



順聯控股有限公司
SOON LIAN HOLDINGS LIMITED

**FORGING
AHEAD**

ANNUAL REPORT 2018

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

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VISION

**Inspiring Partnerships,
Growing Possibilities**

MISSION

**We deliver unrivalled
aluminium solutions,
igniting possibilities for
partners worldwide**

COMPANY PROFILE



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

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

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

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.



SL METALS

35
YEARS OF
EXCELLENCE
SL METALS

For 35 years we delivered unrivalled aluminium solutions to ignite possibilities for partners worldwide. Looking ahead, we will continue inspiring partnerships and growing possibilities to strengthen our position as Asia's trusted growth partner in aluminium solutions.

BUSINESS SEGMENTS



MARINE

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



PRECISION ENGINEERING

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



OIL AND GAS

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



OTHERS

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

FLEXIBILITY AND AGILITY

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



LETTER TO SHAREHOLDERS

“We at Soon Lian are optimistic about the future as our strengths are already in place and have been tried and tested through the years. As we look to the horizon, we are clear on our mission to deliver unrivalled aluminium solutions and ignite possibilities for our partners worldwide.”



Dear Shareholders,

The financial year ended 31 December 2018 (“FY2018”) saw the wide-spread impact of the US-China trade war and the return of oil price volatility. Despite these challenges, we forged ahead to preserve value and lay foundations for the future.

Our core business is the supply of aluminium alloy products to customers in the marine and precision engineering industries. For our marine business segment, we supply aluminium alloy products to shipbuilders for use in various parts of light craft. Our financial performance is tied in part to the health of the marine industry which faced growing uncertainty in 2018 due to fluctuating oil prices. While this continues to be a challenge for many shipbuilders, the Group anticipates that the slowdown will be offset firstly by the industry push to replace fibreglass and wooden boats with aluminium versions which are lighter, easier to manoeuvre and the non-corrosive nature of aluminium helps lower maintenance costs. Secondly, demand for naval defence and security vessels which use aluminium parts are expected to remain unaffected. Furthermore, as cross-border tensions in the region rise, this may add urgency to shore up defence-related initiatives.

The greater oil price volatility in 2018 saw prices peaking at US\$84 per barrel in May and dropping by nearly half to US\$52 per barrel in December¹. Demand for vessels softened as the market became cautious in placing new orders.

Oil price volatility can be attributed to several key factors including the increased output from Saudi Arabia, Russia and the United States of America (“US”). The US had also overtaken Russia and Saudi Arabia to become the world’s largest oil producer due to its shale oil boom. Furthermore, demand for oil also began to slack in Europe, developed Asian countries, India, Brazil and Argentina².

The slowdown in demand also affected the Group’s other core business segment, precision engineering, which supplies a comprehensive range of aluminium alloy products mainly to the precision engineering and semiconductor industries. This business segment’s performance is closely linked to the global economy which currently faces uncertainty due to a protracted trade war between the US and China.

The trade war has also impacted much of Europe and Asia with falling demand affecting production in many economies. A series of purchasing managers’ indexes for December 2018 showed mostly declines in manufacturing activity globally³. The trade war also triggered greater currency exchange fluctuations with emerging markets such as South Africa, Indonesia and India currencies reaching new lows⁴. While staying vigilant, we will remain open to pockets of opportunities that may arise as markets of the surrounding emerging countries react to the increasing tariffs between US and China.

¹ <https://www.bloomberg.com/quote/CO1:COM>

² <https://edition.cnn.com/2018/11/21/investing/oil-prices-trump-saudi-arabia/index.html>

³ <https://www.channelnewsasia.com/news/business/us-china-trade-war-takes-toll-on-global-manufacturing-11079730>

⁴ <https://www.bloomberg.com/news/articles/2018-08-31/emerging-markets-head-for-losing-month-on-argentina-turkey-woes>

Against the backdrop of the abovementioned events, the Group recorded a 10.8% decrease in revenue to S\$33.7 million for FY2018. This was due to a decrease in sales to our customers in the precision engineering industry, and to stockists and traders, which was in turn partially offset by an increase in sales to our customers in the marine industry.

Shift and Strengthen

For the year under review, we made steady progress in shifting to our new premises at 6 Tuas Lane. We had completed the disposal of our property at 9 Tuas Avenue 2 in January 2018 as part of our efforts to streamline operations and reduce gearing.

Outlook

For the coming financial year, oil prices may continue to be unpredictable and affect our marine business segment. Investment bank JP Morgan projects that oil prices will average at US\$73 per barrel in 2019 due to slowing demand growth and the Organization of the Petroleum Exporting Countries' agreement to ramp up production⁵.

Meanwhile, the performance of our precision engineering business segment remains closely tied to global demand and is thus exposed to the ongoing effects of the trade war. The RHB Research Institute forecasts further slowdown in manufacturing growth with sub-segments such as semiconductor and precision engineering industries weakening in 2019. This was a reflection of the global electronics down cycle from the high growth in 2017⁶.

The International Monetary Fund ("IMF") was conservative in its January 2019 World Economic Outlook update and projected global growth to be 3.7 percent for 2018 and 3.5 percent for 2019. The downward trend was attributed to the effects of the trade tariff increases between US and China. In addition to the ongoing concerns of the trade war, the IMF also identifies other triggers that may spark further deterioration in risk sentiment with adverse growth implications such as the 'no-deal' withdrawal of the United Kingdom ("UK") from the European Union ("EU") and a greater-than-envisaged slowdown in China⁷.

In China, top policy makers are planning for more monetary and fiscal support in 2019. According to a Bloomberg report, China will be looking into significant adjustments to taxes and fees alongside upholding a prudent monetary policy⁸.

On the domestic front, Singapore's Ministry of Trade and Industry ("MTI") reported that the country grew by 3.2 percent in 2018,

a dip from the 3.9 percent in 2017. The MTI said the manufacturing sector saw slower growth and was primarily supported by the electronics, transport engineering and biomedical manufacturing clusters. The construction sector shrank by 3.4 percent due to a decline in public sector construction work while service producing industries grew by 3.0 percent. Growth was mainly supported by the finance and insurance, business services as well as wholesale and retail trade sectors, which expanded by 5.9 percent, 3.0 percent and 1.5 percent respectively. For the coming year, the MTI echoes the IMF's concerns regarding the US-China trade war, the Chinese economy slowdown and the risk of UK leaving the EU without a withdrawal agreement. It anticipates the pace of growth in the Singapore economy is expected to slow in 2019 and forecasts a GDP growth of 1.5 to 3.5 percent⁹. The Monetary Authority of Singapore's estimate for GDP growth was more conservative at 2.5 percent based on its quarterly survey with economists and analysts. The respondents listed trade protectionism as the top concern followed by further slowdown in China and higher interest rates¹⁰.

At Soon Lian, we maintain that flexibility is the key to thriving through challenging times and even in times of crisis, there are opportunities to unlock value. We will keep abreast of macroeconomic and industry-related developments while upholding stringent risk management policies. The Group remains upbeat on the long-term prospects of the marine and precision engineering industries and will keep close tabs to mitigate any challenges and capitalise on opportunities to expand its capabilities and strengths.

Conclusion

While FY2018 was a challenging year, we did our utmost to alleviate the effects and readied ourselves for the year ahead. On behalf of the board of directors, I would like to thank our business partners and associates for another year of support and trust. The management and staff also have my appreciation for their dedication and faith. Lastly, my thanks to the shareholders for your confidence in the Group and we look forward to working together with all parties in the coming financial year.

At Soon Lian, we understand that change is constant with opportunities and challenges are part and parcel of any business. We look forward to believe that our adaptability and perseverance will enable us to forge ahead and deliver long-term value to our stakeholders.

Tony Tan Yee Chin
Chairman and CEO

⁵ <https://www.cnbc.com/2018/11/22/oil-pricesjp-morgan-gives-its-prediction-for-brent-crude-in-2019.html>

⁶ https://research.rhbtradesmart.com/attachments/41/rhb-report-sg_2019-strategy_20181214_rhb_sj-23010810442928165c12e6375449f.pdf

⁷ <https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019>

⁸ <https://www.bloomberg.com/news/articles/2018-12-21/china-says-more-tax-cuts-coming-signals-easier-monetary-policy>

⁹ <https://www.singstat.gov.sg/-/media/files/news/gdp4q2018.pdf>

¹⁰ <https://www.straitstimes.com/business/economy/spore-growth-forecast-shaved-to-25-by-analysts>

GEOGRAPHICAL PRESENCE



Supplier Base

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

Customer Base

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



REFINING OUR
CAPABILITIES & STRENGTHS

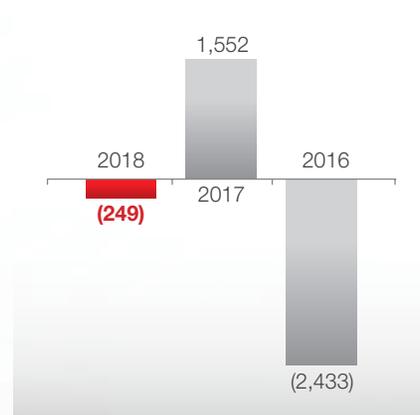
Ever in pursuit of higher levels of excellence in all aspects of our work, we seek improvement in the way things are done, applying ever greater levels of efficiency and productivity that translates into better returns.

FINANCIAL HIGHLIGHTS

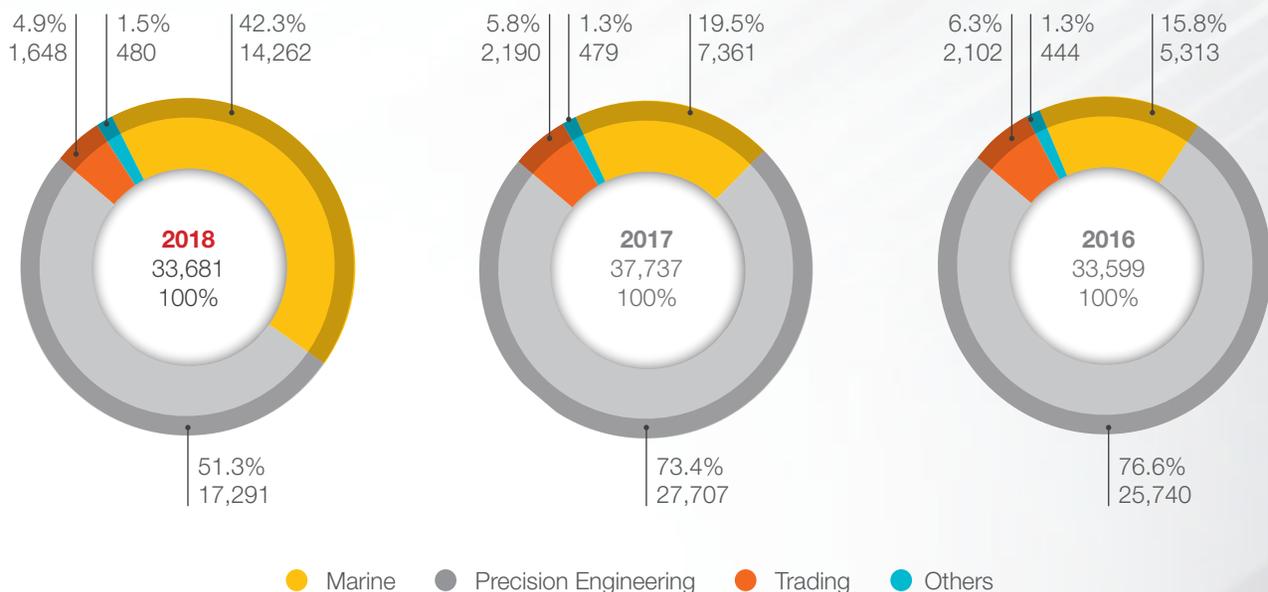
INCOME STATEMENT	FY2018 S\$'000	FY2017 S\$'000
Revenue	33,681	37,737
Gross profit	5,990	6,191
(Loss) profit before tax	(159)	1,850
Income tax expense	(90)	(298)
(Loss) profit after tax	(249)	1,552
(Loss) earnings per share (in cents)	(0.23)	1.44

BALANCE SHEET	As at 31 December 2018 S\$'000	As at 31 December 2017 S\$'000
ASSETS		
Non-current assets	11,121	2,998
Current assets	44,167	62,076
Total assets	55,288	65,074
EQUITY AND LIABILITIES		
Total equity	28,807	29,150
Non-current liability	7,230	2,596
Current liabilities	19,251	33,328
Total liabilities	26,481	35,924
Total equity and liabilities	55,288	65,074
Net asset value per share (in cents)	26.7	27.0

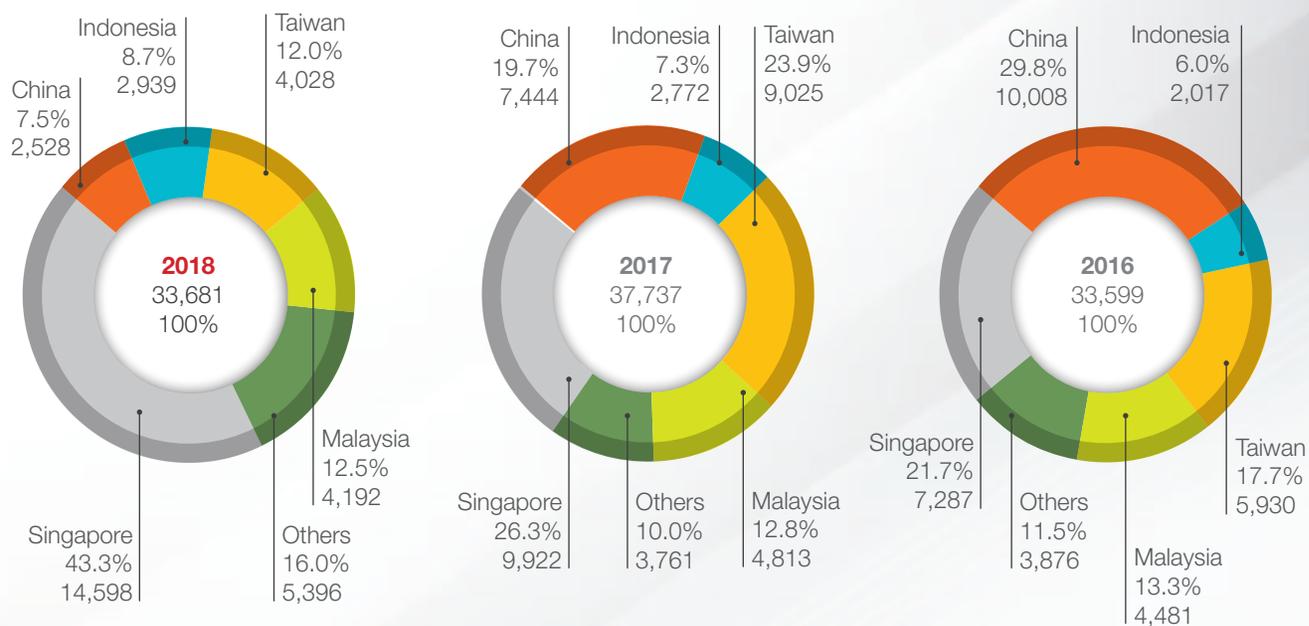
Revenue S\$'000	Gross Profit S\$'000	Net (Loss) Profit After Tax S\$'000
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Revenue (By Operating Segment) (S\$'000) (%)



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



OPERATIONS AND FINANCIALS REVIEW



Business Overview

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

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

Marine

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

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

We expanded our material range to include aluminium alloy piping systems covering a wide array of elbows, flanges, reducers, and tees which are not commonly available. We also supply aluminium honeycomb products used in ship cabin interior fittings, such as partitions, cabinets and other cabin furniture. All our aluminium alloy products are accompanied by



certificates issued by manufacturers. To ensure product quality of the aluminium alloy materials supplied to the marine sector, we engage independent third-party certification bodies such as ABS, BV, DNV and Lloyd's to conduct periodic inspections of our marine sector products and issue the requisite inspection certificates.

Precision Engineering

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

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

Stockists and Others

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

Operational Highlights

For the financial year ended 31 December 2018 ("FY2018"), the Group's revenue fell by 10.8% to S\$33.7 million, from S\$37.7 million in the previous financial year ended 31 December 2017 ("FY2017"). This was mainly due to a softening of demand from our customers in the precision engineering industry and lower sales to stockists and traders. This was partially offset by an increase in sales to our customers in the marine industry.

