UNION STEEL HOLDINGS LIMITED
友联钢铁控股有限公司

Union Steel Holdings Limited

Annual Report 2020

SUSTAINABILITY REPORT AND FINANCIAL STATEMENTS
FOR JUL 2019 - JUN 2020

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CORPORATE PROFILE

Union Steel Holdings Limited ("**Union Steel**" or the "**Group**") is a multi-business investment holding company, with three primary business drivers - metals, scaffolding and engineering. The Group started operations in 1984 as YLS Steel Pte Ltd, which was involved in the trading of ferrous scrap metal and since 1991, has been distributing construction steel through Union Steel Pte Ltd.

Leveraging over 30 years of experience and a global network of suppliers and clients, we have since expanded into several complementary business areas which tap on the Group's expertise in steel products and deep knowledge of the construction sector.

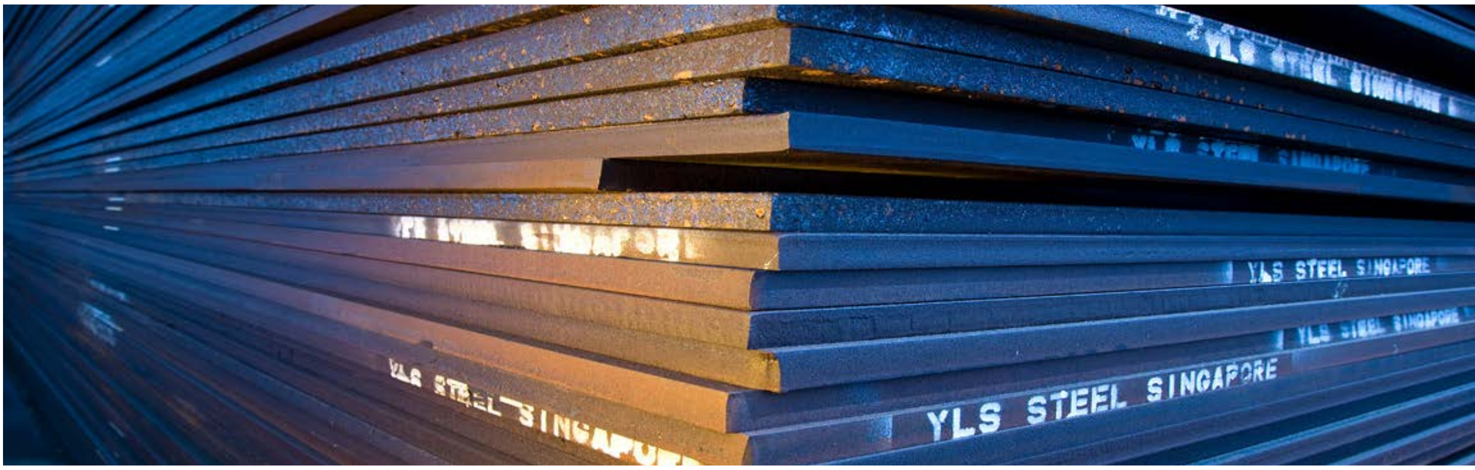
The Group first ventured outside the metal and recycling industries when it added scaffolding to its product range in 2012. We further expanded our products and services in 2015 to include mechanical engineering and in 2016, we completed our expansion plans with the addition of land transport engineering services and marine deck equipment to our portfolio. With its diverse but complementary business holdings, Union Steel is well-positioned for the next chapter in its history and continues to innovate and adapt to the changing times.

Given its expertise in steel trading and recycling, the Group's operations are guided by socially responsible practices, to ensure the safeguarding of precious natural resources whilst striving to achieve sustainable financial returns.

Union Steel Holdings Limited was listed on the SGX-ST Mainboard on 15 August 2005.

The Group has received several awards including:

2003	Enterprise 50 Award
2004	Enterprise 50 Award Fastest Growing 50 Certification Singapore 500 Small Medium Enterprises
2009	Singapore 1000 - Sales Turnover Growth Excellence Award
2010	Singapore International 100 Company



UNION STEEL GROUP OF COMPANIES

YLS STEEL PTE LTD
METAL RECYCLING & STEEL LEASING
A 33 Pioneer Road North Singapore 628474
T +65 6861 9833 | F +65 6862 9833

A 14 Gul Road Singapore 629344
T +65 6265 9833 | F +65 6861 4674
W www.ylssteel.com.sg

UNION STEEL PTE LTD
STEEL TRADING
A 33 Pioneer Road North Singapore 628474
T +65 6861 9833 | F +65 6862 9833

A 12 Gul Road Singapore 629343
T +65 6265 9833 | F +65 6861 4674
W www.unionsteel.com.sg

YEW LEE SENG METAL PTE LTD
METAL RECYCLING & WASTE MANAGEMENT
A 14 Defu Lane 11 Singapore 539170
T +65 6382 0576 | F +65 6382 1197
W www.ylssteel.com.sg

HOCK ANN METAL SCAFFOLDING PTE LTD
SCAFFOLDING SERVICES
A 10 Bukit Batok Crescent #04-01 The Spire Singapore 658079
T +65 6842 2808 | F +65 6842 2909
W www.hock-ann.com.sg

GEE SHENG MACHINERY & ENGINEERING PTE LTD
MECHANICAL ENGINEERING
A 39 Senoko Drive Singapore 758224
T +65 6543 1626 | F +65 6542 3683
W www.geesheng.com.sg

TRANSVICTORY WINCH SYSTEM PTE LTD
MARINE DECK EQUIPMENT
A 20 Third Chin Bee Road Singapore 618693
T +65 6774 3127 | F +65 6774 5501
W www.winchsystem.com.sg

MEGAFAB ENGINEERING PTE LTD
LAND TRANSPORT ENGINEERING
A 7 Gul Road Singapore 629364
T +65 6898 1055 | F +65 6898 0211
W www.megafab.com.sg

BUSINESS OVERVIEW

METALS

METAL RECYCLING

The Group operates a one-stop metal recycling centre from 3 facilities across Singapore through YLS Steel Pte Ltd. We collect and process metal scrap before exporting to smelters. Our refined and comprehensive processes have been set in place to achieve the cleanest grade of metal scrap for the next stages of the recycling process chain. With more than 30 years of experience, we have grown to become one of the largest metal recycling companies in Singapore.

STEEL TRADING

The Group supply steel products to the construction and engineering industries through Union Steel Pte Ltd. We offer a wide range of steel products such as reinforcement steel bars, H-beams, I-beams, pipes, steel plates and sheet piles. Our vast supply network allows us to fulfil any specification requirements at competitive rates. We also provide value-adding services such as steel storage and handling services.

STEEL LEASING

The Group offers steel leasing solutions to the construction industry through YLS Steel Pte Ltd. We have an extensive inventory of steel sheet piles, mild steel plates, steel test piles and steel beams with customisable lengths available for short and long-term requirements.

Our leasing solutions are cost and space efficient and can be applied at all phases throughout a construction project. We help our customers achieve greater cost savings with flexible leasing or buy-and-sell-back options.

SCAFFOLDING

The Group offers scaffolding services and related consultancy through Hock Ann Metal Scaffolding Pte Ltd. We specialise in scaffolding services and related consultancy, sales and rental of scaffolding materials and the supply of skilled workers for erection and dismantling of scaffolds.

We have established ourselves as the provider of choice in the local scaffolding industry, our expertise is built on our experience, industry knowledge as well as safety awareness in scaffolding.

ENGINEERING

MARINE DECK EQUIPMENT

The Group supplies custom marine deck equipment to the marine, offshore, oil and gas industries through our design and manufacturing team at Transvictory Winch System Pte Ltd. As one of the largest stockists in Asia, we offer immediate solutions to all winching and lifting applications.

Over the years we have gained extensive experience not only in winching and lifting systems but also in marine deck equipment and related services. Apart from supplying, we also provide short and long-term leases of our deck equipment including winches, cranes and HPUs.

LAND TRANSPORT ENGINEERING

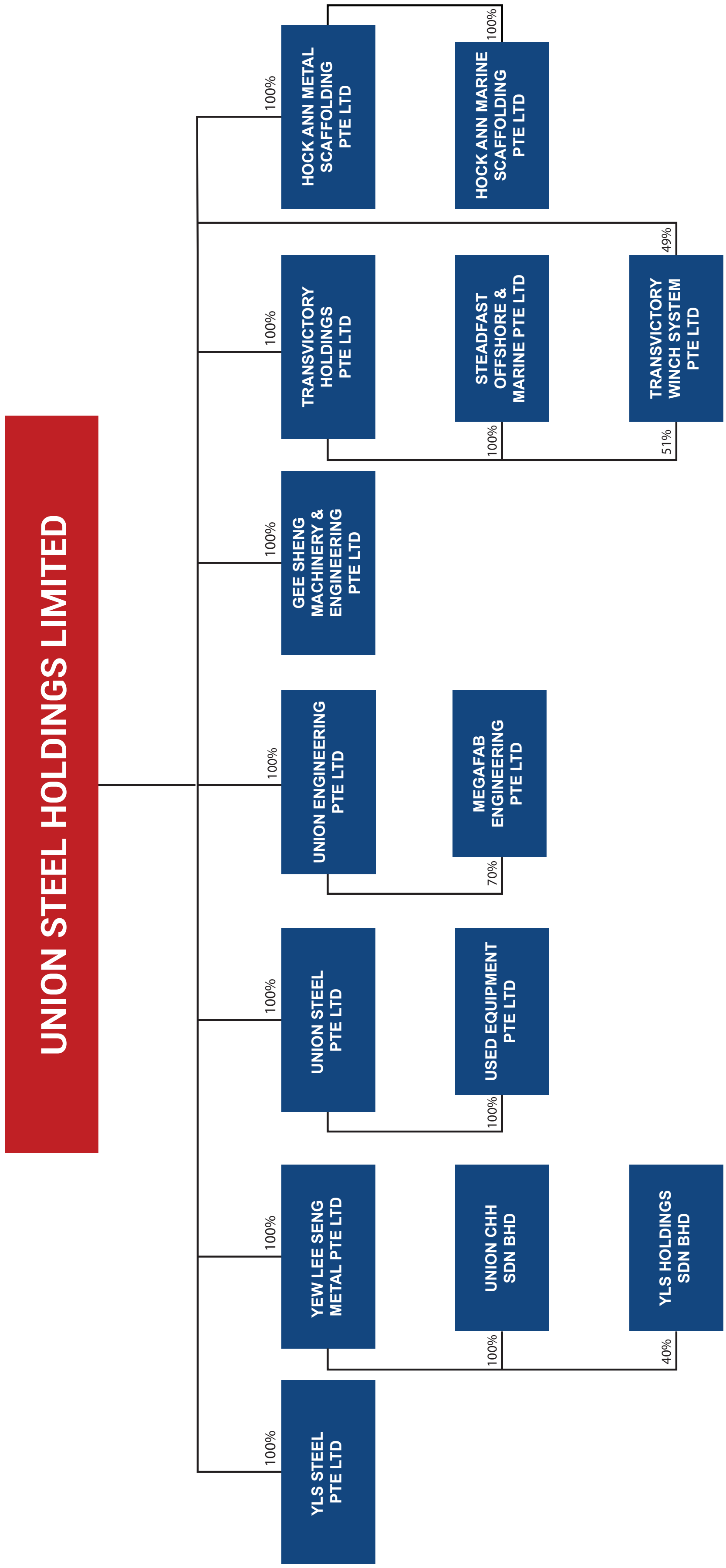
The Group provides land transport load handling engineering solutions through Megafab Engineering Pte Ltd. As the sole distributor in Singapore for EFFER, HIAB, MUTILIFT, ZEPRO and GEESINKNORBA products, we offer a comprehensive range of specialised load handling equipment and components including truck-mounted cranes, tailgate systems and waste compactors.

We are also an accredited SAC inspection centre for hook lifts, compactors and truck-mounted cranes and offer certification and general maintenance services for load handling equipment.

MECHANICAL ENGINEERING

The Group provides custom vehicular and equipment engineering and fabrication services through Gee Sheng Machinery and Engineering Pte Ltd. We offer top-quality products, workmanship and provide continual support services from the initial design phase to project completion.

CORPORATE STRUCTURE


UNION STEEL HOLDINGS LIMITED
100%
HOCK ANN METAL SCAFFOLDING PTE LTD
100%
HOCK ANN MARINE SCAFFOLDING PTE LTD
100%
TRANSVICTORY HOLDINGS PTE LTD
100%
STEADFAST OFFSHORE & MARINE PTE LTD
51%
49%
TRANSVICTORY WINCH SYSTEM PTE LTD
100%
GEE SHENG MACHINERY & ENGINEERING PTE LTD
100%
UNION ENGINEERING PTE LTD
70%
MEGAFAB ENGINEERING PTE LTD
100%
UNION STEEL PTE LTD
100%
USED EQUIPMENT PTE LTD
100%
YEW LEE SENG METAL PTE LTD
100%
UNION CHH SDN BHD
40%
YLS HOLDINGS SDN BHD
100%
YLS STEEL PTE LTD

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present the Annual Report of Union Steel Holdings Limited ("**Union Steel**" or "**The Group**") for the financial year ended 30 June 2020 ("**FY2020**").

FY2H/2020 was an exceptionally tumultuous year for the global economy, not just the Group. This was primarily due to the COVID-19 global pandemic that took the world by surprise and continues to challenge much of the world's businesses. Operationally, this stunted some of the improvements we had put in place the previous business year to streamline businesses. Further, the Group had to make additional adjustments to our operations and business to minimise overheads and costs.

The Group's core businesses remain in the metals, scaffolding and engineering divisions. The metals business, which is in large part dependent on the local micro-economic environment, continues to see lacklustre demand. It is possible this segment will take some time to recover. The division also took a hit in the recycling business. Exports and consequently margins, were affected by the lockdown in several of our main markets.

Operationally, the scaffolding business saw a slight recovery in the first 9 months of this financial year, but the recovery was short lived and has reversed since the COVID-19 Circuit Breaker measures were implemented. The ceasing of construction activities and business disruption resulting from manpower movement restrictions imposed at foreign worker dormitories were all contributing issues. This sector was further hindered by the goodwill impairment made.

Within the engineering sector, the expected improvements within the marine and transport divisions will likely be marginalised by the sluggish demand for mechanical engineering businesses. This is in part, due to the weakening global demand within the oil and gas sector.

We would like to express our continued gratitude to our loyal shareholders despite the troubles and uncertainties in the local and global markets over the year. No dividends were declared for FY2020, as we remain prudent with the management of our financial resources.

FINANCIAL AND BUSINESS REVIEW

The Group's total revenue decreased by 12.9% in FY2020 (vis-à-vis FY2019) due principally to the drop in sales from the metals sector of both trading and recycling operations. Full year gross profit achieved a slight increase of S$0.3 million and gross profit margin improved from 15.6% in FY2019 to 18.4% in FY2020. This was due to higher contribution from the scaffolding and engineering segments which command higher margins. Other operating income increased by 11.1% in FY2020 due mainly to government grants related to COVID-19. The increase in other operating expenses of 38.7% in FY2020 was due to higher fair value losses on the investment property, impairment of goodwill, allowances for trade receivables and inventories obsolescence.

The decrease in property, plant and equipment to S$33.9 million was mainly due to the depreciation charges of S$4.3 million, offset partly by the acquisition of rental materials of S$2.6 million. Increase in inventories mainly relates to Engineering segment of land transport business. The decrease in both trade and other receivables and trade and other payables were due to lesser business activities near to the last quarter of the financial year impacted by COVID-19 pandemic.

The Group's total bank loans and bills payable decreased by 6.0% to S$28.7 million as at 30 June 2020, from S$30.5 million as at 30 June 2019, mainly due to repayment of term loans. Accordingly, the Group's cash and cash equivalents decreased by S$2.2 million compared to 30 June 2019, and the net gearing of the Group (defined as the ratio of the aggregate of interest bearing loans net of cash and cash equivalents to total equity) increased to 28.6% as at 30 June 2020 from 24.4% as at 30 June 2019.

OUTLOOK

The global macro-economic outlook for the next 12 to 18 months continues to be fraught with risks and uncertainties. Recovery from the effects of the COVID-19 pandemic is expected to be slow or even doubtful, especially if a re-emergence or second wave of infections occurs. Whilst regional countries are working to reopen markets, the reality is that this will be slow as budgets have been hit hard with the slowdown seen in the last six months. We expect demand for the Group's products and services will continue to be affected in the short-term.

Nevertheless, the Group remains focused on building upon the work that we have started in streamlining and fine-tuning our business operations, consolidating costs and improving overall operational efficiency.

ACKNOWLEDGEMENTS

On behalf of my fellow Board members, I would like to express our sincere thanks to our stakeholders, customers, suppliers, management and staff, as well as our corporate advisers. You have our gratitude for the trust placed in us.

Last but not least, I wish to thank my fellow directors for their continued commitment, wisdom and counsel.

MR ANG YU SENG (洪友成)
Executive Chairman and Chief Executive Officer

BOARD OF DIRECTORS & KEY MANAGEMENT

BOARD OF DIRECTORS

MR. ANG YU SENG

Executive Chairman and Chief Executive Officer

Mr. Ang Yu Seng is the co-founder of our Group. He was appointed as Executive Chairman and Chief Executive Officer on 12 August 2004. He is responsible for developing and driving the growth strategies of the companies in the Group. Mr. Ang has more than 30 years of experience in the scrap metal recycling and steel trading businesses.

MR. SIAU KAI BING

Lead Independent Director

Mr. Siau Kai Bing was appointed as Independent Director and Lead Independent Director of our Company on 28 June 2005 and 23 September 2014 respectively. Mr. Siau has over 40 years of experience in accounting and audit and has held various senior appointments in finance in the past including Chief Financial Officer and Independent Director in publicly listed companies. He is also an independent Director of Nordic Group Limited. Mr. Siau holds an Accountancy degree from the National University of Singapore and is a Fellow Chartered Accountant with the Institute of Singapore Chartered Accountants.

MR. ANG YEW CHYE

Executive Director

Mr. Ang Yew Chye is the co-founder of the Group and was appointed as Executive Director on 12 August 2004. He is responsible for the day to day operation and management of the companies. Mr. Ang has more than 30 years of experience in the scrap metal recycling business.

