | 11,000 |
| - other external auditors of the Group | 12,400 |

The existing auditor of the Company, Mazars LLP, was appointed as the external auditor of the Company, at the last AGM held on 27 April 2021 until the conclusion of the forthcoming AGM. For the audit of the financial year ending 31 December 2022, the AC has recommended the reappointment of Mazars LLP as external auditors of the Company.

During the year, the Group has appointed different auditors, i.e. firms which are not Mazars LLP member firms, for some of its overseas subsidiaries. The Board and the AC have reviewed the appointment of different auditors for its subsidiaries and are satisfied that the appointment of different auditors would not compromise the standard and effectiveness of the audit of the Group.

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

CORPORATE GOVERNANCE REPORT

In FY2021, 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 |
|---|---|
| Expected credit losses on trade receivables | The AC reviewed the assessments made by the Management and the external auditor and assessed the appropriateness of the assumptions and estimates made, including the consistent application of the Management's methodology, achievability of the business plans and the Management's assessments on the customers' creditworthiness and expected credit loss of the trade receivables. The AC was satisfied with the appropriateness of the analyses performed by the Management. |
| Provision of obsolescence inventory | This has been an area of focus by the Management and the external auditor, given the materiality of the inventories and the subjectivity involved in impairment testing. The AC reviewed the assessments made by the Management and the external auditor, and assessed the appropriateness of the assumptions and estimates made (including the Management's projections on future demand trends and market value of the inventories). The AC was satisfied with the appropriateness of the analyses performed by the Management. |

CORPORATE GOVERNANCE REPORT

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 (except for Chin Yew Choong David, who was absent due to urgent medical appointment), Management, Company Secretary, external auditor and the Company's sponsor attended the AGM of the Company held on 27 April 2021. Save for the aforementioned AGM, there was no other general meeting held during FY2021.

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

Engagement with Shareholders

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

Provisions 12.1, 12.2 and 12.3

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

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.smetalsgroup.com, which provides corporate information, announcements, press releases and other information pertaining to the Group.

CORPORATE GOVERNANCE REPORT

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

Engagement with Stakeholders

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

Provisions 13.1 and 13.2

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

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

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

Please refer to the Company's Sustainability Report set out in this Annual Report 2021 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 2001 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 FY2021 or if not then subsisting, entered into since the end of the previous financial year.

HEDGING POLICY

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

CATALIST SPONSOR

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

There is no non-sponsor fee paid or payable by the Company to SAC Capital during FY2021.

CORPORATE GOVERNANCE REPORT

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

Pursuant to Rule 720(5) of the Catalist Rules, the information as set out in Appendix 7F to the Catalist Rules relating to Tan Yee Ho and Chin Yew Choong David, 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 Ho |
|---|--|
| Date of first appointment | 18 December 2004 |
| Date of last reappointment (if applicable) | 19 May 2020 |
| Age | 63 |
| Country of principal residence | Singapore |
| The Board's comments on this appointment including rationale, selection criteria, and the search and nomination process) | The re-election of Mr Tan Yee Ho as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Tan Yee Ho's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company. |
| Whether appointment is executive, and if so, the area of responsibility | Executive Mr Tan Yee Ho is responsible for leading the Board and promoting corporate governance and primarily responsible for overseeing our sales and marketing initiatives in Singapore and overseas markets, as well as business development initiatives. |
| Job Title (e.g. Lead ID, AC Chairman, AC member etc.) | Executive Chairman |
| Professional qualifications | GCE "O" Levels |
| Working experience and occupation(s) during the past 10 years | December 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 Ho holds direct interest in 998,333 shares of the Company (" Shares "). In addition, Mr Tan Yee Ho is deemed to be interested in the 72,900,000 Shares held by Soon Tien Holdings Pte. Ltd. |
| Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/ or substantial shareholder of the listed issuer or of any of its principal subsidiaries | Mr Tan Yee Ho (Executive Chairman of the Company) and Mr Tan Yee Leong (CEO and Executive Director of the Company) are siblings. As at the date of this report, Mr Tan Yee Ho is a 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 Ho 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 Leong and Mr Tan Yee Chin (as siblings). As at the date of this report, Mr Tan Yee Ho is a director on each of the boards of all the subsidiaries of the Company (save for SL Metals (Taiwan) Co., Ltd). |

CORPORATE GOVERNANCE REPORT

| Name of Director | Tan Yee Ho |
|---|--|
| 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 |
| 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. | |
| Past (for the last 5 years) | 1. Fultech Industry (M) Sdn. Bhd. |
| Present | 1. Soon Lian Holdings Limited 2. SL Metals Pte. Ltd. 3. SL Metals (M) Sdn. Bhd. 4. SL Corporation Pte. Ltd. 5. SL Metals (Suzhou) Co., Ltd 6. Soon Tien Holdings Pte. Ltd. 7. Soon Tien Investments Pte. Ltd. 8. Concentrate Holdings Pte. Ltd. 9. Concentrate Engineering Pte. Ltd. 10. Concentrate Engineering (M) Sdn. Bhd. 11. SL Metals (Shenzhen) Co., Ltd (currently in the process of a members’ voluntary winding up) |
| Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given. | |
| (a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner? | No |
| (b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency? | No |
| (c) Whether there is any unsatisfied judgment against him? | No |
| (d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose? | No |

CORPORATE GOVERNANCE REPORT

| Name of Director | Tan Yee Ho |
|--|------------------------|
| (e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach? | No |
| (f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part? | No |
| (g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust? | No |
| (h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust? | No |
| (i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity? | No |
| (j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :— (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or | No No No |

CORPORATE GOVERNANCE REPORT

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

CORPORATE GOVERNANCE REPORT

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|---|--|
| Name of Director | Chin Yew Choong David |
| Date of first appointment | 1 June 2020 |
| Date of last reappointment (if applicable) | 27 April 2021 |
| Age | 63 |
| 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 Catalist Rules has been submitted to the listed issuer | Yes |
| 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. | |
| Past (for the last 5 years) | 1. United Force Development (S) Pte. Ltd. 2. United Force Trading Pte. Ltd. 3. Winsta Holding Pte. Ltd. 4. M Development Ltd. |
| Present | 1. Soon Lian Holdings Limited 2. Jackspeed Corporation Limited 3. Universal Resource and Services Limited |

CORPORATE GOVERNANCE REPORT

| | |
|---|--|
| Name of Director | Chin Yew Choong David |
| <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 (“Mr Chin”) was re-designated as a Non-Executive Non-Independent Director of M Development Ltd. (“MDL”) on 20 December 2016. He has subsequently resigned as Director following the appointment of liquidators for members’ voluntary liquidation process. M Development Ltd subsequently delisted on 16 July 2021. 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> <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 Hotel Pte. Ltd.; and g) Carlisle Hotel 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 |

CORPORATE GOVERNANCE REPORT

| Name of Director | Chin Yew Choong David |
|--|---|
| (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 | <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> |

CORPORATE GOVERNANCE REPORT

| Name of Director | Chin Yew Choong David |
|--|--|
| | <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> |
| <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> |

STATEMENT BY DIRECTORS

The directors present their statement to the members together with the audited consolidated financial statements of Soon Lian Holdings Limited (the “Company”) and its subsidiaries (collectively, the “Group”) and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2021.

1. Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the statements of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and the financial performance, changes in equity and cash flows of the Group for the financial year ended 31 December 2021; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

2. Directors

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

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

3. Arrangements to enable directors to acquire shares or debentures

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

STATEMENT BY DIRECTORS

4. Directors' interests in shares or debentures

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

| Name of directors and companies <u>in which interests are held</u> | <u>Direct interest</u> | | <u>Deemed interest</u> | |
|---|--|---------------------------------|---------------------------------------|---------------------------------|
| | <u>At beginning of financial year</u> | <u>At end of financial year</u> | <u>At beginning of financial year</u> | <u>At end of financial year</u> |
| <u>Parent company</u> | <u>Number of shares of no par value</u> | | | |
| <u>Soon Tien Holdings Pte. Ltd.</u> | | | | |
| Tan Yee Ho | 250,000 | 250,000 | – | – |
| Tan Yee Leong | 250,000 | 250,000 | – | – |
| <u>The company</u> | | | | |
| <u>Soon Lian Holdings Limited</u> | | | | |
| Tan Yee Ho | 998,333 | 998,333 | 72,900,000 | 72,900,000 |
| Tan Yee Leong | 998,333 | 998,333 | 72,900,000 | 72,900,000 |
| Yap Kian Peng | 50,000 | 50,000 | – | – |

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

The directors' interests in the shares and options of the Company on 21 January 2022 were the same as at 31 December 2021.

5. Share options

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

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

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

6. Audit Committee

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

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

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

STATEMENT BY DIRECTORS

6. Audit Committee (cont'd)

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

- (i) reviewed with the independent external auditor with their audit plan;
- (ii) reviewed with the independent external auditor their evaluation of the Company’s internal accounting controls relevant to their statutory audit, and their report on the financial statements and the assistance given by management to them;
- (iii) reviewed with the internal auditor the scope and results of the internal audit procedures (including those relating to financial, operational and compliance controls and risk management) and the assistance given by management to the internal auditor;
- (iv) reviewed the financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption;
- (v) reviewed the interested person transactions (as defined in Chapter 9 of the SGX’s Listing Manual);

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

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

7. Auditors

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

On behalf of the board of directors

Tan Yee Ho
Director

Tan Yee Leong
Director

Singapore
7 June 2022

INDEPENDENT AUDITOR'S REPORT

To the Members of Soon Lian Holdings Limited

Report on the Audit of Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Soon Lian Holdings Limited (the “Company”) and its subsidiaries (the “Group”) which comprise the consolidated statements of financial position of the Group and of the statement of financial position of the Company as at 31 December 2021, the consolidated statement of profit or loss and other comprehensive income, changes in equity and cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the “Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)”) so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.