The momentum of confidence in the marine industry that arose from stable oil prices during FY2017 was partially carried over to FY2018 and enabled us to record a S\$6.9 million increase in revenue from the marine segment. The marine segment secured more orders from local customers which contributed a total of S\$14.3 million to the Group's total revenue in FY2018.

OPERATIONS AND FINANCIALS REVIEW



In contrast, our precision engineering segment was impacted by a reduction in demand especially from our overseas customers due to challenging market conditions and lower revenue contributed from the Group's operations in the People's Republic of China ("China"). While the precision engineering segment is still the largest contributor at 51.3% to the Group's total revenue in FY2018, its contribution was S\$10.4 million lower in FY2018, as compared to FY2017.

Likewise, sales to stockists and traders also saw shrinking demand which led to segment contribution in revenue being lowered by S\$0.6 million in FY2018, as compared to FY2017. This segment contributed 4.9% to the Group's total revenue in FY2018.

From a geographical standpoint, Singapore was the highest contributor to revenue at 43.3% or S\$14.6 million in FY2018, mainly due to the aforementioned sales to local marine industry customers. Meanwhile, revenue from Taiwan fell to S\$4.0 million in FY2018 due to a reduction in orders from one of the Group's major customers in the precision engineering industry. This brings it close to Malaysia which contributed S\$4.2 million or 12.5% to the Group's total revenue in FY2018. Indonesia, China and other countries contributed 8.7%, 7.5% and 16.0% respectively to the Group's total revenue in FY2018.

Financial Review

In line with the lower revenue, the Group's gross profit decreased by 3.3% or S\$0.2 million, from S\$6.2 million in FY2017 to S\$6.0 million in FY2018. Gross profit margin for FY2018 increased from 16.4% in FY2017 to 17.8% in FY2018.

The Group's other gains decreased by S\$2.5 million, from S\$2.9 million in FY2017 to S\$0.4 million in FY2018, mainly due to the absence of a one-off gain on disposal of the Group's property at 9 Tuas Avenue 2 which amounted to S\$1.8 million, and the absence of foreign exchange gain of S\$0.2 million.

Distribution costs shrank by 21.5% or S\$0.1 million, from S\$0.7 million in FY2017 to S\$0.6 million in FY2018, mainly due to the decrease in commission and exhibition expenses.

Administrative expenses dipped 3.9% or S\$0.2 million, from S\$4.9 million in FY2017 to S\$4.7 million in FY2018, mainly due to a decrease in payroll expenses and other general administrative expenses. This was partially offset by costs incurred for the moving of office and warehouse to the Group's new property at 6 Tuas Lane.

Similarly, finance costs decreased by 9.9% or S\$0.1 million, from S\$0.9 million in FY2017 to S\$0.8 million in FY2018. The reduction was mainly due to a decrease in interest expenses as a result of lower utilisation of bank borrowings, partially offset by an increase in trade facilities used.

Other losses decreased by 41.8% or S\$0.3 million, from S\$0.8 million in FY2017 to S\$0.5 million in FY2018. Other losses in FY2018 comprised mainly foreign exchange loss of S\$0.2 million and allowance for impairment on trade receivables of S\$0.2 million.

Due to the combination of the factors detailed above, the Group recorded a loss before tax of S\$0.2 million in FY2018, as compared to a profit before tax of S\$1.9 million in FY2017. In FY2018, the Group recorded loss per share (basic and diluted) of 0.23 Singapore cents per share, as compared to earnings per share (basic and diluted) of 1.44 Singapore cents per share.

Total equity decreased by S\$0.3 million, from S\$29.1 million as at 31 December 2017 to S\$28.8 million as at 31 December 2018, mainly due to a decrease in retained earnings of S\$0.3 million as a result of the net losses incurred for FY2018 as explained above.

As at 31 December 2018, the Group recorded positive working capital of S\$24.9 million and net asset value stood at 26.7 Singapore cents per share.

In FY2018, the Group generated net cash from operating activities of S\$17.2 million mainly due to the decrease in trade and other receivables, partially offset by a decrease in trade and other payables and an increase in inventories. Net cash used in investing activities in FY2018 of S\$8.9 million was mainly due to the purchase of property, plant and equipment, while net cash used in financing activities in FY2018 of S\$8.8 million was mainly due to the decrease in net borrowings and interest paid. As a result of the above, net cash of the Group decreased to S\$4.7 million as at 31 December 2018, from S\$5.3 million as at 31 December 2017.

Market Outlook

The year 2019 is anticipated to be challenging with uncertainty arising from volatile oil prices and possible escalation of macroeconomic factors such as the US-China trade war and the 'no-deal' withdrawal of the United Kingdom from the European Union.

The International Monetary Fund ("IMF") stated in the January update of its World Economic Outlook that the weakness in the second half of 2018 will carry over to coming quarters, with global growth projected to decline to 3.5% in 2019 before picking up slightly to 3.6% in 2020. It projected that growth in advanced economies will slow from 2.3% in 2018 to 2.0% in 2019. For the emerging market and developing economy group, the IMF expected growth to tick down to 4.5% in 2019, as compared to 4.6% in 2018¹.

In Singapore, the Ministry of Trade and Industry is likewise conservative and anticipates that the pace of growth in the Singapore economy is expected to slow in 2019, as compared to 2018. It stated that the manufacturing sector is likely to see a significant moderation in growth. It added that the electronics and precision engineering clusters are expected to face external headwinds due to weakening global demand for semiconductors and semiconductor equipment².

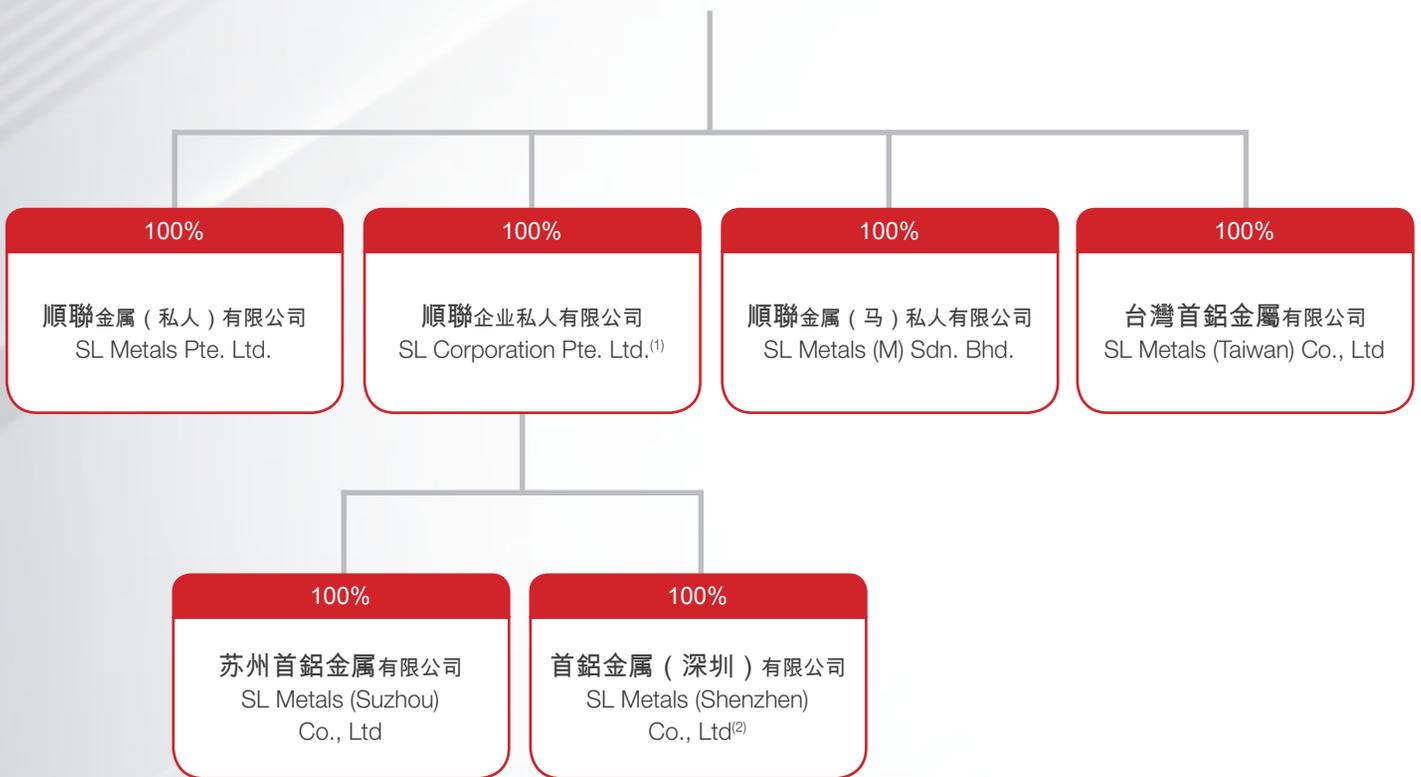
The Group will closely monitor the various developments and their impact on the global and domestic stage. We believe that by being flexible and responsive to the ever-changing landscape, we have the resilience and capability to preserve and unlock long-term value.

¹ <https://www.imf.org/en/Publications/WEO/Issues/2019/01/11/weo-update-january-2019>

² <https://www.singstat.gov.sg/-/media/files/news/gdp4q2018.pdf>



**SOON
LIAN**
HOLDINGS



Notes:

(1) The Company holds 100% interest in the subsidiary with effect from 26 February 2018

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

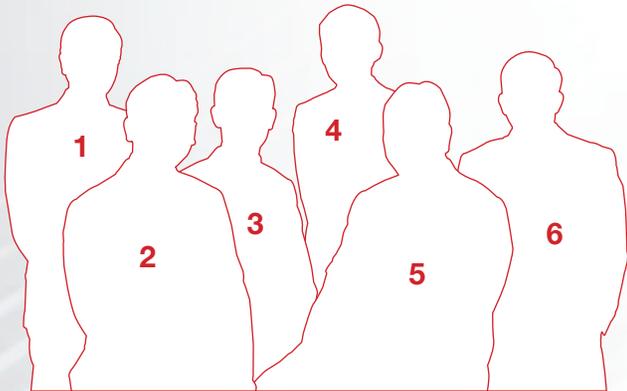
PARTNERSHIPS AND NETWORKS



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



BOARD OF DIRECTORS



- 1 Tan Siak Hee
- 2 Tan Yee Chin
- 3 Tan Yee Leong
- 4 Yap Kian Peng
- 5 Tan Yee Ho
- 6 Lee Sen Choon

TAN YEE CHIN

Chairman and Chief Executive Officer

Tan Yee Chin, our Chairman and Chief Executive Officer, is responsible for the overall management, operations, charting and reviewing of corporate directions and strategies of our Group. He has over 30 years of experience in the aluminium alloy products industry and has been instrumental in growing the business of our Group. Tan Yee Chin started his career with our Group in 1984, focusing on sales to local customers and progressing to overseas sales in 1988. During the period from 1995 to 2002, he was also involved in managing the businesses of Concentrate Engineering Pte. Ltd. and Concentrate Engineering (M) Sdn. Bhd., companies wholly-owned by Tan Yee Chin and his family. He oversaw the operations of both companies which were engaged in the business of manufacturing and trading of cement bricks and clay bricks.

TAN YEE HO

Executive Director

Tan Yee Ho, our Executive Director, is responsible for overseeing our sales and marketing initiatives in Singapore and overseas markets, as well as business development initiatives. He has over 30 years of experience in the aluminium alloy products industry and has been instrumental in expanding our Group's businesses in the various overseas markets. Tan Yee Ho has been with our Group since we commenced our operations in 1984 and was primarily responsible for sales and procurement. As our overseas market expanded, he relinquished his responsibilities in procurement to Tan Yee Leong in 1995 to focus on sales and marketing.

TAN YEE LEONG

Executive Director

Tan Yee Leong, our Executive Director, oversees the procurement of our Group. He also assists our Executive Director, Tan Yee Ho, in servicing the accounts of some local and overseas customers to keep abreast of the developments and trends in customers' demands. He has been with our Group since we commenced operations in 1984 and was primarily responsible for the operations of the Group. His responsibilities expanded to include overseeing our Group's procurement function in 1995.

BOARD OF DIRECTORS

LEE SEN CHOON

Lead Independent Director

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

TAN SIAK HEE

Independent Director

Tan Siak Hee was appointed as an Independent Director of our Company on 31 October 2007. He is the Chairman of the Nominating Committee of our Company and a member of the Audit Committee and the Remuneration Committee of our Company. He has been the sole-proprietor of Messrs S H Tan & Associates, a law firm in Singapore, for the past 34 years. Tan Siak Hee is an Advocate and Solicitor of the Supreme Court of Singapore and a Commissioner for Oaths and Notary Public. Tan Siak Hee holds a Bachelor of Laws (Honours) degree from the University of London and is a Barrister-at-law from Lincoln's Inn, London, United Kingdom. He holds a Graduate Certificate in International Arbitration from the National University of Singapore. He is a member of the Lincoln's Inn, Law Society of Singapore and Singapore Institute of Directors. He also holds a Master of Arts degree from Kelaniya University.

YAP KIAN PENG

Independent Director

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

NG KIM YING

Chief Financial Officer

Ng Kim Ying, our Chief Financial Officer, oversees our Group's financial reporting and is responsible for the overall financial management of our Group. She has over 30 years of experience in finance, accounting and audit and has direct working experience in accounts preparation under the Singapore Finance Reporting Standards. Prior to joining us in 1999, she was the financial controller of Chuan Soon Huat Industrial Group Ltd, a company listed on the Singapore Exchange, from 1994 to 1998 where she oversaw the financial and accounting matters of the company. Between 1981 and 1994, she was an auditor at Lee Seng Chan & Company, a local accounting firm. Ng Kim Ying holds a Bachelor of Commerce (Accountancy) from the then Nanyang University. She is a fellow Chartered Accountants with the Institute of Singapore Chartered Accountants.

LIM HENG MIN

General Manager (Corporate)

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

IMPROVING AND ADVANCING

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



BOARD OF DIRECTORS

Tan Yee Chin
Chairman and Chief Executive Officer
Tan Yee Ho
Executive Director
Tan Yee Leong
Executive Director
Lee Sen Choon
Lead Independent Director
Tan Siak Hee
Independent Director
Yap Kian Peng
Independent Director

AUDIT COMMITTEE

Lee Sen Choon
Chairman
Tan Siak Hee
Yap Kian Peng

NOMINATING COMMITTEE

Tan Siak Hee
Chairman
Lee Sen Choon
Yap Kian Peng

REMUNERATION COMMITTEE

Yap Kian Peng
Chairman
Lee Sen Choon
Tan Siak Hee

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

Ng Kim Ying, FCA Singapore

SHARE REGISTRAR AND SHARE TRANSFER OFFICE

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

AUDITORS

RSM Chio Lim LLP
(a member of RSM International)
8 Wilkie Road, #04-08
Wilkie Edge
Singapore 228095

AUDIT PARTNER-IN-CHARGE

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

SPONSOR

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

SUSTAINABILITY REPORT

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Dear Stakeholders,

We are pleased to present our second 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 2018. Based on this achievement, we will continue to set goals and milestones for the Company and adapt to ever changing conditions in the market. By identifying and addressing the wide range of sustainability issues, challenges ahead will be managed more effectively and mitigation controls will be implemented to tackle upcoming risks that could hinder our profitability.

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

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

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



ABOUT THIS REPORT

Reporting Background

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

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

We have chosen GRI as the 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 38 to 39 of the Annual Report 2018.

This report covers the Group’s key operations in Singapore, Malaysia, Taiwan and the People’s Republic of China (“China”) for the financial year from 1 January 2018 to 31 December 2018 (“FY2018”).

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

Accessibility of the Report & Feedback

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

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



SUPPLY CHAIN MANAGEMENT

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

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

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

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

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



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 guidelines set out in the Code of Corporate Governance 2012. Please refer to the corporate governance report found in the Annual Report 2018 of the Company for more information. Soon Lian also recognises the importance of maintaining and promoting a healthy and safe work environment for its employees.

External initiatives

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

Membership of Associations

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

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

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



STAKEHOLDER ENGAGEMENT

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

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

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

MATERIAL TOPICS

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

Material Topics:



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

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

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

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

	FY2018 (S\$'000)	FY2017 (S\$'000)	Change (%)
Revenue	33,681	37,737	(10.8%)
Cost of Sales	(27,691)	(31,546)	(12.2%)
Gross Profit	5,990	6,191	(3.3%)
Other Income and Gains	361	2,916	(87.6%)
Distribution Costs	(532)	(678)	(21.5%)
Administrative Expenses	(4,720)	(4,909)	(3.9%)
Finance Costs	(808)	(897)	(9.9%)
Other Losses	(450)	(773)	(41.8%)
(Loss) Profit before Tax from Continuing Operations	(159)	1,850	N.M.
Income Tax Expense	(90)	(298)	(69.8%)
(Loss) Profit Net of Tax	(249)	1,552	N.M.