MS. TAN MIN-LI

Independent Director

Ms. Tan Min-Li was appointed as Independent Director of our Company on 1 April 2015. She is currently a partner at CNPLaw LLP, a firm of advocates and solicitors in Singapore, and has more than 15 years of experience in the legal profession. Ms. Tan has considerable experience in the areas of initial public offerings, regional investments, corporate restructuring, cross border joint ventures and mergers and acquisitions in the region. Ms. Tan is also an Independent Director of 2 other publicly listed companies. Ms Tan graduated with a Bachelor of Laws (Honours) from the National University of Singapore and holds a Master of Laws degree from University College London, University of London.

BOARD OF DIRECTORS

MR. WONG LOKE TAN

Independent Director

Mr. Wong Loke Tan was appointed to the Board on 18 November 2016. He chairs the Remuneration Committee and is also a member of the Audit Committee. Mr. Wong is a senior banker with over 30 years of banking experience with international banks and local banks, including Singapore's longest established bank, OCBC Bank. His experience and expertise span across syndicated loans, project financing, structured trading financing and merger and acquisition. He is widely known in the business community for his extensive network and strong rapport with the Singapore SME business circle. Mr. Wong left banking in June 2016 as a Senior Vice President with Maybank, Singapore. Currently, he sits on the Board of listed companies in Singapore and abroad, including Koyo International Limited, Adventus Holdings Limited, International Cement Group Ltd. and K2 F&B Holdings Limited. He is also dedicated to contributing to the Civic Organisations such as St. Gabriel's School Management Committee. In 2018, he was awarded the Silver Medallion Service Award by the Ministry of Education in recognition of his contributions and services. Mr Wong holds a Master of Business Administration degree from Brunel University, United Kingdom and an Executive Diploma in Directorship from the Singapore Management University and the Singapore Institute of Directors.

MR. GOI KOK MING (WEI GUOMING)

Non-Executive Director

Mr. Goi Kok Ming was appointed to the Board on 8 August 2019. Mr. Goi is the Chief Operating Officer of GSH Corporation Limited, a company listed on the Mainboard of the Singapore Exchange, and Non-Executive Director of Mainboard-listed Hanwell Holdings Limited and Serial System Ltd. He is also Director of Acelink Logistics Pte Ltd - a supply chain company with distribution networks in Singapore, Malaysia, Thailand, Hong Kong and China, and Tee Yih Jia Group - a global food and beverage group with operations in Singapore, Malaysia, USA, Europe, Japan and China. Mr. Goi is active in community service and was awarded the Public Service Medal (PBM) in 2018 for his involvement as a member of the Community Development District Council, South East Region, and Patron of Braddell Heights Community Club. He also received the "Entrepreneur of the Year" Award from Enterprise Asia in 2019. Mr. Goi holds a Bachelor Degree in Computer Information System from California State University, Pomona.

KEY MANAGEMENT

MR. WILSON ONG

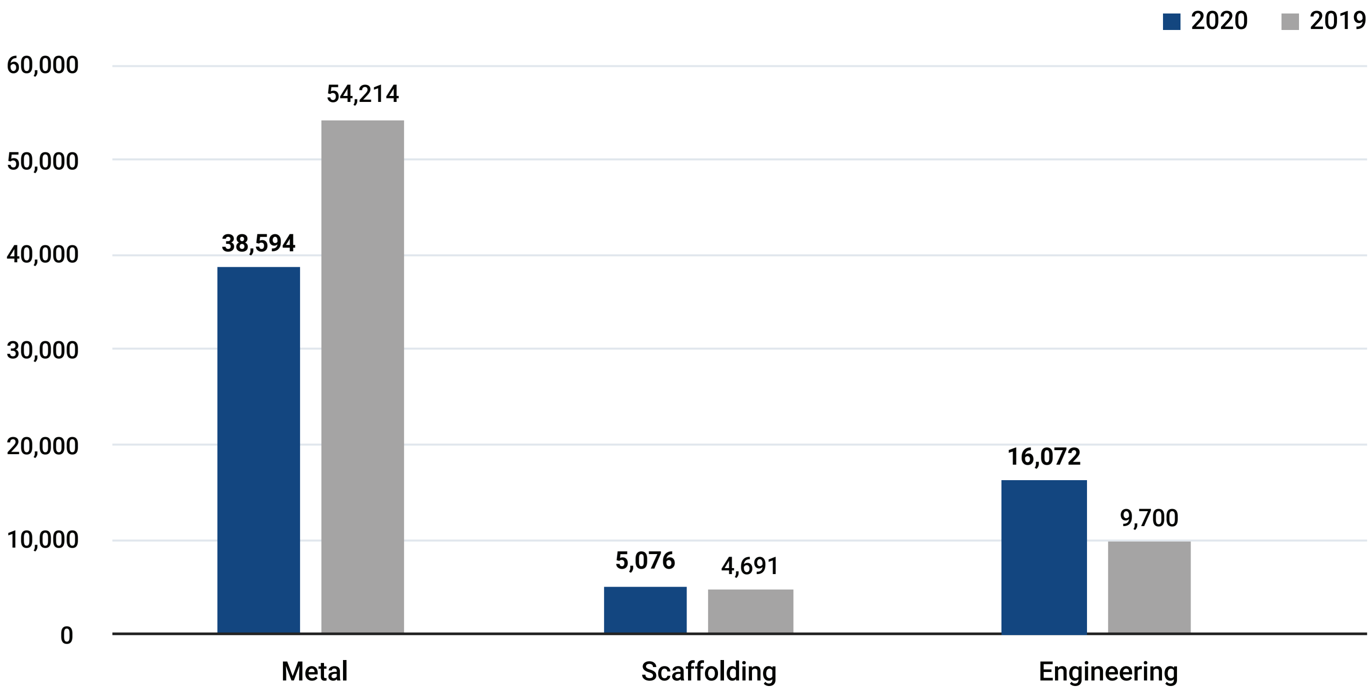
Director, Scaffolding Division

Mr. Wilson Ong is the founder of Hock Ann Metal Scaffolding Pte Ltd ("**Hock Ann**") and oversees the scaffolding division. He joined the Group after Hock Ann was acquired in April 2012. He is responsible for Hock Ann's day to day sales & operations as well as managing and controlling a workforce of over a hundred employees. Mr. Ong holds a Master of Business Administration from Southern Cross University.

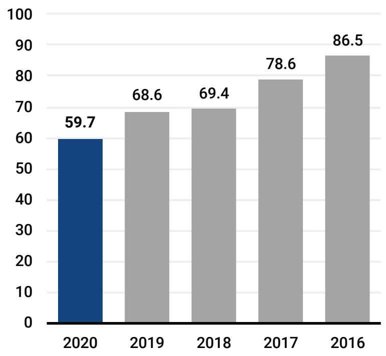
FINANCIAL HIGHLIGHTS

	FY2020	FY2019	FY2018	FY2017	FY2016
Group Turnover (S$'million)	59.7	68.6	69.4	78.6	86.5
Group Net (Loss)/Profit Attributable to Shareholders (S$'million)	(7.6)	(4.7)	1.0	1.4	(16.7)
Group Gross Margin (%)	18.4	15.6	18.7	17.7	10.7
Group (Losses)/Earnings Per Share (cents)	(19)	(12)	2	4	(42)
Group NAV (cents)	137	156	170	167	163
Dividend Payout (cents)	Nil	Nil	1.20	Nil	Nil

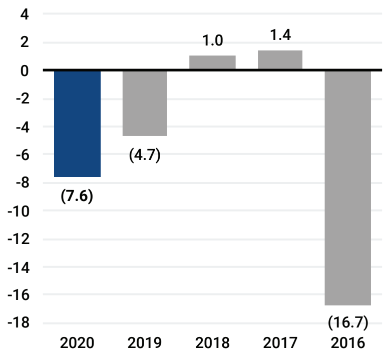
Segment Revenue
(S$'000)



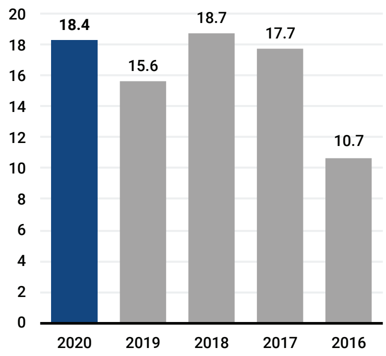
Group Turnover
(S$'million)



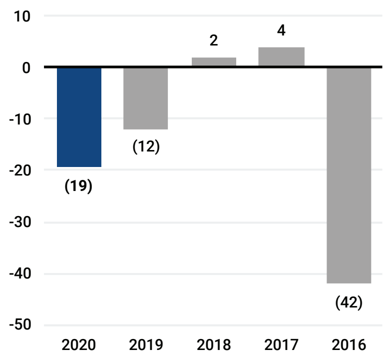
Group Net (Loss)/ Profit Attributable to Shareholders
(S$'million)



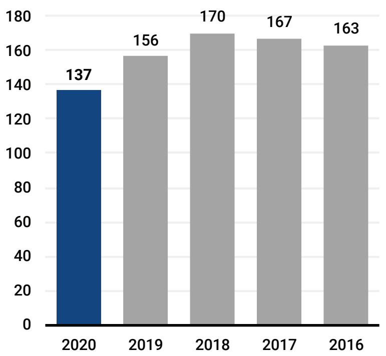
Group Gross Margin
(%)



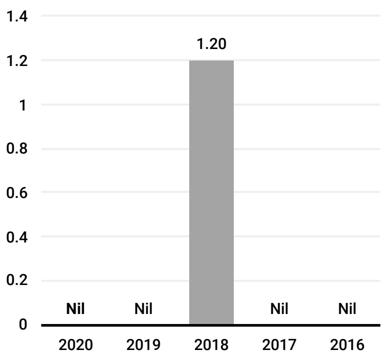
Group (Losses)/ Earnings Per Share
(cents)



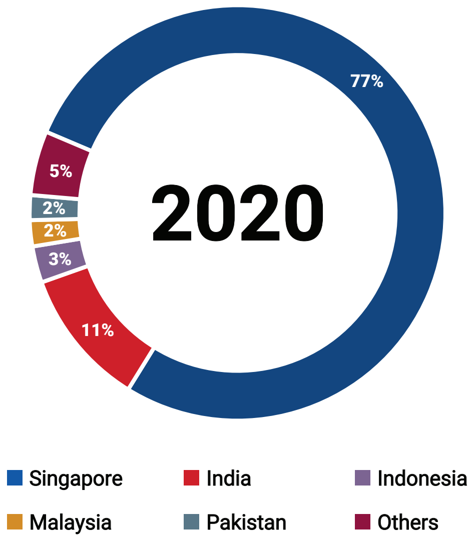
Group NAV
(cents)

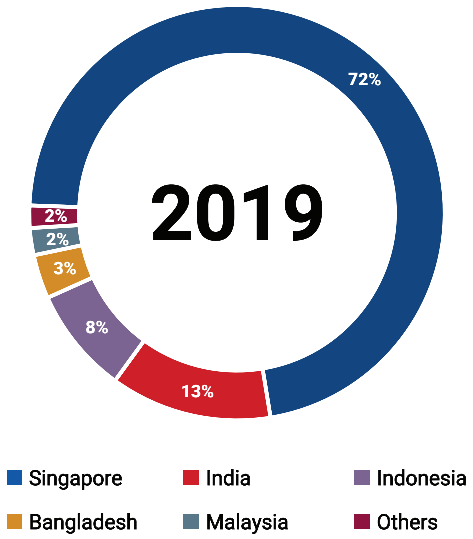


Dividend Payout
(cents)



Revenue by Geographical Region





SUSTAINABILITY REPORT

ABOUT THIS REPORT

This report outlines the Group's efforts in integrating long-term best practices into its operations, management and policies. We are committed to these holistic policies given our background in metal recycling, which defines our goals and responsibilities towards improving the environment. With the continued support of our stakeholders, we are empowered to continue making strides in our sustainability journey.

Building on the progress made in FY2018 and FY2019, we have continued to strive in building the strength and integrity of our reporting framework. We have established sustainability working groups from various business functions, and formalised a reporting structure with oversight from our Board.

In accordance with safe-distancing measures introduced by the Singapore Government in the wake of the COVID-19 outbreak, the Group has adopted corresponding measures to our operations. These adaptations further build upon our core principles of sustainability, resilience and safety.

In our reporting, we have taken guidance from the internationally recognised Global Reporting Initiative Sustainability Reporting Standards (the "**GRI Standards**"). We have referenced specific GRI Standards in our disclosures and compiled a list of the referenced standards at the end of this report. We will continue working towards the goal of publishing a report that complies with GRI Standards (Core option) in the coming years.

Our goal for sustainability reporting is for more comprehensive disclosures, and to facilitate open dialogue with our stakeholders. Through this, we aim to help our stakeholders attain a better understanding of Union Steel's role as a business partner and a member of the global resource supply chain. With regard to the capital markets and regulatory environment, our goal is that these disclosures will allow the investment community to make better informed decisions.

Feedback on this report or our practices is welcome. Please direct all correspondence to corporate@unionsteel.com.sg.

BOARD STATEMENT

The board of directors (the "**Board**") of Union Steel recognises the importance and the need for all levels within the organisation to be aware of sustainable practices.

The Board works closely with the management team of Union Steel to:

i. identify the key concerns of various stakeholders relating to material ESG (environmental, social and governance) factors,

ii. consider these concerns in strategy and policy formulation, and

iii. monitor the Group's performance in addressing these material ESG factors.

OUR APPROACH TO SUSTAINABILITY

The Board and management of Union Steel have placed focus on two key issues to ensure the Group's long-term viability. These are:

BUSINESS STRATEGY

Beginning in 2011, Union Steel began diversifying in order to adapt to turbulent markets. The acquisitions made in subsequent years have broadened our portfolio and strengthened our value proposition in engineering and manufacturing. In time, we hope to leverage this to gain access to new customers and markets.

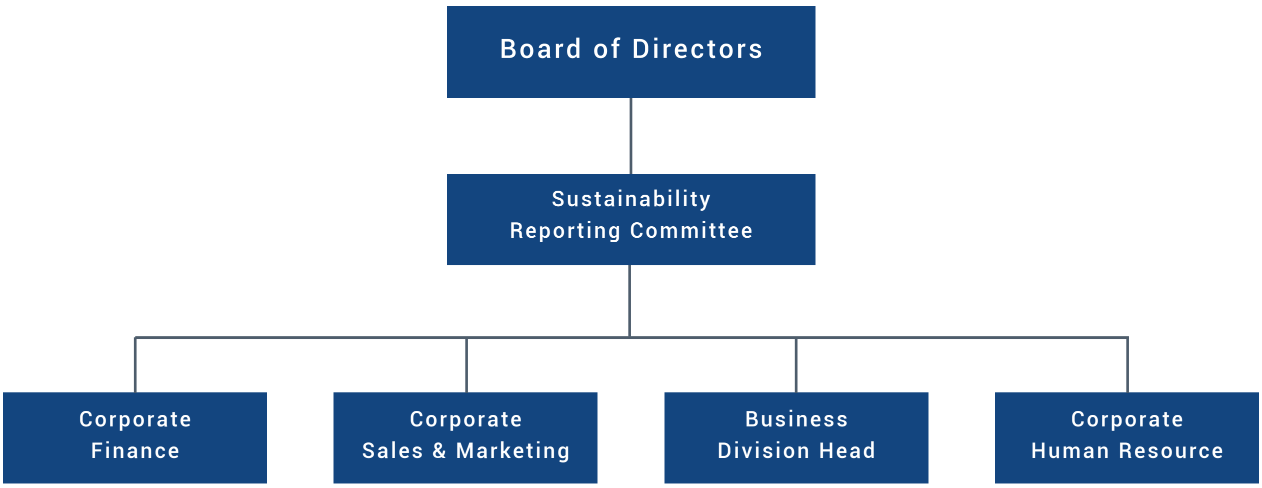
LONG-TERM RELATIONSHIPS WITH OUR STAKEHOLDERS

Our various stakeholders are key to our business operations and long-term viability. We strive for open communication with all our stakeholders, to maintain close relationships and ensure that their concerns are addressed.

SUSTAINABILITY COMMITTEE

Sustainability is integrated into our business, from our on-the-ground operations to the corporate office which oversees all business activities. We have entrenched our commitment to sustainability with the formation of a committee, comprising representatives from various business functions.

This Sustainability Committee will evaluate the Group's material ESG aspects relative to their own domain areas. This helps ensure that Union Steel continues being a good corporate citizen, and that sustainability is factored in to our decision making process at every level.



STAKEHOLDER ENGAGEMENT

Union Steel has identified our key stakeholder groups in previous disclosures as follows:

i. Shareholders & investors
ii. Customers
iii. Suppliers
iv. Employees
v. Public & Community

Stakeholder engagement is conducted through various channels including announcements and updates, two-way dialogues, visits and follow-up meetings. The key concerns of each stakeholder group were previously analysed and ranked, and our reporting on material factors is centred around these stakeholder concerns.

This year, the sustainability committee conducted a thorough review to ensure the continuing relevance of these previously identified material factors. The key concerns are presented in the form of a materiality assessment, which is presented after the following table.