Basis for Opinion

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

Overview

Audit Approach

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

Materiality

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

Scope of audit

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Soon Lian Holdings Limited

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

Area of focus

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current financial year. These matters include the salient areas of focus in our audit and do not represent all the risks identified by our audit. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

| Key audit matter | Our audit response |
|---|--|
| Expected credit losses on trade receivables (refer to Note 3.2, Note 18 and Note 28 to the financial statements) | |
| <p>As at 31 December 2021, the Group reported trade receivables with carrying amount of approximately S\$14,234,000 (2020: S\$11,532,000), net of allowance for expected credit losses ("ECL") of approximately S\$2,791,000 (2020: S\$1,667,000), representing 27.9% of the Group's current assets.</p> <p>Consequent to the adoption of SFRS(I) 9 Financial Instruments ("SFRS(I) 9"), the Group used an allowance matrix to estimate ECL for trade receivables. The ECL rates are based on the Group's historical loss experience of the various customer groups that are assessed by geographical locations, adjusted for forward looking factors, including their best estimate of the impact of COVID-19, specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables.</p> <p>As the determination of the ECL requires significant judgement and estimation of management and in consideration of the significance of trade receivables in the Group, we consider management's assessment and application of SFRS(I) 9 to the impairment of trade receivables as a key audit matter.</p> | <p>Our audit procedures included, and were not limited to, the following:</p> <ul style="list-style-type: none">• We obtained an understanding of the Group's process in assessing and determining the loss rates used in their allowance matrix;• We reviewed the appropriateness of the bases of the Group for determining the loss rates, with reference to the historical payment trends of its customers, analysed by past due dates and the customers' geographical locations, adjusted for the Group's outlook of the macro-economic environment and conditions in which its customers operate in, and considered the subsequent receipts, where applicable. In the review, we also considered specifically the management's assessment of current and potential impact of COVID-19 on the recoverability of these trade receivables;• We assessed and tested the arithmetic accuracy of the allowance matrix;• For long outstanding receivables, we performed background checks on the customers to assess whether the receivables could be credit impaired; and• We reviewed the appropriateness and sufficiency of the corresponding disclosures made in the financial statements. |

INDEPENDENT AUDITOR'S REPORT

To the Members of Soon Lian Holdings Limited

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

Key Audit Matters (cont'd)

| Key audit matter | Our audit response |
|---|---|
| <p>Provision for inventories obsolescence (refer to Note 3.2 and Note 17 to the financial statements)</p> <p>As at 31 December 2021, the Group reported inventories with carrying amount of approximately S\$27,441,000 (2020: S\$21,073,000), net of provision for inventories obsolescence of approximately S\$2,499,000 (2020: S\$2,591,000), representing 53.9% of the Group's current assets.</p> <p>With reference to SFRS(I) 2 Inventories, inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete inventory.</p> <p>The assessment of the provision for inventories obsolescence requires the use of significant judgement and estimates. The management is of the view that it is necessary to provide a general provision for the slow moving inventories. These provisions are due to potentially reduced movement in inventories and decrease in market demand arising from current and future economic impact.</p> <p>In consideration of the significance of the transaction and aforementioned significant estimates and judgement applied by management, we consider this as a key audit matter.</p> | <p>Our audit procedures included, and were not limited to, the following:</p> <ul style="list-style-type: none">• We reviewed the Group's policy of allowance for slow moving inventories;• We assessed the appropriateness of provision for inventories obsolescence;• We assessed and tested the arithmetic accuracy of the allowance matrix;• We assessed and where found necessary, critically challenged judgements and estimates used by management in measuring the provision for inventories obsolescence; and• We reviewed the completeness and appropriateness of corresponding disclosures made in the financial statements. |

Other Information

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Soon Lian Holdings Limited

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

Responsibilities of Management and Director for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Soon Lian Holdings Limited

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

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Other Matter

The financial statements of the Group and the Company for the financial year ended 31 December 2020 were audited by another firm of auditors who expressed an unmodified opinion on those statements on 31 March 2021.

Report on Other Legal and Regulatory Requirements

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

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

MAZARS LLP

Public Accountants and
Chartered Accountants
Singapore

7 June 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

Year ended 31 December 2021

| | | Group | |
|---|--------------|---------------|---------------|
| | Notes | 2021 | 2020 |
| | | \$'000 | \$'000 |
| Revenue | 4 | 53,575 | 33,427 |
| Cost of sales | | (39,858) | (28,697) |
| Gross profit | | 13,717 | 4,730 |
| Other income | 5 | 379 | 1,283 |
| Distribution costs | | (342) | (284) |
| Administrative expenses | | (5,271) | (4,395) |
| Finance costs | 6 | (335) | (534) |
| Impairment loss on trade receivables, net | 8 | (1,107) | (164) |
| Other expenses | 7 | (6) | (51) |
| Profit before income tax | 8 | 7,035 | 585 |
| Income tax expenses | 9 | (817) | (174) |
| Profit for the year | | 6,218 | 411 |
| Other comprehensive income: | | | |
| Items that may be reclassified subsequently to profit or loss | | | |
| Exchange differences on translating foreign operations | | 250 | 187 |
| Other comprehensive income for the year | | 250 | 187 |
| TOTAL COMPREHENSIVE INCOME FOR THE YEAR | | 6,468 | 598 |
| Profit attributable to owners of the Company | | 6,218 | 411 |
| Total comprehensive income attributable to owners of the Company | | 6,468 | 598 |
| Earnings per share attributable to owners of the Company (cents per share) | | | |
| Basic earnings per share | 10 | 5.76 | 0.38 |
| Diluted earnings per share | 10 | 5.76 | 0.38 |

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2021

| | Notes | Group | | Company | |
|--------------------------------------|-------|----------------|----------------|----------------|----------------|
| | | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 11 | 6,823 | 7,291 | – | – |
| Right-of-use assets | 12 | 470 | 759 | – | – |
| Land use right | 13 | 2,303 | 2,439 | – | – |
| Intangible assets | 14 | – | – | – | – |
| Investments in subsidiaries | 15 | – | – | 11,283 | 11,283 |
| Deferred tax assets | 16 | 338 | 331 | – | – |
| Total non-current assets | | 9,934 | 10,820 | 11,283 | 11,283 |
| Current assets | | | | | |
| Inventories | 17 | 27,441 | 21,073 | – | – |
| Trade and other receivables | 18 | 14,854 | 11,961 | 2,018 | 2,003 |
| Prepayments | | 1,326 | 552 | 28 | 24 |
| Cash and cash equivalents | 19 | 7,306 | 6,014 | 721 | 671 |
| Total current assets | | 50,927 | 39,600 | 2,767 | 2,698 |
| Total assets | | 60,861 | 50,420 | 14,050 | 13,981 |
| EQUITY AND LIABILITIES | | | | | |
| Equity | | | | | |
| Share capital | 20 | 10,579 | 10,579 | 10,579 | 10,579 |
| Retained earnings | | 25,321 | 19,307 | 2,722 | 3,109 |
| Other reserves | 21 | 714 | 260 | – | – |
| Total equity | | 36,614 | 30,146 | 13,301 | 13,688 |
| Non-current liabilities | | | | | |
| Lease liabilities | 22 | 211 | 578 | – | – |
| Borrowings | 23 | 7,273 | 9,576 | – | – |
| Total non-current liabilities | | 7,484 | 10,154 | – | – |
| Current liabilities | | | | | |
| Income tax payable | | 591 | 119 | – | – |
| Lease liabilities | 22 | 434 | 390 | – | – |
| Borrowings | 23 | 1,707 | 1,585 | – | – |
| Trade and other payables | 24 | 14,031 | 8,026 | 749 | 293 |
| Total current liabilities | | 16,763 | 10,120 | 749 | 293 |
| Total liabilities | | 24,247 | 20,274 | 749 | 293 |
| Total equity and liabilities | | 60,861 | 50,420 | 14,050 | 13,981 |

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

STATEMENTS OF CHANGES IN EQUITY

Year ended 31 December 2021

| Group | Share capital \$'000 | Retained earnings \$'000 | Other reserves \$'000 | Total equity \$'000 |
|---|-------------------------|-----------------------------|--------------------------|------------------------|
| Balance at 1 January 2020 | 10,579 | 18,900 | 69 | 29,548 |
| Transferred (from) to retained earnings | – | (4) | 4 | – |
| Total comprehensive income for the year | – | 411 | 187 | 598 |
| Balance at 31 December 2020 | 10,579 | 19,307 | 260 | 30,146 |
| Transferred (from) to retained earnings | – | (204) | 204 | – |
| Total comprehensive income for the year | – | 6,218 | 250 | 6,468 |
| Balance at 31 December 2021 | 10,579 | 25,321 | 714 | 36,614 |

| Company | Share capital \$'000 | Retained earnings \$'000 | Total equity \$'000 |
|---|-------------------------|-----------------------------|------------------------|
| Balance at 1 January 2020 | 10,579 | 2,536 | 13,115 |
| Profit for the financial year, representing total comprehensive income for the financial year | – | 573 | 573 |
| Balance at 31 December 2020 | 10,579 | 3,109 | 13,688 |
| Loss for the financial year, representing total comprehensive loss for the financial year | – | (387) | (387) |
| Balance at 31 December 2021 | 10,579 | 2,722 | 13,301 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