N.M. - Not meaningful

Our Group recorded a net loss of S\$0.2 million for FY2018, as compared to a net profit of S\$1.6 million for the previous financial year ended 31 December 2017 ("FY2017"). This was mainly attributable to (i) a drop in sales revenue due to challenging market conditions and lower revenue contribution from the Group's operations in China; and (ii) the absence in FY2018 of a one-off gain on disposal of the Group's property at 9 Tuas Avenue 2, Singapore 639449 amounting to S\$1.8 million.

In FY2018, we provided value-added services to our regular and new customers through our customised products that meet with their specific requirements. The upgrading of machineries and equipment has also enabled us to reach out to more customers. Through our services, customers can focus on their core competencies and reduce any unnecessary cost.

Moving forward in this current financial year ending 31 December 2019 ("FY2019"), 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 FY2018, there was no reported incident of corruption in the Group.

Furthermore, in order to strengthen and prevent corruption, the management of the Company has put in place a whistle-blowing policy duly endorsed by the Audit Committee of the Company and approved by the Board of Directors of the Company. The details of the whistle-blowing policy have been made available to all employees. Employees are able to raise any concerns or feedbacks about possible corporate improprieties in matters of financial reporting or other matters without fearing about their identity being revealed. In FY2018, there were no complaints, concerns or issues received.

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

WASTE MANAGEMENT

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

Wastage	FY2018	FY2017
Total Weight (kg)	125,919	153,213

We are contributing through:

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

In FY2019, we will continue to manage the waste produce by our business through upgrading our technologies, conducting trainings related to handling of waste to employees and emphasizing the importance of reduce, reuse and recycling in the Group.





READYING
FOR CHANGING
TOMORROWS

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

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

Recruitment policy

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

Equal opportunity employee

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

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

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

Team member

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

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

Our staff turnover for FY2017 and FY2018 is as below:

Actual Headcount/ Year	FY2018	FY2017
Number of resignation/ termination	<20	<20
New Join	<20	<20
Actual Headcount	>50	>50
Turnover rate (%)	<25%	<25%

In FY2019, we will continue to reduce the turnover rate of our employees. We are open to suggestions and feedbacks to improve work environment and create more values for our employees.



TRAINING AND EDUCATION

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

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

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

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

Moving forward for FY2019, more in-house trainings will be organised for the employees and opportunities to learn on the job will be available to further familiarise the employees with the operations of the Group.



OCCUPATIONAL HEALTH AND SAFETY

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

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

In FY2018, there were a total of 4 injuries to our employees. Moving forward, the Group aims to reduce the workplace accident rate. In addition, safety equipment are used to prevent any injury and first aid boxes are always available in accordance with Workplace Safety and Health Act.

In FY2019, a Health and Safety Steering Committee, which comprises the management, executives and rank & file workers, will be set up in the Group. This committee will be involved in identifying areas that are prone to injuries, improvement in the Group's overall safety and promote awareness of health and safety to employees.



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 2018 page 2
	102-2 Activities, brands, products, and services	Annual Report 2018 page 2
	102-3 Location of headquarters	Annual Report 2018 page 23
	102-4 Location of operations	Annual Report 2018 page 2
	102-5 Ownership and legal form	Annual Report 2018 page 16
	102-6 Markets served	Annual Report 2018 page 12
	102-7 Scale of the organisation	Annual Report 2018 page 10
	102-8 Information on employees and other workers	Annual Report 2018 page 35
	102-9 Supply chain	Annual Report 2018 page 27
	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 2018 page 28
	102-13 Membership of associations	Annual Report 2018 page 28
	Strategy	
	102-14 Statement from senior decision maker	Annual Report 2018 page 25
	Ethics and Integrity	
	102-16 Values, principles, standards, and norms of behaviour	Annual Report 2018 page 1
	Governance	
	102-18 Governance structure	Annual Report 2018 pages 40-60
	Stakeholder Engagement	
	102-40 List of stakeholder groups	Annual Report 2018 page 29
	102-41 Collective bargaining agreements	Not applicable
	102-42 Identifying and selecting stakeholders	Annual Report 2018 page 29
	102-43 Approach to stakeholder engagement	Annual Report 2018 page 29
	102-44 Key topics and concerns raised	Annual Report 2018 page 30
	Reporting Practice	
	102-45 Entities included in the consolidated financial statements	Annual Report 2018 page 16
	102-46 Defining report content and topic boundaries	Annual Report 2018 page 26
	102-47 List of material topics	Annual Report 2018 page 30
	102-48 Restatements of information	Not applicable
102-49 Changes in reporting	No significant change	
102-50 Reporting period	Annual Report 2018 page 26	

GLOBAL REPORTING INITIATIVE (GRI) CONTENT INDEX

RI Standard	Disclosure	Page Reference and Reasons for Omission, if applicable
	102-51 Date of most recent report	Annual Report 2018
	102-52 Reporting cycle	Annually
	102-53 Contact point for questions regarding the report	Annual Report 2018 page 26
	102-54 Claims of reporting in accordance with the GRI Standards	Annual Report 2018 page 26
	102-55 GRI content index	Annual Report 2018 pages 38-39
	102-56 External assurance	Annual Report 2018 page 26
GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its boundaries	Annual Report 2018 pages 30-37
	103-2 The management approach and its components	Annual Report 2018 pages 30-37
	103-3 Evaluation of the management approach	Annual Report 2018 pages 30-37
GRI 201: Economic Performance 2016	201-1 Direct Economic value generated and distributed	Annual Report 2018 page 31
GRI 205: Anti-Corruption 2016	205-1 Operations assessed for risks related to corruption	Annual Report 2018 page 32
	205-3 Confirmed incidents of corruption and actions taken	
GRI 301: Materials 2016	301-1 Materials used by weight or volume	Annual Report 2018 page 33
	301-2 Recycled input materials used	
	301-3 Reclaimed products and their packaging materials	Not applicable
GRI 401: Employment 2016	401-1 New employee hired and employee turnover	Annual Report 2018 page 35
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	Annual Report 2018 page 36
	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 2018 page 37
	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 maintaining high standards of corporate governance to protect the interests of its shareholders (“**Shareholders**”) and enhance Shareholders’ value and corporate transparency.

This report describes the Company’s corporate governance processes and activities for the financial year ended 31 December 2018 (“**FY2018**”) with specific references to the principles and guidelines of the Singapore Code of Corporate Governance 2012 (the “**Code**”). The new Singapore Code of Corporate Governance 2018 (the “**2018 Code**”), which was issued on 6 August 2018, will only take effect for annual reports covering financial years commencing from 1 January 2019. As such, the 2018 Code will not affect the Group for FY2018.

The board of directors (the “**Board**” or “**Directors**”) of the Company confirms that, for FY2018, the Company has generally adhered to the principles and guidelines set out in the Code. Where there are deviations from the Code, appropriate explanations are provided.

BOARD MATTERS

The Board’s Conduct of Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and Management remains accountable to the Board.

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.

To assist in the execution of its responsibilities, the Board has established three Board committees, namely the Nominating Committee (“**NC**”), the Remuneration Committee (“**RC**”) and the Audit Committee (“**AC**”) (collectively, the “**Board Committees**”). Each Board Committee is empowered to make decisions on matters within its own defined terms of reference and operating procedures. 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.

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

Details of the Directors’ attendances at the Board and Board Committee meetings held during FY2018 are set out below:

DIRECTORS	BOARD		AC		NC		RC	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Tan Yee Chin	2	2	2	2*	1	1*	1	1*
Tan Yee Ho	2	2	2	2*	1	1*	1	1*
Tan Yee Leong	2	2	2	2*	1	1*	1	1*
Lee Sen Choon	2	2	2	2	1	1	1	1
Tan Siak Hee	2	2	2	2	1	1	1	1
Yap Kian Peng	2	2	2	2	1	1	1	1

* By invitation

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.

New appointments to the Board will receive a formal appointment letter setting out their duties and obligations. New appointments to the Board will also be briefed by the Management or any such appropriate persons on the Group's business operations and governance practices to ensure that new Directors have an insight into the workings of the Group. For first-time Directors, the Company will arrange for them to attend relevant training in relation to the roles and responsibilities of a director of a listed company and in areas such as accounting, legal and industry specific knowledge as appropriate. The training of Directors will be arranged and funded by the Company. No new Director was appointed to the Board in FY2018.

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

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.

There is a strong and independent element on the Board. As at the date of this report, the Board consists of the following six members, three of whom are Independent Directors:

Executive Directors

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

Non-Executive Directors

Lee Sen Choon	(Lead Independent Director)
Tan Siak Hee	(Independent Director)
Yap Kian Peng	(Independent Director)

As the Chairman of the Board and the Chief Executive Officer ("CEO") of the Company is the same person, the Company has satisfied the requirement of the Code that at least half of the Board consists of Independent Directors. Each of Lee Sen Choon, Tan Siak Hee and Yap Kian Peng holds 50,000 ordinary shares in the capital of the Company. Save for the above, Lee Sen Choon, Tan Siak Hee and Yap Kian Peng have confirmed that they do not have any relationship with the Company, its related corporations, Shareholders who hold more than 10% of the Company's total voting shares 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.

The NC recommends all appointments and retirements of Directors. In addition, the NC reviews annually the independence of each Director. Each Independent Director is required to complete a Director's Independence Declaration annually to confirm his independence based on the guidelines as set out in the Code. For FY2018, the NC has reviewed and determined that the three Non-Executive Directors are independent.

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

CORPORATE GOVERNANCE REPORT

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

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

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

Taking into account the above factors, the Board is of the view that Lee Sen Choon, Tan Siak Hee and Yap Kian Peng continue to be considered Independent Directors, notwithstanding they have served on the Board for more than nine years from the respective dates of their first appointment. The Board nevertheless will on a continual basis, review the need for progressive refreshing of its Board.

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

The 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 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.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the company's business. No one individual should represent a considerable concentration of power.

The Chairman and CEO of the Company is Tan Yee Chin. The Board, after careful consideration, is of the opinion that the need to separate the roles of the Chairman and CEO is not necessary for the time being. The presence of a strong independent element and the participation of the Independent Directors ensure that Tan Yee Chin does not have unfettered powers of decisions. The Board has also appointed Lee Sen Choon as Lead Independent Director to be an alternative channel for Shareholders and other Directors to raise their concerns for which contact through the normal channels of the Chairman and CEO has failed to resolve. Where necessary, the Lead Independent Director, together with other Independent Directors will meet without the presence of the other non-Independent Directors, and the Lead Independent Director will provide feedback to the Chairman after such meetings if it is necessary. The Board believes that there are adequate measures and safeguards in place against an uneven concentration of power and authority in one individual, which will affect independent and collective decision-making by the Board.

As the Chairman, Tan Yee Chin 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.

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

Board Membership and Performance

Principle 4: There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

Principle 5: There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

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

Tan Siak Hee (Chairman)
Lee Sen Choon
Yap Kian Peng

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 principal functions of the NC are as follows:

- 1) to review and recommend the nomination or re-nomination of the Directors having regard to their contribution and performance;
- 2) to determine annually whether or not a Director is independent;
- 3) where a Director or proposed Director has multiple board representation, deciding on whether the Director is able to and/or has been adequately carrying out his duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments;
- 4) to assess the performance of the Board; and
- 5) to review and approve any new employment of related persons and the proposed terms of their employment.

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

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

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

CORPORATE GOVERNANCE REPORT

At the forthcoming AGM, Tan Yee Chin and Lee Sen Choon will be retiring by rotation pursuant to Article 104 of the Constitution. Both of them, being eligible for re-election, have offered themselves for re-election. The NC has also recommended to the Board that Tan Yee Chin and Lee Sen Choon 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 entitled "Additional Information on Directors Nominated for Re-election – Appendix 7F to the Catalist Rules" of this report for more information on the abovementioned Directors.

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

The key information of the Directors is as follows:

Name of Director and Board Membership	Academic / Professional qualifications	Date of first appointment as Director	Date of last re-appointment as Director	Present directorships in other listed companies	Past directorships held over the preceding three years in other listed companies
Tan Yee Chin <i>Executive / Non-independent</i>	1. GCE "O" levels	18.12.2004	21.04.2016	Nil	Nil
Tan Yee Ho <i>Executive / Non-independent</i>	1. GCE "O" levels	18.12.2004	20.04.2018	Nil	Nil
Tan Yee Leong <i>Executive / Non-independent</i>	1. GCE "O" levels	18.12.2004	20.04.2018	Nil	Nil
Lee Sen Choon <i>Non-Executive / Independent</i>	1. Bachelor of Science (Honours) (Nanyang University) 2. Post-graduate Diploma in Management (University of Salford) 3. Fellow Member, Institute of Chartered Accountants in England and Wales 4. Practising Member, Institute of Singapore Chartered Accountants	31.10.2007	21.04.2016	1. Best World International Limited (Independent Non-Executive Director, Chairman of Audit Committee) 2. Hor Kew Corporation Limited (Independent Non-Executive Director)	Nil

Name of Director and Board Membership	Academic / Professional qualifications	Date of first appointment as Director	Date of last re-appointment as Director	Present directorships in other listed companies	Past directorships held over the preceding three years in other listed companies
Tan Siak Hee <i>Non-Executive / Independent</i>	<ol style="list-style-type: none"> 1. Bachelor of Laws (University of London) 2. Barrister At Law (Lincoln's Inn) 3. Masters of Art (Kelaniya University) 4. Graduate Certificate in International Arbitration (National University of Singapore) 5. Advocate & Solicitor, and Commissioner for Oaths and Notary Public, Supreme Court, Singapore 6. Fellow, Singapore Institute of Arbitrators 7. Fellow, Chartered Institute of Arbitrators 8. Member, Lincoln's Inn 9. Member, Law Society of Singapore 10. Member, Singapore Institute of Directors 	31.10.2007	20.04.2017	Nil	Nil
Yap Kian Peng ⁽¹⁾ <i>Non-Executive / Independent</i>	Bachelor Degree in Business (Business Administration) (RMIT University)	31.10.2007	20.04.2017	<ol style="list-style-type: none"> 1. Jackspeed Corporation Limited (Executive Deputy Chairman and Chief Executive Officer) 2. M Development Limited (Independent Non-Executive Director, Chairman of Audit Committee) 3. Seroja Investments Limited (Independent Non-Executive Director, Chairman of Audit Committee and Remuneration Committee) 	Nil

Note:⁽¹⁾ Mr Yap Kian Peng is also the executive director of Capital Equity Holdings Pte Ltd, a private equity investment company.

CORPORATE GOVERNANCE REPORT

For other information on the Directors, please refer to the sections entitled “Board of Directors” and “Statement by Directors” of the Company’s Annual Report 2018.

The NC has adopted a process for assessing the performance and effectiveness of the Board as a whole instead of individual assessment. 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 FY2018, each of the Directors had been requested to complete a board evaluation questionnaire. The questionnaire is designed to seek each Director’s views on various aspects of the Board’s performance and effectiveness. The responses are reviewed by the NC and discussed with the Board members for determining areas of improvement to assist the Board in discharging its duties more effectively. The NC, having reviewed the overall performance and effectiveness of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year reported on, is of the view that the performance and effectiveness of the Board as a whole has been satisfactory. The NC has not engaged any external facilitator in conducting the assessment of the Board’s performance. Where relevant, the NC will consider such engagement.

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

Access to Information

Principle 6: In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

To enable the Board to fulfill its responsibility, the Management strives to provide Board members with adequate information for the Board and Board Committee meetings and on an ongoing basis. The Board is furnished with Board papers prior to any Board meeting. These papers are issued in sufficient time to enable Directors to obtain additional information or explanations from the Management, if necessary.

Directors are given separate and independent access to the Management and the Company Secretary to address any enquiries. The Company Secretary attends all Board meetings and ensures that board procedures are followed and applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Directors, either individually or as a group, may seek independent professional advice in furtherance of their duties and the costs will be borne by the Company.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7 – There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

Level and Mix of Remuneration

Principle 8 – The level and structure of remuneration should be aligned with the long-term interest and risk policies of the company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the company, and (b) key management personnel to successfully manage the company. However, companies should avoid paying more than is necessary for this purpose.