REPORTING AREA	STAKEHOLDER	KEY CONCERNS	MODES OF ENGAGEMENT	OUR MATERIAL FACTORS
Capital	Shareholders & Investors	1. Capital appreciation on investment 2. Profitability 3. Information transparency 4. Investor relations 5. Corporate governance	• Half-yearly & yearly result announcements • AGM & EGM • SGX announcements & press releases • Annual reports • Website updates • Investor mailbox	Quality and timely disclosures, management strategies, financial stewardship & prudence
Corporate	Customers	1. Competitive pricing 2. Better payment terms 3. After-sales service 4. Quality control	• Customer feedbacks • Market research reports • Meetings • Regular sales calls	Product and service quality
	Suppliers	1. Ability to meet required specifications for products & services 2. Ethical business practices 3. Fair terms & conditions and timely payment	• Supplier reviews and evaluations • Project meetings • Telecommunications • Site visits	Fair dealing, ethical supply chain management
	Employees	1. Career growth & opportunities 2. Safe working environment 3. Employee welfare & benefits 4. Performance appraisals	• Performance appraisals • Trainings & orientation • Email announcements • Safety briefings	Employment practices, workplace health & safety implementation
Community	Public & Community	1. Community support 2. Environmentally friendly operations	• Donations • Regular compliance reviews • Sustainability reporting	Community engagement, environmental responsibility

MATERIALITY ASSESSMENT

Union Steel identifies material sustainability matters as matters that have significant impacts on the Group and our keys stakeholders. After gaining insightful feedback from our internal and external stakeholders through various communication channels, we have identified five topics in this report that we believe are material to the Group and should be prioritised as our key focus for sustainability. These are presented as Tier 1 material factors below. Additionally, we have listed two topics as Tier 2 material factors which are important for our long-term business sustainability.

MATERIALITY FACTORS

TIER ONE

01 Economic Performance

02 Anti-Corruption

03 Occupational Health and Safety

04 Employment

05 Waste

TIER TWO

01 Building Strong Customer Relationships

02 Supporting the Community

TIER 1: ECONOMIC PERFORMANCE

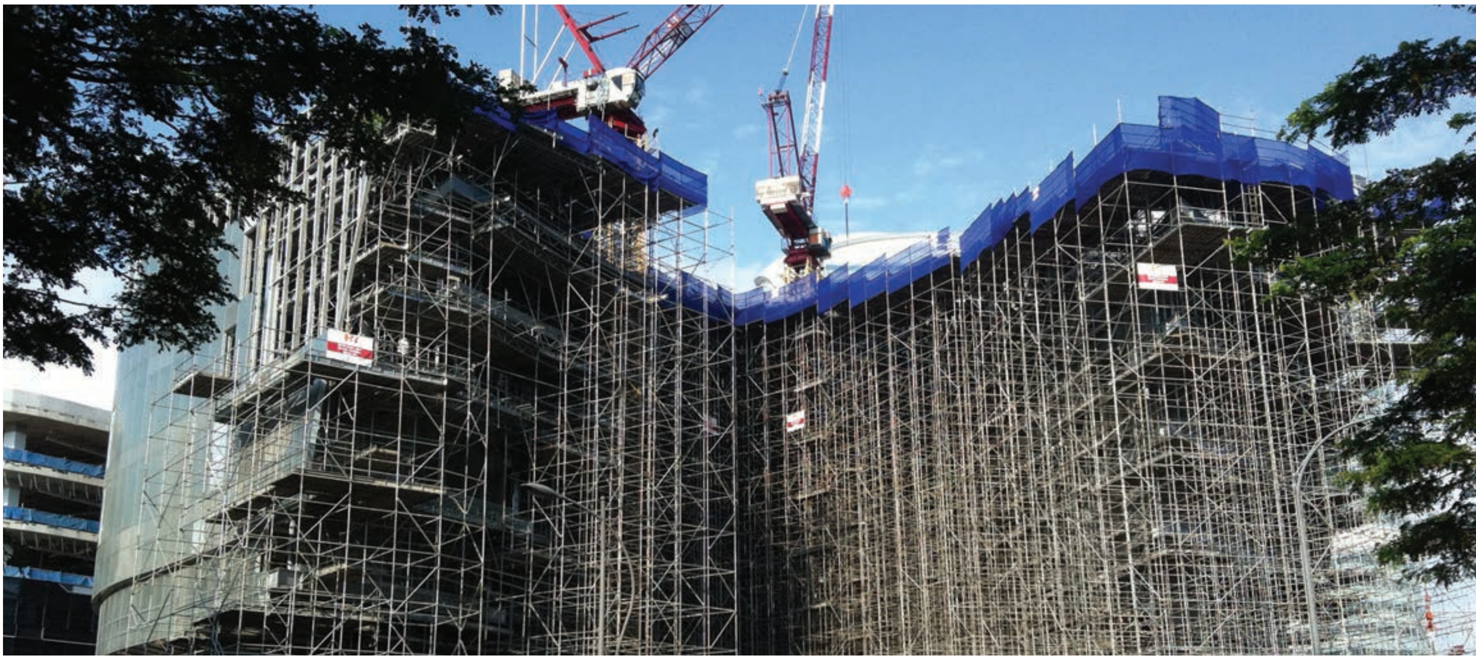
Union Steel has been listed on the SGX-ST Mainboard since 2005. As a publicly listed company, we are cognisant of our shareholders' expectations for us to generate financial returns. We are committed to upholding the timely disclosures of the Group's financial results, to help investors understand our position, strategies and outlook.

For the financial year that ended 30 June 2020, we were challenged with an extremely uncertain and volatile economic and operating environment. In FY2020, the Group recorded a net loss of S$7.8million, mainly due to higher fair value losses on the investment property, impairment of goodwill, allowances for trade receivables and inventories obsolescence. For more details on the Group's financial performance and outlook, please refer to the Chairman's statement on pages 8 and 9, the financial highlights on pages 12 and 13, and financial statements from page 59 to 104.

The Board and management are committed to adapting and overcoming the challenges faced by the Group. We will continue being prudent with our resources and take the necessary measures to ensure that we deliver long-term values.

Union Steel believes in corporate transparency. We make half-yearly and annual disclosures of financial results through SGXNet as well as announcements on significant corporate developments as they occur. Union Steel's corporate website is also a reliable source for updated information about the Group and the latest news releases.

Union Steel's Annual General Meeting remains the main platform for shareholders to meet and engage with the Board and the Group's senior management team. The Board welcomes questions from shareholders, either informally or formally before or during the general meetings. The minutes of general meetings are available to shareholders upon request.



TIER 1: ANTI-CORRUPTION

INTERNAL CODE OF ETHICS

Ethical breach is identified as a material risk to our business operations in our risk management process. Over the years, we have taken steps to further strengthen our internal policies and controls, reinforcing our commitment to continue striving for the highest ethical standards. Beginning FY2020, the Group will increasingly incorporate non-disclosure, non-compliance and non-solicitation clauses in our employment policies.

Group employees are provided with the Group's code of conduct at the start of their employment and employees holding certain positions are required to make conflict of interest declarations. We also have a whistle-blowing policy approved by the Audit Committee and adopted by the Board. This provides a channel for our employees to, in confidence and on an anonymous basis, report and raise their concerns about possible improprieties in corporate, financial and other matters.

COMMITMENT TO ETHICAL SOURCING

The Group remains committed to ethical sourcing. We review and evaluate suppliers regularly to ensure that the suppliers we work with adhere to ethical business practices. Where necessary, we also conduct site visits as a means of validation.

ANTI-CORRUPTION POLICY

The Group formulated a comprehensive anti-corruption policy in FY2019 that sought to ensure that our operations would remain as corrupt-free as possible. This framework has since been rolled out and is currently in force. The Group's employees are bound by this code of conduct.

Union Steel has, and will continue to have, zero tolerance towards any forms of corruption and bribery in our businesses. This policy covers the responsibilities not just for all individuals in Union Steel, but also third-party agents, consultants and contractors. Training sessions are provided for our employees to ensure that they understand their responsibilities. The Group's suppliers and customers are also being informed about the enhanced policy. The Group is committed to report any and all breaches of conduct to the authorities.

TIER 1: OCCUPATIONAL HEALTH AND SAFETY

The Group continues to emphasize the importance of a safe and healthy work environment to control potential hazards in the workplace.

Due to the business nature of the construction, engineering and marine heavy industries, the Group recognises the added importance of ensuring a safe and healthy environment for both our employees as well as external parties visiting our facilities. We safeguard our employee's health and safety by maintaining rigorous health and safety programmes in accordance with various local and international standards. The Group is ISO 45001:2018 certified.

Our external consultants, as well as internal safety officers, keep us updated on current regulations and ensure that we are compliant with the regulatory requirements in our daily operations. Our health and safety policies, practices and performances are regularly reviewed by the management.

In operational work, our workers are provided with personal protective equipment ("**PPE**"), and we put up signages to indicate the specific areas where PPE must be worn across our yards. We review our safety procedures in weekly toolbox meetings conducted by yard supervisors. Additionally, all external parties are required to have a permit to work before commencing any on-site activities.

In FY2020, 2 minor injury cases were reported at Union Steel's work premises, and zero fatal incident. Management takes an extremely serious view of workplace safety, and all accidents are thoroughly investigated; where appropriate, action will be taken to prevent such incidents from reoccurring. Our goal is to work towards a zero-incident rate.

Workplace Safety and Health Management System

Singapore Standard on occupational safety and health management

British Standard for occupational safety & health management systems

International Standard for occupational health and safety management system

In accordance with the safe-distancing measures mandated by the Singapore Government to curb the spread of COVID-19, the Group has also implemented various adaptations to our operations, including:

- Alternate workdays for office-based employees in order to minimise contact;
- Temperature monitoring for all employees and visitors;
- Restricting employees from moving between work locations within the Group;
- Sending our technical and warehouse-based workers for swab tests on a fortnightly basis;
- Limiting all meetings to 5 persons; and
- Routinely sanitizing and cleaning work premises at least once a day

During period ended 30 June 2020, the Company recorded 2 incidents where we failed to comply to regulations issues and enforced by the Singapore Ministry of Manpower ("**MOM**") on the maximum number of employees that can be present at office premises at any given time (25% of total workforce).

At present, 40% of the Group's technical and warehouse employees are housed in MOM-approved Temporary Living Quarters ("**TLQ**") at various work premises owned or operated by the Group. The validity of all TLQs have been extended to March 2021. The Group intends to seek a further extension to these TLQs in order for our employees to continue staying at their current premises. This would prevent them from relocating back to purpose-built dormitories, thereby lowering the risk of widespread infection should a virus outbreak occur at these dormitories.

CATEGORY	FY2020	FY2019
Number of injuries	2	2
Work injury rate[1]	3	3
Lost day rate[2]	3	3
Work related fatalities	0	0

1 Injury rate refers to the number of work-related incidents per million man-hours worked.

2 Lost day rate refers to the number of man-days lost for every million hours worked.

TIER 1: A RESPONSIBLE EMPLOYER

The Group's human resource policies are strongly grounded in fairness and inclusivity. We recognise the importance of a balanced and inclusive workforce, and that our human capital is our most vital asset. Our corporate office has a diverse mix of employees, with both genders and all age groups well-represented. This allows our employees to benefit from each other, where experienced employees pass down knowledge from decades of industry experience, while younger employees introduce fresh perspectives to their seniors.

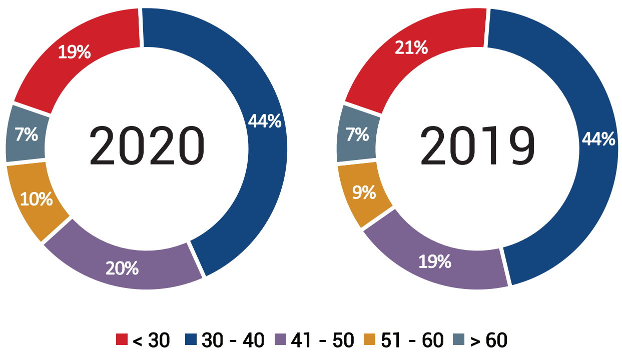
We also greatly encourage teamwork and bonding in our workforce, to inspire all employees to be motivated, helpful, and to feel a sense of belonging to the organisation. Having a committed and dedicated workforce enables us to then achieve our corporate goals. Cohesion is fostered among the staff members through activities such as the annual dinner and dance, and catered lunch buffets on festive occasions such as Deepavali, Christmas, and the Hungry Ghost Festival.

To help our employees grow to their full potentials, training courses are regularly scheduled as part of their professional development. These include productivity courses, ISO 9001, 14001, 18001, on-the-job training, and internal auditor courses. We also ensure that our employee's technical skills are honed and upgraded through certification courses conducted by the BCA Academy, such as electrical wiring, 3G welding, and hydraulic excavator operation. Each department is responsible for monitoring the number of training hours attended by its staff members.

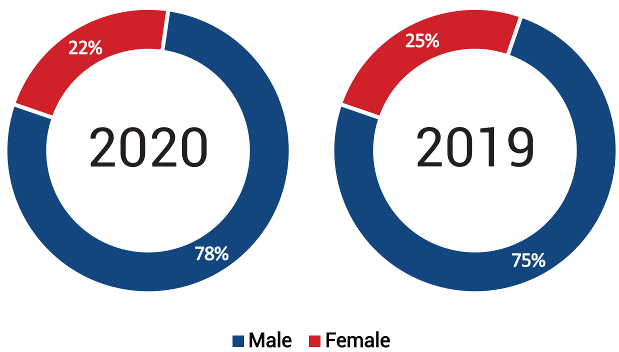
We recognise the importance of investing in our staff and equipping them with knowledge and skills to make better contributions to the Group's business objectives. In the coming years, we will be working towards establishing formal targets for staff training.

Due to the nature of our business, the Group currently has a fairly high number of male employees (78%) compared to female employees (22%). We are committed to open and fair hiring practices without gender bias. We will also continue working on adapting our recruitment policies to be in alignment with those prescribed by the Singapore Government.

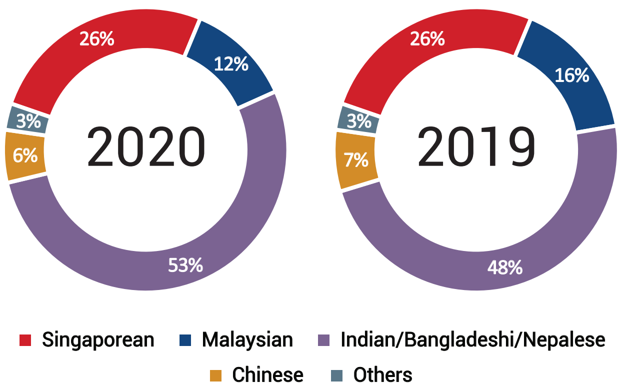
AGE GROUP



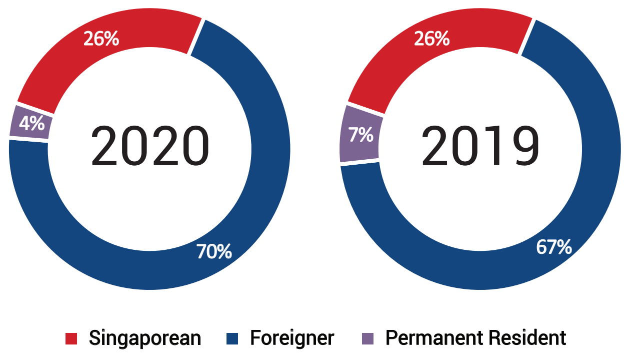
GENDER

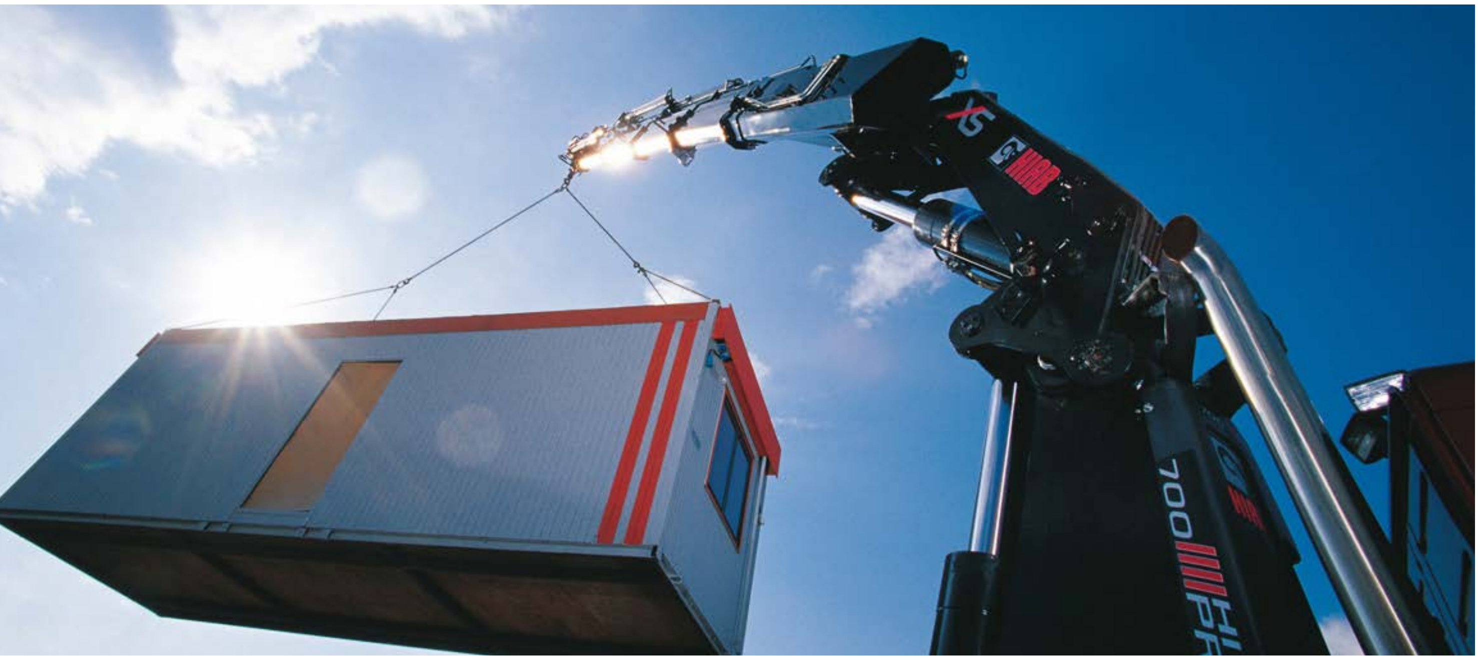


NATIONALITY



RESIDENCY STATUS





TIER 1: WASTE

We believe that we have an important role to play in the conservation of natural resources, and our actions can have a significant impact on the environment. Where possible, we seek to conduct our business in an environmentally responsible manner, with engagement and compliance with regulatory authorities in the jurisdictions where we operate.