| | Notes | Group 2021 \$'000 | Group 2020 \$'000 |
|---|-------|-------------------------|-------------------------|
| Operating activities | | | |
| Profit before income tax | | 7,035 | 585 |
| Adjustments for: | | | |
| Interest income | | (3) | (15) |
| Interest expense | | 335 | 534 |
| Depreciation of property, plant and equipment | 11 | 815 | 859 |
| Depreciation of right-of-use assets | 12 | 374 | 278 |
| Amortisation of land use right | 13 | 136 | 135 |
| Amortisation of intangible assets | 14 | – | 18 |
| Allowance / (Reversal) of impairment loss on trade receivables, net | | 1,107 | (214) |
| (Reversal) / Provision for inventories obsolescence | | (123) | 1,915 |
| Bad debts written-off | | 2 | 12 |
| Bad debts recovered | | (14) | – |
| Inventory written-off | | 4 | 35 |
| Gains on disposal of property, plant and equipment | | (9) | (276) |
| Property, plant and equipment written-off | | – | 4 |
| Net effect of exchange rate changes in consolidating foreign operations | | 225 | 188 |
| Operating cash flows before movements in working capital | | 9,884 | 4,058 |
| Changes in working capital | | | |
| Cash restricted in use | | (1) | (11) |
| Inventories | | (6,249) | 519 |
| Trade and other receivables | | (3,988) | (1,787) |
| Other non-financial assets | | (774) | (411) |
| Trade and other payables | | 5,936 | 531 |
| Net cash flows from operations | | 4,808 | 2,899 |
| Income taxes paid | | (337) | (132) |
| Net cash generated from operating activities | | 4,471 | 2,767 |
| Investing activities | | | |
| Disposal of property, plant and equipment | | 20 | 720 |
| Purchase of property, plant and equipment | | (348) | (206) |
| Interest received | | 3 | 15 |
| Net cash (used in) generated from investing activities | | (325) | 529 |
| Financing activities | | | |
| Repayments of borrowings and bills payables to bank | | (4,294) | (6,588) |
| Proceeds from new borrowings and bills payables to bank | | 2,182 | 7,113 |
| Lease liabilities | | (440) | (415) |
| Interest paid | | (303) | (489) |
| Net cash used in financing activities | | (2,855) | (379) |
| Net increase in cash and cash equivalents | | 1,291 | 2,917 |
| Cash and cash equivalents at beginning of financial year | | 6,003 | 3,086 |
| Cash and cash equivalents at end of financial year | 19 | 7,294 | 6,003 |

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2021

Reconciliation of liabilities arising from financing activities

| | 1 January 2021 \$'000 | Financing cash flows \$'000 | Non-cash movements | | | 31 December 2021 \$'000 |
|------------------------|-----------------------------|-----------------------------------|-----------------------|-------------------------------|---|----------------------------------|
| | | | Acquisition \$'000 | Interest expense \$'000 | Foreign exchange movement \$'000 | |
| Liabilities | | | | | | |
| Borrowings | 11,161 | (2,181) | - | - | - | 8,980 |
| Bills payables to bank | 2,113 | 69 | - | - | - | 2,182 |
| Lease liabilities | 968 | (440) | 90 | 32 | (5) | 645 |
| | | | | | | |
| | 1 January 2020 \$'000 | Financing cash flows \$'000 | Non-cash movements | | | 31 December 2020 \$'000 |
| | | | Acquisition \$'000 | Interest expense \$'000 | Foreign exchange movement \$'000 | |
| Liabilities | | | | | | |
| Borrowings | 7,176 | 3,985 | - | - | - | 11,161 |
| Bills payables to bank | 5,570 | (3,457) | - | - | - | 2,113 |
| Lease liabilities | 584 | (415) | 755 | 45 | (1) | 968 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

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

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

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

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

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

The financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2021 were authorised for issue by the Board of Directors on 7 June 2022.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

In the current year, the Group has adopted all the new and revised SFRS(I)s and SFRS(I) INTs that are relevant to its operations and effective for annual periods beginning on or after 1 January 2021. The adoption of these new or revised SFRS(I)s and SFRS(I) INTs did not result in changes to the Group’s and Company’s accounting policies, and has no material effect on the current or prior year’s financial statement and is not expected to have a material effect on future periods.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

2.1 Basis of preparation (cont'd)

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

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

| SFRS (I) | Title | Effective date (annual periods beginning on or after) |
|--------------------------|--|--|
| SFRS(I) 16 | Amendment to SFRS(I) 16: <i>Covid-19- Related Rent Concessions</i> beyond 30 June 2021 | 1 April 2021 |
| SFRS(I) 3 | Amendments to SFRS(I) 3: Reference to the Conceptual Framework | 1 January 2022 |
| SFRS(I) 1-16 | Amendments to SFRS(I) 1-16: Property, Plant and Equipment – Proceeds before Intended Use | 1 January 2022 |
| SFRS(I) 1-37 | Amendments to SFRS(I) 1-37: Onerous Contracts – Cost of Fulfilling a Contract | 1 January 2022 |
| SFRS(I) 1-1 | Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non- current | 1 January 2023 |
| SFRS(I) 10, SFRS(I) 1-28 | Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | To be determined |
| SFRS(I) 1-8 | Amendments to SFRS(I) 1-8: Definition of Accounting Estimates | 1 January 2023 |
| SFRS(I) 1-12, SFRS(I) 1 | Amendments to SFRS(I) 1-12: Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction | 1 January 2023 |
| Various | Annual Improvements to SFRS(I)s 2018-2021 | 1 January 2022 |
| Various | Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2: Disclosure of Accounting Policies | 1 January 2023 |

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

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

2.2 Basis of consolidation

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

2.2 Basis of consolidation (cont'd)

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

2.3 Business combinations

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

2.3 Business combinations (cont'd)

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

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

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

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

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

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

2.4 Revenue recognition

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

Sale of goods

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

2.5 Borrowing costs

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

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

2.6 Retirement benefit costs

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

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

2.7 Employee leave entitlements

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

2.8 Income tax

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

2.8 Income tax (cont'd)

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

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

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

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

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

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

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

2.9 Foreign currency transactions and translation

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

2.9 Foreign currency transactions and translation (cont'd)

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

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

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

2.10 Property, plant and equipment

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

Subsequent expenditure relating to property, plant and equipment is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

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

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

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

No depreciation is charged on construction-in-progress as they are not yet in use as at the end of the financial year.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

2.11 Land use right

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

2.12 Right-of-use assets

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

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

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

2.13 Intangible assets

Customer lists

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

2.14 Impairment of non-financial assets

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

2.15 Financial instruments

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

Effective interest method

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

Financial assets

Initial recognition and measurement

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

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

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

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

Financial assets at amortised cost

A financial asset is subsequently measured at amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Financial assets at amortised cost include Trade and other receivables and cash and cash equivalents.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

2.15 Financial instruments (cont'd)

Impairment of financial assets

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

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

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

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

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

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

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

For details on the Group’s accounting policy for its impairment of financial assets, refer to Note 28.

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

2.15 Financial instruments (cont'd)

Financial liabilities and equity instruments (cont'd)

Equity instruments

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

Ordinary share capital

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

Financial liabilities

Initial recognition and measurement

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

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

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

Other financial liabilities

Trade and other payables

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

Borrowings

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

Financial guarantee contracts

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

2.15 Financial instruments (cont'd)

Financial liabilities and equity instruments (cont'd)

Other financial liabilities (cont'd)

Financial guarantee contracts (cont'd)

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

Derecognition of financial liabilities

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

2.16 Inventories

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

2.17 Cash and cash equivalents

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

2.18 Leases

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

2.18 Leases (cont'd)

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

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

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

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

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

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

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

2.19 Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

2.19 Provisions (cont'd)

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

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

2.20 Government grants

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

Non-monetary government grant is recognised at nominal amount.

2.21 Segment reporting

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

3. Critical accounting judgement and key sources of estimation uncertainty

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

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

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

3.2 Key sources of estimation uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

3.2 Key sources of estimation uncertainty (cont'd)

Measurement of ECL of trade receivables

The Group uses a provision matrix to measure ECL for trade receivables. The ECL rates are based on the Group's historical loss experience of the various customer groups that are assessed by geographical locations, product types and internal ratings, adjusted for forward looking factors specific to the debtors and the economic environment which could affect the ability of the debtors to settle the trade receivables. In considering the impact of the economic environment on the ECL rates, the Group assesses, for example, the gross domestic production growth rates of the countries (eg. Singapore, People's Republic of China ("PRC"), Malaysia, Taiwan) and the growth rates of the major industries in which its customers operate. The Group adjusts the allowance matrix at each reporting date. Such estimation of the ECL rates may not be representative of the actual default in the future. The expected loss allowance on the Group's trade receivables as at 31 December 2021 was \$2,791,000 (2020: \$1,667,000) (Note 18).

Inventory valuation method

Inventory is valued at the lower of cost and net realisable value. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete inventory and identifies items of inventory which have a market price, being the selling price quoted from the market of similar items, that is lower than its carrying amount. Management then estimates the amount of inventory loss as a provision for inventories obsolescence. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventory which could then consequentially impact the Group's results, cash flows and financial position. The carrying amount of the Group's inventories as at 31 December 2021 was \$27,441,000 (2020: \$21,073,000). The provision for inventories obsolescence for the year ended 31 December 2021 was \$2,499,000 (2020: \$2,591,000) (Note 17).

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset was already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amount of the Group's property, plant and equipment as at 31 December 2021 was \$6,823,000 (2020: \$7,291,000) (Note 11).

Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's and the Company's current tax payable as at 31 December 2021 were \$591,000 (2020: \$119,000) and \$NIL (2020: \$NIL) respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

4. Revenue

| | Group | |
|---------------|--------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Sale of goods | 53,136 | 33,243 |
| Other income | 439 | 184 |
| | 53,575 | 33,427 |

The disaggregation of revenue from contracts with customers is disclosed in Note 27.

5. Other income

| | Group | |
|--|--------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Foreign exchange gain, net | 224 | 209 |
| Interest income | 3 | 15 |
| Reversal for impairment loss on trade receivables | – | 378 |
| Gains on disposal of property, plant and equipment | 9 | 276 |
| Government grant income | 57 | 112 |
| Job support scheme | 55 | 293 |
| Bad debts recovered | 14 | – |
| Others | 17 | – |
| | 379 | 1,283 |

The Jobs Support Scheme (the “JSS”) is a temporary scheme introduced in the Singapore Budget 2020 to help enterprises retain local employees. Under the JSS, employers will receive cash grants in relation to the gross monthly wages of eligible employees.