Disclosure on Remuneration

Principle 9 – Every company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.

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

Yap Kian Peng (Chairman)
Lee Sen Choon
Tan Siak Hee

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 Executive Officers;
- 2) to review the remuneration packages of employees who are related to any Director and/or substantial Shareholder of the Company and its subsidiaries;
- 3) to review and recommend to the Board the terms of renewal for those Executive Directors whose current employment contracts will expire or had expired; and
- 4) to review and approve annually the remuneration of the Directors, Executive Officers and employees related to any Director and/or substantial Shareholder of the Company.

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

The Company has entered into service agreements with the Executive Directors, namely Tan Yee Chin, 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 key management personnel (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.

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

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

CORPORATE GOVERNANCE REPORT

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. During FY2018, the RC did not seek any external professional advice on remuneration.

The remuneration of the Directors for FY2018 are set out below:

	Directors' Fees	Salary	Bonus	Allowances and Benefits in kind	Total
	%	%	%	%	%
<u>Between S\$250,000 and S\$500,000</u>					
Tan Yee Chin	–	71	18	11	100
Tan Yee Ho	–	65	16	19	100
Tan Yee Leong	–	60	15	25	100
<u>Below S\$250,000 and below</u>					
Lee Sen Choon	100	–	–	–	100
Tan Siak Hee	100	–	–	–	100
Yap Kian Peng	100	–	–	–	100

The Directors' remuneration for FY2018 has been disclosed in bands of S\$250,000. The actual remuneration of each individual Director is not disclosed due to the confidentiality and sensitivity of remuneration matters as the Board believes that the disclosure may be prejudicial to the Group's businesses given the competitive business environment which the Group operates in and the disadvantages that it may bring.

The remuneration of the key management personnel⁽¹⁾ (who are not Directors or the CEO) for FY2018 are set out below:

	Salary	Bonus	Allowances and Benefits in kind	Total
	%	%	%	%
<u>Between S\$250,000 and S\$500,000</u>				
Ng Kim Ying	75	12	13	100
<u>Below S\$250,000 and below</u>				
Lim Heng Min	71	12	17	100
Wu Wei-Tsung, William ⁽¹⁾	–	–	–	–

Note:

- (1) The Company has three key management personnel (who are not Directors or the CEO) in FY2018. As at the date of this Annual Report 2018, the Company has only two key management personnel (who are not Directors or the CEO), as Wu Wei-Tsung, William ceased as the General Manager and Vice-President (Commercial) of the Company's subsidiary in the People's Republic of China with effect from 11 January 2018. The remuneration of Wu Wei-Tsung, William for the period from 1 January 2018 up to 11 January 2018, and the termination benefits (as set out below) granted to Wu Wei-Tsung, William had been accounted for in the previous financial year. Please refer to the Annual Report 2017 for information on the remuneration of Wu Wei-Tsung, William.

For FY2018, the aggregate total remuneration of all the key management personnel (who are not Directors or the CEO) is S\$480,000.

There are no termination, retirement and post-employment benefits that may be granted to the Directors, the CEO and the key management personnel (who are not Directors or the CEO) of the Group. SL Metal (Suzhou) Co., Ltd. ("**SL Suzhou**"), the Company's subsidiary in the People's Republic of China (the "**PRC**"), had terminated the employment contract between SL Suzhou and Wu Wei-Tsung, William ("**Mr Wu**") (General Manager and Vice-President (Commercial)), in accordance with the terms of the employment contract, and Mr Wu had accordingly ceased as the General Manager and Vice-President (Commercial) of SL Suzhou with effect from 11 January 2018. SL Suzhou had compensated Mr Wu with termination benefits in accordance with the labour laws and regulations of the PRC.

The remuneration of an employee, who is an immediate family member of a Director, for FY2018 is set out below:

	Salary	Bonus	Allowances and Benefits in kind	Total
	%	%	%	%
Between S\$50,000 to S\$100,000				
Tan Lay Peng	64	11	25	100

Tan Lay Peng is the spouse of Tan Yee Chin (Chairman and CEO of the Company) and sister-in-law of both Tan Yee Ho (Executive Director) and Tan Yee Leong (Executive Director).

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.

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

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board is responsible for providing a balanced and understandable assessment of the Company's performance, position and prospects, including interim and other price sensitive public reports. Shareholders are informed of the Company's financial performance through half year and full year financial results announcements on SGXNet. Such announcements are made within the timeframe as set out under Rules 705(1) and (3) of the Catalist Rules. The Board also provides negative assurance confirmation to Shareholders for the half year financial results announcement pursuant to Rule 705(5) of the Catalist Rules.

The Management will provide all members of the Board with the necessary financial information and Board papers prior to any Board meeting to facilitate effective discussion and decision-making.

CORPORATE GOVERNANCE REPORT

Risk Management and Internal Controls

Principle 11: The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.

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

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

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

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 2018. This is in turn, supported by assurance from the CEO and the Chief Financial Officer that:

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

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

Audit Committee

Principle 12: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

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

Lee Sen Choon (Chairman)
Tan Siak Hee
Yap Kian Peng

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

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

The principal functions of the AC are as follows:

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

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

The Management has put in place a whistle-blowing policy duly endorsed by the AC and approved by the Board, where employees of the Group may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters. The details of the whistle-blowing policy have been made available to all employees. During FY2018, there were no complaints, concerns or issues received.

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

CORPORATE GOVERNANCE REPORT

The AC is responsible for conducting an annual review of the volume of non-audit services provided by the external auditors of the Company to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors of the Company before recommending their re-appointment to the Board. The AC has undertaken a review of all non-audit services provided by the external auditors of the Company in FY2018, which related to certain agreed-upon procedures for half yearly announcement and tax compliance work, and they would not, in the opinion of the AC, affect the independence and objectivity of the external auditors of the Company.

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

	FY2018
	\$
Audit fees paid/payable to the external auditors	
- external auditors of the Company	83,000
- other external auditors of the Group	21,000
Non-audit fees paid/payable to the external auditors	
- external auditors of the Company	19,000
- other external auditors of the Group	24,000

Having reviewed and been satisfied that the external auditors of the company, Messrs RSM Chio Lim LLP, is independent, the AC has recommended the re-appointment of Messrs RSM Chio Lim LLP as external auditors of the Company for the current financial year ending 31 December 2019 at the forthcoming AGM.

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

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

In FY2018, the AC had carried out, amongst others, the following activities:

- (a) reviewed the half year and full year financial statements (audited and unaudited), and recommended to the Board for approval;
- (b) reviewed the adequacy and effectiveness of the Group's risk management and internal control systems;
- (c) reviewed interested person transactions;
- (d) reviewed and approved the annual audit plan of the external auditors;
- (e) reviewed whether the internal audit function is independent, effective and adequately resourced;
- (f) reviewed and approved the internal audit plan of the internal auditors, having considered the scope of the internal audit procedures;
- (g) reviewed the results of the internal audit procedures and the assistance given by the Management to the internal auditors;
- (h) reviewed the annual re-appointment of the external auditors and determined their remuneration, and made a recommendation for the Board's approval;
- (i) met with the external auditors and internal auditors once without the presence of the Management; and
- (j) reviewed all the Group's foreign exchange exposure hedging transactions.

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

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

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

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

Internal Audit

Principle 13: The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

The internal audit function of the Group is outsourced to Nexia, a certified public accounting firm which is a corporate member of the Institute of Internal Auditors Singapore, and staffed with professionals with relevant qualifications and experience. The AC approves the hiring, removal, evaluation and compensation of the certified public accounting firm to which the internal audit function is outsourced.

The internal auditors report primarily to the Chairman of the AC. 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 carry out its activities in compliance with the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditors plan their internal audit schedules in consultation with, but independent of the Management. The audit plan is submitted to the AC for approval prior to the commencement of the internal audit.

The AC reviews the activities of the internal auditors on a regular basis, including overseeing and monitoring of the implementation of the improvements required on internal controls identified.

During FY2018, the internal auditors adopted a risk-based auditing approach that focuses on material internal controls (including financial, operational, compliance and information technology controls) and overall risk management of the Group. The AC has reviewed the independence, adequacy and effectiveness of the internal auditors and is satisfied that the internal auditors are adequately resourced and have the appropriate standing within the Group to fulfill its mandate. The AC is also of the view that the internal auditors is adequately staffed with persons with the relevant qualifications and experience, and adheres to the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

On an annual basis, the AC reviews the independence, adequacy and effectiveness of the internal audit function, including the internal audit program of the Group, so as to align it to the changing needs and risk profile of the Group's business activities.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14: Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

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

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

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

Communication with Shareholders

Principle 15: Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

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.

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.

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. As the Group recorded a net loss in FY2018 and the Board deems it appropriate to conserve funds for the Group's business activities and further expansion, the Board has not recommended any dividends to be paid in respect of FY2018.

Conduct of Shareholder Meetings

Principle 16: Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

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

The Company's main forum for dialogue with Shareholders takes place at its AGM where members of the Board, Chairman of the respective Board Committees, the Management and the external auditors are in attendance to answer any queries raised by Shareholders. At the AGM, Shareholders are given the opportunity to express their views and ask questions regarding the Company and the Group.

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.

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.

Separate resolutions on each distinct issue are tabled at general meetings of the Company. 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.

DEALINGS IN SECURITIES

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

- Directors and key officers are prohibited from trading in the Company's securities (i) during the period commencing one month before the announcement of the Company's half year and full year financial results; and (ii) if they are in possession of unpublished price-sensitive information of the Group.
- Directors and key officers should not deal in the Company's securities on short-term considerations.
- Directors and key officers are required to observe the insider trading laws under the Securities and Futures Act (Chapter 289) of Singapore at all times even when engaging in dealings of securities within the non-prohibitory periods.

INTERESTED PERSON TRANSACTIONS

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

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

CORPORATE GOVERNANCE REPORT

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 FY2018 or if not then subsisting, entered into since the end of the previous financial year.

HEDGING POLICY

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

CATALIST SPONSOR

With reference to Rule 1204(21) of the Catalist Rules, no non-sponsor fees were payable or paid to ZICO Capital Pte. Ltd. in FY2018.

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 Chin and Lee Sen Choon, 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 Chin	Lee Sen Choon
Date of first appointment	18 December 2004	31 October 2007
Date of last re-appointment (if applicable)	21 April 2016	21 April 2016
Age	54	68
Country of principal residence	Singapore	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 Chin 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 Chin's qualifications, skills, expertise, past experiences and overall contribution since he was appointed as a Director of the Company.	The re-election of Mr Lee Sen Choon as a Director of the Company was recommended by the NC and the Board has accepted the recommendation, after taking into consideration Mr Lee Sen Choon'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 Chin is responsible for the overall management, operations, charting and reviewing of corporate directions and strategies of the Group.	No

CORPORATE GOVERNANCE REPORT

Name of Director	Tan Yee Chin	Lee Sen Choon
Job Title (e.g. Lead ID, AC Chairman, AC member etc.)	Chairman and CEO	Lead Independent Director, Chairman of the AC, and a member of the NC and the RC
Professional qualifications	GCE "O" Levels	<ol style="list-style-type: none"> 1. Bachelor of Science (Honours) (Nanyang University) 2. Post-graduate Diploma in Management (University of Salford) 3. Fellow Member, Institute of Chartered Accountants in England and Wales 4. Practising Member, Institute of Singapore Chartered Accountants
Working experience and occupation(s) during the past 10 years	December 2007 to present: Chairman and CEO of the Company	<p>July 2013 to present: UHY Lee Seng Chan & Co – Senior Partner</p> <p>January 1984 to June 2013: UHY Lee Seng Chan & Co – Partner</p>
Shareholding interest in the listed issuer and its subsidiaries	As at the date of this report, Mr Tan Yee Chin holds direct interest in 998,334 shares of the Company (" Shares "). In addition, Mr Tan Yee Chin is deemed to be interested in the 72,900,000 Shares held by Soon Tien Holdings Pte. Ltd. and the 400,000 Shares held by his wife, Ms Tan Lay Peng.	As at the date of this report, Mr Lee Sen Choon holds direct interest in 50,000 Shares.
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	<p>Mr Tan Yee Chin, Mr Tan Yee Ho (Executive Director of the Company) and Mr Tan Yee Leong (Executive Director of the Company) are siblings.</p> <p>As at the date of this report, Mr Tan Yee Chin is a substantial shareholder of the Company, holding an aggregate shareholding interest (direct and deemed) in 68.79% of the issued share capital of the Company. Mr Tan Yee Chin is also related to the other substantial shareholders of the Company, namely, Soon Tien Holdings Pte. Ltd., Mr Tan Yee Ho and Mr Tan Yee Leong.</p> <p>As at the date of this report, Mr Tan Yee Chin is a director on each of the boards of all the subsidiaries of the Company.</p>	As at the date of this report, Mr Lee Sen Choon is a shareholder of the Company, holding direct interest in 50,000 Shares.
Conflict of interest (including any competing business)	No	No
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
<p>Other Principal Commitments* Including Directorships#</p> <p>* "Principal Commitments" has the same meaning as defined in the Code.</p> <p># These fields are not applicable for announcements of appointments pursuant to Listing Rule 704(8)</p>		

CORPORATE GOVERNANCE REPORT

Name of Director	Tan Yee Chin	Lee Sen Choon
Past (for the last 5 years)	Nil	Nil
Present	<ol style="list-style-type: none"> 1. Soon Lian Holdings Limited 2. SL Metals Pte. Ltd. 3. SL Metals (M) Sdn. Bhd. 4. SL Metals (Taiwan) Co., Ltd 5. SL Corporation Pte. Ltd. 6. SL Metals (Suzhou) Co., Ltd 7. Soon Tien Holdings Pte. Ltd. 8. Soon Tien Investments Pte. Ltd. 9. Concentrate Holdings Pte. Ltd. 10. Concentrate Engineering Pte. Ltd. 11. Concentrate Engineering (M) Sdn Bhd 12. Fultech Industry (M) Sdn. Bhd. 	<ol style="list-style-type: none"> 1. Soon Lian Holdings Limited 2. Best World International Limited 3. Hor Kew Corporation Limited 4. UHY Lee Seng Chan & Co. 5. UHY Lee Tax Services Pte. Ltd. 6. Leta Enterprise Sdn Bhd 7. LSC & Brothers Pte Ltd 8. LSC Capital Pte. Ltd. 9. LSC Management Consultants Pte Ltd 10. Ming Hwa Industry Sdn Bhd 11. Shanghai Welfare Group Co Ltd 12. Spiral Holdings Sdn Bhd 13. Transco Sdn Bhd 14. UHY Lee Advisory Pte. Ltd.

Name of Director	Tan Yee Chin	Lee Sen Choon
Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No

Name of Director	Tan Yee Chin	Lee Sen Choon
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of :— (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or (iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

CORPORATE GOVERNANCE REPORT

Name of Director	Tan Yee Chin	Lee Sen Choon
Disclosure applicable to the appointment of Director only.		
<p>Any prior experience as a director of an issuer listed on the Exchange?</p> <p>If yes, please provide details of prior experience.</p> <p>If no, please state if the director has attended or will be attending training on the roles and responsibilities of a director of a listed issuer as prescribed by the Exchange.</p>	<p>Yes</p> <p>Mr Tan Yee Chin is currently the Chairman and CEO of the Company, which is listed on the SGX-ST.</p>	<p>Yes</p> <p>Mr Lee Sen Choon is currently a director of the following companies listed on the SGX-ST:</p> <ul style="list-style-type: none"> - Best World International Limited - Hor Kew Corporation Limited - Soon Lian Holdings Limited
<p>Please provide details of relevant experience and the nominating committee's reasons for not requiring the director to undergo training as prescribed by the Exchange (if applicable)</p>	<p>Not applicable. This is a re-election of a Director and Mr Tan Yee Chin has prior experience as a director of an issuer listed on the SGX-ST.</p>	<p>Not applicable. This is a re-election of a Director and Mr Lee Sen Choon has prior experience as a director of an issuer listed on the SGX-ST.</p>

STATEMENT BY DIRECTORS

The directors of the company are pleased to present the accompanying financial statements of the company and of the group for the reporting year ended 31 December 2018.