Apart from complying with environmental legislation and regulations, we also strive to go above and beyond, by incorporating good environmental practices into our daily processes. At the Group level, our ISO14001:2015 certification shows our commitment in doing our part for the environment, and at the same time serves as a reminder and a guide for our employees as they perform their duties.

Operationally, our metal recycling activities contribute to the conservation of natural resources. Our daily processes involve the collection of metal scrap and sorting them into their respective types and grades. Our sorting activities are a key factor in improving the quantity and quality of each recoverable material in the next stages of the recycling process. Based on the feedback from our customers, we are constantly looking for ways to fine-tune our sorting operations.

We also maximise the recovery through the extraction of non-recyclable attachments out from metal scrap to reduce the environmental impact during the recycling process. Collection of general waste is another business activity where we strive to maximise the recovery of material. We extract metal scrap before disposing at NEA appointed sites. In FY2020, we recovered an estimated 400 tons of metal scrap from general waste (FY2019: estimated 400 tons).

In an effort to reduce our environmental footprint, we also have a fleet renewal programme where vehicles such as excavators and forklifts are periodically replaced with newer and more efficient models with reduced carbon emissions and fuel consumption.

At our corporate offices, we discourage unnecessary printing and encourage the use of digital transmission of data. The Group has also maintained a rigorous zero-power waste policy by ensuring lights and air-conditioning are switched off when not in use. In FY2020, we expanded on our programme of encouraging employees to bring their recyclable waste to centralised collection points within our premises.

TIER 2: BUILDING STRONG CUSTOMER RELATIONSHIPS

Building and maintaining strong long-term relationships is vital for the ongoing success of the Group's business. By being constantly responsive, forthright and approachable, we have built strong long-term relationships with our global network of customers and suppliers over the years. We strive to deliver dedicated solutions and high-quality products to meet the specific requirements of our customers and their industries. Regular gathering of customer feedback is vital to our dedication in the improvement of our customer services.

In FY2020, we have switched almost completely to using online and telecommunication channels for the gathering of customer feedback. Spurred by safe-distancing measures adopted in view of the COVID-19 pandemic, the Group has encouraged customer communications via a variety of channels, including email and online feedback/enquiry forms.

TIER 2: SUPPORTING THE COMMUNITY

The Group gives back to society by donating to a wide range of charitable contributions. These beneficiaries include educational institutions, grassroots organisations, and organisations which provide employment and training opportunities for persons with disabilities.

We are also a member of several trade organisations including the Singapore Metal & Machinery Association, and Singapore Iron Works Merchant Association. These trade organisations encourage the growth and development of their respective industries by building closer ties between member companies as well as with government bodies. As a member of these associations, we are committed to upholding their principles which include, among others, adhering to ethical business practices and the elimination of anti-competitive behaviours.

GRI CONTENT INDEX

This sustainability report, together with the FY2020 Annual Report, has made reference to a number of GRI Standards which are listed in the table below.

	GRI REFERENCE	DISCLOSURE REQUIREMENT	DISCLOSURE	PAGE
GENERAL DISCLOSURES				
GRI 102	**1. Organisational profile**			
	GRI 102-1	Name of the organisation	Corporate Profile	2 - 3
	GRI 102-2	Activities, brands, products, and services	Business Overview	4 - 5
	GRI 102-3	Location of headquarters	33 Pioneer Road North Singapore 628474	
	GRI 102-4	Location of operations	Corporate Profile	3
	GRI 102-5	Ownership and legal form	Corporate Structure	6 - 7
	GRI 102-6	Markets served	Business Overview Financial Highlights	4 - 5 12 -13
	GRI 102-7	Scale of the organisation	Notes to Financial Statements	52 - 104
	GRI 102-8	Information on employees and other workers	Sustainability Report - A Responsible Employer	21
	GRI 102-9	Supply chain	Sustainability Report - Economic Performance	18
	GRI 102-10	Significant changes to the organisation and its supply chain	There were no significant changes to our organisational profile and supply chain during the reporting period.	
	GRI 102-11	Precautionary principle or approach	We do not explicitly refer to the precautionary approach or principle in our risk management framework.	
	GRI 102-12	External initiatives	The Group does not subscribe to any significant external initiatives.	
	GRI 102-13	Membership of associations	Sustainability Report - Supporting The Community	23
	2. Strategy			
	GRI 102-14	Statement from senior decision-maker	Chairman's Statement	8 - 9
	3. Ethics and integrity			
	GRI 102-16	Values, principles, standards, and norms of behavior	Sustainability Report - Anti-Corruption	19
	4. Governance			
	GRI 102-18	Governance structure	Financial Contents	29 - 104

GRI CONTENT INDEX

	GRI REFERENCE	DISCLOSURE REQUIREMENT	DISCLOSURE	PAGE
GENERAL DISCLOSURES				
GRI 102	**5. Stakeholder engagement**			
	GRI 102-40	List of stakeholder groups	Sustainability Report - Stakeholder Engagement	16
	GRI 102-41	Collective bargaining agreements	Not applicable	
	GRI 102-42	Identifying and selecting stakeholders	Sustainability Report - Our Approach to Sustainability	15
	GRI 102-43	Approach to stakeholder engagement	Sustainability Report - Stakeholder Engagement	16
	GRI 102-44	Key topics and concerns raised	Sustainability Report - Stakeholder Engagement	16
	6. Reporting practice			
	GRI 102-45	Entities included in the consolidated financial statements	Corporate Structure	6 - 7
	GRI 102-46	Defining report content and topic boundaries	Sustainability Report - Materiality Assessment	17
	GRI 102-47	List of material topics	Sustainability Report - Materiality Assessment	17
	GRI 102-48	Restatements of information	Not applicable	
	GRI 102-49	Changes in reporting	Not applicable	
	GRI 102-50	Reporting period	Sustainability Report - About This Report	14
	GRI 102-51	Date of most recent report	17 September 2019	
	GRI 102-52	Reporting cycle	This report is generated annually.	
	GRI 102-53	Contact point for questions regarding the report	Sustainability Report - About This Report	14
	GRI 102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI standard: Core option	
	GRI 102-55	GRI content index	Sustainability Report - GRI Content Index	24 - 27
	GRI 102-56	External assurance	Statement Of Corporate Governance	29 - 51

GRI CONTENT INDEX

GRI REFERENCE		DISCLOSURE REQUIREMENT	DISCLOSURE	PAGE
MANAGEMENT APPROACH				
GRI 103	GRI 103-1	Explanation of the material topic and its boundary	Sustainability Report - Stakeholder Engagement	16
	GRI 103-2	The management approach and its components	Sustainability Report - Our Approach to Sustainability	15
	GRI 103-3	Evaluation of the management approach	Sustainability Report - Sustainability Committee	15
ECONOMIC PERFORMANCE				
GRI 201	GRI 201-1	Direct economic value generated and distributed	Sustainability Report - Economic Performance	18
	GRI 201-2	Financial implications and other risks and opportunities due to climate change	We do not explicitly refer to the financial implications & other risks and opportunities due to climate change.	
	GRI 201-3	Defined benefit plan obligations and other retirement plans	Notes to Financial Statements	99
	GRI 201-4	Financial assistance received from government	Notes to Financial Statements	76, 97
ANTI-CORRUPTION				
GRI 205	GRI 205-1	Operations assessed for risks related to corruption	Sustainability Report - Anti-Corruption	19
	GRI 205-2	Communication and training about anti-corruption policies and procedures	Sustainability Report - Anti-Corruption	19
	GRI 205-3	Confirmed incidents of corruption and actions taken	There were no reported incidents of corruption during the reporting period.	
WASTE				
GRI 306	GRI 306-1	Waste generation and significant waste-related impacts	Sustainability Report - Waste	22
	GRI 306-2	Management of significant waste-related impacts	Sustainability Report - Waste	22
	GRI 306-3	Waste generated	Sustainability Report - Waste	22
	GRI 306-4	Waste diverted from disposal	Sustainability Report - Waste	22
	GRI 306-5	Waste directed to disposal	Sustainability Report - Waste	22
ENVIRONMENTAL COMPLIANCE				
GRI 307	GRI 307-1	Non-compliance with environmental laws and regulations	There were no instances of non-compliance with environmental laws & regulations during the reporting period.	

GRI CONTENT INDEX

GRI REFERENCE		DISCLOSURE REQUIREMENT	DISCLOSURE	PAGE
EMPLOYMENT				
GRI 401	GRI 401-1	New employee hires and employee turnover	Sustainability Report - A Responsible Employer	21
	GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	Sustainability Report - A Responsible Employer	21
	GRI 401-3	Parental leave	Both return-to-work and retention rates of employees on parental leave were 100% during the reporting period.	
OCCUPATIONAL HEALTH AND SAFETY				
GRI 403	GRI 403-1	Occupational health and safety management system	Sustainability Report - Occupational Health and Safety	20
	GRI 403-2	Hazard identification, risk assessment, and incident investigation	Sustainability Report - Occupational Health and Safety	20
	GRI 403-3	Occupational health services	Sustainability Report - Occupational Health and Safety	20
	GRI 403-4	Worker participation, consultation, and communication on occupational health and safety	Sustainability Report - Occupational Health and Safety	20
	GRI 403-5	Worker training on occupational health and safety	Sustainability Report - Occupational Health and Safety	20
	GRI 403-6	Promotion of worker health	Sustainability Report - Occupational Health and Safety	20
	GRI 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	Sustainability Report - Occupational Health and Safety	20
	GRI 403-8	Workers covered by an occupational health and safety management system	Sustainability Report - Occupational Health and Safety	20
	GRI 403-9	Work-related injuries	Sustainability Report - Occupational Health and Safety	20
	GRI 403-10	Work-related ill health	Sustainability Report - Occupational Health and Safety	20

FINANCIAL CONTENTS

Union Steel Holdings Limited ("**Company**") and its subsidiaries (collectively "**Group**") are committed to set corporate governance practices in place which are in line with the recommendations of the Code of Corporate Governance 2018 ("**Code**") to provide the structure through which the objectives of protection of shareholders' interest and enhancement of long term shareholders' value are met.

This report describes the corporate governance practices adopted by the Company for the financial year ended 30 June 2020 with specific reference made to each of the principles of the Code. The Company has complied substantially with the requirements of the Code and will continue to review its practices on an ongoing basis. It has provided an explanation for any deviation from the Code, where applicable.

(A) BOARD MATTERS

Board's Conduct of its Affairs

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

The Board's primary role is to protect and enhance long-term shareholders' value. Its responsibilities are distinct from Management responsibilities. It sets the overall strategy for the Group and supervises executive Management. To fulfil this role, the Board sets strategic direction, establishes goals for Management and monitors the achievement of these goals, thereby taking responsibility for the overall corporate governance of the Group.

In addition to its statutory duties, the principal functions of the Board are:

(1) approving policies, strategies and financial objectives of the Company and reviewing Management's performance;

(2) overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;

(3) approving nomination and appointment of directors, committee members and key personnel; and

(4) approving annual budget, major funding and expansion proposals, capital investment, major acquisition and divestment proposals.

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

To assist in the execution of its responsibilities, the Board has established a number of Board Committees, namely the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**") (collectively "**Board Committees**"). These Board Committees function within clearly defined terms of reference and operating procedures, which are reviewed on a regular basis to ensure their continued relevance. The effectiveness of each Board Committees is also constantly monitored.

The Board currently holds at least 2 scheduled meetings each year. In addition, it holds additional meetings at such other times as may be necessary to address specific significant matters that may arise. Important matters concerning the Group are also put to the Board for its decision by way of written resolutions. The Company's Constitution has provision for Board meetings to be held via telephone or videoconference.

The following table discloses the number of meetings held for Board and Board Committees and the attendance of all Directors for the financial year ended 30 June 2020:

	Board		Audit Committee		Nominating Committee		Remuneration Committee		Annual General Meeting	
Name	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Ang Yu Seng	3	3	3	3*	1	1	1	1*	1	1
Ang Yew Chye	3	3	3	3*	1	1*	1	1*	1	1

Name	Board		Audit Committee		Nominating Committee		Remuneration Committee		Annual General Meeting	
	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended	No. of Meetings Held	No. of Meetings Attended
Siau Kai Bing	3	3	3	3	1	1	1	1	1	1
Tan Min-Li	3	3	3	3	1	1	1	1	1	1
Wong Loke Tan	3	3	3	3	1	1*	1	1	1	1
Goi Kok Ming (Wei Guoming)[1]	3	2	3	2*	1	-	1	-	1	1

* By invitation

(1) Mr. Goi Kok Ming (Wei Guoming) was appointed as the Non-Executive Director on 8 August 2019.

The Board has adopted a set of internal guidelines setting forth matters that require Board approval. Matters which are specifically reserved for the Board's decision are those involving significant acquisitions, disposals and financing proposals, reviewing and approving the Group's corporate policies, monitoring the performance of the Group and transactions relating to investment, financing and legal and corporate secretarial. The Management understands that these matters require approval from the Board. The Board will review these internal guidelines on a periodic basis to ensure their relevance to the operations of the Company. Directors are required to act in good faith and discharge their fiduciary duties and responsibilities in the interest of the Company at all times.

The Directors are also updated regularly on changes to the Singapore Exchange Trading Securities Limited ("**SGX-ST**") listing rules, risk management, corporate governance, insider trading and the key changes in the relevant regulatory requirements and financial reporting standards and the relevant laws and regulations to facilitate effectively discharge of their fiduciary duties as Board or Board Committee members.

News releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority ("**ACRA**") which are relevant to the Directors are circulated to the Board. The Company Secretaries would inform the Directors of upcoming conferences and seminars relevant to their roles as Directors of the Company. Annually, the external auditors ("**EA**") update the AC and the Board on the new and revised financial reporting standards that are applicable to the Company or the Group.

The Company has an orientation programme for all new Directors and also for Directors to attend any appropriate training programme in order to discharge their duties as Directors.

Directors are encouraged to attend seminars and receive training to improve themselves in the discharge of Directors' duties and responsibilities. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education and training on the Board processes and best practices as well as updates on changes in legislation and financial reporting standards, regulations and guidelines from the SGX-ST Listing Rules that affect the Company and/or the Directors in discharging their duties.

Newly appointed Directors will be briefed by the Management on the business activities of the Group, governance policies, policies on disclosure of interests in securities, the rules relating to disclosure of any conflict of interest in a transaction involving the Company, prohibitions in dealing in the Company's securities and restrictions on disclosure of price-sensitive information. In addition, the Management regularly updates and familiarises the Directors on the business activities of the Company during the Board meetings.

A formal letter of appointment would be furnished to every newly appointed Director upon their appointment explaining, among other matters, their roles, obligations, duties and responsibilities as a member of the Board.

Board Composition and Guidance

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

Presently, the Board comprises two (2) Executive Directors, one (1) Non-Executive Director and three (3) Independent Directors:

Name of Director	Board	Audit Committee	Nominating Committee	Remuneration Committee
Mr. Ang Yu Seng	Executive Chairman and Chief Executive Officer	-	Member	-
Mr. Ang Yew Chye	Executive Director	-	-	-
Mr. Goi Kok Ming (Wei Guoming) (1)	Non-Executive Director	-	-	-
Mr. Siau Kai Bing	Lead Independent Director	Chairman	Member	Member
Mr. Wong Loke Tan	Independent Director	Member	-	Chairman
Ms. Tan Min-Li	Independent Director	Member	Chairman	Member

(1) Mr. Goi Kok Ming (Wei Guoming) was appointed as the Non-Executive Director on 8 August 2019.

There is presently a strong and independent element on the Board. Half of the Board is made up of Independent Directors and the independence of each Director is reviewed by the NC. The criteria for independence is determined based on the definition as provided in the Code and the independence of each Director is reviewed annually by the NC. The Board considers an Independent Director as one who has no relationship with the Company, its related companies, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment of the Group's affairs. The NC has reviewed the independence of each Independent Director and is of the view that these Directors are independent.

In line with Guideline 2.4 of the Singapore Code of Corporate Governance 2012, the NC has conducted a rigorous review on the independence of the Independent Director, Mr. Siau Kai Bing and has considered that Mr. Siau Kai Bing is independent even though he has served on the Board beyond 9 years. The relevant factors that were taken into consideration in determining the independence of Mr. Siau Kai Bing are set out in Principle 4 below.

The Board considers that the present Board size and number of Committees facilitate effective decision-making and are appropriate for the nature and scope of the Company's operations. The Board will constantly examine its size with a view to determine its impact upon its effectiveness.

The Directors appointed are qualified professionals who, as a group, possess a diverse range of expertise to provide core competencies such as accounting or finance, business or management experience, industry knowledge.

The Non-Executive Director and Independent Directors exercise no management functions in the Group. The role of the Non-Executive Director and Independent Directors is particularly important in ensuring that the strategies proposed by Management are fully discussed and rigorously examined and reviewing the performance of Management in meeting agreed goals and objectives and monitor the reporting of performance.

The Company co-ordinates informal meeting sessions for the Non-Executive Director and Independent Directors to meet on a need-basis without the presence of the Management to discuss matters such as the Group's financial performance, corporate governance initiatives, Board processes, succession planning as well as leadership development and the remuneration of the Executive Directors.

Profiles of the Board are set out in "Board of Directors" section of this Annual Report.

Chairman and Chief Executive Officer ("CEO")

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

Mr. Ang Yu Seng, the Executive Chairman and CEO, is also the controlling shareholder of the Company, takes an active role in the Management of the Group.

The responsibilities of the Chairman include:

(1) scheduling of meetings to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;

(2) ensuring that Directors receive accurate, timely and clear information, and ensuring effective communication with shareholders;

(3) ensuring the Group's compliance with the Code; and

(4) acting in the best interest of the Group and the shareholders.

The Company Secretaries may be called to assist the Chairman in any of the above. As the CEO, Mr. Ang Yu Seng is responsible for the overall management, strategic direction, ensuring that its organisational objectives are achieved and the day-to-day operations of the Group.