6. Finance costs

| | Group | |
|-------------------------------|--------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Interest expense | 303 | 489 |
| Interest on lease liabilities | 32 | 45 |
| | 335 | 534 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

7. Other expenses

| | Group | |
|---|--------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Bad debts written off | 2 | 12 |
| Inventories written off | 4 | 35 |
| Property, plant and equipment written off | – | 4 |
| | 6 | 51 |

8. Profit before income tax

| | 2021 | 2020 |
|--|--------|--------|
| | \$'000 | \$'000 |
| Directors' remuneration of the Company | | |
| - Short-term benefits | 1,091 | 752 |
| - Employees' contribution to defined contribution plans | 16 | 40 |
| - Directors' fees | 150 | 77 |
| Directors' fees of a subsidiary | 2 | 2 |
| Employee benefits expenses (including key management personnel remuneration) | | |
| - Short-term benefits | 4,624 | 3,303 |
| - Employees' contribution to defined contribution plans | 269 | 318 |
| - Other benefits | 63 | 84 |
| Audit fees paid to auditors: | | |
| - Auditors of the Company | 68 | 80 |
| - Other auditors of subsidiaries | 26 | 22 |
| Non-audit fees paid to auditors: | | |
| - Auditors of the Company | 11 | 41 |
| - Other auditors of subsidiaries | 12 | 7 |
| Impairment loss on trade receivables, net | 1,107 | 164 |
| Depreciation of property, plant and equipment | 815 | 859 |
| Depreciation of right-of-use assets | 374 | 278 |
| Amortisation of land use rights | 136 | 135 |
| Amortisation of intangible assets | – | 18 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

9. Income tax expense

| | Group | |
|---|--------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Current tax expense | | |
| Current financial year | 813 | 191 |
| Under provision in prior financial year | 11 | 48 |
| | 824 | 239 |
| Deferred tax expense | | |
| Current financial year | (7) | (40) |
| Under provision in prior financial year | – | (25) |
| | (7) | (65) |
| Income tax expense | 817 | 174 |

Reconciliation of effective tax rate is as follows:

| | Group | |
|---|--------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Profit before tax | 7,035 | 585 |
| Income tax expense at the above rate | 1,196 | 99 |
| (Income not subject to tax) expenses not deductible for tax purposes, net | 202 | (118) |
| Under adjustments to tax in respect of prior periods | 11 | 23 |
| Effect of different tax rates in different countries | 139 | 114 |
| Undistributed earnings additional tax @ 5% | 21 | – |
| Deferred tax assets (not recognised previously) not recognised | (752) | 56 |
| Total income tax expense | 817 | 174 |

The Company is incorporated in Singapore and accordingly is subject to income tax rate of 17% (2020: 17%). Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. There were no changes in the enterprise income tax of the different applicable jurisdictions in the current year from the last year.

10. Earnings per share

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

| | Group | |
|--|--------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Profit for the financial year attributable to ordinary equity holders of the Company | 6,218 | 411 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

10. Earnings per share (cont'd)

| | 2021 No. of shares '000 | 2020 No. of shares '000 |
|--|-------------------------------|-------------------------------|
| Weighted average number of ordinary shares in issue at beginning and end of the financial year | 108,000 | 108,000 |

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

11. Property, plant and equipment

| Group | Leasehold property and improvements \$'000 | Plant and equipment \$'000 | Total \$'000 |
|----------------------------------|---|----------------------------------|-----------------|
| Cost: | | | |
| At 1 January 2020 | 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 |
| Additions | – | 351 | 351 |
| Disposals | – | (126) | (126) |
| Foreign exchange adjustments | – | 42 | 42 |
| At 31 December 2021 | 6,240 | 5,611 | 11,851 |
| Accumulated depreciation: | | | |
| At 1 January 2020 | 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 |
| Depreciation for the year | 388 | 427 | 815 |
| Disposals | – | (112) | (112) |
| Foreign exchange adjustments | 1 | 31 | 32 |
| At 31 December 2021 | 1,247 | 3,781 | 5,028 |
| Carrying amount: | | | |
| At 31 December 2021 | 4,993 | 1,830 | 6,823 |
| At 31 December 2020 | 5,382 | 1,909 | 7,291 |

The Group's leasehold property with a carrying amount of approximately \$4,878,000 (2020: \$5,214,000) were pledged to secure bank borrowings (Note 23).

The Group's motor vehicle with a carrying amount of approximately \$318,000 (2020: \$358,000) were under lease liabilities agreement (Note 22).

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

12. Right-of-use assets

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

| Group | Dormitory \$'000 | Warehouse space \$'000 | Office equipment \$'000 | Office space \$'000 | Total \$'000 |
|----------------------------------|---------------------|------------------------------|-------------------------------|------------------------|-----------------|
| Cost: | | | | | |
| At 1 January 2020 | – | – | 53 | 368 | 421 |
| Additions | – | 370 | – | 383 | 753 |
| At 31 December 2020 | – | 370 | 53 | 751 | 1,174 |
| Additions | 58 | 33 | – | – | 91 |
| Foreign exchange adjustments | – | – | – | (6) | (6) |
| At 31 December 2021 | 58 | 403 | 53 | 745 | 1,259 |
| Accumulated depreciation: | | | | | |
| At 1 January 2020 | – | – | 10 | 127 | 137 |
| Depreciation for the year | – | 52 | 10 | 216 | 278 |
| At 31 December 2020 | – | 52 | 20 | 343 | 415 |
| Depreciation for the year | 14 | 130 | 10 | 220 | 374 |
| At 31 December 2021 | 14 | 182 | 30 | 563 | 789 |
| Carrying amount: | | | | | |
| At 31 December 2021 | 44 | 221 | 23 | 182 | 470 |
| At 31 December 2020 | – | 318 | 33 | 408 | 759 |

13. Land use right

| | Group | |
|----------------------------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Cost: | | |
| At 1 January and 31 December | 2,800 | 2,800 |
| Accumulated amortisation: | | |
| At 1 January | 361 | 226 |
| Amortisation for the year | 136 | 135 |
| At 31 December | 497 | 361 |
| Carrying amount: | | |
| At 31 December | 2,303 | 2,439 |

The Group has land use right over a plot of land in Singapore for a warehouse and office, which serves as the Group's headquarters. It is amortised over the period of the lease term on the straight-line method. The land use right has a remaining tenure of 16 years (2020: 17 years).

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

14. Intangible assets

| | Group | |
|----------------------------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Cost: | | |
| At 1 January | 154 | 147 |
| Foreign exchange adjustments | 6 | 7 |
| At 31 December | 160 | 154 |
| Accumulated amortisation: | | |
| At 1 January | 154 | 130 |
| Amortisation for the year | – | 18 |
| Foreign exchange adjustments | 6 | 6 |
| At 31 December | 160 | 154 |
| Carrying amount: | | |
| At 31 December | – | – |

15. Investments in subsidiaries

| | Company | |
|--------------------------------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Investments in subsidiaries, at cost | 12,206 | 12,206 |
| Less: Impairment loss | (923) | (923) |
| Carrying amount | 11,283 | 11,283 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

15. Investments in subsidiaries (cont'd)

Details of the subsidiaries are as follows:

| Name of subsidiary and independent auditors | Country of incorporation | Principal activities | Effective percentage of equity held | |
|--|----------------------------|--------------------------------------|-------------------------------------|-----------|
| | | | 2021 % | 2020 % |
| Held directly by the Company | | | | |
| SL Metals Pte. Ltd. ^(a) | Singapore | Supplier of aluminium alloy products | 100 | 100 |
| SL Metals (M) Sdn. Bhd. ^(b) | Malaysia | Supplier of aluminium alloy products | 100 | 100 |
| SL Corporation Pte. Ltd. ^(a) | Singapore | Investment Holding | 100 | 100 |
| SL Metals (Taiwan) Co., Ltd ^(c) | Taiwan | Supplier of aluminium alloy products | 100 | 100 |
| Held through SL Corporation Pte. Ltd. | | | | |
| SL Metals (Suzhou) Co., Ltd ^(d) | People's Republic of China | Supplier of aluminium alloy products | 100 | 100 |
| SL Metals (Shenzhen) Co., Ltd ^(e) - Dormant | People's Republic of China | Dormant | 100 | 100 |

^(a) Audited by Mazars LLP, Singapore.

^(b) Audited by RSM Malaysia PLT.

^(c) Audited by Moores Rowland CPAs.

^(d) Audited by Mazars Shanghai, PRC.

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

16. Deferred tax assets

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

| | Group | |
|---|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| At beginning of financial year | 331 | 266 |
| Credit to profit or loss | 7 | 40 |
| Under provision in prior financial year | - | 25 |
| At end of financial year | 338 | 331 |

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

16. Deferred tax assets (cont'd)

Deferred tax expense recognised in profit or loss include:

| | Group | |
|---|--------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Plant and equipment | 478 | (65) |
| Unabsorbed tax losses | (72) | - |
| Provision | (413) | - |
| Total deferred income tax credit recognised in profit or loss | (7) | (65) |

Deferred tax balance in the statements of financial position:

| | Group | |
|--|--------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| <u>Deferred tax assets/(liabilities)</u> | | |
| Plant and equipment | (147) | 331 |
| Unabsorbed tax losses | 72 | - |
| Provision | 413 | - |
| | 338 | 331 |

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 \$2,570,000 (2020: \$3,320,000).

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 2021, the tax loss carryforwards of \$NIL (2020: \$8,000) will expire in 2024.