1. Opinion of the directors

In the opinion of the directors,

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

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

2. Directors

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

Tan Yee Chin
Tan Yee Ho
Tan Yee Leong
Lee Sen Choon
Tan Siak Hee
Yap Kian Peng

3. Directors' interests in shares and debentures

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

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

STATEMENT BY DIRECTORS

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

Name of directors and companies in which interests are held	Direct interest		Deemed interest	
	At beginning of the reporting year	At end of the reporting year	At beginning of the reporting year	At end of the reporting year
<u>Soon Lian Holdings Limited</u>	Number of shares of no par value			
Tan Yee Chin	998,334	998,334	73,300,000	73,300,000
Tan Yee Ho	998,333	998,333	72,900,000	72,900,000
Tan Yee Leong	998,333	998,333	72,900,000	72,900,000
Lee Sen Choon	50,000	50,000	–	–
Tan Siak Hee	50,000	50,000	–	–
Yap Kian Peng	50,000	50,000	–	–

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

The directors' interests as at 21 January 2019 were the same as those at the end of the reporting year.

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

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

5. Options

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

During the reporting year, there were no shares of the company or other body corporate in the group issued by virtue of the exercise of an option to take up unissued shares.

At the end of the reporting year, there were no unissued shares of the company or other body corporate in the group under option.

6. Independent auditor

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

7. Report of audit committee

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

Mr Lee Sen Choon (Chairman of audit committee and independent and non-executive director)
Mr Tan Siak Hee (Independent and non-executive director)
Mr Yap Kian Peng (Independent and non-executive director)

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

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

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

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

8. Directors' opinion on the adequacy of internal controls

Based on the internal controls established and maintained by the company, work performed by the internal and external auditors, and reviews performed by management, other committees of the board and the board, the audit committee and the board are of the opinion that the company's internal controls, addressing financial, operational and compliance risks, are adequate as at the end of the reporting year 31 December 2018.

STATEMENT BY DIRECTORS

9. Subsequent developments

There are no significant developments subsequent to the release of the group's and the company's preliminary financial statements, as announced on 20 February 2019, which would materially affect the group's and the company's operating and financial performance as of the date of this report.

On behalf of the directors

Tan Yee Chin
Director

29 March 2019

Tan Yee Ho
Director

Report on the audit of the financial statements

Opinion

We have audited the accompanying financial statements of Soon Lian Holdings Limited (the “company”) and its subsidiaries (the “group”), which comprise the consolidated statement of financial position of the group and the statement of financial position of the company as at 31 December 2018, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the group, and statement of changes in equity of the company for the reporting year then ended, and notes to the financial statements, including accounting policies.

In our opinion, the accompanying consolidated financial statements of the group and the statement of financial position and statement of changes in equity of the company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the “Act”) and Singapore Financial Reporting Standards (International) (“SFRS(I)”) so as to give a true and fair view of the consolidated financial position of the group and the financial position of the company as at 31 December 2018 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the group and the changes in equity of the company for the reporting year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (“SSAs”). Our responsibilities under those standards are further described in the auditor’s responsibilities for the audit of the financial statements section of our report. We are independent of the 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 is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

a) Inventories – impairment allowance

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

Inventories amounted to \$28.4 million, representing 51% of the group’s total assets, as at 31 December 2018. Management determines provision of inventory obsolescence and net realisable value by taking into consideration various factors, including macroeconomics and general market conditions, future demands and market commodity sale prices such as metal indexes. We focused on this area because the determination of allowance for inventory obsolescence involves a high level of judgement and is subject to uncertainty due to the challenging market conditions.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SOON LIAN HOLDINGS LIMITED

Key audit matters (cont'd)

b) Trade receivables – impairment allowance

Refer to Notes 2A “Financial instruments” and 2C “Allowance for trade receivables” to the financial statements for the relevant accounting policy and management’s judgements used in the impairment of trade receivables, respectively, as well as Note 18 on the aging analysis of trade receivables, and the annual report on the section on the audit committee’s views and responses to the reported key audit matter.

Trade receivables amounted to \$10.1 million, representing 18% of the group’s total assets, as at 31 December 2018. The allowance for impairment of trade receivables is estimated by management through the application of judgement and use of subjective assumptions. The estimate of impairment loss is based on the historical trend of these receivables, which includes analysis of the age of these receivables, credit worthiness of the profile of the customers and future collectability, and using an allowance matrix based on its historical observed default rates over the expected life of the trade receivables.

We have reviewed the aging of trade receivables and critically assessed management’s assumptions and estimates, the payment history of customers, in particular, of those relating to the collectability of material unimpaired trade receivables balances as at 31 December 2018 and management’s assessment and inputs used in determining the allowance matrix through aging analyses and review of historical credit loss experiences. We have checked the arithmetic accuracy of the computation of expected credit losses. We have also assessed whether the financial statements disclosures appropriately reflect the group’s exposure to credit risk.

Other information

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

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

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

Responsibilities of management and directors for the financial statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SOON LIAN HOLDINGS LIMITED

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF SOON LIAN HOLDINGS LIMITED

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

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

Report on other legal and regulatory requirements

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

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

RSM Chio Lim LLP
Public Accountants and
Chartered Accountants
Singapore

29 March 2019

Engagement partner – effective from year ended 31 December 2018

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2018

	Notes	Group	
		2018 \$'000	2017 \$'000
Revenue	5	33,681	37,737
Cost of sales		(27,691)	(31,546)
Gross profit		5,990	6,191
Other income and gains	6	361	2,916
Distribution costs	9	(532)	(678)
Administrative expenses	9	(4,720)	(4,909)
Finance costs	7	(808)	(897)
Other losses	6	(450)	(773)
(Loss) profit before tax from continuing operations		(159)	1,850
Income tax expense	10	(90)	(298)
(Loss) profit for the year		(249)	1,552
Other comprehensive loss			
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translating foreign operations, net of tax		(85)	(30)
Other comprehensive loss for the year, net of tax		(85)	(30)
Total comprehensive (loss) income		(334)	1,522
(Loss) profit attributable to owners of the company, net of tax		(249)	1,552
(Loss) profit net of tax		(249)	1,552
Total comprehensive (loss) income attributable to owners of the company		(334)	1,522
Total comprehensive (loss) income		(334)	1,522
Earnings per share		Cents	Cents
Basic	12	(0.23)	1.44
Diluted	12	(0.23)	1.44

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	31.12.2018 \$'000	Group 31.12.2017 \$'000	01.01.2017 \$'000
ASSETS				
Non-current assets				
Property, plant and equipment	13	8,086	2,595	24,152
Land use right	14	2,710	–	–
Intangible assets	15	46	76	106
Deferred tax assets	10	279	327	314
Total non-current assets		11,121	2,998	24,572
Current assets				
Inventories	17	28,444	22,462	20,216
Trade and other receivables	18	10,476	33,588	10,429
Other non-financial assets	19	105	114	63
Cash and cash equivalents	20	5,142	5,912	3,433
Total current assets		44,167	62,076	34,141
Total assets		55,288	65,074	58,713
EQUITY AND LIABILITIES				
Equity				
Share capital	21	10,579	10,579	10,579
Retained earnings		18,089	18,350	16,798
Other reserves	22	139	212	242
Equity attributable to owners of the company		28,807	29,141	27,619
Non-controlling interests		–	9	9
Total equity		28,807	29,150	27,628
Non-current liability				
Other financial liabilities	23	7,230	2,596	13,285
Total non-current liability		7,230	2,596	13,285
Current liabilities				
Income tax payable		23	170	88
Trade and other payables	24	18,002	17,897	14,951
Other financial liabilities	23	1,226	15,261	2,761
Total current liabilities		19,251	33,328	17,800
Total liabilities		26,481	35,924	31,085
Total equity and liabilities		55,288	65,074	58,713

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2018

	Notes	31.12.2018 \$'000	Company 31.12.2017 \$'000	01.01.2017 \$'000
ASSETS				
Non-current assets				
Investments in subsidiaries	16	10,957	11,871	11,871
Total non-current assets		10,957	11,871	11,871
Current assets				
Trade and other receivables	18	1,757	1,982	1,792
Other non-financial assets	19	19	19	19
Cash and cash equivalents	20	799	500	240
Total current assets		2,575	2,501	2,051
Total assets		13,532	14,372	13,922
EQUITY AND LIABILITIES				
Equity				
Share capital	21	10,579	10,579	10,579
Retained earnings		2,512	3,342	3,013
Total equity		13,091	13,921	13,592
Current liabilities				
Income tax payable		15	41	42
Trade and other payables	24	426	410	288
Total current liabilities		441	451	330
Total liabilities		441	451	330
Total equity and liabilities		13,532	14,372	13,922

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

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2018

Group	Total equity \$'000	Attributable to parent sub-total \$'000	Share capital \$'000	Retained earnings \$'000	Other reserves \$'000	Non-controlling interests \$'000
Current year:						
Opening balance at 1 January 2018	29,150	29,141	10,579	18,350	212	9
Changes in equity:						
Acquisition of a non-controlling interest without a change in control (Note 16)	(9)	–	–	–	–	(9)
Total comprehensive loss for the year	(334)	(334)	–	(249)	(85)	–
Transferred (from) to retained earnings	–	–	–	(12)	12	–
Closing balance at 31 December 2018	28,807	28,807	10,579	18,089	139	–
Previous year:						
Opening balance at 1 January 2017	27,628	27,619	10,579	16,798	242	9
Changes in equity:						
Total comprehensive income (loss) for the year	1,522	1,522	–	1,552	(30)	–
Closing balance at 31 December 2017	29,150	29,141	10,579	18,350	212	9

Company	Total equity \$'000	Share capital \$'000	Retained earnings \$'000
Current year:			
Opening balance at 1 January 2018	13,921	10,579	3,342
Changes in equity:			
Total comprehensive loss for the year	(830)	–	(830)
Closing balance at 31 December 2018	13,091	10,579	2,512
Previous year:			
Opening balance at 1 January 2017	13,592	10,579	3,013
Changes in equity:			
Total comprehensive income for the year	329	–	329
Closing balance at 31 December 2017	13,921	10,579	3,342

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

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2018

	Group	
	2018	2017
	\$'000	\$'000
Cash flows from operating activities		
(Loss) profit before tax	(159)	1,850
Adjustments for:		
Interest income	(11)	(5)
Interest expense	808	897
Fair value loss on foreign exchange contracts	17	–
Depreciation of property, plant and equipment	699	909
Amortisation of land use right	90	–
Amortisation of intangible assets	29	30
Gains on disposal of property, plant and equipment	(42)	(1,753)
Plant and equipment written off	–	400
Net effect of exchange rate changes in consolidating foreign operations	(87)	(43)
Operating cash flows before changes in working capital	1,344	2,285
Inventories	(5,982)	(2,246)
Trade and other receivables	23,118	(634)
Other non-financial assets	9	(50)
Trade and other payables	(1,132)	2,781
Net cash flows from operations	17,357	2,136
Income taxes paid	(194)	(218)
Net cash flows from operating activities	17,163	1,918
Cash flows from investing activities		
Disposal of property, plant and equipment	115	158
Purchase of land use right and property, plant and equipment (Note 20B)	(9,065)	(628)
Interest received	11	5
Net cash flows used in investing activities	(8,939)	(465)
Cash flows from financing activities		
Decrease in borrowings	(24,572)	(6,209)
Increase from new borrowings	16,530	13,819
Net movements in amount due to parent company	–	(5,055)
Interest paid	(808)	(897)
Net cash flows (used in) from financing activities	(8,850)	1,658
Net (decrease) increase in cash and cash equivalents	(626)	3,111
Cash and cash equivalents, consolidated statement of cash flows, beginning balance	5,334	2,223
Cash and cash equivalents, consolidated statement of cash flows, ending balance (Note 20A)	4,708	5,334

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

1. General

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

The board of directors approved and authorised these financial statements for issue on the date of the statement by directors.

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

The principal activities of the subsidiaries are described in Note 16 to the financial statements below.

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

Statement of compliance with financial reporting standards

These financial statements for the year ended 31 December 2018 are the first the group and the company have prepared in accordance with the Singapore Financial Reporting Standards (International) (“SFRS(I)s”) and the related Interpretations to SFRS(I) (“SFRS(I) INT”) as issued by the Singapore Accounting Standards Council. Accordingly, the group and the company have prepared financial statements that comply with SFRS(I) applicable as at 31 December 2018, together with the comparative period data for the year ended 31 December 2017, as described in Note 28. On preparing the financial statements, the group’s and the company’s opening balance sheets were prepared as at 1 January 2017, the group’s and the company’s date of transition to SFRS(I).

They are in compliance with the provisions of the Companies Act, Chapter 50.

Accounting convention

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

Basis of preparation of the financial statements

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

Basis of presentation

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

1. General (cont'd)

Basis of presentation (cont'd)

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

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

2. Significant accounting policies and other explanatory information

2A. Significant accounting policies

Revenue recognition

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

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

Other income

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

Interest income is recognised using the effective interest method.

Government grants

Government grants are recognised at fair value when there is reasonable assurance that the conditions attaching to them will be complied with and that the grants will be received. Grants in recognition of specific expenses are recognised in profit or loss on a systematic basis over the periods necessary to match them with the related costs that they are intended to compensate.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

2A. Significant accounting policies (cont'd)

Employee benefits

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

Borrowing costs

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

Foreign currency transactions

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

Translation of financial statements of other entities

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

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

2A. Significant accounting policies (cont'd)

Income tax

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

Property, plant and equipment

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

Freehold property	-	2%
Leasehold property and improvements	-	over terms of lease which is approximately 2% to 3%
Plant and equipment	-	8% to 12%

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

2A. Significant accounting policies (cont'd)

Land use right

Land use right is initially measured at cost. Following initial recognition, land use right is measured at cost less any accumulated amortisation and accumulated impairment losses. The land use right is amortised on a straight-line basis over the remaining lease term of 21 years.

Leases

Leases are classified as finance leases if substantially all the risks and rewards of ownership are transferred to the lessee. All other leases are classified as operating leases. At the commencement of the lease term, a finance lease is recognised as an asset and as a liability in the statement of financial position at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each measured at the inception of the lease. The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease, if this is practicable to determine, the lessee's incremental borrowing rate is used. Any initial direct costs of the lessee are added to the amount recognised as an asset. The excess of the lease payments over the recorded lease liability are treated as finance charges which are allocated to each reporting year during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent rents are charged as expenses in the reporting years in which they are incurred. The assets are depreciated as owned depreciable assets. Leases where the lessor effectively retains substantially all the risks and benefits of ownership of the leased assets are classified as operating leases. For operating leases, lease payments are recognised as an expense in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Lease incentives received are recognised in profit or loss as an integral part of the total lease expense. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is representative of the time pattern of the user's benefit, even if the payments are not on that basis. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Intangible assets

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

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

Customer lists - 5 years

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

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

2A. Significant accounting policies (cont'd)

Subsidiaries

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

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

Business combinations

There were no acquisitions during the reporting year.

Non-controlling interests

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

Inventories

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

Impairment of non-financial assets

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

2A. Significant accounting policies (cont'd)

Financial instruments

Recognition and derecognition of financial instruments:

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

Classification and measurement of financial assets:

1. Financial asset classified as measured at amortised cost: A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at fair value through profit or loss (FVTPL), that is (a) the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and (b) the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. Typically trade and other receivables, bank and cash balances are classified in this category.
2. Financial asset that is a debt asset instrument classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.
3. Financial asset that is an equity investment classified as measured at fair value through other comprehensive income (FVTOCI): There were no financial assets classified in this category at reporting year end date.
4. Financial asset classified as measured at fair value through profit or loss (FVTPL): All other financial assets are classified as measured at FVTPL. In addition, on initial recognition, management may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Classification and measurement of financial liabilities:

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

Cash and cash equivalents

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

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

2A. Significant accounting policies (cont'd)

Derivative financial instruments

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

Fair value measurement

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

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

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

2B. Other explanatory information

Provisions

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

NOTES TO THE FINANCIAL STATEMENTS

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

2B. Other explanatory information (cont'd)

Segment reporting

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

2C. Critical judgements, assumptions and estimation uncertainties

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

Allowance for trade receivables:

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

Net realisable value of inventories:

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

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

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

Income tax amounts:

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

Measurement of impairment of subsidiaries:

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

3. Related party relationships and transactions

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

3A. Members of a group:

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

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

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

3B. Related party transactions:

There are transactions and arrangements between the reporting entity and related parties and the effects of these on the basis determined between the parties are reflected in these financial statements. The related party balances and transfer of resources, services or obligations if any are unsecured, without fixed repayment terms and interest or charge unless stated otherwise.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

3B. Related party transactions (cont'd):

In addition to the transactions and balances disclosed elsewhere in the notes to the financial statements, this item includes the following:

Significant related party transactions:

Group	Parent company	
	2018 \$'000	2017 \$'000
Interest expense	–	27

3C. Key management compensation:

Group	Group	
	2018 \$'000	2017 \$'000
Salaries and other short-term employee benefits	1,453	1,703

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

Group	Group	
	2018 \$'000	2017 \$'000
Remuneration of directors of the company	888	902
Fees to directors of the company	85	85
Fees to directors of a subsidiary	2	2

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

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

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

3D. Other receivables from and other payables to related parties:

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

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

Group	Parent company	
	2018	2017
	\$'000	\$'000
<u>Other receivables (other payables):</u>		
Balance at beginning of the year	–	(5,055)
Amounts paid out and settlement of liabilities on behalf of parent company	–	5,055
Balance at end of the year	–	–
Company	Subsidiaries	
	2018	2017
	\$'000	\$'000
<u>Other receivables (other payables):</u>		
Balance at beginning of the year	1,982	1,792
Amounts received and settlement of liabilities on behalf of the company	(705)	(483)
Amounts paid out and settlement of liabilities on behalf of subsidiaries	480	673
Balance at end of the year (Note 18)	1,757	1,982

4. Financial information by operating segments

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

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

The group supplies aluminium alloy products.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

4A. Information about reportable segment profit or loss, assets and liabilities (cont'd)

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

Segment assets consist principally of trade receivables.