The Board had appointed Mr. Siau Kai Bing as the Lead Independent Director to co-ordinate and to lead the Independent Directors to provide a non-executive perspective and contribute to a balance of viewpoints on the Board. He is the principal liaison on Board issues between the Independent Directors and the Executive Chairman. He is available to shareholders when they have concerns or contact through the normal channels of the Executive Chairman and CEO / Group Finance Manager has failed to resolve or is inappropriate.

The Independent Directors, led by the Lead Independent Director, meet amongst themselves without the presence of the other Directors where necessary and the Lead Independent Director will provide feedback to the Chairman after such meetings.

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.

The Board, through the delegation of its authority to the NC, has used its best efforts to ensure that Directors appointed to the Board possess the relevant background, experience and knowledge in business, finance and management skill to enable the Board to make effective decisions.

The NC comprises two (2) Independent Directors and one (1) Executive Director as follows:

<u>Nominating Committee</u>

Ms. Tan Min-Li (Chairman)
Mr. Ang Yu Seng
Mr. Siau Kai Bing

Based on the written terms of reference approved by the Board, the principal functions of the NC are:

(1) reviewing and making recommendations to the Board on all candidates nominated for appointment to the Board of the Company and of its subsidiaries;

(2) reviewing and recommending to the Board on an annual basis, the Board structure, size and composition, taking into account, the balance between Executive Directors, Non-Executive Directors and Independent Directors to ensure that the Board as a whole possesses the right blend of relevant experiences and core competencies to effectively manage the Company;

(3) procuring that at least one-third of the Board shall comprise Independent Directors;

(4) identifying and making recommendations to the Board as to which Directors are to retire by rotation and to be put forward for re-election at each Annual General Meeting ("**AGM**") of the Company, having regard to the Directors' contribution and performance, including the Independent Directors;

(5) determining whether a Director is independent; and

(6) proposing a set of objective performance criteria to the Board for approval and implementation, evaluating the effectiveness of the Board as a whole and the contribution of each Director to the effectiveness of the Board.

The NC is responsible for identifying and recommending new Directors to the Board, after considering the necessary and desirable competencies. In selecting potential new Directors, the NC will seek to identify the competencies required to enable the Board to fulfil its responsibilities. The NC may engage consultants to undertake research on, or assess, candidates applying for new positions on the Board, or to engage such other independent experts, as it considers necessary to carry out its duties and responsibilities. Recommendations for new Directors are put to the Board for its consideration.

New Directors are appointed by way of a Board resolution following which they are subject to re-election at the next AGM.

The Company's Constitution requires one-third of the Board (except for the Managing Director) to retire by rotation at every AGM. Directors who retire are eligible to offer themselves for re-election. Pursuant to Regulation 97 of the Company's Constitution, Directors of the Company who were newly appointed by the Board since the last AGM will have to retire at the forthcoming AGM.

In considering whether an Independent Director who has served on the Board beyond 9 years is still independent, the Board has taken into consideration the following factors:

(1) the amount of experience and wealth of knowledge that the Independent Director brings to the Company;

(2) the attendance, active participation and ability to express his views independently at all times and present constructive challenges on issues, in the proceedings and decision-making process of the Board and Board Committee meetings;

(3) provision of continuity and stability to the Management at the Board level as the independent Director has developed deep insight into the business of the Company and possesses experience and knowledge of the business;

(4) the qualifications of the Independent Director and his expertise provide reasonable checks and balances for the Management;

(5) the Independent Director has provided adequate attention and sufficient time has been devoted to the proceedings and business of the Company. He is adequately prepared, responsive and heavily involved in the discussions at the meeting; and

(6) the Independent Director provides overall guidance to Management and acts as a safeguard for the protection of Company's assets and shareholders' interests.

In this regard, the NC has conducted a rigorous review of the suitability of Mr. Siau Kai Bing being the Independent Director who has served on the Board beyond 9 years and has determined that Mr. Siau Kai Bing remains independent. Mr. Siau Kai Bing had abstained from voting on any resolution in respect of his own appointment. In addition, the NC is of the view that Mr. Wong Loke Tan and Ms. Tan Min-Li are independent (as defined in the Code) and are able to exercise judgement on the corporate affairs of the Group independent of the Management.

Despite some of the Directors having other Board representations, the NC is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company. Currently, the Board has not determined the maximum number of listed Board representations which any director may hold. The NC and the Board will review the requirement to determine the maximum number of listed Board representations as and when it deems fit.

There is no alternate Director being appointed to the Board for the financial year ended 30 June 2020.

The NC has recommended to the Board that Mr. Ang Yu Seng and Mr. Wong Loke Tan be nominated for re-election under Regulation 91 of the Company's Constitution at the forthcoming AGM. The Board had accepted the NC's recommendation.

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

The key information regarding Directors such as academic and professional qualifications, Board Committees served, directorships or chairmanships both present and past held over the preceding three years in other listed companies and other major appointments, whether the appointment is executive or non-executive are set out in "Particulars of Directors pursuant to the Code of Corporate Governance" in the Annual Report.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual Directors.

While the Code recommends the NC being responsible for assessing the Board as a whole and also the individual evaluation of each Directors' contribution, the NC is of the view that it is more appropriate and effective to assess the Board as a whole, bearing in mind that each member of the Board contributes in different way to the success of the Company and Board decisions are made collectively.

The NC has established a review process to assess the performance and effectiveness of the Board as a whole, the Board Committees and individual self-assessment to assess each Director's contribution to the Board's effectiveness. During FY2020, all Directors were requested to complete a Board Committees, Board and Individual Director Evaluation questionnaire designed to seek their views on the various aspects of the Board's performance so as to assess the overall effectiveness of the Board. No external facilitator was used during the evaluation process in FY2020.

The responses were collated and reviewed by the NC which then makes recommendations to the Board aimed at helping the Board to discharge its duties more effectively. The appraisal process focuses on a set of performance criteria which includes the evaluation of the size and composition of the Board, the Board's access to information, Board processes and accountability, Board performance in relation to discharging its principal responsibilities and the Directors' standards of conduct. Following the review, the NC is of the view that the Board and its Board Committees operate effectively and each Director is contributing to the overall effectiveness of the Board.

The Board and the NC have endeavoured to ensure that Directors appointed to the Board possess the relevant experience, knowledge and expertise critical to the Group's business.

(B) REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The RC comprises three (3) Independent Directors as follows:

Remuneration Committee

Mr. Wong Loke Tan (Chairman)
Mr. Siau Kai Bing
Ms. Tan Min-Li

The RC is established for the purpose of ensuring that there is a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. The overriding principle is that no Director should be involved in deciding his or her own remuneration. It has adopted written terms of reference that defines its membership, roles and functions and administration.

The duties of the RC are as follows:

(1) reviewing and recommending to the Board a framework of remuneration and specific remuneration packages for all Directors of the Company;
(2) reviewing the service contracts of Executive Directors;
(3) reviewing and enhancing the compensation structure with incentive performance for key management personnel; and
(4) overseeing the general compensation of employees of the Group with a goal to motivate, recruit and retain employees and directors through competitive compensation and progressive policies.

No Director is involved in deciding his own remuneration, except in providing information and documents if specifically requested by the RC to assist in its deliberations.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises. The expenses of such services shall be borne by the Company. There were no remuneration consultants engaged by the Company in FY2020.

In reviewing the service agreements of the Executive Directors and key management personnel of the Company, the RC will review the Company's obligations arising in the event of termination of these service agreements 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.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

The remuneration policy of the Company is to provide compensation packages at market rates, which reward successful performance and attract, retain and motivate Directors and key Senior Management.

The Executive Directors' and key Senior Management remuneration packages are based on service agreements and their remuneration is determined by having regard to the performance of the individuals, the Group and industry benchmarks. The remuneration package for the Executive Directors and key Senior Management staff are made up of both fixed and variable components. The variable component is determined based on the performance of the individual employee as well as the Group's performance. The service agreements of the Executive Directors have been renewed for a further period of 3 years with effect from 1 July 2018. The Executive Directors do not receive Directors' fees.

Non-Executive Director and Independent Directors are paid Directors' fees of an agreed amount based on their contributions, taking into account factors such as effort and time spent and the respective responsibilities of the Directors. Directors' fees are recommended by the Board for approval at the Company's AGM.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Company. The Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedy against the Executive Directors in the event of such breach of fiduciary duties.

Directors' Remuneration

Principle 8: The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

A breakdown showing the level and mix of remuneration paid/payable for the financial year ended 30 June 2020 to each individual Director of the Company is as follows:

Name of Director	Salary	Bonus	Director's Fees	Allowances and Other Benefits	Total
	%	%	%	%	%
S$500,000 to below S$750,000					
Mr. Ang Yu Seng	79	6	-	15	100
S$250,000 to below S$500,000					
Mr. Ang Yew Chye	76	6	-	18	100
Below S$250,000					
Mr. Goi Kok Ming (Wei Guoming) [(1)]	-	-	100	-	100
Mr. Siau Kai Bing	-	-	100	-	100
Mr. Wong Loke Tan	-	-	100	-	100
Ms. Tan Min-Li	-	-	100	-	100

[(1)] Mr. Goi Kok Ming (Wei Guoming) was appointed on 8 August 2019.

For the financial year ended 30 June 2020, the Company only identified 1 key management personnel. Details of remuneration paid to top key management personnel of the Group (who is not Directors or CEO) for the financial year ended 30 June 2020 are set out below:

Name of Key Management Personnel	Salary	Bonus	Allowances and Other Benefits	Total
	%	%	%	%
S$250,000 to below S$500,000				
Mr. Wilson Ong	71	16	13	100

Given the general sensitivity and confidentiality of remuneration matters, the Company is not disclosing the remuneration of each Director and key management personnel of the Group. However, the Company adopts the disclosure of remuneration in bands of S$250,000 which would provide a good overview and is informative of the remuneration of each Director and key management personnel.

There were no terminations, retirement or post-employment benefits granted to Directors and key management personnel other than the standard contractual notice period termination payment in lieu of service for FY2020.

Immediate Family Members of Directors or CEO

There are two employees of the Group who are immediate family members of the Company's Executive Directors, Mr. Ang Jun Long, son of Mr. Ang Yu Seng and Ms. Ang Ru Mei, Renne, daughter of Mr. Ang Yew Chye. The basis for determining the compensation of our related employees is the same as the basis of determining the compensation of other unrelated employees.

Details of remuneration paid to the immediate family members of Directors or CEO for the financial year ended 30 June 2020 are set out below:

Name of Immediate Family Member	Salary	Bonus	Allowances and Other Benefits	Total
	%	%	%	%
S$100,000 to below S$250,000				
Mr. Ang Jun Long	75	7	18	100
S$50,000 to below S$100,000				
Ms. Ang Ru Mei, Renne	92	8	-	100

Save for the above disclosure, the Company does not have any employee who is an immediate family member of a Director or CEO in the financial year ended 30 June 2020.

In view of confidentiality of remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose the exact remuneration of Directors and key management personnel in the Annual Report.

(C) ACCOUNTABILITY AND AUDIT

Risk Management and Internal Control

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

The Board is responsible for the overall risk management and internal control framework, but acknowledges that no cost-effective risk management and internal controls system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The internal controls in place will address the financial, operational, compliance and information technology risks, and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss and assets are safeguarded.

As the Group does not have a risk management committee, the Board and Management assume the responsibility of the risk management function. Management is responsible for designing, implementing and monitoring the risk management and internal control systems. 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. Management reviews significant policies and procedures and highlights significant matters to the Board and the AC.

Relying on the reports from the internal auditors ("**IA**") and EA, the AC carried out assessments of the adequacy and effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls or recommendations from the IA and EA to further improve the internal controls were reported to the AC. The AC will also follow up on the actions taken by the Management and on the recommendations made by both the IA and EA.

As the Group continues to grow and with the business environment evolving, the Board will continue to review and take appropriate steps to strengthen the Group's overall system of risk management and internal controls. The Board and the AC also noted that all internal controls contain inherent limitations and no systems of internal controls could provide absolute assurance against the occurrence of material errors, poor judgment in decision making, human errors, losses, fraud or other irregularities.

The CEO and the Group Finance Manager have assured the Board that:

(1) the financial records have been properly maintained and the financial statements for the financial year ended 30 June 2020 give a true and fair view of the Company's operations and finances; and

(2) the Group risk management and internal control systems are operating adequately and effectively in all material aspects given its current business environment.

Based on the reports and work performed by both the EA and IA, the assurance from Management and the on-going review as well as the continuing efforts in enhancing controls and processes which are currently in place, the Board, with the concurrence of the AC, is of the opinion that there are adequate and effective internal controls and risk management systems in place for the Group to address financial, operational, compliance and information technology risks of the Group as at 30 June 2020.

Audit Committee

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

The AC comprises entirely of Independent Non-Executive Directors which are as follows:

Audit Committee

Mr. Siau Kai Bing (Chairman)
Mr. Wong Loke Tan
Ms. Tan Min-Li

The AC is established to assist the Board with discharging its responsibility of safeguarding the Company's assets, maintaining adequate accounting records and developing and maintaining effective systems of internal control. The Board is of the opinion that the members of the AC possess the necessary accounting or related financial management qualifications, expertise and experience in discharging their duties. The details of the Board member's qualifications and experience are presented in this Annual Report under the heading "Board of Directors".

The AC has written terms of reference, setting out their duties and responsibilities, which include the following:

(1) monitor the integrity of the financial information provided by the Company;

(2) assess and challenge, where necessary, the correctness, completeness, and consistency of financial information (including interim reports) before submittal to the Board for approval or made public;

(3) review any formal announcements relating to the Company's financial performance;

(4) discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the EA and the IA where necessary;

(5) assess the adequacy and effectiveness of the internal controls and risk management (including financial, operational, compliance, information technology controls) systems established by Management to identify, assess, manage, and disclose financial and non-financial risks (including those relating to compliances with existing legislation and regulation) at least once a year in compliance with Guideline 10.1 of the Code;

(6) review and ensure that the assurance has been received from the CEO (or equivalent) and the Group Finance Manager in relation to the interim/final unaudited financial statement and system of the risk management and internal control;

(7) review the IA's reports on the effectiveness of the systems for internal controls, financial reporting and risk management;

(8) monitor and assess the role and effectiveness of the internal audit function in the overall context of the Company's risk management system;

(9) in connection with the terms of engagement to the EA, to make recommendations to the Board on the selection, appointment, reappointment, and resignation of the EA based on a thorough assessment of the EA's functioning, and approve the remuneration and Terms of Engagement of the EA;

(10) monitor and assess the EA's independence and keep the nature and extent of non-audit services provided by the EA under review to ensure the EA's independence or objectivity is not impaired;

(11) assess, at the end of the audit cycle, the effectiveness of the audit process;

(12) review interested person transactions to consider whether they are on normal commercial terms and are not prejudicial to the interests of the Company or its minority shareholders; and

(13) review the Company's procedures for detecting fraud and ensure that arrangements are in place by which staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting, financial control, or any other matters.

Apart from the duties listed above, the AC is given the task of commissioning investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Company's operating results or financial position, and to review its findings.

The AC had evaluated the performance of the external auditors based on the key indicators of audit quality set out in the Guidance to Audit Committees on Evaluation of Quality of Work performed by External Auditors.

The AC has full access to and the co-operation of Management and the full discretion to invite any Director or Executive Officer to attend its meetings and has reasonable resources to enable it to discharge its functions properly. The EA had unrestricted access to the AC.

The AC is satisfied that the external auditors of the Company, Deloitte & Touche LLP (“**DT**”), an ACRA registered auditing firm, are independent and had provided a confirmation of their independence to the AC. The AC had assessed the EA based on factors such as performance, adequacy of resources and experience of their audit engagement partners and audit team assigned to the Group’s audit, as well as the size and complexity of the Group. For FY2020, the Company confirms that it is in compliance with Rules 712 and 715 of the Listing Manual of the SGX-ST in relation to the appointment of audit firms for the Group. No former partner or director of the Company’s existing auditing firm has acted as a member of the AC.

The AC will meet with the EA and the IA without the presence of the Management as and when necessary to review the adequacy of audit arrangements with emphasis on the scope and quality of their audit, the independence, objectivity and observations of the EA. The AC inquired and noted that there were no non-audit services by the EA in FY2020 and that no non-audit fees were paid to the EA. For the financial year ended 30 June 2020, the fees charged to the Group by the EA for audit services were approximately S$180,000.

In line with the Group’s policy on periodic review of the appointment of external auditors, an audit tender exercise was conducted in FY2020 where the AC recommended, and the Board endorsed, the appointment of Nexia TS Public Accounting Corporation (“**Nexia**”) as the Group’s external auditors in place of DT as the Group’s EA for shareholders’ approval at the forthcoming AGM. Considerations for the evaluation of the recommendation were based on ACRA’s Audit Quality Indicators Disclosure Framework and guidelines set out in the Guidebook for Audit Committees in Singapore and the Audit Committee Guide issued by the Singapore Institute of Directors. The proposed appointment of Nexia complies with Rules 712 and 715 of the Listing Manual. Further information on the proposed change of external auditors is set out in the Appendix to this Annual Report.

Anti-Bribery Compliance Policy

The Group has implemented an anti-bribery compliance policy to demonstrate its commitment and has provided standards of conduct for employees and third-party representatives to conduct its businesses in a professional, fair, ethical manner and in compliance with anti-bribery and corruption laws in the various jurisdictions in which the Group has its business presence.

As of to-date, there were no reports received through the anti-bribery channels.

Fraud Risk Management Policy

The Group has implemented a fraud risk management policy to prevent, detect and respond to incidents of fraud. Any acts of fraud committed by employees or parties may face consequences such as disciplinary warnings, termination of employment or other contractual relationship, and be reported to the appropriate law enforcement or regulatory body.

Fraud risk assessment, fraud communication and training, background and due diligence checks are preventive measures taken by the Group to detect fraud.

This policy is reviewed at least annually and revised, where applicable, to meet the changing needs of the Group.

As of to-date, there were no incidents of fraud detected.