17. Inventories

| | Group | |
|----------------|--------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Finished goods | 27,441 | 21,073 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

17. Inventories (cont'd)

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

| | Group | |
|---|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| At 1 January | 2,591 | 645 |
| (Reversal) / Provision for inventories obsolescence | (123) | 1,915 |
| Foreign exchange adjustments | 31 | 31 |
| Balance at end of the year | <u>2,499</u> | <u>2,591</u> |

Inventories with a carrying amount of \$2,182,000 (2020: \$2,113,000) have been pledged as security for bills payables (see Note 24).

The Group has recognised a reversal of \$123,000 (2020: \$NIL), being part of provision for inventories obsolescence in the financial year ended 31 December 2020, as the inventories were sold above their carrying amounts in the current financial year ended 31 December 2021.

18. Trade and other receivables

| | Group | | Company | |
|-----------------------|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Trade receivables | 17,025 | 13,199 | - | - |
| Less: Impairment loss | (2,791) | (1,667) | - | - |
| Net trade receivables | <u>14,234</u> | <u>11,532</u> | - | - |
| Other receivables | | | | |
| - Subsidiaries | - | - | 2,018 | 2,003 |
| - Third parties | 620 | 429 | - | - |
| Net other receivables | <u>620</u> | <u>429</u> | <u>2,018</u> | <u>2,003</u> |
| Total | <u>14,854</u> | <u>11,961</u> | <u>2,018</u> | <u>2,003</u> |

Trade receivables are non-interest bearing and the Group generally extend credit period of 30 to 90 days (2020: 30 to 90 days) from date of invoice. They are recognised at the transaction price which represent their fair value on initial recognition.

The non-trade amounts due from subsidiaries are unsecured, interest-free, and are repayable on demand except for one of a subsidiary is unsecured, bears interest at 4% per annum and is repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

18. Trade and other receivables (cont'd)

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

| | Group | | Company | |
|----------------------|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Singapore dollar | 3,860 | 5,274 | 1,385 | 1,385 |
| United States dollar | 2,914 | 1,021 | - | - |
| Malaysia ringgit | 1,825 | - | - | - |
| Chinese renminbi | 3,747 | 3,873 | - | - |
| New Taiwan dollar | 2,508 | 1,793 | 633 | 618 |
| | <u>14,854</u> | <u>11,961</u> | <u>2,018</u> | <u>2,003</u> |

19. Cash and cash equivalents

| | Group | | Company | |
|------------------------|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Cash and bank balances | <u>7,306</u> | <u>6,014</u> | <u>721</u> | <u>671</u> |

The interest earning balances are not significant.

Included in cash and cash equivalents are bank deposits amounting to \$12,000 (2020: \$11,000) which are not freely remissible for use by the Group because of performance guarantee.

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

| | Group | | Company | |
|----------------------|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Singapore dollar | 2,195 | 3,412 | 721 | 671 |
| United States dollar | 1,266 | 279 | - | - |
| Malaysia ringgit | 645 | 446 | - | - |
| Chinese renminbi | 2,466 | 1,640 | - | - |
| New Taiwan dollar | 725 | 228 | - | - |
| Others | 9 | 9 | - | - |
| | <u>7,306</u> | <u>6,014</u> | <u>721</u> | <u>671</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

19. Cash and cash equivalents (cont'd)

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

| | Group | |
|---------------------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Cash and bank balances | 7,306 | 6,014 |
| Restricted cash | (12) | (11) |
| Cash and cash equivalents | 7,294 | 6,003 |

20. Share capital

| | Group and Company | | | |
|------------------------------|-------------------|--------------|----------------|----------------|
| | 2021 '000 | 2020 '000 | 2021 \$'000 | 2020 \$'000 |
| Issued and fully paid | | | | |
| At 1 January and 31 December | 108,000 | 108,000 | 10,579 | 10,579 |

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

21. Other reserves

| | Group | |
|--------------------------------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| Statutory reserve | 447 | 243 |
| Foreign currency translation reserve | 267 | 17 |
| | 714 | 260 |

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.

Statutory reserve

| | Group | |
|---------------------------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| At beginning of the year | 243 | 239 |
| Transferred from profit or loss | 204 | 4 |
| At end of the year | 447 | 243 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

21. Other reserves (cont'd)

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

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

Foreign currency translation reserve

| | Group | |
|--|--------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| At beginning of the year | 17 | (170) |
| Exchange differences on translating foreign operations | 250 | 187 |
| At end of the year | 267 | 17 |

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

22. The Group as a lessee

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

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

Recognition exemptions

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

(a) Lease liabilities

| | Group | |
|--------------------------------|--------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Lease liabilities, current | 434 | 390 |
| Lease liabilities, non-current | 211 | 578 |
| | 645 | 968 |

The total cash outflow for leases during the financial year ended 31 December 2021 is \$440,000 (2020: \$415,000).

The maturity analysis of lease liabilities is disclosed in Note 28.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

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

(b) Amounts recognised in profit or loss

| | Group | |
|---------------------------------------|--------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Interest expense on lease liabilities | 32 | 45 |
| Expense relating to short-term leases | 84 | 113 |

23. Borrowings

| | Group | |
|--|---------|---------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Secured | | |
| Bank borrowings | 4,352 | 4,690 |
| Unsecured | | |
| Bank borrowings | 4,628 | 6,471 |
| | 8,980 | 11,161 |
| Less: Amount due for settlement within 12 months (shown under current liabilities) | (1,707) | (1,585) |
| Amount due for settlement after 12 months | 7,273 | 9,576 |

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

- (i) Bank loan A are secured by first mortgage over the Group's leasehold property and land use right (Notes 11 and 13) and corporate guarantee from the Company. The effective interest rate of the bank loan at the reporting date is 1.91% (2020: 1.91%) per annum and the interest rate is repriced quarterly.
- (ii) Bank loan B with a carrying amount of \$71,000 (2020: \$724,000) is repayable by 72 (2020: 72) monthly instalments. Repayment commences from November 2017. The effective interest rate of the bank loan at the reporting date is 6% (2020: 6%) per annum.
- (iii) Bank loan C with a carrying amount of \$121,000 (2020: \$743,000) is repayable by 72 (2020: 72) monthly instalments. Repayment commences from February 2017. The effective interest rate of the bank loan at the reporting date is 6% (2020: 6%) per annum.
- (iv) Bank loan D with a carrying amount of \$2,641,000 (2020: \$3,001,000) is repayable by 60 (2020: 60) monthly instalments. Repayment commences from July 2020. The effective interest rate of the bank loan at the reporting date is 2.25% (2020: 2.25%) per annum.
- (v) Bank loan E with a carrying amount of \$1,795,000 (2020: \$2,003,000) is repayable by 60 (2020: 60) monthly instalments. Repayment commences from August 2020. The effective interest rate of the bank loan at the reporting date is 2% (2020: 2%) per annum.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

24. Trade and other payables

| | Group | | Company | |
|--------------------------|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Trade payables: | | | | |
| Third parties | 9,107 | 4,718 | - | - |
| Bills payables to banks | 2,182 | 2,113 | - | - |
| | 11,289 | 6,831 | - | - |
| Other payables | 2,742 | 1,195 | 749 | 293 |
| Trade and other payables | 14,031 | 8,026 | 749 | 293 |

Trade payables are non-interest bearing and are generally settled within 30 to 90 days (2020: 30 to 90 days) credit terms.

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

The range of floating interest rates for bills payable to banks was 3.74% to 4.36% (2020: 2.09% to 5.95%) per annum.

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

| | Group | | Company | |
|----------------------|----------------|----------------|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 | 2021 \$'000 | 2020 \$'000 |
| Singapore dollar | 3,109 | 3,379 | 749 | 293 |
| United States dollar | 6,455 | 3,486 | - | - |
| Malaysia ringgit | 3,029 | - | - | - |
| Chinese renminbi | 534 | 352 | - | - |
| New Taiwan dollar | 762 | 770 | - | - |
| Euro | 142 | 39 | - | - |
| | 14,031 | 8,026 | 749 | 293 |

25. Significant related party transactions

A related party is defined as follows:

- (a) A person or a close member of that person's family is related to the Company if that person:
 - (i) Has control or joint control over the Company;
 - (ii) Has significant influence over the Company; or
 - (iii) Is a member of the key management personnel of the Company or of a parent of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

25. Significant related party transactions (cont'd)

- (b) An entity is related to the Company if any of the following conditions applies:
- (i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
 - (ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
 - (iii) Both entities are joint ventures of the same third party;
 - (iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;
 - (vi) The entity is controlled or jointly controlled by a person identified in (a);
 - (vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity);
 - (viii) The entity, or any member of a group of which it is a part, provides key management personnel services to the reporting entity or to the parent of the reporting entity.

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

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

| | 2021 \$'000 | 2020 \$'000 |
|-----------------------|----------------|----------------|
| <hr/> | | |
| <u>Subsidiaries</u> | | |
| Management fee income | 1,200 | 1,200 |
| Loan interest income | 25 | 10 |
| | <hr/> | <hr/> |

Compensation of directors and key management personnel

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

| | Group | |
|---|----------------|----------------|
| | 2021 \$'000 | 2020 \$'000 |
| <hr/> | | |
| Salaries and other short-term employee benefits | 1,423 | 1,252 |
| Contributions to defined contribution plans | 16 | 54 |
| | <hr/> | <hr/> |
| | 1,439 | 1,306 |
| | <hr/> | <hr/> |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

26. Contingent liabilities, unsecured

As at 31 December 2021, the Company has given guarantees amounting to \$23,136,000 (2020: \$13,274,000) to certain banks and suppliers in respect of banking facilities and credit terms granted to the subsidiaries.

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

As at the end of the financial year, the total amount of unsecured loans drawn down and outstanding covered by the guarantees is \$4,628,000 (2020: \$6,471,000). Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the respective subsidiaries to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings. There has been no default or non-repayment since the utilisation of the banking facilities.

27. Segment information

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

The Group supplies aluminium alloy products.

For management purposes, the Group is organised into the following major strategic operating segments according to the industry in which their customers operate:

- (1) precision engineering,
- (2) marine,
- (3) stockists and traders and
- (4) other customers.