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

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

4B. Profit or loss from continuing operations and reconciliations

	Precision engineering \$'000	Marine \$'000	Stockists and traders \$'000	Other customers \$'000	Unallocated \$'000	Group \$'000
Continuing operations 2018						
Revenue by segment						
Total revenue by segment	17,291	14,262	1,648	480	–	33,681
Recurring EBITDA						
Finance costs	–	–	–	–	(808)	(808)
Depreciation and amortisation	–	–	–	–	(818)	(818)
ORBT	3,647	1,628	447	268	(1,626)	4,364
Other unallocated items					(4,523)	(4,523)
Loss before tax from continuing operations						(159)
Income tax expense						(90)
Loss for the year						(249)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

4B. Profit or loss from continuing operations and reconciliations (cont'd)

	Precision engineering \$'000	Marine \$'000	Stockists and traders \$'000	Other customers \$'000	Unallocated \$'000	Group \$'000
Continuing operations 2017						
Revenue by segment						
Total revenue by segment	27,707	7,361	2,190	479	–	37,737
Recurring EBITDA						
Finance costs	–	–	–	–	(897)	(897)
Depreciation and amortisation	–	–	–	–	(939)	(939)
ORBT	4,945	575	338	333	(1,836)	4,355
Other unallocated items					(2,505)	(2,505)
Profit before tax from continuing operations						1,850
Income tax expense						(298)
Profit for the year						1,552

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

4C. Assets and reconciliations

	Precision engineering \$'000	Marine \$'000	Stockists and traders \$'000	Other customers \$'000	Unallocated \$'000	Group \$'000
2018						
Total assets for reportable segments	4,691	3,575	682	51	–	8,999
Unallocated:						
Property, plant and equipment	–	–	–	–	8,086	8,086
Land use right	–	–	–	–	2,710	2,710
Deferred tax assets	–	–	–	–	279	279
Inventories	–	–	–	–	28,444	28,444
Cash and cash equivalents	–	–	–	–	5,142	5,142
Other unallocated amounts	–	–	–	–	1,628	1,628
Total group assets	4,691	3,575	682	51	46,289	55,288
2017						
Total assets for reportable segments	7,442	1,117	550	404	–	9,513
Unallocated:						
Property, plant and equipment	–	–	–	–	2,595	2,595
Deferred tax assets	–	–	–	–	327	327
Inventories	–	–	–	–	22,462	22,462
Cash and cash equivalents	–	–	–	–	5,912	5,912
Other unallocated amounts	–	–	–	–	24,265	24,265
Total group assets	7,442	1,117	550	404	55,561	65,074

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

4D. Liabilities and reconciliations

	Precision engineering \$'000	Marine \$'000	Stockists and traders \$'000	Other customers \$'000	Unallocated \$'000	Group \$'000
2018						
Unallocated:						
Income tax payable	-	-	-	-	23	23
Borrowings	-	-	-	-	8,456	8,456
Trade and other payables	-	-	-	-	18,002	18,002
Total group liabilities	-	-	-	-	26,481	26,481
2017						
Unallocated:						
Income tax payable	-	-	-	-	170	170
Borrowings	-	-	-	-	17,857	17,857
Trade and other payables	-	-	-	-	17,897	17,897
Total group liabilities	-	-	-	-	35,924	35,924

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

4E. Other material items and reconciliations

	Precision engineering \$'000	Marine \$'000	Stockists and traders \$'000	Other customers \$'000	Unallocated \$'000	Group \$'000
<u>Impairment (reversal) of receivables and inventories, and bad debts written off (net)</u>						
2018	16	-	-	-	(22)	(6)
2017	(141)	-	-	-	227	86
<u>Plant and equipment written off</u>						
2018	-	-	-	-	-	-
2017	-	-	-	-	400	400
<u>Expenditure for non-current assets</u>						
2018	-	-	-	-	9,069	9,069
2017	-	-	-	-	680	680

NOTES TO THE FINANCIAL STATEMENTS

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

4F. Geographical information

	Revenue		Non-current assets	
	2018	2017	2018	2017
	\$'000	\$'000	\$'000	\$'000
Singapore	14,598	9,922	9,796	1,420
Malaysia	4,192	4,813	–	554
Taiwan	4,028	9,025	574	350
Indonesia	2,939	2,772	257	–
China	2,528	7,444	215	347
Other countries	5,396	3,761	–	–
Total continuing operations	33,681	37,737	10,842	2,671

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

4G. Information about major customers

	Group	
	2018	2017
	\$'000	\$'000
Revenue		
Top 1 customer in marine segment (2017: precision engineering segment)	5,618	5,925

5. Revenue

Revenue from contracts with customers

	Group	
	2018	2017
	\$'000	\$'000
Sale of goods	33,479	37,449
Other income	202	288
Total revenue	33,681	37,737

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

NOTES TO THE FINANCIAL STATEMENTS

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6. Other income and gains and (other losses)

	Group	
	2018	2017
	\$'000	\$'000
Allowance for impairment on trade receivables	(222)	(55)
Allowance for impairment on inventories	–	(302)
Bad debts written off	(7)	(16)
Foreign exchange adjustment (losses) gains	(204)	227
Fair value loss on foreign exchange contracts (Note 23D)	(17)	–
Interest income	11	5
Plant and equipment written off	–	(400)
Reversal for impairment on trade receivables	213	212
Reversal for impairment on inventories	22	75
Gains on disposal of property, plant and equipment	42	1,753
Government grant income	48	25
Rental income	25	619
Net	<u>(89)</u>	<u>2,143</u>
Presented in profit or loss as:		
Other income and gains	361	2,916
Other losses	(450)	(773)
Net	<u>(89)</u>	<u>2,143</u>

7. Finance costs

	Group	
	2018	2017
	\$'000	\$'000
Interest expense	<u>808</u>	<u>897</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

8. Employee benefits expense

	Group	
	2018	2017
	\$'000	\$'000
Short term employee benefits expense	3,609	3,854
Contributions to defined contribution plans	346	261
Other benefits	55	64
Total employee benefits expense	<u>4,010</u>	<u>4,179</u>
The employee benefits expense is charged as follows:		
Cost of sales	855	779
Administrative expenses	3,155	3,400
	<u>4,010</u>	<u>4,179</u>

9. Other expenses

The major components and other selected components include the following:

	Group	
	2018	2017
	\$'000	\$'000
<u>Distribution costs</u>		
Commission expenses	264	330
Entertainment expenses	110	134
Travelling expenses	101	156
	<u>101</u>	<u>156</u>
<u>Administrative expenses</u>		
Employee benefits expense (Note 8)	3,155	3,400
	<u>3,155</u>	<u>3,400</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

10. Income tax

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

	Group	
	2018	2017
	\$'000	\$'000
<hr/>		
<u>Current tax expense:</u>		
Current tax expense	70	294
(Over) under adjustments in respect of prior periods	(28)	17
Subtotal	42	311
<hr/>		
<u>Deferred tax expense (income):</u>		
Deferred tax (income) expense	(1)	10
Under (over) adjustments in respect of prior periods	49	(23)
Subtotal	48	(13)
Total income tax expense	90	298

The reconciliation of income taxes below is determined by applying the Singapore corporate tax rate. The income tax in profit or loss varied from the amount of income tax amount determined by applying the Singapore income tax rate of 17% (2017: 17%) to profit or loss before income tax as a result of the following differences:

	Group	
	2018	2017
	\$'000	\$'000
<hr/>		
(Loss) profit before tax	(159)	1,850
Income tax (income) expense at the above rate	(27)	315
Expenses not deductible for tax purposes (income not subject to tax)	23	(92)
Tax exemptions	(16)	(42)
Under (over) adjustments to tax in respect of prior periods	21	(6)
Effect of different tax rates in different countries	27	75
Deferred tax assets not recognised	62	48
Total income tax expense	90	298

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

10. Income tax (cont'd)

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

	Group	
	2018	2017
	\$'000	\$'000
Excess of tax values over net book value on plant and equipment	(43)	(60)
Tax loss carryforwards	(106)	96
Unutilised capital allowances carryforwards	135	(97)
Deferred tax assets not recognised	62	48
Total deferred income tax expense (income) recognised in profit or loss	48	(13)

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

	Group		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
<u>From deferred tax assets (liabilities) recognised in profit or loss:</u>			
Excess of tax values over net book value of plant and equipment	109	66	6
Tax loss carryforwards	663	557	653
Unutilised capital allowances carryforwards	54	189	92
Deferred tax assets not recognised	(547)	(485)	(437)
Net balance	279	327	314

For the reporting year 2017 and 2018, the company did not recognise any deferred tax balance.

Temporary differences arising from interests in subsidiaries are insignificant.

For the Singapore companies, the realisation of the future income tax benefits from tax loss carryforwards and temporary differences from capital allowances is available for an unlimited future period subject to the conditions imposed by law including the retention of majority shareholders as defined. The tax loss carryforwards and temporary differences from capital allowances from Singapore companies amounted to \$3,477,000 (2017: \$4,256,000).

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 2018, the tax loss carryforwards of \$503,000 will expire in 2023.

NOTES TO THE FINANCIAL STATEMENTS

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11. Items in consolidated statement of profit or loss and other comprehensive income

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

	Group	
	2018	2017
	\$'000	\$'000
Audit fees to the independent auditors of the company	83	83
Audit fees to the other independent auditors	21	27
Other fees to the independent auditors of the company	19	20
Other fees to the other independent auditors	24	17

12. Earnings per share

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

	Group	
	2018	2017
	\$'000	\$'000
Numerators: (losses) profits attributable to owners of the company		
Continuing operations: attributable to equity holders	(249)	1,552
	'000	'000
Denominators: weighted average number of equity shares		
Basic	108,000	108,000
Diluted	108,000	108,000

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

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

13. Property, plant and equipment

Group	Freehold property \$'000	Leasehold property and improvements \$'000	Plant and equipment \$'000	Total \$'000
<u>Cost:</u>				
At 1 January 2017	447	22,827	5,828	29,102
Additions	–	102	578	680
Disposals	–	(22,903)	(1,180)	(24,083)
Foreign exchange adjustments	9	1	(15)	(5)
At 31 December 2017	456	27	5,211	5,694
Additions	–	5,716	553	6,269
Disposals	–	–	(495)	(495)
Foreign exchange adjustments	3	–	(21)	(18)
At 31 December 2018	459	5,743	5,248	11,450
<u>Accumulated depreciation:</u>				
At 1 January 2017	50	1,673	3,227	4,950
Depreciation for the year	7	344	558	909
Disposals	–	(2,012)	(744)	(2,756)
Foreign exchange adjustments	1	–	(5)	(4)
At 31 December 2017	58	5	3,036	3,099
Depreciation for the year	7	177	515	699
Disposals	–	–	(423)	(423)
Foreign exchange adjustments	1	(1)	(11)	(11)
At 31 December 2018	66	181	3,117	3,364
<u>Carrying value:</u>				
At 1 January 2017	397	21,154	2,601	24,152
At 31 December 2017	398	22	2,175	2,595
At 31 December 2018	393	5,562	2,131	8,086

The depreciation expense is charged as follows:

	Group	
	2018 \$'000	2017 \$'000
Cost of sales	504	612
Administrative expenses	195	297
Total	699	909

As at the end of the reporting year, the group's freehold and leasehold properties are mortgaged to the bank for credit facilities and term loans as disclosed in Note 23.

Plant and equipment with a net book value of \$128,000 (2017: \$8,000) are registered in the names of the directors who hold the assets in trust for the group.

Certain items are under finance lease agreements (see Note 23C).

NOTES TO THE FINANCIAL STATEMENTS

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14. Land use right

	Group		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
<u>Cost:</u>			
Balance at beginning of the year	-	-	-
Additions	2,800	-	-
Balance at end of the year	2,800	-	-
<u>Accumulated amortisation:</u>			
Balance at beginning of the year	-	-	-
Amortisation for the year	90	-	-
Balance at end of the year	90	-	-
<u>Carrying value:</u>			
Balance at beginning of the year	-	-	-
Balance at end of the year	2,710	-	-
<u>Amount to be amortised</u>			
- Not later than one year	135	-	-
- Later than one year and not later than five years	1,626	-	-
- Later than five years	949	-	-
	2,710	-	-

The group has land use right over a plot of land in Singapore for a warehouse and office, which serves as the group's headquarters. It is amortised over the period of the lease term on the straight line method. The land use right has a remaining tenure of 21 years.

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15. Intangible assets

	Group		
	31.12.2018 \$'000	31.12.2017 \$'000	01.01.2017 \$'000
Customer lists	46	76	106
<u>Cost:</u>			
Balance at beginning of the year	147	148	141
Foreign exchange adjustments	(1)	(1)	7
Balance at end of the year	146	147	148
<u>Accumulated amortisation:</u>			
Balance at beginning of the year	71	42	12
Amortisation for the year	29	30	28
Foreign exchange adjustments	–	(1)	2
Balance at end of the year	100	71	42
<u>Carrying value:</u>			
Balance at beginning of the year	76	106	129
Balance at end of the year	46	76	106

The amortisation expense is charged to administrative expenses.

16. Investments in subsidiaries

	Company		
	31.12.2018 \$'000	31.12.2017 \$'000	01.01.2017 \$'000
Movement during the year:			
Cost at beginning of the year	11,871	11,871	11,871
Acquisition ^(a)	9	–	–
Allowance for impairment	(923)	–	–
Cost at end of the year	10,957	11,871	11,871
Total cost comprising:			
Unquoted equity shares at cost	11,880	11,871	11,871
Allowance for impairment ^(b)	(923)	–	–
Total at cost	10,957	11,871	11,871
Analysis of amounts denominated in non-functional currencies:			
Malaysian Ringgit	605	605	605
Taiwan Dollar	661	661	661
Movement in allowance for impairment:			
Balance at beginning of the year	–	–	–
Impairment loss charge to profit or loss included in other losses	923	–	–
Balance at end of the year	923	–	–

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16. Investments in subsidiaries (cont'd)

- (a) During the reporting year 2018, the company acquired the remaining 0.5% interest in its subsidiary from the minority shareholder, thereby increasing the company's shareholding interest from 99.5% to 100%.
- (b) The decreasing performance of subsidiary SL Metals (Suzhou) Co., Ltd. was considered sufficient evidence to trigger the impairment test. As detailed in this Note, the impairment test resulted in the recognition of a loss. It has suffered from a fall in demand in sales. Accordingly, it has been written down to the recoverable amount. As SL Metals (Suzhou) Co., Ltd is a wholly owned subsidiary of SL Corporation Pte Ltd, the investment in subsidiary recognised in SL Corporation Pte Ltd has been written down to the recoverable amount as well.