Whistle-Blowing Policy

The Group also has implemented a whistle-blowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters which they become aware and to ensure that:

(1) independent investigations are carried out in an appropriate and timely manner;

(2) appropriate action is taken to correct the weakness in internal controls and policies which allowed the perpetration of fraud and/or misconduct and to prevent a recurrence; and

(3) administrative, disciplinary, civil and/or criminal actions that are initiated following the completion of investigations are appropriate, balance and fair, while providing reassurance that employees will be protected from reprisals or victimisation for whistle-blowing in good faith and without malice.

As of to-date, there were no reports received through the whistle-blowing mechanism.

The AC is kept updated annually or from time to time on any changes to the accounting and financial reporting standards by the EA. No former partner or director of the Company's existing auditing firm or auditing corporation has acted as a member of the AC.

Internal Audit Function

The Company has outsourced its internal audit functions and has appointed a professional firm, Ardent Business Advisory Pte. Ltd. as the IA. The IA reviews the effectiveness of internal controls as directed by the AC. Procedures are in place for the IA to report independently on their findings and recommendations to the AC for review. Management will update the AC on the status of the remedial action plans. The IA has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC. The AC approves the hiring, removal, evaluation and compensation of the internal audit function which the IA is outsourced.

(D) SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights and Conduct of General Meetings

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

The Company does not practise selective disclosure. In line with the continuous obligations of the Company under the SGX-ST Listing Manual and the Companies Act, Chapter 50, the Board's policy is that all shareholders should equally and on a timely basis be informed of all major developments that impact the Group via SGXNet.

Shareholders are informed of general meetings through the announcements released to the SGXNet and notice contained in the annual report or circulars sent to all shareholders. These notices are also advertised in a national newspaper. Shareholders are also informed on the procedures for the poll voting at the general meetings. All shareholders are entitled to attend the general meetings and provide the opportunity to participate in the general meetings. If any shareholders are unable to attend, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the general meeting through proxy forms sent in advance. The Company's current Constitution does not include the nominee or custodial services to appoint more than two proxies.

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 purchase shares on behalf of the CPF investors.

The shareholders are encouraged to attend the Company's general meetings to ensure a high level of accountability and to stay informed of the Group's strategies and growth plans. Notice of the general meetings are dispatched to shareholders, together with explanatory notes or a circular on items of special businesses (if necessary), at least 14 clear calendar days before the meeting. The Board welcomes questions from shareholders who wish to raise issues, either informally or formally before or during the general meetings.

Each item of special business included in the notice of the general meetings will be accompanied by explanation of the effects of a proposed resolution. Separate resolutions are proposed for each substantially separate issue at general meetings.

All Directors, including the Chairman of the AC, NC and RC are normally present and available to address questions relating to the work of their respective Board Committees at general meetings. Furthermore, the EA is present to assist our Board in addressing any relevant queries by our shareholders.

The Company will make available minutes of general meetings to shareholders upon their request.

The Company acknowledges that voting by poll in all its general meetings is integral in the enhancement of corporate governance. The Company adheres to the requirements of the Listing Manual of the SGX-ST and the Code where all resolutions at the Company's general meetings held on or after 1 August 2015, are put to vote by poll. The detailed results of each resolution are announced via SGXNet after the general meetings. The Company has adopted electronic polls for all resolutions noted at the AGM held in FY2020.

The Company will publish the minutes of general meetings of shareholders on both the SGX website via SGXNet and the Company's website as soon as practicable.

The Group does not have a concrete dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Board does not recommend any dividend for FY2020 on the basis that the Group has reported a loss in FY2020.

ENGAGEMENT WITH SHAREHOLDERS

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

The Company believes in high standards of transparent corporate disclosure and is committed to disclosing to its shareholders the information in a timely and fair manner via SGXNet. Where there is inadvertent disclosure made to a selected Group, the Company will make the same disclosure publicly to all others as soon as practicable. Communication is made through:

- annual report prepared and issued to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments, if any, and other disclosures required by the Companies Act, Chapter 50 and Singapore Financial Reporting Standards;
- interim announcements containing a summary of the financial information and affairs of the Group for that period;
- press releases on major developments of the Group;
- notices of explanatory memoranda for AGMs and Extraordinary General Meetings ("**EGM**"). The notice of AGM and EGM are also advertised in a national newspaper; and
- the Company's website at "https://www.unionsteel.com.sg" at which shareholders can access financial information, corporation announcements, press releases, annual reports and profile of the Group.

By supplying shareholders with reliable and timely information, the Company is able to strengthen the relationship with its shareholders based on trust and accessibility.

To enable shareholders to contact the Company easily, the Shareholders may reach the Corporate Marketing & Finance Team of the Company at the registered office of the Company and the contact details are set out in the corporate information of the Annual Report as well as on the Company's website.

MANAGING STAKEHOLDINGS RELATIONSHIPS

Engagement with Stakeholders

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

The Company acknowledges the importance of establishing effective communication among the stakeholders through regular engagement and various communication platforms to achieve mutually beneficial goals.

The Company has identified five key stakeholders' groups, namely, the shareholders and investors, customers, suppliers, employees and public and communities. The Company's approach to the engagement with key stakeholders and materiality assessment were disclosed in the Company's Sustainability Report for FY2020 where the Company would continue to monitor and improve to ensure that the best interest of the Company.

The Company does not practice selective disclosure. Price-sensitive information is first publicly released through SGXNet, before the Company meets with any investors or analysts. All shareholders of the Company will receive the annual report with notice of AGM by post and published in the newspapers within the mandatory period, which is held within four months after the close of the financial year.

For FY2020, due to the COVID-19 situation and in line with the provisions under the Alternative Arrangements Order, no printed copies of the Annual Report and Notice of AGM will be despatched to the shareholders, electronic copies will be made available instead on the following websites:

- https://www.unionsteel.com.sg
- https://agm.conveneagm.com/unionsteel
- https://www.sgx.com/securities/company-announcements

To promote regular, effective and fair communication with stakeholders, the Company maintains a corporate website at https://www.unionsteel.com.sg, through which stakeholders are able to access up-to date information on the Group. The website provides annual reports, financial information, stock information, profiles of the Group, and contact details of the investor relations of the Group.

(E) DEALINGS IN COMPANY'S SECURITIES

In compliance with Rule 1207(19) of the SGX-ST Listing Manual, the Company has adopted a Code of Best Practices to provide guidance to its officers on securities transactions by the Company and its officers.

The Company and its officers are not allowed to deal in the Company's shares during the period commencing two weeks before the announcement of the Company's financial results for the first half-year of its financial year, and one month before the announcement of the Company's full-year financial results and ending on the date of the announcement of the relevant results.

Directors and executives are also expected to observe insider-trading laws at all times even when dealing with securities within the permitted trading period or when they are in possession of unpublished price-sensitive information and they are not to deal in the Company's securities on short-term considerations.

(F) MATERIAL CONTRACTS

There were no material contracts of the Company and its subsidiaries involving the interests of the CEO, each Director or controlling shareholder, either still subsisting at the end of the financial year or entered into since the end of the previous financial year.

(G) INTERESTED PERSON TRANSACTIONS

The Company has established a procedure for recording and reporting interested person transactions ("**IPTs**"). All IPTs are subject to review by the AC to ensure that they were conducted on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders.

There were no IPTs and any of its interested persons (namely, Directors, CEO or controlling shareholders of the Group or the associates of such Directors, CEO or controlling shareholders) subsisting for the financial year ended 30 June 2020.

PARTICULARS OF DIRECTORS PURSUANT TO THE CODE OF CORPORATE GOVERNANCE

Name of Director	Board Appointment Executive/Non-Executive	Board Committees as Chairman or Member	Directorship Date First Appointed	Date of Re-election	Directorships in the other listed companies and other major appointments	Past directorships in other listed companies and other major appointments over the preceding 3 years
Mr. Ang Yu Seng	Executive Chairman and Chief Executive Officer	• Chairman of the Board • Member of the Nominating Committee	12 August 2004	22 October 2018	Nil	Nil
Mr. Ang Yew Chye	Executive Director	• Board Member	12 August 2004	24 October 2019	Nil	Nil
Mr. Siau Kai Bing	Lead Independent Director	• Board Member • Chairman of the Audit Committee • Member of the Nominating Committee & Remuneration Committee	28 June 2005	24 October 2019	• Nordic Group Limited	Nil
Ms. Tan Min-Li	Independent Director	• Board Member • Chairman of the Nominating Committee • Member of the Audit Committee & Remuneration Committee	1 April 2015	22 October 2018	• CNPLaw LLP • Anchun International Holdings Ltd. • Ocean Sky International Limited	Nil
Mr. Wong Loke Tan	Independent Director	• Board Member • Chairman of the Remuneration Committee • Member of the Audit Committee	18 November 2016	24 October 2017	• Koyo International Limited • Adventus Holdings Limited • K2 F&B Holdings Limited • International Cement Group Ltd.	Nil
Mr. Goi Kok Ming (Wei Guoming)	Non-Executive Director	• Board Member	8 August 2019	24 October 2019	• GSH Corporation Limited • Hanwell Holdings Limited • Serial System Ltd	Nil

ADDITIONAL INFORMATION ON DIRECTORS NOMINATED FOR RE-ELECTION – Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information as set out in Appendix 7.4.1 of the Listing Manual of the SGX-ST relating to Mr. Ang Yu Seng and Mr. Wong Loke Tan, being the Directors who are retiring in accordance with the Company's Constitution at the forthcoming AGM, is set out below:

	Name of Director	
Details	**Ang Yu Seng**	**Wong Loke Tan**
Date of Appointment	12 August 2004	18 November 2016
Date of last re-appointment (if applicable)	22 October 2018	24 October 2017
Age	64	65
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board of the Company has accepted NC's recommendation, who has reviewed and considered Mr. Ang Yu Seng's performance as an Executive Chairman and Chief Executive Officer of the Company.	The Board of the Company has accepted the NC's recommendation, who has reviewed and considered Mr. Wong Loke Tan is able to exercise judgement as the Independent Director on the corporate affairs of the Group and independent of the Management. The Board considers Mr. Wong Loke Tan to be independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.
Whether appointment is executive, and if so, the area of responsibility	Executive. Mr. Ang is responsible for developing and driving the growth strategies of the companies in the Group.	Non-Executive.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Chairman, Chief Executive Officer and member of the Nominating Committee	Independent Director, Chairman of the Remuneration Committee and member of the Audit Committee
Professional qualifications	Nil	Master of Business Administration, Brunel University, London Executive Diploma in Directorship, Singapore Management University and Singapore Institute of Directors

Details	Name of Director	
	Ang Yu Seng	**Wong Loke Tan**
Working experience and occupation(s) during the past 10 years	Mr. Ang Yu Seng is the co-founder of our Group. He was appointed as Executive Chairman and Chief Executive Officer on 12 August 2004. He is responsible for developing and driving the growth strategies of the companies in the Group. Mr. Ang has more than 30 years of experience in the scrap metal recycling and steel trading businesses.	Senior Vice President, Maybank Singapore July 2003 to June 2016 Independent Director, Koyo International Limited since August 2016 to present Independent Director, Adventus Holdings Limited since May 2017 to present Independent Non-Executive Director, K2 F&B Holdings Limited since February 2019 to present Non-Executive Independent Director, International Cement Group Ltd. since December 2019 to present
Shareholding interest in the listed issuer and its subsidiaries	13,724,840 Ordinary Shares	Nil
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	Brother of Mr. Ang Yew Chye, who is an Executive Director of the Company	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes

Details	Name of Director	
	Ang Yu Seng	Wong Loke Tan
Other Principal Commitments Including Directorships	**Past (for the last 5 years)** Nil **Present** Yew Lee Seng Metal Pte Ltd YLS Steel Pte Ltd Hock Ann Marine Scaffolding Pte Ltd Hock Ann Metal Scaffolding Pte Ltd Union Engineering Pte Ltd Union Steel Pte Ltd Union CHH Sdn Bhd Gee Sheng Machinery & Engineering Pte Ltd Used Equipment Pte Ltd Transvictory Holdings Pte Ltd Transvictory Winch System Pte Ltd Steadfast Offshore & Marine Pte Ltd Megafab Engineering Pte Ltd YLS Holdings Sdn Bhd	**Past (for the last 5 years)** Nil **Present** Independent Director of Koyo International Limited since 12 August 2016 to 22 February 2017 and re-designated Non-Executive Independent Chairman on 23 February 2017 to present Independent Director of Adventus Holdings Limited since 11 May 2017 to present Independent Non-Executive Director of K2 F & B Holdings Limited (listed on main board of Hong Kong Stock Exchange) since 01 February 2019 to present Non-Executive Independent Director of International Cement Group Ltd. since 16 December 2019 to present

Details		Name of Director	
		Ang Yu Seng	Wong Loke Tan
The general statutory disclosures of the Directors are as follows:			
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

Details		Name of Director	
		Ang Yu Seng	**Wong Loke Tan**
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
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

	Details	Name of Director	
		Ang Yu Seng	Wong Loke Tan
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	No	No
	ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
	iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trust in Singapore or elsewhere; or	No	No
	iv. any entity of 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

Details	Name of Director	
	Ang Yu Seng	**Wong Loke Tan**
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
Any prior experience as a director of an issuer listed on the Exchange?	Yes	Yes
If yes, please provide details of prior experience.	Union Steel Holdings Limited	Independent Non-Executive Chairman of Koyo International Limited Independent Director of Union Steel Holdings Limited Non-Executive Independent Director of Adventus Holdings Limited Independent Non-Executive Director of K2 F&B Holdings Limited Non-Executive Independent Director of International Cement Group Ltd.
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.		

DIRECTORS' STATEMENT

The directors present their statement together with the audited consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended 30 June 2020.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and the statement of changes in equity of the Company as set out on pages 59 to 104 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2020, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Ang Yu Seng
Ang Yew Chye
Siau Kai Bing
Tan Min-Li
Wong Loke Tan
Goi Kok Ming (Wei Guoming)

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the register of directors' shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

	Shareholdings registered in the name of directors	
Name of directors and company in which interests are held	**At beginning of year**	**At end of year**
<u>The Company</u>		
(Ordinary shares)		
Ang Yu Seng	13,724,840	13,724,840
Ang Yew Chye	3,403,343	3,427,843
Siau Kai Bing	12,000	12,000

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (cont'd)

By virtue of Section 7 of the Singapore Companies Act, Mr Ang Yu Seng is deemed to have an interest in all related corporations of the Company.

There was no change in the above-mentioned directors' interests between the end of the financial year and 21 July 2020, except that ordinary shares registered in the name of Mr Ang Yew Chye amounted to 3,513,643 as at 21 July 2020.

4 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) *Options exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

5 PERFORMANCE SHARE SCHEME

On 11 February 2010, the Company adopted a performance share scheme known as Union Steel Performance Share Scheme (the "**Scheme**"), whereby eligible participants could be conferred rights by the Company to be issued, or transferred shares (hereinafter referred to as "**Awards**").

The rationale of the Scheme was to provide an opportunity for the non-executive directors including independent directors and key management personnel and eligible employees of the Group to participate in the equity of the Company so as to motivate them to dedication, loyalty and higher standards of performance, and to give recognition to employees of the Group who contributed to the success of the Group and cultivate a culture of ownership. Participants were not required to pay for the grant of Awards or for the shares allotted or allocated pursuant to an Award.

The Scheme was administered by the Remuneration Committee.

The Scheme expired on 11 February 2020, without any shares having been awarded to any person under this Scheme since adoption.

6 AUDIT COMMITTEE

The Audit Committee of the Company, consisting all independent non-executive directors, is chaired by Mr Siau Kai Bing, and includes Ms Tan Min-Li and Mr Wong Loke Tan. The Audit Committee has met 3 times since the last Annual General Meeting ("**AGM**") and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company:

(a) the audit plans and results of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(b) the Group's financial and operating results and accounting policies;

6 AUDIT COMMITTEE (cont'd)

(c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

(d) the quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;

(e) the co-operation and assistance given by management to the Group's external and internal auditors; and

(f) the appointment of the external auditors of the Group.

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

The Audit Committee has made its recommendations to the directors and the directors are satisfied with the proposed appointment of Nexia TS Public Accounting Corporation as external auditor of the Company in place of the retiring auditor, Deloitte & Touche LLP, at the forthcoming annual general meeting of the Company.

7 AUDITORS

The retiring auditor, Deloitte & Touche LLP, will not be seeking re-appointment at the forthcoming annual general meeting. Nexia TS Public Accounting Corporation has expressed its willingness to accept appointment as auditor.

ON BEHALF OF THE DIRECTORS

Ang Yu Seng

Ang Yew Chye

Singapore

7 October 2020

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Union Steel 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 30 June 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 59 to 104.

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)s**") 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 30 June 2020, and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the 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 *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 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.

<u>Goodwill impairment testing</u>

As disclosed in Note 12 to the financial statements, goodwill is tested for impairment at least annually. The recoverable amount of individual cash-generating units ("**CGUs**") to which goodwill has been allocated is determined based on value-in-use computations. Any shortfall in the recoverable amounts against the carrying amounts of individual CGUs will be recognised as an impairment loss.

Key audit matter	Goodwill impairment testing is a key audit matter as it is heavily reliant on management's estimates and assumptions, in particular projected growth rates and discount rates.
Our audit procedures performed and responses thereon	We assessed the value-in-use computations for consistency with generally accepted methodologies, and evaluated management's estimates of growth rates and discount rates based on historical performance, our knowledge of the CGUs' operations and environment, and general economic forecasts. We performed sensitivity analyses to assess the impact of reasonably possible changes to the growth rate and discount rate on the recoverable amount of the CGUs.

Key Audit Matters (cont'd)

Allowances for inventories

The profile of the Group's inventories is disclosed in Note 8 to the financial statements. Allowances for inventories are required when the net realisable values of specific inventory items fall below their cost. Net realisable value is defined as the estimated selling price in the ordinary course of business less estimated costs necessary to make the sale.

Key audit matter	This is a key audit matter as inventories represent a substantial portion of the Group's current assets. Accordingly, estimates relating to net realisable values and inventory allowances required may have significant impact on the Group's working capital and liquidity position.
Our audit procedures performed and responses thereon	We assessed the design and implementation of key controls relevant to valuation of inventory. We reviewed management's estimates of net realisable values of selected inventory items, based on recent sale transactions and market prices, and compared the estimated net realisable values to the cost of inventories.