Such a structural organisation is determined by the nature of risks and returns associated with each business segment and it defines the management structure as well as the internal reporting system. It represents the basis on which the management reports the primary segment information that is available and that is evaluated regularly by the chief operating decision maker in deciding how to allocate resources and in assessing the performance. They are managed separately because each business requires different strategies.

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

The management reporting system evaluates performances based on a number of factors. However, the primary profitability measurement to evaluate segment's operating results comprises two major financial indicators:

- (1) earnings from operations before depreciation and amortisation, interests and income taxes (called "Recurring EBITDA") and
- (2) operating result before income taxes and other unallocated items (called "ORBT").

Segment assets consist principally of trade receivables.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

27. Segment information (cont'd)

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

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

Profit or loss from operations and reconciliations

| 2021 | Precision engineering \$'000 | Marine \$'000 | Stockists and traders \$'000 | Other customers \$'000 | Unallocated \$'000 | Group \$'000 |
|--|---------------------------------|------------------|---------------------------------|---------------------------|-----------------------|-----------------|
| Continuing operations | | | | | | |
| Revenue by segment | | | | | | |
| Total revenue by segment | 34,796 | 8,716 | 8,373 | 1,690 | – | 53,575 |
| Recurring EBITDA | 10,119 | 2,069 | 1,620 | 724 | 123 | 14,655 |
| Finance costs | – | – | – | – | (335) | (335) |
| Depreciation and amortisation | – | – | – | – | (1,325) | (1,325) |
| ORBT | 10,119 | 2,069 | 1,620 | 724 | (1,537) | 12,995 |
| Other unallocated items | | | | | (5,960) | (5,960) |
| Profit before tax from continuing operations | | | | | | 7,035 |
| Income tax expense | | | | | | (817) |
| Profit from operations | | | | | | 6,218 |
| | | | | | | |
| 2020 | Precision engineering \$'000 | Marine \$'000 | Stockists and traders \$'000 | Other customers \$'000 | Unallocated \$'000 | Group \$'000 |
| Continuing operations | | | | | | |
| Revenue by segment | | | | | | |
| Total revenue by segment | 18,586 | 9,347 | 4,814 | 680 | – | 33,427 |
| Recurring EBITDA | 4,686 | 1,596 | 888 | 273 | (1,915) | 5,528 |
| Finance costs | – | – | – | – | (534) | (534) |
| Depreciation and amortisation | – | – | – | – | (1,290) | (1,290) |
| ORBT* | 4,686 | 1,596 | 888 | 273 | (3,739) | 3,704 |
| Other unallocated items* | | | | | (3,119) | (3,119) |
| Profit before tax from continuing operations | | | | | | 585 |
| Income tax expense | | | | | | (174) |
| Profit from operations | | | | | | 411 |

* Certain comparative amounts have been reclassified to conform with the current year's presentation. In the opinion of the directors of the Company, this presentation would better reflect the financial performance of the Group.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

27. Segment information (cont'd)

Assets and reconciliations

| 2021 | Precision engineering \$'000 | Marine \$'000 | Stockists and traders \$'000 | Other customers \$'000 | Unallocated \$'000 | Group \$'000 |
|--------------------------------------|---------------------------------|------------------|---------------------------------|---------------------------|-----------------------|-----------------|
| Total assets for reportable segments | 9,885 | 613 | 3,405 | 331 | – | 14,234 |
| Unallocated: | | | | | | |
| Property, plant and equipment | – | – | – | – | 6,823 | 6,823 |
| Right-of-use assets | – | – | – | – | 470 | 470 |
| Land use right | – | – | – | – | 2,303 | 2,303 |
| Deferred tax assets | – | – | – | – | 338 | 338 |
| Inventories | – | – | – | – | 27,441 | 27,441 |
| Cash and cash equivalents | – | – | – | – | 7,306 | 7,306 |
| Other unallocated amounts | – | – | – | – | 1,946 | 1,946 |
| Total group assets | 9,885 | 613 | 3,405 | 331 | 46,627 | 60,861 |
| | | | | | | |
| 2020 | Precision engineering \$'000 | Marine \$'000 | Stockists and traders \$'000 | Other customers \$'000 | Unallocated \$'000 | Group \$'000 |
| 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 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

27. Segment information (cont'd)

Liabilities and reconciliations

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

| 2020 | Precision engineering \$'000 | Marine \$'000 | Stockists and traders \$'000 | Other customers \$'000 | Unallocated \$'000 | Group \$'000 |
|---------------------------|---------------------------------|------------------|---------------------------------|---------------------------|-----------------------|-----------------|
| 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 assets | - | - | - | - | 20,274 | 20,274 |

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) | | | | | | |
| 2021 | 535 | 233 | 313 | 14 | (119) | 976 |
| 2020 | (104) | (190) | 91 | 1 | 1,950 | 1,748 |
| Expenditure for non-current assets | | | | | | |
| 2021 | - | - | - | - | 348 | 348 |
| 2020 | - | - | - | - | 206 | 206 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

27. Segment information (cont'd)

Geographical information

| | Revenue | | Non-current assets | |
|------------------|---------|--------|--------------------|--------|
| | 2021 | 2020 | 2021 | 2020 |
| | \$'000 | \$'000 | \$'000 | \$'000 |
| Singapore | 10,728 | 10,027 | 8,891 | 9,576 |
| Malaysia | 16,623 | 8,528 | 204 | 290 |
| China | 9,861 | 5,564 | 311 | 422 |
| Taiwan | 8,156 | 4,420 | 190 | 201 |
| Indonesia | 2,009 | 1,544 | – | – |
| Other countries | 6,198 | 3,344 | – | – |
| Total operations | 53,575 | 33,427 | 9,596 | 10,489 |

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

Information about major customers

| | Group | |
|---|--------|--------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| Revenue | | |
| Top 1 customer in precision engineering segment (2020: precision engineering segment) | 6,325 | 3,718 |

There is customer with revenue transactions of over 10% of the Group revenue in 2021 and 2020.

28. Financial instruments and financial risks

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

28. Financial instruments and financial risks (cont'd)

Credit risk

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

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

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

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

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

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

Note 1. Low credit risk

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

28. Financial instruments and financial risks (cont'd)

Credit risk (cont'd)

Note 2. Significant increase in credit risk

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

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

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

Note 3. Credit impaired

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

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

Note 4. Write off

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

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

The Group and Company do not have any significant credit exposure to any single counterparty or any groups of counterparties having similar characteristics other than the geographical location of their operations.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

28. Financial instruments and financial risks (cont'd)

Credit risk (cont'd)

Note 4. Write off (cont'd)

With reference to Note 26, the Company provides financial guarantees to certain banks in respect of bank facilities granted to certain subsidiaries. The date when the Group becomes a committed party to the guarantee is considered to be the date of initial recognition for the purpose of assessing the financial asset for impairment. In determining whether there has been a significant risk of a default occurring on the drawn-down facilities, the Group considered the change in the risk that the specified debtor (i.e. the applicable subsidiaries) will default on the contract. The Company assessed that the credit risk relating to the financial guarantees is insignificant to the Company.

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

Trade receivables (Note 18)

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

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

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

The impairment loss for trade receivables are determined as follows:

| Group | Current | Past due for 1 to 30 days | Past due for 31 to 60 days | Past due more than 60 days | Total |
|----------------------------|---------|---------------------------------|----------------------------------|----------------------------------|---------|
| 31 December 2021 | | | | | |
| Expected credit loss rates | 3.2% | 2.5% | 5.2% | 46.0% | |
| Trade receivables (\$'000) | 8,807 | 2,008 | 974 | 5,236 | 17,025 |
| Impairment loss | (280) | (51) | (51) | (2,409) | (2,791) |
| 31 December 2020 | | | | | |
| Expected credit loss rates | 6.2% | 8.9% | 12.9% | 23.6% | |
| Trade receivables (\$'000) | 6,290 | 1,566 | 1,146 | 4,197 | 13,199 |
| Impairment loss | (390) | (139) | (148) | (990) | (1,667) |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

28. Financial instruments and financial risks (cont'd)

Credit risk (cont'd)

Other receivables (Note 18)

As of 31 December 2021, the Company recorded other receivables from subsidiaries of \$2,018,000 (31 December 2020: \$2,003,000) consequent to an extension of loans to the subsidiaries. The Company assessed the loss allowance of these amounts on a 12-month ECL basis consequent to their assessment and conclusion that these receivables are of low credit risk. In its assessment of the credit risk of the subsidiaries, the Company considered amongst other factors, the financial position of the subsidiaries as of 31 December 2021, the past financial performance and cashflow trends, adjusted for the outlook of the industry and economy in which the subsidiaries operate in. Using 12-month ECL, the Company determined that the ECL is insignificant.

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

| Internal credit risk grading | Note (i) \$'000 |
|------------------------------------|--------------------|
| Impairment loss | |
| Balance at 1 January 2020 | 1,858 |
| Additions | 164 |
| Reversal | (378) |
| Foreign exchange adjustments | 23 |
| Balance at 31 December 2020 | 1,667 |
| Additions | 1,107 |
| Foreign exchange adjustments | 17 |
| Balance at 31 December 2021 | 2,791 |
| Gross carrying amount | |
| At 31 December 2020 | 17,025 |
| At 31 December 2021 | 13,199 |
| Net carrying amount | |
| At 31 December 2020 | 14,234 |
| At 31 December 2021 | 11,532 |

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

Market risks

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risks.