The subsidiaries held by the company and the group are listed below:

Name of subsidiaries, country of incorporation, place of operations, principal activities and independent auditors	Cost in books of company			Effective percentage of equity held		
	31.12.2018 \$'000	31.12.2017 \$'000	01.01.2017 \$'000	31.12.2018 %	31.12.2017 %	01.01.2017 %
<u>Held by the company</u>						
SL Metals Pte. Ltd. Singapore Supplier of aluminium alloy products (RSM Chio Lim LLP)	8,444	8,444	8,444	100	100	100
SL Metals (M) Sdn. Bhd. ^(a) Malaysia Supplier of aluminium alloy products (ASQ PLT)	605	605	605	100	100	100
SL Corporation Pte. Ltd. Singapore Investment holding (RSM Chio Lim LLP)	2,170	2,161	2,161	100	99.5	99.5
SL Metals (Taiwan) Co., Ltd. ^(b) Taiwan Supplier of aluminium alloy products (RSM Taiwan)	661	661	661	100	100	100
	11,880	11,871	11,871			
<u>Held through SL Corporation Pte. Ltd.</u>						
SL Metals (Suzhou) Co., Ltd ^(a) People's Republic of China Supplier of aluminium alloy products (Shu Lun Pan Certified Public Accountants LLP)				100	99.5	99.5
SL Metals (Shenzhen) Co., Ltd ^(c) People's Republic of China Supplier of aluminium alloy products				100	99.5	99.5

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

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

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

16. Investments in subsidiaries (cont'd)

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

17. Inventories

	31.12.2018	Group 31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Finished goods and goods for resale	28,444	22,462	20,216

Inventories are stated after allowance.

	31.12.2018	Group 31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Movements in allowance:			
Balance at beginning of the year	682	468	589
(Reversal) charge to profit or loss included in (other income and gains) and other losses, net	(22)	227	(91)
Foreign exchange adjustments	(15)	(13)	(30)
Balance at end of the year	645	682	468
(Increase) decrease in inventories of finished goods	(5,982)	(2,246)	7,844
Purchase of inventories	30,734	31,268	17,620
The amount of inventories included in cost of sales	24,752	29,022	25,464

There are no inventories pledged as security for liabilities.

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18. Trade and other receivables

	Group		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
<u>Trade receivables:</u>			
Outside parties	12,927	12,433	13,192
Less allowance for impairment	(2,799)	(2,920)	(3,099)
Net trade receivables - subtotal	10,128	9,513	10,093
<u>Other receivables:</u>			
Income tax recoverable	6	–	12
Outside parties ^(a)	342	24,075	324
Net other receivables - subtotal	348	24,075	336
Total trade and other receivables	10,476	33,588	10,429
<u>Movements in above allowance on trade receivables:</u>			
Balance at beginning of the year	2,920	3,099	1,433
Charge (reversal) for trade receivables to profit or loss included in other losses and (other income and gains), net	9	(157)	1,730
Bad debts written off	(85)	–	(7)
Foreign exchange adjustments	(45)	(22)	(57)
Balance at end of the year	2,799	2,920	3,099
<u>Company</u>			
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
<u>Other receivables:</u>			
Subsidiaries (Note 3)	1,757	1,982	1,792
Total other receivables	1,757	1,982	1,792

^(a) In the reporting year 2017, included in other receivables above is the proceed from disposal of the group's leasehold property totalling \$23,000,000 which has been fully received by the group in 2018.

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

18. Trade and other receivables (cont'd)

The loss allowance was determined as follows for trade receivables:

	Gross amount	ELR	Loss allowance
	2018	2018	2018
	\$'000	%	\$'000
<u>Trade receivables</u>			
Current	3,566	9.7	(346)
1 to 30 days past due	1,386	13.9	(193)
31 to 60 days past due	1,171	20.5	(240)
Over 60 days past due	6,804	29.7	(2,020)
Total	<u>12,927</u>		<u>(2,799)</u>

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

As part of the process of setting customer credit limits, different credit terms are used. The average credit period generally granted to trade receivables customers is 30 to 90 days (2017: 30 to 90 days). But some customers take a longer period to settle the amounts.

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

	Group		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Top 1 customer	2,019	1,602	985
Top 2 customers	2,981	2,264	1,895
Top 3 customers	<u>3,711</u>	<u>2,844</u>	<u>2,710</u>

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

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

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19. Other non-financial assets

	Group		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Prepayments	105	114	63

	Company		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Prepayments	19	19	19

20. Cash and cash equivalents

	Group		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Not restricted in use	5,142	5,912	3,433

	Company		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Not restricted in use	799	500	240

The interest earning balances are not significant.

20A. Cash and cash equivalents in the consolidated statement of cash flows:

	Group		
	31.12.2018	31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Amount as shown above	5,142	5,912	3,433
Bank overdrafts (Note 23)	(434)	(578)	(1,210)
Cash and cash equivalents for consolidated statement of cash flows purposes at end of the year	4,708	5,334	2,223

20B. Non-cash transactions:

There were acquisitions of plant and equipment with a total cost of \$4,000 (2017: \$52,000) acquired by means of finance leases.

20. Cash and cash equivalents (cont'd)

20C. Reconciliation of liabilities arising from financing activities:

Group	31.12.2017 \$'000	Cash flows \$'000	Non-cash changes \$'000	31.12.2018 \$'000
Bills payables (Note 24)	9,399	1,237	–	10,636
Other financial liabilities (Note 23)	17,279	(9,279)	22 ^(a)	8,022
Total liabilities from financing activities	26,678	(8,042)	22	18,658

Group	01.01.2017 \$'000	Cash flows \$'000	Non-cash changes \$'000	31.12.2017 \$'000
Bills payables (Note 24)	4,179	5,220	–	9,399
Parent company (Note 24)	5,055	(5,055)	–	–
Other financial liabilities (Note 23)	14,836	2,390	53 ^(a)	17,279
Total liabilities from financing activities	24,070	2,555	53	26,678

^(a) Foreign exchange movements and acquisition of plant and equipment through finance leases.

Other financial liabilities exclude bank overdrafts as disclosed in Note 20A.

21. Share capital

Group and Company	Number of shares issued '000	Share capital \$'000
Ordinary shares of no par value:		
Balance at beginning and end of the year		
31 December 2017 and 31 December 2018	108,000	10,579

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

Capital management:

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

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21. Share capital (cont'd)

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

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

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

The above externally imposed capital requirements have been complied with by the group for the reporting years ended 31 December 2018 and 2017.

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

	31.12.2018	Group 31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
Net debt:			
All current and non-current borrowings including finance leases	19,092	27,256	25,280
Less cash and cash equivalents	(5,142)	(5,912)	(3,433)
Net debt	<u>13,950</u>	<u>21,344</u>	<u>21,847</u>
Adjusted capital:			
Total equity	28,807	29,150	27,628
Adjusted capital	<u>28,807</u>	<u>29,150</u>	<u>27,628</u>
Debt-to-adjusted capital ratio	<u>0.48</u>	<u>0.73</u>	<u>0.79</u>

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

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

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22. Other reserves

	Group		
	31.12.2018 \$'000	31.12.2017 \$'000	01.01.2017 \$'000
Statutory reserve (Note 22A)	237	225	225
Foreign currency translation reserve (Note 22B)	(98)	(13)	17
	139	212	242

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.

22A. Statutory reserve

	Group		
	31.12.2018 \$'000	31.12.2017 \$'000	01.01.2017 \$'000
At beginning of the year	225	225	225
Transferred from profit or loss	12	–	–
At end of the year	237	225	225

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

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

22B. Foreign currency translation reserve

	Group		
	31.12.2018 \$'000	31.12.2017 \$'000	01.01.2017 \$'000
At beginning of the year	(13)	17	138
Exchange differences on translating foreign operations	(85)	(30)	(121)
At end of the year	(98)	(13)	17

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

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23. Other financial liabilities

	31.12.2018 \$'000	Group 31.12.2017 \$'000	01.01.2017 \$'000
<u>Non-current:</u>			
<u>Financial instruments with floating interest rates:</u>			
Term loans (secured) (Note 23B)	5,156	163	12,980
<u>Financial instruments with fixed interest rates:</u>			
Term loans (unsecured) (Note 23B)	2,014	2,390	229
Finance leases (Note 23C)	60	43	76
Total non-current portion	7,230	2,596	13,285
<u>Current:</u>			
<u>Financial instruments with floating interest rates:</u>			
Bank overdrafts (secured) (Note 23A)	110	–	18
Bank overdrafts (unsecured) (Note 23A)	324	578	1,192
Term loans (secured) (Note 23B)	301	14,051	624
Term loans (unsecured) (Note 23B)	–	210	710
Derivative financial instruments (Note 23D)	17	–	–
<u>Financial instruments with fixed interest rates:</u>			
Finance leases (Note 23C)	98	79	163
Term loans (unsecured) (Note 23B)	376	343	54
Total current portion	1,226	15,261	2,761
Total	8,456	17,857	16,046
The non-current portion is repayable as follows:			
Due within 2 to 5 years	3,600	2,221	2,799
After 5 years	3,630	375	10,486
Total non-current portion	7,230	2,596	13,285

The range of floating interest rates paid were as follows:

	31.12.2018	Group 31.12.2017	01.01.2017
Bank overdrafts (secured)	8.07%	–	7.60% to 7.90%
Bank overdrafts (unsecured)	5.50%	5.50%	5.25% to 6.25%
Term loans (secured)	3.46% to 7.37%	2.59% to 7.11%	2.19% to 7.15%
Term loans (unsecured)	6.00%	6.00%	3.40% to 3.70%

23. Other financial liabilities (cont'd)

The range of fixed interest rates paid were as follows:

	Group		
	31.12.2018	31.12.2017	01.01.2017
Term loans (unsecured)	6.00%	6.00%	3.00% to 6.25%

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

23A. Bank overdrafts

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

- (a) The first and legal charge over the subsidiaries freehold and leasehold properties (Notes 13 and 14); and
- (b) Corporate guarantee from the company.

23B. Term loans

	Group		
	31.12.2018 \$'000	31.12.2017 \$'000	01.01.2017 \$'000
Term loan 1 (secured) ^(a)	–	12,885	13,423
Term loans 2 (secured) ^(b)	5,457	1,329	181
Term loans 3 (unsecured) ^(c)	2,390	2,943	710
Term loan 4 (unsecured) ^(d)	–	–	283
	<u>7,847</u>	<u>17,157</u>	<u>14,597</u>

^(a) Term loan 1 was fully repaid in the reporting year 2018 because the leasehold property secured against this loan had been sold during the reporting year 2017.

^(b) Term loans 2 are repayable through a range of 180 to 240 (2017: 36 to 240) monthly instalments commencing from May 2006 to May 2018 (2017: May 2006 to May 2017).

^(c) Term loans 3 are repayable through 72 (2017: 36 to 72) monthly instalments commencing from February 2017 to November 2017 (2017: May 2015 to November 2017).

^(d) Term loan 4 had been fully settled in the reporting year 2017.

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

- (a) The first and legal charge over the subsidiaries' freehold and leasehold properties (Notes 13 and 14); and
- (b) Corporate guarantee from the company.

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23. Other financial liabilities (cont'd)

23C. Finance leases

Group	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
<u>31.12.2018</u>			
Minimum lease payments payable:			
Due within one year	101	(3)	98
Due within 2 to 5 years	64	(4)	60
Total	165	(7)	158
Net book value of plant and equipment under finance leases			227

Group	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
<u>31.12.2017</u>			
Minimum lease payments payable:			
Due within one year	84	(5)	79
Due within 2 to 5 years	45	(2)	43
Total	129	(7)	122
Net book value of plant and equipment under finance leases			232

Group	Minimum payments \$'000	Finance charges \$'000	Present value \$'000
<u>01.01.2017</u>			
Minimum lease payments payable:			
Due within one year	177	(14)	163
Due within 2 to 5 years	93	(17)	76
Total	270	(31)	239
Net book value of plant and equipment under finance leases			571

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

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23. Other financial liabilities (cont'd)

23C. Finance leases (cont'd)

Other details are as follows:

	31.12.2018	Group 31.12.2017	01.01.2017
Average lease term, in years	1 – 3	1 – 3	1 – 3
Fixed borrowing rates per year	1.55% to 7.12%	1.55% to 7.12%	1.55% to 2.60%

The total for finance leases and the fixed borrowing rates per year is disclosed above. The fair value (Level 2) is a reasonable approximation of the carrying amount. The fair value of the finance leases was estimated by discounting the future cash flows payable under the terms of the finance leases using the interest rate ranging between 1.55% to 7.12% (2017: 1.55% to 7.12%) per year applicable to similar finance leases.

23D. Derivative financial instruments

	31.12.2018 \$'000	Group 31.12.2017 \$'000	01.01.2017 \$'000
<u>Liabilities – Contracts with negative fair values:</u>			
Derivatives not designated as hedging instruments - foreign exchange contracts	17	–	–
Total at end of the year	17	–	–

The movements during the year were as follows:

At the beginning of the year			
Losses in profit or loss under other losses	17	–	–
At the end of the year	17	–	–

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

Forward currency exchange contracts

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

	Reference currency	Principal		Fair value	
		2018 '000	2017 '000	2018 \$'000	2017 \$'000
Forward currency contracts (a)	USD	500	–	(3)	–
Foreign currency options (b)	USD	1,000	–	(14)	–
				(17)	–

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23. Other financial liabilities (cont'd)

23D. Derivative financial instruments (cont'd)

- (a) The purpose of these contracts is to mitigate the fluctuations of expected purchases (forecast transactions) denominated in the non-functional currencies. Cash flows are expected to occur and affect profit or loss in the month concerned.
- (b) There are options to purchase currency of the United States equivalent to an amount of approximately S\$1,364,000 as a hedge against future exchange losses on purchases of inventories. The contracts have maturity dates from 26 February 2019 to 2 May 2019.

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

24. Trade and other payables

	31.12.2018 \$'000	Group 31.12.2017 \$'000	01.01.2017 \$'000
<u>Trade payables:</u>			
Outside parties and accrued liabilities	7,065	8,214	5,600
Bills payables to banks ^(a)	10,636	9,399	4,179
Trade payables – subtotal	17,701	17,613	9,779
<u>Other payables:</u>			
Outside parties	301	284	117
Parent company	–	–	5,055
Other payables – subtotal	301	284	5,172
Total trade and other payables	18,002	17,897	14,951
	31.12.2018 \$'000	Company 31.12.2017 \$'000	01.01.2017 \$'000
<u>Trade payables:</u>			
Outside parties and accrued liabilities	400	397	273
Trade payables – subtotal	400	397	273
<u>Other payables:</u>			
Outside parties	26	13	15
Other payables – subtotal	26	13	15
Total trade and other payables	426	410	288

^(a) The range of floating interest rates was 3.25% to 4.75% (2017: 1.75% to 3.64%) per annum.

25. Operating lease payment commitments – as lessee

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

	Group	
	2018 \$'000	2017 \$'000
Not later than one year	159	652
Later than one year and not later than five years	–	126
Rental expense for the year	159	480

Operating lease payments represent mainly rentals payable for factory property and dormitory. The lease rental term for subsidiary's factory property is for a period of 3 years. The above rentals are subject to an escalation clause but the amount of the rent increase is not to exceed a certain percentage.

26. Operating lease income commitments – as lessor

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

	Group	
	2018 \$'000	2017 \$'000
Not later than one year	11	42
Rental income for the year	25	619

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

27. Financial instruments: information on financial risks

27A. Categories of financial assets and liabilities

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

	Group		
	31.12.2018 \$'000	31.12.2017 \$'000	01.01.2017 \$'000
<u>Financial assets:</u>			
Financial assets at amortised cost	15,612	39,500	13,850
<u>Financial liabilities:</u>			
Financial liabilities at amortised cost	26,441	35,754	30,997
Financial liabilities at fair value through profit or loss	17	–	–
Total financial liabilities	26,458	35,754	30,997

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

27A. Categories of financial assets and liabilities (cont'd)

	31.12.2018 \$'000	Company 31.12.2017 \$'000	01.01.2017 \$'000
<u>Financial assets:</u>			
Financial assets at amortised cost	2,556	2,482	2,032
<u>Financial liabilities:</u>			
Financial liabilities at amortised cost	426	410	288

Further quantitative disclosures are included throughout these financial statements.

27B. Financial risk management

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

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

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

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

With regard to derivatives, the policies include the following:

1. The management documents carefully all derivatives including the relationship between them and the hedged items at inception and throughout their life.
2. Ineffectiveness is recognised in profit or loss as soon as it arises.
3. Effectiveness is assessed at the inception of the hedge and at each end of the reporting year ensuring that SFRS(I) 9 criteria are met.
4. Only financial institutions with acceptable credit ratings are used as counterparties for derivatives.