Information Other than the Financial Statements and Auditor's Report Thereon

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year 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 Mr Panjabi Sanjay Gordhan.

Deloitte & Touche LLP
Public Accountants and Chartered Accountants

Singapore
7 October 2020

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2020

	Note	Group		Company	
		2020	2019	2020	2019
		$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents	6	13,302	15,489	1,047	1,838
Trade and other receivables	7	11,417	14,791	6,814	6,940
Inventories	8	24,507	21,911	-	-
Total current assets		49,226	52,191	7,861	8,778
Non-current assets					
Property, plant and equipment	9	33,865	35,511	80	109
Right-of-use assets	10	12,781	-	-	-
Investment property	11	5,250	8,312	-	-
Goodwill	12	5,053	7,583	-	-
Subsidiaries	13	-	-	42,102	49,602
Other intangible assets		213	217	201	201
Deferred tax assets	17	65	65	-	-
Total non-current assets		57,227	51,688	42,383	49,912
Total assets		106,453	103,879	50,244	58,690
LIABILITIES AND EQUITY					
Current liabilities					
Bank loans and bills payable	14	28,662	27,936	2,074	1,752
Trade and other payables	15	7,752	8,498	24,241	24,208
Lease liabilities	16	2,428	-	-	-
Finance leases	16	-	53	-	-
Income tax payable		277	284	-	-
Total current liabilities		39,119	36,771	26,315	25,960
Non-current liabilities					
Bank loans	14	-	2,545	-	2,167
Lease liabilities	16	10,629	-	-	-
Deferred tax liabilities	17	3,032	3,089	39	39
Total non-current liabilities		13,661	5,634	39	2,206
Capital and reserves					
Share capital	18	36,603	36,603	36,603	36,603
Retained earnings (Accumulated losses)		12,403	20,046	(12,713)	(6,079)
Capital reserve	19	5,237	5,237	-	-
Foreign currency translation reserve		(343)	(336)	-	-
Equity attributable to owners of the Company		53,900	61,550	23,890	30,524
Non-controlling interests		(227)	(76)	-	-
Total equity		53,673	61,474	23,890	30,524
Total liabilities and equity		106,453	103,879	50,244	58,690

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME

Year ended 30 June 2020

	Note	2020	2019
		$'000	$'000
Revenue	20	59,742	68,605
Cost of sales		(48,750)	(57,878)
Gross profit		10,992	10,727
Other income	21	4,081	3,671
Distribution costs		(218)	(472)
Administrative expenses		(9,226)	(9,542)
Other operating expenses	22	(11,883)	(8,566)
Finance costs	23	(1,604)	(1,030)
Loss before tax		(7,858)	(5,212)
Income tax	24	64	185
Loss for the year	25	(7,794)	(5,027)
Other comprehensive loss			
Item that may be reclassified subsequently to profit or loss			
Exchange differences on translation of foreign operations		(7)	(19)
Total comprehensive loss for the year		(7,801)	(5,046)
Loss for the year attributable to:			
Owners of the Company		(7,643)	(4,687)
Non-controlling interests		(151)	(340)
		(7,794)	(5,027)
Total comprehensive loss for the year attributable to:			
Owners of the Company		(7,650)	(4,706)
Non-controlling interests		(151)	(340)
		(7,801)	(5,046)
Loss per share			
Basic and diluted	26	(19 cents)	(12 cents)

See accompanying notes to financial statements.

	Share capital	Retained earnings	Capital reserve	Foreign currency translation reserve	Equity attributable to owners of the Company	Non-controlling interests	Total
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Group							
Balance as at 1 July 2018	36,603	25,206	5,237	(317)	66,729	264	66,993
Total comprehensive loss for the year:							
Loss for the year	-	(4,687)	-	-	(4,687)	(340)	(5,027)
Other comprehensive loss for the year	-	-	-	(19)	(19)	-	(19)
Total	-	(4,687)	-	(19)	(4,706)	(340)	(5,046)
Transactions with owners, recognised directly in equity:							
Dividends (Note 27)	-	(473)	-	-	(473)	-	(473)
Balance as at 30 June 2019	36,603	20,046	5,237	(336)	61,550	(76)	61,474
Total comprehensive loss for the year:							
Loss for the year	-	(7,643)	-	-	(7,643)	(151)	(7,794)
Other comprehensive loss for the year	-	-	-	(7)	(7)	-	(7)
Total	-	(7,643)	-	(7)	(7,650)	(151)	(7,801)
Balance as at 30 June 2020	36,603	12,403	5,237	(343)	53,900	(227)	53,673

	Share capital	Accumulated losses	Total
	$'000	**$'000**	**$'000**
Company			
Balance as at 1 July 2018	36,603	(7,319)	29,284
Profit for the year, representing total comprehensive income for the year	-	1,713	1,713
Transactions with owners, recognised directly in equity:			
Dividends (Note 27)	-	(473)	(473)
Balance as at 30 June 2019	36,603	(6,079)	30,524
Loss for the year, representing total comprehensive loss for the year	-	(6,634)	(6,634)
Balance as at 30 June 2020	36,603	(12,713)	23,890

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 30 June 2020

	2020 $'000	2019 $'000
Operating activities		
Loss before income tax	(7,858)	(5,212)
Adjustments for:		
Depreciation of property, plant and equipment	4,345	4,959
Depreciation of right-of-use assets	2,153	-
Property, plant and equipment written off	399	-
Gain on disposal of property, plant and equipment	(27)	(123)
Fair value loss on investment property	3,062	2,188
Loss allowance for receivables	986	438
Allowance recognised (reversed) for inventories	1,507	(15)
Amortisation of other intangible assets	4	4
Receivables written off	-	25
Impairment of goodwill	2,530	2,100
Interest expense	1,604	1,030
Interest income	(78)	(86)
Operating cash flows before movements in working capital	8,627	5,308
Trade and other receivables (Note A)	2,388	(849)
Inventories	(5,531)	995
Trade and other payables	(746)	(3,058)
Cash generated from operations	4,738	2,396
Income tax paid	-	(18)
Interest paid	(910)	(1,030)
Interest received	78	86
Net cash from operating activities	3,906	1,434
Investing activities		
Purchase of property, plant and equipment (Note A)	(3,929)	(1,631)
Purchase of other intangible assets	-	(20)
Proceeds from disposal of property, plant and equipment	2,286	2,345
Net cash (used in) from investing activities	(1,643)	694
Financing activities		
Decrease in bills payable	(679)	(1,104)
New bank loans raised	4,504	4,300
Repayment of bank loans	(5,644)	(7,527)
Repayment of lease liabilities	(2,624)	(81)
Dividends paid	-	(473)
Net cash used in financing activities	(4,443)	(4,885)
Net decrease in cash and cash equivalents	(2,180)	(2,757)
Effect of exchange rate changes	(7)	(19)
Cash and cash equivalents at beginning of year	15,489	18,265
Cash and cash equivalents at end of year	13,302	15,489

Note A: In 2019, non-cash additions to property, plant and equipment of $720,000 arises from the transfer of land from a debtor in satisfaction of its debt owing to the Group.

See accompanying notes to financial statements.

1 GENERAL

The Company (Registration No. 200410181W) is incorporated in Singapore with its principal place of business and registered office at 33 Pioneer Road North, Singapore 628474. The Company is listed on the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activity of the Company is that of investment holding. The principal activities of its subsidiaries are disclosed in Note 13 to the financial statements.

The consolidated financial statements of the Group, and the statement of financial position and statement of changes in equity of the Company for the year ended 30 June 2020 were authorised for issue by the Board of Directors on 7 October 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING - The financial statements have been prepared in accordance with the historical cost basis, except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("**SFRS(I)s**").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 *Share-based Payment*, leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS - On 1 July 2019, the Group and the Company adopted all the new and revised SFRS(I) pronouncements that are relevant to its operations. The adoption of these new/revised SFRS(I) pronouncements does not result in changes to the Group's and the Company's accounting policies and has no material effect on the amounts reported for the current or prior years, except as discussed below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

SFRS(I) 16 *Leases*

SFRS(I) 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets when such recognition exemptions are adopted. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged. The impact of the adoption of SFRS(I) 16 on the Group's consolidated financial statements is described below.

The date of initial application of SFRS(I) 16 for the Group is 1 July 2019.

The Group has applied SFRS(I) 16 using the cumulative catch-up approach which does not permit restatement of comparatives, which continue to be presented under SFRS(I) 1-17 *Leases* and SFRS(I) INT 4 *Determining Whether an Arrangement Contains a Lease*.

(a) Impact of the new definition of a lease

The Group has made use of the practical expedient available on transition to SFRS(I) 16 not to reassess whether a contract is or contains a lease. Accordingly, the definition of a lease in accordance with SFRS(I) 1-17 and SFRS(I) INT 4 will continue to be applied to those leases entered or changed before 1 July 2019.

The change in definition of a lease mainly relates to the concept of control. SFRS(I) 16 determines whether a contract contains a lease on the basis of whether the customer has the right to control the use of an identified asset for a period of time in exchange for consideration. This is in contrast to the focus on 'risks and rewards' in SFRS(I) 1-17 and SFRS(I) INT 4.

The Group applies the definition of a lease and related guidance set out in SFRS(I) 16 to all lease contracts entered into or modified on or after 1 July 2019 (whether it is a lessor or a lessee in the lease contract). The new definition in SFRS(I) 16 does not significantly change the scope of contracts that meet the definition of a lease for the Group.

(b) Impact on lessee accounting

Former operating leases

SFRS(I) 16 changes how the Group accounts for leases previously classified as operating leases under SFRS(I) 1-17, which were off-balance-sheet.

Applying SFRS(I) 16, for all leases, the Group:

(a) recognises right-of-use assets (except for right-of-use assets that meet the definition of investment property) and lease liabilities in the statements of financial position, initially measured at the present value of the remaining lease payments, with the right-of-use asset adjusted by the amount of any prepaid or accrued lease payments in accordance with SFRS(I) 16:C8(b)(ii);

(b) recognises depreciation of right-of-use assets and interest on lease liabilities in the consolidated statement of profit or loss; and

(c) separates the total amount of cash paid into a principal portion (presented within financing activities) and interest (presented within operating activities) in the consolidated statement of cash flows.

Lease incentives (e.g. free rent period) are recognised as part of the measurement of the right-of-use assets and lease liabilities whereas under SFRS(I) 1-17 they resulted in the recognition of a lease incentive liability, amortised as a reduction of rental expense on a straight-line basis.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Under SFRS(I) 16, right-of-use assets are tested for impairment in accordance with SFRS(I) 1-36 *Impairment of Assets*.

For short-term leases (lease term of 12 months or less) and leases of low-value assets, the Group has opted to recognise a lease expense on a straight-line basis as permitted by SFRS(I) 16. This expense is presented within other operating expenses in the consolidated statement of profit or loss.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying SFRS(I) 1-17.

- The Group has applied a single discount rate to a portfolio of leases with reasonably similar characteristics.
- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has excluded initial direct costs from the measurement of the right-of-use asset at the date of initial application.
- The Group has used hindsight when determining the lease term when the contract contains options to extend or terminate the lease.

Former finance leases

For leases that were classified as finance leases applying SFRS(I) 1-17, the carrying amount of the leased assets and obligations under finance leases measured applying SFRS(I) 1-17 immediately before the date of initial application is reclassified to right-of-use assets and lease liabilities respectively without any adjustments, except in cases where the Group has elected to apply the low-value lease recognition exemption.

The right-of-use asset and the lease liability are accounted for applying SFRS(I) 16 from 1 July 2019.

(c) Impact on lessor accounting

SFRS(I) 16 does not change substantially how a lessor accounts for leases. Under SFRS(I) 16, a lessor continues to classify leases as either finance leases or operating leases and account for those two types of leases differently.

However, SFRS(I) 16 has changed and expanded the disclosures required, in particular regarding how a lessor manages the risks arising from its residual interest in leased assets.

(d) Financial impact of initial application of SFRS(I) 16

The weighted average lessee's incremental borrowing rate applied to the lease liabilities recognised in the statement of financial position on 1 July 2019 is 5%.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The following table shows the operating lease commitments disclosed applying SFRS(I) 1-17 at 30 June 2019, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

	$'000
Operating lease commitments at 30 June 2019	19,114
Less: Short-term leases	(632)
Less: Effect of discounting the above amounts	(4,506)
Add: Finance lease liabilities recognised under SFRS(I) 1-17 at 30 June 2019	53
Lease liabilities recognised at 1 July 2019	14,029

Right-of-use assets were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to the lease recognised in the statement of financial position immediately before the date of initial application. Consequently, right-of-use assets of $13,976,000 were recognised on 1 July 2019.

STANDARDS ISSUED BUT NOT EFFECTIVE - At the date of authorisation of these financial statements, the following amendments to SFRS(I) that are relevant to the Group and the Company were issued but not effective:

<u>Effective for annual periods beginning on or after 1 January 2020</u>

- Amendments to SFRS(I) 1-1 *Presentation of Financial Statements* and SFRS(I) 1-8 *Accounting Policies*, *Changes in Accounting Estimates and Errors: Definition of Material*
- Amendments to SFRS(I) 9, SFRS(I) 1-39 and SFRS(I) 7 *Interest Rate Benchmark Reform*
- Amendments to References to the Conceptual Framework in SFRS(I) Standards

<u>Effective for annual periods beginning on or after 1 June 2020</u>

- Amendments to SFRS(I) 16 *COVID-19 Related Rent Concessions*

Management anticipates that the adoption of the above amendments to SFRS(I) in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption.

BASIS OF CONSOLIDATION - The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

<u>Changes in the Group's ownership interests in existing subsidiaries</u>

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable SFRS(I)s). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9.

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates at fair value, with changes in fair value recognised in profit or loss.

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

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

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

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another SFRS(I).

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

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

FINANCIAL INSTRUMENTS - Financial assets and financial liabilities are recognised on the statement of financial position when the Group becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Financial assets

Financial assets are recognised on the statements of financial position when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification of financial assets

These mainly comprise cash and bank balances and trade and other receivables that meet the following conditions and are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Amortised cost and effective interest method

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period.

For financial instruments other than purchased or originated credit-impaired financial assets, the effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) excluding expected credit losses, through the expected life of the debt instrument, or, where appropriate, a shorter period, to the gross carrying amount of the debt instrument on initial recognition. For purchased or originated credit-impaired financial assets, a credit-adjusted effective interest rate is calculated by discounting the estimated future cash flows, including expected credit losses, to the amortised cost of the debt instrument on initial recognition.

The amortised cost of a financial asset is the amount at which the financial asset is measured at initial recognition minus the principal repayments, plus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, adjusted for any loss allowance. On the other hand, the gross carrying amount of a financial asset is the amortised cost of a financial asset before adjusting for any loss allowance.

Interest income is recognised using the effective interest method for debt instruments measured subsequently at amortised cost, except for short-term balances when the effect of discounting is immaterial.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("**ECL**") on trade and other receivables. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group always recognises lifetime ECL for trade receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate.

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers historical loss rates for each category of customers and adjusts to reflect current and forward-looking macroeconomic factors affecting the ability of the customers to settle the receivables. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations.

The Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if i) the financial instrument has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

The Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss.

Measurement and recognition of expected credit losses

For financial assets, the ECL is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

If the Group has measured the loss allowance for a financial instrument at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12 months ECL at the current reporting date.

Derecognition of financial assets

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

Financial liabilities and equity instruments

Classification as debt or equity

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

Equity instruments

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

Financial liabilities

Trade and other payables are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method, except for short-term balances when the recognition of interest would be immaterial.

Interest-bearing bank loans and bills payable are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial liabilities

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

Offsetting arrangements

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the Group has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously. A right to set-off must be available today rather than being contingent on a future event and must be exercisable by any of the counterparties, both in the normal course of business and in the event of default, insolvency or bankruptcy.

LEASES (Before 1 July 2019) - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lease. All other leases are classified as operating leases.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised. Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

LEASES (From 1 July 2019)

The Group as lessee

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. For these leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses the incremental borrowing rate specific to the lessee.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

The lease liability is presented as a separate line in the statement of financial position.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of modification.

The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses.

Right-of-use assets are depreciated over the shorter period of lease term and useful life of the underlying asset. If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease.

The right-of-use assets are presented as a separate line in the statement of financial position.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described below.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group as lessor

There were no significant changes to the accounting policies used in prior year.

INVENTORIES - Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and other costs that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method or specific identification method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

PROPERTY, PLANT AND EQUIPMENT - Property, plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

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

Land and buildings	-	Over the lease term
Air-conditioners, electrical installations and computers	-	5 years
Containers, renovations and warehouse	-	5 years
Furniture, fittings and office equipment	-	5 years
Plant, machinery and material handling equipment	-	5 to 10 years
Motor vehicles, trucks and cranes	-	5 years
Rental materials	-	10 years

There are no future lease payments required in respect of leasehold land and buildings presented under property, plant and equipment.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

INVESTMENT PROPERTY - Investment property, which is property held to earn rentals and/or for capital appreciation, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change of use.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

GOODWILL - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

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

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

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

INTANGIBLE ASSETS - Intangible assets acquired separately are reported at cost less accumulated amortisation (where they have finite useful lives) and accumulated impairment losses. Intangible assets with finite useful lives are amortised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives are not amortised. Each period, the useful lives of such assets are reviewed to determine whether events and circumstances continue to support an indefinite useful life assessment for the asset. Such assets are tested for impairment in accordance with the policy below.

Intangible assets acquired in a business combination are identified and recognised separately from goodwill. The cost of such intangible assets is their fair value at the acquisition date. Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL - At the end of each reporting period, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

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

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

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

REVENUE RECOGNITION - Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group has generally concluded that it is the principal in its revenue arrangements and records revenue on a gross basis because it typically controls the goods or services before transferring them to the customer.

Revenue from sale of goods is recognised at the point in time when control of the asset is transferred to the customer, typically on delivery.

Revenue from services are generally recognised over time, as and when the services are delivered.

The Group's policy for recognition of income from operating leases is described above.

GOVERNMENT GRANTS - Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and the grants will be received.