Foreign currency risk

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

28. Financial instruments and financial risks (cont'd)

Market risks (cont'd)

Foreign currency risk (cont'd)

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

| Group | United States dollar \$'000 |
|--|-----------------------------------|
| 2021 | |
| Monetary assets: | |
| Cash and bank balances | 1,266 |
| Trade and other receivables | 2,914 |
| | <u>4,180</u> |
| Monetary liabilities: | |
| Trade and other payables | 6,455 |
| | <u>6,455</u> |
| Net financial liabilities at end of the year | <u>(2,275)</u> |
| 2020 | |
| Monetary assets: | |
| Cash and bank balances | 279 |
| Trade and other receivables | 1,021 |
| | <u>1,300</u> |
| Monetary liabilities: | |
| Trade and other payables | 3,486 |
| | <u>3,486</u> |
| Net financial liabilities at end of the year | <u>(2,186)</u> |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

28. Financial instruments and financial risks (cont'd)

Market risks (cont'd)

Foreign currency risk (cont'd)

Foreign currency sensitivity analysis

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

If the relevant foreign currency strengthens/weakens by 10% (2020: 10%) against the functional currency of the Company, profit or loss will decrease/increase by \$228,000 (2020: \$219,000).

Interest rate risk

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

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

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

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

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

| | Principal S\$'000 | Interest rate range |
|----------------------------------|------------------------------|----------------------------|
| Fixed rate | | |
| <u>2021</u> | | |
| Borrowings and lease liabilities | 7,455 | 1.95% to 7.12% |
| <u>2020</u> | | |
| Borrowings and lease liabilities | 7,439 | 2.00% to 7.10% |
| Floating rate | | |
| <u>2021</u> | | |
| Borrowings and lease liabilities | 4,352 | 1.91% to 1.95% |
| <u>2020</u> | | |
| Borrowings and lease liabilities | 6,803 | 1.91% to 5.95% |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

28. Financial instruments and financial risks (cont'd)

Market risks (cont'd)

Interest rate risk (cont'd)

Interest rate sensitivity analysis

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

If interest rates had been 100 basis points higher or lower and all other variables were held constant, the profit for the financial year ended 31 December 2021 of the Group would decrease/increase by \$44,000 (2020: \$68,000).

Liquidity risks

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

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

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

| | 2021 | 2020 |
|------------------------------|--------|--------|
| | \$'000 | \$'000 |
| Bank facilities: | | |
| Undrawn borrowing facilities | 9,493 | 10,641 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

28. Financial instruments and financial risks (cont'd)

Liquidity risk (cont'd)

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

| | Effective interest rate % | Less than 1 year \$'000 | Group 2 to 5 years \$'000 | More than 5 years \$'000 | Total \$'000 |
|---|---------------------------------|-------------------------------|------------------------------------|--------------------------------|-----------------|
| Undiscounted Financial Assets | | | | | |
| Cash and cash equivalents | – | 7,306 | – | – | 7,306 |
| Trade and other receivables | – | 14,854 | – | – | 14,854 |
| As at 31 December 2021 | | 22,160 | – | – | 22,160 |
| Cash and cash equivalents | – | 6,014 | – | – | 6,014 |
| Trade and other receivables | – | 11,961 | – | – | 11,961 |
| As at 31 December 2020 | | 17,975 | – | – | 17,975 |
| Undiscounted Financial Liabilities | | | | | |
| Trade and other payables | – | 14,031 | – | – | 14,031 |
| Borrowings | 1.9% - 6.0% | 1,756 | 4,773 | 2,558 | 9,087 |
| Lease liabilities | 1.95% - 7.12% | 444 | 234 | – | 678 |
| As at 31 December 2021 | | 16,231 | 5,007 | 2,558 | 23,796 |
| Trade and other payables | – | 8,026 | – | – | 8,026 |
| Borrowings | 1.9% - 6.0% | 1,642 | 7,278 | 3,422 | 12,342 |
| Lease liabilities | 2.9% - 7.1% | 421 | 609 | – | 1,030 |
| As at 31 December 2020 | | 10,089 | 7,887 | 3,422 | 21,398 |
| Total undiscounted net financial assets/ (liabilities) | | | | | |
| - At 31 December 2021 | | 5,929 | (5,007) | (2,558) | (1,636) |
| - At 31 December 2020 | | 7,886 | (7,887) | (3,422) | (3,423) |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

28. Financial instruments and financial risks (cont'd)

Liquidity risk (cont'd)

| | Effective interest rate % | Less than 1 year \$'000 | Company 2 to 5 years \$'000 | More than 5 years \$'000 | Total \$'000 |
|--|------------------------------|-------------------------------|--------------------------------------|--------------------------------|-----------------|
| Undiscounted Financial Assets | | | | | |
| Cash and cash equivalents | - | 721 | - | - | 721 |
| Trade and other receivables | - | 2,018 | - | - | 2,018 |
| As at 31 December 2021 | | 2,739 | - | - | 2,739 |
| Cash and cash equivalents | - | 671 | - | - | 671 |
| Trade and other receivables | - | 2,003 | - | - | 2,003 |
| As at 31 December 2020 | | 2,674 | - | - | 2,674 |
| Undiscounted Financial Liabilities | | | | | |
| Trade and other payables | - | 749 | - | - | 749 |
| As at 31 December 2021 | | 749 | - | - | 749 |
| Trade and other payables | - | 293 | - | - | 293 |
| As at 31 December 2020 | | 293 | - | - | 293 |
| Total undiscounted net financial assets/(liabilities) | | | | | |
| - At 31 December 2021 | | 1,990 | - | - | 1,990 |
| - At 31 December 2020 | | 2,381 | - | - | 2,381 |

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

28. Financial instruments and financial risks (cont'd)

Liquidity risk (cont'd)

Financial instruments by category

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

| | Note | Group | |
|--|------|----------------|----------------|
| | | 2021 \$'000 | 2020 \$'000 |
| Financial assets at amortised cost | | | |
| Trade and other receivables | 18 | 14,854 | 11,961 |
| Cash and cash equivalents | 19 | 7,306 | 6,014 |
| | | <u>22,160</u> | <u>17,975</u> |
| Financial liabilities at amortised cost | | | |
| Trade and other payables | 24 | 14,031 | 8,026 |
| Lease liabilities | 22 | 645 | 968 |
| Borrowings | 23 | 8,980 | 11,161 |
| | | <u>23,656</u> | <u>20,155</u> |
| Company | | | |
| | Note | 2021 \$'000 | 2020 \$'000 |
| Financial assets at amortised cost | | | |
| Trade and other receivables | 18 | 2,018 | 2,003 |
| Cash and cash equivalents | 19 | 721 | 671 |
| | | <u>2,739</u> | <u>2,674</u> |
| Financial liabilities at amortised cost | | | |
| Trade and other payables | 24 | 749 | 293 |
| | | <u>749</u> | <u>293</u> |

29. Fair value of assets and liabilities

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

30. Capital management policies and objectives

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

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

The Group's management reviews the capital structure on a regularly basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, the Group will balance its overall capital structure through the payment of dividends, new share issues as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from 2020.

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

| | Group | |
|---|---------------|---------------|
| | 2021 | 2020 |
| | \$'000 | \$'000 |
| <u>Net debt:</u> | | |
| All current and non-current borrowings including leases (Notes 22, 23 and 24) | 11,807 | 14,242 |
| Less: cash and cash equivalents | (7,294) | (6,003) |
| Net debt | <u>4,513</u> | <u>8,239</u> |
| <u>Adjusted capital:</u> | | |
| Total equity | 36,614 | 30,146 |
| Adjusted capital | <u>36,614</u> | <u>30,146</u> |
| Debt-to-adjusted capital ratio | <u>0.12</u> | <u>0.27</u> |

The Group is in compliance with externally imposed capital requirements for the financial years ended 31 December 2021 and 2020.

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

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

31. Dividends

The Company proposed a final tax-exempt dividend of \$0.003 per ordinary share of the Company totalling approximately \$324,000 in respect of the financial year ended 31 December 2021, subject to the approval of shareholders at the next Annual General Meeting of the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 December 2021

32. Development of COVID-19 outbreak and its corresponding impact on the Group

COVID-19 outbreak has brought about an unprecedented challenge for many entities, with increased uncertainty in the global economy. As the situation is still evolving, the full effect of the outbreak is still uncertain and the Group is therefore unable to provide a quantitative estimate of the potential impact of this outbreak on the Group. The Group continues to monitor and evaluate any possible impact on the Group's business and will consider implementation of various measures to mitigate the effects arising from the COVID-19 situation. Based on management's latest assessment, there is no indicator that the going concern assumption used by the Group in preparing the financial statement is inappropriate.

PROPERTIES OF THE GROUP

Year ended 31 December 2021

| 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 1 June 2022

| | | |
|-------------------------------------|---|--------------------|
| 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 | 11 | 3.21 | 10,200 | 0.01 |
| 1,001 – 10,000 | 219 | 63.85 | 1,130,400 | 1.05 |
| 10,001 – 1,000,000 | 101 | 29.44 | 12,592,400 | 11.66 |
| 1,000,001 and above | 12 | 3.50 | 94,267,000 | 87.28 |
| Total | 343 | 100.00 | 108,000,000 | 100.00 |

SHAREHOLDING HELD BY THE PUBLIC

Based on the information available to the Company as at 1 June 2022, approximately 27.42% the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual Section B: Rules of Catalyst of the Singapore Exchange Securities Trading Limited is complied with.