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

27C. Fair values of financial instruments

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

27D. Credit risk on financial assets

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

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

27E. Liquidity risk – financial liabilities maturity analysis

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

Group	Less than 1 year \$'000	2 – 5 years \$'000	Over 5 years \$'000	Total \$'000
Non-derivative financial liabilities:				
<u>31.12.2018</u>				
Gross borrowing commitments	1,227	4,175	4,794	10,196
Gross finance lease obligations	101	64	–	165
Trade and other payables	18,088	–	–	18,088
At end of the year	<u>19,416</u>	<u>4,239</u>	<u>4,794</u>	<u>28,449</u>
<u>31.12.2017</u>				
Gross borrowing commitments	15,674	2,743	421	18,838
Gross finance lease obligations	84	45	–	129
Trade and other payables	17,975	–	–	17,975
At end of the year	<u>33,733</u>	<u>2,788</u>	<u>421</u>	<u>36,942</u>
<u>01.01.2017</u>				
Gross borrowing commitments	2,719	3,041	13,860	19,620
Gross finance lease obligations	177	93	–	270
Trade and other payables	15,069	–	–	15,069
At end of the year	<u>17,965</u>	<u>3,134</u>	<u>13,860</u>	<u>34,959</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

27E. Liquidity risk – financial liabilities maturity analysis (cont'd)

Group	Less than 1 year		
	31.12.2018 \$'000	31.12.2017 \$'000	01.01.2017 \$'000
<u>Derivative financial liabilities:</u>			
Gross settled:			
Foreign currency forward contracts	685	–	–
Foreign currency options	1,367	–	–
At end of the year	<u>2,052</u>	<u>–</u>	<u>–</u>

Company	Less than 1 year		
	31.12.2018 \$'000	31.12.2017 \$'000	01.01.2017 \$'000
<u>Non-derivative financial liabilities:</u>			
Trade and other payables	426	410	288
At end of the year	<u>426</u>	<u>410</u>	<u>288</u>

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

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

The liquidity risk refers to the difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset. It is expected that all the liabilities will be paid at their contractual maturity. The average credit period taken to settle trade payables is about 30 to 90 days (2017: 30 to 90 days). The classification of the financial assets is shown in the statements of financial position as they may be available to meet liquidity needs and no further analysis is deemed necessary.

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

Company	Less than	2 – 5 years \$'000	Over	Total \$'000
	1 year \$'000		5 years \$'000	
<u>31.12.2018</u>				
Corporate guarantee in favour of subsidiaries (Note 3)	11,845	3,600	3,630	19,075
At end of the year	<u>11,845</u>	<u>3,600</u>	<u>3,630</u>	<u>19,075</u>
<u>31.12.2017</u>				
Corporate guarantee in favour of subsidiaries (Note 3)	24,660	2,221	375	27,256
At end of the year	<u>24,660</u>	<u>2,221</u>	<u>375</u>	<u>27,256</u>
<u>01.01.2017</u>				
Corporate guarantee in favour of subsidiaries (Note 3)	6,940	2,799	10,486	20,225
At end of the year	<u>6,940</u>	<u>2,799</u>	<u>10,486</u>	<u>20,225</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

27E. Liquidity risk – financial liabilities maturity analysis (cont'd)

	31.12.2018 \$'000	Group 31.12.2017 \$'000	01.01.2017 \$'000
Bank facilities:			
Undrawn borrowing facilities	34,823	35,434	41,231

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

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

27F. Interest rate risk

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

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

	31.12.2018 \$'000	Group 31.12.2017 \$'000	01.01.2017 \$'000
Financial liabilities with interest:			
Fixed rates	2,548	2,855	522
Floating rates	16,544	24,401	23,703
Total at end of the year	19,092	27,256	24,225

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

Sensitivity analysis:

	31.12.2018 \$'000	Group 31.12.2017 \$'000	01.01.2017 \$'000
Financial liabilities:			
A hypothetical variation in interest rates by 100 basis points with all other variables held constant, would have an increase / decrease in pre-tax profit for the year by	165	244	237

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

27G. Foreign currency risks

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

Analysis of amounts denominated in foreign currencies:

Group	US Dollars \$'000	Malaysian Ringgit \$'000	Euro Dollar \$'000	Total \$'000
<u>31.12.2018</u>				
<u>Financial assets:</u>				
Cash	1,106	595	–	1,701
Loans and receivables	861	–	70	931
Total financial assets	1,967	595	70	2,632
<u>Financial liabilities:</u>				
Trade and other payables	13,074	–	–	13,074
Total financial liabilities	13,074	–	–	13,074
Net financial (liabilities) assets at end of the year	(11,107)	595	70	(10,442)
<u>31.12.2017</u>				
<u>Financial assets:</u>				
Cash	1,479	432	–	1,911
Loans and receivables	2,029	–	–	2,029
Total financial assets	3,508	432	–	3,940
<u>Financial liabilities:</u>				
Trade and other payables	11,119	–	339	11,458
Total financial liabilities	11,119	–	339	11,458
Net financial (liabilities) assets at end of the year	(7,611)	432	(339)	(7,518)
<u>01.01.2017</u>				
<u>Financial assets:</u>				
Cash	2,095	94	–	2,189
Loans and receivables	1,851	–	–	1,851
Total financial assets	3,946	94	–	4,040
<u>Financial liabilities:</u>				
Trade and other payables	4,462	–	249	4,711
Total financial liabilities	4,462	–	249	4,711
Net financial (liabilities) assets at end of the year	(516)	94	(249)	(671)

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

27G. Foreign currency risks (cont'd)

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

Sensitivity analysis:

	31.12.2018	Group 31.12.2017	01.01.2017
	\$'000	\$'000	\$'000
A hypothetical 10% strengthening in the exchange rate of the functional currency \$ against the US\$ with all other variables held constant would have a favourable effect on profit before tax of	1,111	761	51

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

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

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

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

28. Changes and adoption of financial reporting standards

The accounting policies adopted are consistent with those previously applied under FRS except that in the current reporting year, the group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 January 2018.

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

SFRS(I) No.	Title
SFRS(I) 1	First-time Adoption of Singapore Financial Reporting Standards (International)
SFRS(I) 9	Financial Instruments
SFRS(I) 15	Revenue from Contracts with Customers
SFRS(I) INT 22	Foreign Currency Transactions and Advance Consideration

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2018

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

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

SFRS(I) No.	Title	Effective date for periods beginning on or after
SFRS(I) 16	Leases (and Leases - Illustrative Examples & Amendments to Guidance on Other Standards)	1 Jan 2019
SFRS(I) INT 23	Uncertainty over Income Tax Treatments	1 Jan 2019
SFRS(I) 1-12	Improvements (2017) – Amendments: Income Taxes	1 Jan 2019
SFRS(I) 1-23	Improvements (2017) – Amendments: Borrowing Costs	1 Jan 2019
SFRS(I) 3	Improvements (2017) – Amendments: Business Combinations	1 Jan 2019

PROPERTIES OF THE GROUP

YEAR ENDED 31 DECEMBER 2018

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

STATISTICS OF SHAREHOLDINGS

AS AT 28 MARCH 2019

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

DISTRIBUTION OF SHAREHOLDERS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	-	-	-	-
100 - 1,000	10	2.56	10,000	0.01
1,001 - 10,000	245	62.66	1,305,300	1.21
10,001 - 1,000,000	125	31.97	13,932,800	12.90
1,000,001 and above	11	2.81	92,751,900	85.88
Total	391	100.00	108,000,000	100.00

SHAREHOLDING HELD BY THE PUBLIC

Based on the information available to the Company as at 28 March 2019 and to the best knowledge of the Directors of the Company, approximately 27.32% the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual Section B: Rules of Catalist issued by the Singapore Exchange Securities Trading Limited is complied with.

TWENTY LARGEST SHAREHOLDERS

NO.	NAME OF SHAREHOLDER	NO. OF SHARES	%
1	Soon Tien Holdings Pte. Ltd.	72,900,000	67.50
2	2G Capital Pte Ltd	5,000,000	4.63
3	Phillip Securities Pte Ltd	3,145,900	2.91
4	Citibank Nominees Singapore Pte Ltd	2,855,000	2.64
5	Sia Ling Sing	1,665,000	1.54
6	Ng Kim Ying	1,600,000	1.48
7	Maybank Kim Eng Securities Pte. Ltd.	1,255,000	1.16
8	Tan Gin Mong	1,206,000	1.12
9	Ang Yu Seng	1,100,000	1.02
10	Tan Ee Hoon	1,012,500	0.94
11	Tan Ee Tin	1,012,500	0.94
12	Tan Yee Chin	998,334	0.92
13	Tan Yee Ho	998,333	0.92
14	Tan Yee Leong	998,333	0.92
15	Kuah Kian Hoe	764,000	0.71
16	Ang De Yu	600,000	0.56
17	Lim Bok Teck	455,000	0.42
18	Sok Hang Chaw	450,000	0.42
19	Chin Kai Seng	445,800	0.41
20	Tan Lay Peng	400,000	0.37
Total		98,861,700	91.53

STATISTICS OF SHAREHOLDINGS

AS AT 28 MARCH 2019

SUBSTANTIAL SHAREHOLDERS

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

Name of Shareholder	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 72,900,000 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 2019 Annual General Meeting of the shareholders of Soon Lian Holdings Limited (the “**Company**”) will be held at 6 Tuas Lane Singapore 638615 on Tuesday, 30 April 2019 at 9.30 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 2018, together with the Auditor’s Report thereon. | Resolution 1 |
| 2. | To re-elect Mr Lee Sen Choon, a Director of the Company retiring pursuant to Regulation 104 of the Constitution of the Company (“ Constitution ”) and who, being eligible, offer himself for re-election, as a Director of the Company.
[See Explanatory Note (i)] | Resolution 2 |
| 3. | To re-elect Mr Tan Yee Chin, a Director of the Company retiring pursuant to Regulation 104 of the Constitution and who, being eligible, offer himself for re-election as a Director of the Company.
[See Explanatory Note (i)] | Resolution 3 |
| 4. | To approve the payment of Directors’ fees of S\$85,000 for the financial year ended 31 December 2018 (FY2017: S\$85,000). | Resolution 4 |
| 5. | To re-appoint Messrs RSM Chio Lim LLP as the Company’s Auditors and to authorise the Directors of the Company to fix their remuneration. | Resolution 5 |

AS SPECIAL BUSINESS

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

- | | | |
|----|------------------------------|--------------|
| 6. | Proposed Share Issue Mandate | Resolution 6 |
|----|------------------------------|--------------|
- “That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist (“**Rules of Catalist**”), the Directors of the Company be authorised and empowered to:
- (a) (i) allot and issue shares in the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,
- at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

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) 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 which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares,and, in sub-paragraph (1) above and this sub-paragraph (2), “subsidiary holdings” has the meaning given to it in the Rules of Catalist;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Rules of Catalist for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.”

[See Explanatory Note (ii)]

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

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Mr Lee Sen Choon shall, upon re-election as Director of the Company, remain as the Chairman of the Audit Committee, as well as a member of the Nominating Committee and the Remuneration Committee of the Company. Mr Tan Yee Chin shall, upon re-election as a Director of the Company, remain as the Chairman and Chief Executive Officer of the Company. Detailed information on Mr Lee Sen Choon and Mr Tan Yee Chin can be found under the sections entitled "Board of Directors", "Corporate Governance Report" and "Statement by Directors" of the Company's Annual Report 2018. Save as disclosed therein, there are no material relationships (including immediate family relationships) between Mr Lee Sen Choon and Mr Tan Yee Chin and the other Directors of the Company, the Company or its 10% shareholders.
- (ii) The proposed Ordinary Resolution 6 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 in pursuance of 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) 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 are 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

Ng Kim Ying
Company Secretary

Singapore

Date: 12 April 2019

Notes:

- a) A member of the Company (not being a relevant intermediary) entitled to attend, speak and vote at the Annual General Meeting of the Company ("**Annual General Meeting**") is entitled to appoint no more than two proxies to attend, speak and vote on his/her behalf. Where a member of the Company appoints more than one proxy, he/she shall specify the proportion of his/her shares to be represented by each such proxy, failing which, the nomination shall be deemed to be alternative.
- b) Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member of the Company who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the Annual General Meeting. A relevant intermediary is either:
 - (i) a banking corporation licensed under the Banking Act (Chapter 19 of Singapore) 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 (Chapter 289 of Singapore) and holds shares in that capacity; or
 - (iii) the Central Provident Fund ("**CPF**") Board established by the Central Provident Fund Act (Chapter 36 of Singapore), in respect of shares purchased on behalf of CPF investors.

An investor who buys shares using CPF monies ("**CPF Investor**") and/or SRS monies ("**SRS Investor**") (as may be applicable) may attend and cast his vote(s) at the Annual General Meeting in person. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

- c) The instrument appointing a proxy or proxies must be deposited at the business office of Tricor Barbinder Share Registration Services, the Share Registrar of the Company, at 80 Robinson Road #11-02 Singapore 068898 not less than 48 hours before the time appointed for holding the Annual General Meeting.
- d) A proxy need not be a member of the Company.

Personal Data Privacy:

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

*This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor, ZICO Capital Pte. Ltd. ("**Sponsor**"), for compliance with the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Manual Section B: Rules of Catalist. The Sponsor has not independently verified the contents of this notice.*

This notice has not been examined or approved by 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 Alice Ng, Director of Continuing Sponsorship, ZICO Capital Pte. Ltd. at 8 Robinson Road #09-00 ASO Building Singapore 048544, telephone (65) 6636 4201.

SOON LIAN HOLDINGS LIMITED

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

IMPORTANT

1. For investors who have used their CPF monies and/or SRS monies to buy the Company's shares, this Annual Report is sent to them at the request of their CPF and/or SRS Approved Nominees solely **FOR INFORMATION ONLY**.
2. This Proxy Form is not valid for use by CPF and/or SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF and/or SRS investors who wish to vote should contact their CPF and/or SRS Approved Nominees.

I/We _____

of _____

being a member(s) of Soon Lian Holdings Limited (the "**Company**"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

or failing *him/her, the Chairman of the 2019 Annual General Meeting of the Company ("**Annual General Meeting**") as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting to be held on Tuesday, 30 April 2019 at 6 Tuas Lane Singapore 638615 at 9.30 a.m. and at any adjournment thereof.

(Please indicate with an "X" in the spaces provided whether you wish your vote(s) to be cast for or against the resolutions as set out in the notice of Annual General Meeting. In the absence of specific directions, the *proxy/proxies will vote or abstain as *he/they may think fit, as *he/they will on any other matter arising at the Annual General Meeting.)

* Delete as appropriate

No.	Resolutions	For	Against
1	Adoption of the Statement by Directors and the Audited Financial Statements of the Company for the financial year ended 31 December 2018, together with the Auditor's Report thereon		
2	Re-election of Mr Lee Sen Choon as a Director of the Company		
3	Re-election of Mr Tan Yee Chin as a Director of the Company		
4	Approval of the payment of Directors' fees of S\$85,000 for the financial year ended 31 December 2018		
5	Re-appointment of Messrs RSM Chio Lim LLP as the Auditors of the Company and authority to Directors of the Company to fix their remuneration		
6	Proposed Share Issue Mandate		

Signed this _____ day of _____ 2019

Total number of shares held	
-----------------------------	--

Signature or Common Seal of shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF



Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members, you should insert that number of shares. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his/her behalf at the Annual General Meeting. Where a member of the Company appoints more than one proxy, he/she shall specify the proportion of his/her shares to be represented by each such proxy, failing which, the nomination shall be deemed to be alternative.
3. Pursuant to Section 181 of the Companies Act, Chapter 50 of Singapore, any member of the Company who is a relevant intermediary is entitled to appoint one or more proxies to attend, speak and vote at the Annual General Meeting. A relevant intermediary is either:
 - (i) a banking corporation licensed under the Banking Act (Chapter 19 of Singapore) 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 (Chapter 289 of Singapore) and holds shares in that capacity; or
 - (iii) the Central Provident Fund (“**CPF**”) Board established by the Central Provident Fund Act (Chapter 36 of Singapore), in respect of shares purchased on behalf of CPF investors.

An investor who buys shares using CPF monies (“**CPF Investor**”) and/or SRS monies (“**SRS Investor**”) (as may be applicable) may attend and cast his vote(s) at the Annual General Meeting in person. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Annual General Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.
4. The instrument appointing a proxy or proxies must be deposited at the business office of Tricor Barbinder Share Registration Services, the Share Registrar of the Company, at 80 Robinson Road #11-02 Singapore 068898 not less than 48 hours before the time appointed for holding the Annual General Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies 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.
6. Where an instrument appointing a proxy or proxies 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 Annual General Meeting.
8. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies 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 Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the members of the Company accept and agree to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2019.



SINGAPORE · MALAYSIA · TAIWAN · CHINA

Soon Lian Holdings Limited

(Company registration no. 200416295G)

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