TWENTY LARGEST SHAREHOLDERS AS AT 1 JUNE 2022

| No. | Name of shareholder | No. of Shares | % |
|-------|-------------------------------------|---------------|-------|
| 1 | SOON TIEN HOLDINGS PTE LTD | 72,900,000 | 67.50 |
| 2 | 2G CAPITAL PTE LTD | 5,000,000 | 4.63 |
| 3 | PHILLIP SECURITIES PTE LTD | 3,516,400 | 3.26 |
| 4 | CITIBANK NOMINEES SINGAPORE PTE LTD | 2,964,100 | 2.74 |
| 5 | SIA LING SING | 1,615,000 | 1.50 |
| 6 | NG KIM YING | 1,600,000 | 1.48 |
| 7 | UOB KAY HIAN PTE LTD | 1,361,100 | 1.26 |
| 8 | TAN YONG KEE | 1,130,400 | 1.05 |
| 9 | ANG YU SENG | 1,100,000 | 1.02 |
| 10 | MAYBANK SECURITIES PTE. LTD. | 1,055,000 | 0.98 |
| 11 | TAN EE HOON | 1,012,500 | 0.94 |
| 12 | TAN EE TIN | 1,012,500 | 0.94 |
| 13 | TAN YEE CHIN | 998,334 | 0.92 |
| 14 | TAN YEE HO | 998,333 | 0.92 |
| 15 | TAN YEE LEONG | 998,333 | 0.92 |
| 16 | KUAH KIAN HOE | 745,700 | 0.69 |
| 17 | LIM THIAM HONG | 682,000 | 0.63 |
| 18 | ANG DE YU | 600,000 | 0.56 |
| 19 | LIM BOK TECK | 455,000 | 0.42 |
| 20 | SOK HANG CHAW | 450,000 | 0.42 |
| Total | | 100,194,700 | 92.78 |

STATISTICS OF SHAREHOLDINGS

At as 1 June 2022

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 |

Notes:

- (1) Each of Tan Yee Chin, Tan Yee Ho and Tan Yee Leong is deemed to have an interest in the shares held by Soon Tien Holdings Pte. Ltd. by virtue of his holding more than 20% of the total issued shares in Soon Tien Holdings Pte. Ltd..
- (2) Tan Yee Chin is deemed to have an interest in the 400,000 shares held by his wife, Tan Lay Peng.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the shareholders of Soon Lian Holdings Limited (the “Company”) will be held via electronic means on Wednesday, 29 June 2022 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 2021, together with the Auditor’s Report thereon. **Resolution 1**
2. To declare a final tax exempt (one-tier) dividend of 0.3 Singapore cent per ordinary share for the financial year ended 31 December 2021. **Resolution 2**
3. To re-elect Mr Tan Yee Ho, a Director of the Company retiring pursuant to Article 104 of the Constitution of the Company (“**Constitution**”) and who, being eligible, offer himself for re-election as a Director of the Company. **Resolution 3**

[See Explanatory Note (i)]
4. To re-elect Mr Chin Yew Choong David, a Director of the Company retiring pursuant to Article 104 of the Constitution and who, being eligible, offer himself for re-election as a Director of the Company. **Resolution 4**

[Mr Chin Yew Choong David shall, upon re-election as a Director of the Company, remain as 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)]
5. To approve the payment of Directors’ fees of up to S\$150,000 for the financial year ended 31 December 2021 (FY2020: S\$77,000). **Resolution 5**
6. To re-appoint Mazars LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 6**

AS SPECIAL BUSINESS

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

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

“That pursuant to Section 161 of the Companies Act 1967 (“**the Act**”) and Rule 806 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist (“**Rules of Catalist**”), the Directors of the Company be authorised and empowered to:

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

NOTICE OF ANNUAL GENERAL MEETING

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

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

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

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro-rata basis to existing shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards, provided that such share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalyst; 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 Catalyst;

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.

NOTICE OF ANNUAL GENERAL MEETING

- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST), the Act and the Company's Constitution; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier."

[See Explanatory Note (ii)]

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

Explanatory Notes:

- (i) Detailed information on Messrs Tan Yee Ho and Chin Yew Choong David can be found under the sections entitled "Board of Directors", "Corporate Governance Report" and "Directors' Statement" of the Company's Annual Report 2021. Please also refer to the section entitled "Corporate Governance Report" of the Company's Annual Report 2021 for the detailed information of Messrs Tan Yee Ho and Chin Yew Choong David as required pursuant to Rule 720(5) of the Rules of Catalist.
- (ii) The proposed Ordinary Resolution 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to allot and issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, one hundred per centum (100%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to fifty per centum (50%) may be issued other than on a pro-rata basis to existing shareholders of the Company.

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: 14 June 2022

NOTICE OF ANNUAL GENERAL MEETING

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 1967 of Singapore.
- 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, the proxy form and Annual Report of the Company for the financial year ended 31 December 2021 (the “Annual Report”) will not be sent to Shareholders. Instead, these documents will 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://slmetalsgroup.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.

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 1967 of Singapore, 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 1970 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 2001 and holds in that capacity; or
- (iii) the Central Provident Fund (“CPF”) Board established by the Central Provident Fund Act 1953, 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 26 June 2022 (“Registration Deadline”), at the URL <http://soonlianholdings.availiasemgdwebinar.com> for 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 28 June 2022. Shareholders who have registered by the Registration Deadline but did not receive email instructions by 28 June 2022 may contact the Company by email at: agmfy2021@soonlian.com for assistance.

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.

NOTICE OF ANNUAL GENERAL MEETING

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 5.00 p.m. on 21 June 2022 to the Company:

- (a) mail to the Company's registered office at 6 Tuas Lane Singapore 638615; or
- (b) via email to: agmfy2021@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 substantial queries relevant to the resolutions to be tabled for approval at the AGM as received from Shareholders by way of an announcement to be released on SGXNet and on the Company's website by 24 June 2022. 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.

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: agmfy2021@soonlian.com.

in either case, by 10.00 a.m. on 27 June 2022, being 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 must download the Proxy Form, which is available on the SGX website at the following URL <https://www.sgx.com/securities/company-announcements>, complete 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 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 20 June 2022) 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).

NOTICE OF ANNUAL GENERAL MEETING

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

The Annual Report has been uploaded on SGX website on 14 June 2022.

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;
- (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.

NOTICE OF RECORD AND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Register of Members and Share Transfer Books of the Company will be closed on 22 July 2022 for the purpose of determining members' entitlements to a final tax exempt (one-tier) dividend of 0.3 Singapore cent per ordinary share for the financial year ended 31 December 2021 ("**Proposed Final Dividend**"). The Proposed Final Dividend, if approved by shareholders at the AGM, will be paid on 8 August 2022.

Duly completed transfers received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (A division of Tricor Singapore Pte. Ltd.), at 80 Robinson Road, #11-02 Singapore 068898 up to the close of business at 5.00 p.m. on 21 July 2022 will be registered to determine members' entitlements to the Proposed Final Dividend.

Members whose Securities Accounts with The Central Depository (Pte) Limited ("**CDP**") are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 21 July 2022 will be entitled to the Proposed Final Dividend.

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

*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 AIA Tower Singapore 048542, telephone (65) 6232 3210.

SOON LIAN HOLDINGS LIMITED

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

ANNUAL GENERAL MEETING PROXY FORM

IMPORTANT:

1. The Annual General Meeting (the "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. The Notice of AGM has been published on 14 June 2022 on the SGX website at <https://www.sgx.com/securities/company-announcements>.
2. Alternative arrangements relating to, among others, attendance at the AGM by way of electronic means via live audio-visual webcast or live audio-only stream (collectively "Live Webcast"), submission of questions in advance of the AGM, addressing of substantial and relevant questions at the Company's virtual information session and/or the AGM and/or 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. In view of the measures in place due to the COVID-19 pandemic, Shareholders (including relevant intermediaries) will not be able to attend the AGM in person. If a Shareholder (whether individual or corporate) wishes to exercise voting rights at the AGM, such Shareholder must appoint the Chairman of the AGM as proxy to attend, speak and vote on his/her/its behalf at the AGM.
4. For investors who have used CPF monies ("CPF Investors") and/or SRS monies ("SRS Investors") to buy the Company's shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes.
5. CPF and/or SRS Investors who wish to vote should contact their CPF and/or SRS Approved Nominees to submit voting instructions by 10.00 a.m. on 20 June 2022.
6. By submitting this Proxy Form, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.
7. Please read the notes overleaf which contain instructions on, inter alia, the appointment of the Chairman of the AGM as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

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 29 June 2022 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 2021 | | | |
| 2 | To declare a final tax exempt (one-tier) dividend of 0.3 Singapore cent per ordinary share | | | |
| 3 | To re-elect Mr Tan Yee Ho as Director pursuant to Article 104 of the Company's Constitution | | | |
| 4 | To re-elect Mr Chin Yew Choong David as Director pursuant to Article 104 of the Company's Constitution | | | |
| 5 | To approve the payment of Directors' Fees for the financial year ended 31 December 2021 | | | |
| 6 | To re-appoint Mazars LLP as Auditor of the Company | | | |
| 7 | 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 _____ 2022

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 2001), 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. A member (whether individual or corporate) may 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 member wishes to exercise his/her/its voting rights at the AGM.** This proxy form is available on the SGX website.
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. Any member who is a relevant intermediary is entitled to appoint the Chairman of the AGM to attend, speak and vote (whether to vote in favour of, or against, or to abstain from voting). Relevant intermediary is either:
 - (i) a banking corporation licensed under the Banking Act 1970 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 2001 and holds in that capacity; or
 - (iii) the Central Provident Fund ("CPF") Board established by the Central Provident Fund Act 1953, in respect of shares purchased on behalf of CPF investors.
4. The Chairman of the AGM, as proxy, need not be a member of the Company.
5. The instrument appointing the Chairman of the AGM as proxy, 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 9am to 5.30pm, Mondays to Fridays (excluding Public Holidays); or
 - (b) if sent by email to: agmfy2021@soonlian.com.

fold here

Affix
Postage
Stamp

The Company Secretary

SOON LIAN HOLDINGS LIMITED
6 Tuas Lane
Singapore 638615

fold here

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.

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

In view of the current COVID-19 situation, members are strongly encouraged to submit completed proxy forms electronically via email.

6. 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.
Where an instrument appointing the Chairman of the AGM as proxy is signed on behalf of the appointer by an attorney, the letter or power of attorney (or other authority) or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
7. 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.
8. 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 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.
9. 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 20 June 2022).

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 14 June 2022.



SINGAPORE · CHINA · MALAYSIA · TAIWAN

Soon Lian Holdings Limited

(Company registration no. 200416295G)

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