Government grants relating to income are recognised as income over the periods necessary to match them with the costs for which they are intended to compensate, on a systematic basis. Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

BORROWING COSTS - All borrowing costs are recognised in profit or loss in the period in which they are incurred.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

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

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model, the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

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

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION - The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company and the presentation currency for the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of foreign currency translation reserve.

On the disposal of a foreign operation, all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss.

CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS - Cash and cash equivalents in the statement of cash flows comprise cash on hand, fixed deposit and bank balances that are subject to an insignificant risk of changes in value.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying the Group's accounting policies

Management is of the opinion that any instances of application of judgements are not expected to have a significant effect on the amounts recognised in the financial statements apart from those involving estimation uncertainties which are dealt with below.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that will have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(i) Calculation of loss allowances

When measuring ECL, the Group and the Company use reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other.

Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions. Details of the loss allowances on trade and other receivables are disclosed in Note 7 to the financial statements.

(ii) Allowances for inventories

A review is made periodically for excess inventory, obsolescence and declines in net realisable value below cost and management records an allowance against the inventory balance for any such declines. These reviews require management to estimate future demand for their products. Possible changes in these estimates could result in revisions to the valuation of inventory. Management is of the view that the allowances disclosed in Note 8 are adequate.

(iii) Impairment of property, plant and equipment

The Group assesses whether there are any indicators of impairment for its property, plant and equipment at each reporting date. Property, plant and equipment are tested for impairment when there are indicators that the carrying amounts may not be recoverable. When value-in-use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of property, plant and equipment is disclosed in Note 9 to the financial statements.

(iv) Fair value measurement of investment property

The Group's investment property is stated at estimated fair value, as accounted for by management based on independent external appraisals. The estimated fair value may differ from the price at which the Group's assets could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also, certain estimates such as overall market conditions require an assessment of factors not within management's control. As a result, actual results of operations and realisation of net assets may vary significantly from that estimated. The carrying amount of investment property at the end of the reporting period and information about the valuation techniques and inputs used in determining the fair value of investment property are disclosed in Note 11 to the financial statements.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(v) Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which goodwill has been allocated. The value in use calculation requires the entity to estimate the future cash flows expected to arise from the cash-generating unit and a suitable discount rate in order to calculate present value. Based on calculations performed, management is of the view that a $2,530,000 impairment charge is required for the financial year ended 30 June 2020 (2019: $2,100,000). Further details are disclosed in Note 12 to the financial statements.

(vi) Impairment of subsidiaries

In determining whether investments in subsidiaries are impaired, the Company evaluates the market and economic environment in which each subsidiary operates and its economic performance to determine if indicators of impairment exist. Where such indicators exist, the subsidiary's recoverable amount is estimated in order to determine the extent of the impairment loss, if any. Based on the value in use calculations referred to in Note 3(v), management is of the view that a $7,500,000 impairment charge is required for the financial year ended 30 June 2020 (2019: $5,500,000). The carrying amount of investments in subsidiaries is disclosed in Note 13 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT

(a) Categories of financial instruments

The following table sets out the financial instruments as at the end of the reporting period:

	Group		**Company**	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
At amortised cost	20,840	27,336	7,800	8,708
Financial liabilities				
At amortised cost	48,007	38,072	26,315	28,127

(b) Financial risk management policies and objectives

(i) Foreign exchange risk management

The Group's foreign currency exposures arise mainly from the exchange rate movements of the United States dollar and Euro against the Singapore dollar.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

At the reporting date, significant carrying amounts of monetary assets and liabilities denominated in currencies other than the Group entities' functional currencies are as follows:

	Assets		Liabilities	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Group				
United States dollar	4,212	3,806	1,147	1,846
Euro	120	789	1,864	1,167

Foreign currency sensitivity

The sensitivity rate used when reporting foreign currency risk exposures internally to key management personnel is 10%, which represents management's assessment of the possible change in foreign exchange rates.

If the United States dollar were to strengthen/weaken by 10% against the Singapore dollar, the Group's loss before tax will decrease/increase by $307,000 (2019: $196,000).

If the Euro were to strengthen/weaken by 10% against the Singapore dollar, the Group's loss before tax will increase/decrease by $174,000 (2019: $38,000)

The Company does not have any significant foreign currency denominated financial instruments.

(ii) Interest rate risk management

The Group is exposed to interest rate risk mainly through its variable rate borrowings as disclosed in Note 14.

Interest rate sensitivity

The sensitivity analysis below has been determined based on the exposure to interest rates for financial instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

If interest rates had been 50 basis points higher/lower during the year and all other variables were held constant, the Group's loss before tax would increase/decrease by $143,000 (2019: $153,000).

If interest rates had been 50 basis points higher/lower during the year and all other variables were held constant, the Company's loss before tax would increase/decrease by $10,000 (2019: $20,000).

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(iii) Credit risk management

The Group's current credit risk grading framework comprises the following categories:

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is > 30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL - not credit-impaired
In default	Amount is > 90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery.	Amount is written off

The tables below detail the credit quality of the Group's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades:

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				$'000	$'000	$'000
Group						
2020						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	10,034	(3,367)	6,667
Other receivables	7	Performing	12-month ECL	871	-	871
2019						
Trade receivables	7	(i)	Lifetime ECL (simplified approach)	12,369	(2,381)	9,988
Other receivables	7	Performing	12-month ECL	1,859	-	1,859

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

	Note	Internal credit rating	12-month or lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
				$'000	$'000	$'000
Company						
2020						
Other receivables	7	Performing	12-month ECL	18,690	(11,937)	6,753
2019						
Other receivables	7	Performing	12-month ECL	18,807	(11,937)	6,870

(i) For trade receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix. Note 7 includes further details on the loss allowance for trade receivables.

(ii) For other receivables, the Group and the Company have applied a 12-month ECL to measure the loss allowance. The counterparties generally have a low risk of default and do not have any past-due amounts.

The Group develops and maintains its credit risk gradings to categorise exposures according to their degree of risk of default. The Group uses its own trading records to rate its major customers and other debtors.

Trade receivables consist of a large number of customers, spread across diverse industries. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The maximum exposure to credit risk in the event that the counterparties fail to perform their obligations as at the end of the reporting period in relation to each class of recognised financial assets is the carrying amount of those assets as stated in the statement of financial position.

Further details of credit risks on trade and other receivables are disclosed in Note 7.

(iv) Liquidity risk management

The Group monitors its liquidity risk and maintains a level of bank balances deemed adequate by management to finance its operations and to mitigate the effects of fluctuations in cash flows. Liquidity risk is further managed by matching the payment and receipt cycle.

Liquidity and interest risk analyses

Non-derivative financial liabilities

The following table details the remaining contractual maturity for non-derivative financial liabilities. The table below has been drawn up based on the undiscounted cash flows of the financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial liabilities on the statement of financial position.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000	$'000
Group						
2020						
Non-interest bearing	-	6,288	-	-	-	6,288
Fixed interest rate instruments	5.0	2,453	8,587	5,877	(3,860)	13,057
Variable interest rate instruments	3.1	29,550	-	-	(888)	28,662
Total		38,291	8,587	5,877	(4,748)	48,007
2019						
Non-interest bearing	-	7,538	-	-	-	7,538
Fixed interest rate instruments	5.2	56	-	-	(3)	53
Variable interest rate instruments	3.1	28,802	2,624	-	(945)	30,481
Total		36,396	2,624	-	(948)	38,072

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	Adjustment	Total
	%	$'000	$'000	$'000	$'000
Company					
2020					
Non-interest bearing	-	24,241	-	-	24,241
Variable interest rate instruments	4.0	2,157	-	(83)	2,074
Total		26,398	-	(83)	26,315
2019					
Non-interest bearing	-	24,208	-	-	24,208
Variable interest rate instruments	3.7	1,817	2,248	(146)	3,919
Total		26,025	2,248	(146)	28,127

Non-derivative financial assets

All financial assets of the Group and the Company are due within one year from the end of the reporting period and are non-interest bearing.

The Company issued guarantees to banks for loans obtained by its subsidiaries to the extent of $24,376,000 (2019: $23,671,000). The earliest period that the guarantee could be called is within 1 year from the end of the reporting period. Management considers that it is more likely than not that no amount will be payable under these financial guarantee arrangements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL MANAGEMENT (cont'd)

(v) Fair values of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other receivables and payables approximate their respective fair values due to the relatively short-term maturity of these financial instruments. Management is of the view that the carrying amount of loans approximates the fair value, as the interest rates approximate the prevailing market rates.

The Group and the Company have no financial assets or financial liabilities that are measured at fair value on a recurring basis.

(c) Capital management policies and objectives

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of equity attributable to owners of the Company, comprising issued capital, reserves and retained earnings.

5 RELATED PARTY TRANSACTIONS

Some of the Group's transactions and arrangements are with related parties and the effect of these on the basis determined between the parties is reflected in these financial statements. The balances are unsecured, interest-free and repayable on demand.

Compensation of directors and key management personnel

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

	Group	
	2020	**2019**
	$'000	**$'000**
Short-term benefits	1,107	1,146
Post-employment benefits	17	19
	1,124	1,165

6 CASH AND CASH EQUIVALENTS

	Group		**Company**	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Cash on hand	20	21	1	1
Cash at bank	11,842	13,955	1,046	1,837
Fixed deposit	1,440	1,513	-	-
	13,302	15,489	1,047	1,838

The fixed deposit bears interest at average interest rate of 1.70% (2019: 2.75%) per annum, with tenure of 3 months or less.

7 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trade receivables:				
Outside parties	10,034	12,369	-	-
Loss allowance	(3,367)	(2,381)	-	-
	6,667	9,988	-	-
Other receivables:				
Outside parties	871	1,859	14	-
Subsidiaries	-	-	18,676	18,807
Loss allowance	-	-	(11,937)	(11,937)
Prepayments	3,879	2,944	61	70
	4,750	4,803	6,814	6,940
	11,417	14,791	6,814	6,940

The average credit period on sale of goods is 30 days (2019: 30 days). No interest is charged on the outstanding balance.

Loss allowance for trade receivables has always been measured at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate.

The following table details the risk profile of trade receivables:

	Group	
	2020	2019
	$'000	$'000
Not past due	1,320	3,316
Past due for 1 to 90 days	3,422	4,986
Past due for 91 to 180 days	1,280	854
Past due for > 180 days	4,012	3,213
Loss allowance	(3,367)	(2,381)
	6,667	9,988

Specific expected credit loss rates have been applied to each aging category in order to derive the allowance for credit losses.

The movement in the Group's allowance for credit losses is as follows:

	Group	
	2020	2019
	$'000	$'000
Balance at beginning of year	2,381	2,028
Increase in allowance recognised in profit or loss (Note 22)	986	438
Amounts written off against allowance	-	(85)
Balance at end of year	3,367	2,381

7 TRADE AND OTHER RECEIVABLES (cont'd)

Receivables amounting to $Nil (2019: $25,000) were written off directly to profit or loss (Note 22).

There was no movement in the Company's allowance for credit losses during the years ended 30 June 2020 and 30 June 2019.

Based on the Group's historical credit loss experience with the relevant counterparties, as well as relevant forward-looking estimates, the Group has assessed the expected credit losses on other receivables to be insignificant.

<u>Other receivables from subsidiaries</u>

For purpose of impairment assessment, the other receivables that are not impaired are considered to have low credit risk as the timing of payment is controlled by the Company taking into account cash flow management within the Group and there has been no significant increase in the risk of default on the loan since initial recognition. Accordingly, for the purpose of impairment assessment for this loan, the loss allowance is measured at an amount equal to 12-month ECL.

In determining the ECL, the Company has taken into account the financial position of the respective subsidiaries, adjusted for factors specific to the subsidiary and general economic conditions of the industry in which the subsidiary operates. Management is of the view that no further ECL are required.

8 INVENTORIES

	Group	
	2020	**2019**
	$'000	**$'000**
Trading inventories	26,277	22,174
Less: Allowance for inventories	(1,770)	(263)
	24,507	21,911

The movement in the Group's allowance for inventories is as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Balance at beginning of year	263	278
Increase (Decrease) in allowance recognised in profit or loss	1,507	(15)
Balance at end of year	1,770	263

The cost of inventories recognised as expense and included in cost of sales amounted to $38,566,000 (2019: $46,989,000).

During the financial year, the Group transferred $1,428,000 (2019: $950,000) from inventories to property, plant and equipment.

9 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings	Air-conditioners, electrical installations and computers	Containers, renovations and warehouse	Furniture, fittings and office equipment	Plant, machinery and material handling equipment	Motor vehicles, trucks and cranes	Rental materials	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Cost:								
At 1 July 2018	18,025	1,094	2,896	1,027	26,339	5,557	30,779	85,717
Additions	720	41	53	10	360	265	902	2,351
Disposal/Written off	-	(3)	(51)	(19)	(1,440)	(557)	(1,620)	(3,690)
Transferred from inventories	-	-	-	-	565	-	385	950
At 30 June 2019	18,745	1,132	2,898	1,018	25,824	5,265	30,446	85,328
Additions	-	65	37	18	776	407	2,626	3,929
Disposal/Written off	-	(83)	(59)	(51)	(1,867)	(290)	(1,792)	(4,142)
Transferred from inventories	-	-	-	-	1,428	-	-	1,428
At 30 June 2020	18,745	1,114	2,876	985	26,161	5,382	31,280	86,543
Accumulated depreciation:								
At 1 July 2018	10,064	1,064	2,522	667	21,326	3,271	7,412	46,326
Depreciation charge	1,199	69	183	49	1,285	700	1,474	4,959
Disposal/Written off	-	(1)	(36)	(5)	(836)	(354)	(236)	(1,468)
At 30 June 2019	11,263	1,132	2,669	711	21,775	3,617	8,650	49,817
Depreciation charge	1,243	13	149	28	923	534	1,455	4,345
Disposal/Written off	-	(83)	(50)	(50)	(812)	(243)	(246)	(1,484)
At 30 June 2020	12,506	1,062	2,768	689	21,886	3,908	9,859	52,678
Carrying amount:								
At 30 June 2020	6,239	52	108	296	4,275	1,474	21,421	33,865
At 30 June 2019	7,482	-	229	307	4,049	1,648	21,796	35,511

Property, plant and equipment written off mainly relates to rental materials that are misplaced or damaged in the ordinary course of business.

As at 30 July 2019, the carrying amount of the Group's property, plant and equipment included an amount of $14,000 in respect of assets held under finance leases.

Certain banking facilities of the Group are secured by mortgage of leasehold land and buildings of the Group with carrying amount of $2,631,000 (2019: $3,616,000).

9 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Particulars of the leasehold properties held by the Group as at 30 June 2020 and 30 June 2019 are as follows:

Location	**Description**	**Tenure**
12 Gul Road Singapore 629343	Yard-cum-factory with land area of 32,986 square metres.	20 years ending 7 August 2027
14 Gul Road Singapore 629344	Yard with land area of 21,089 square metres.	30 years ending 15 January 2040
41 Middle Road #03-00 Singapore 188950	Office of 94 square metres.	999 years ending 29 January 2834
39 Senoko Drive Singapore 758224	Purpose-built single-storey detached factory with a two-storey office block with land area of 5,460 square metres.	16 years ending 30 September 2021
20 Third Chin Bee Road Singapore 618639	Two-storey main building with a rear workshop and a side shed with land area of 5,399 square metres.	17 years ending 31 July 2024

Included in property, plant and equipment are right-of-use assets of $6,239,000 (2019: $Nil) relating to land and buildings for which no future lease payments are required.

Company

The Company's property, plant and equipment mainly comprise air-conditioners, electrical installations and computers and motor vehicles with cost of $507,000 (2019: $507,000) and accumulated depreciation of $427,000 (2019: $398,000). Depreciation for the year amounted to $29,000 (2019: $47,000).

10 RIGHT-OF-USE ASSETS

	Land and buildings	**Staff accommodation**	**Total**
	$'000	**$'000**	**$'000**
Group			
Cost:			
At 1 July 2019	13,976	-	13,976
Additions	530	428	958
At 30 June 2020	14,506	428	14,934
Accumulated depreciation:			
At 1 July 2019	-	-	-
Depreciation charge	1,999	154	2,153
At 30 June 2020	1,999	154	2,153
Carrying amount:			
At 30 June 2020	12,507	274	12,781
At 1 July 2019	13,976	-	13,976

The Group's right-of-use assets of $6,239,000 (2019: $Nil) relating to land and buildings for which no future payments are required are presented within property, plant and equipment (Note 9).

11 INVESTMENT PROPERTY

	Group	
	2020	**2019**
	$'000	**$'000**
Balance at beginning of year	8,312	10,500
Fair value loss recognised in profit or loss (Note 22)	(3,062)	(2,188)
Balance at end of year	5,250	8,312

The fair value of the Group's investment property at year end has been determined on the basis of valuation carried out at the year end date by an independent valuer with a recognised and relevant professional qualification and experience in the location and category of the properties being valued, and not related to the Group. The fair value was determined based on transacted prices for similar properties, adjusted for comparability. Such adjustments mainly relate to differences in remaining lease term and size of the comparable properties. As these adjustments constitute significant unobservable inputs, the fair value measurement of the investment property is categorised into Level 3 of the fair value hierarchy. There were no transfers between the respective levels during the years ended 30 June 2020 and 30 June 2019.

In estimating the fair value of the property, the highest and best use of the property is their current use. There has been no change to the valuation technique during the year.

The property rental income from the investment property, all of which are leased out under operating leases, amounted to $929,000 (2019: $1,067,000). Direct operating expenses (including repairs and maintenance) arising from rental-generating investment property amounted to $532,000 (2019: $576,000).

The Group considers the adjusted price per square metre used by the independent valuers in determining the fair value measurement of the Group's investment property as sensitive to the fair value measurement. The higher (lower) the transacted price per square metre, the higher (lower) the fair value.

Particulars of the investment property held by the Group as at 30 June 2020 and 30 June 2019 are as follows:

Location	**Description**	**Title**
1,3,5,7 Gul Road Singapore 629362, 629339, 629363, 629364 (Lot 4085T, Mukim 7)	Yard-cum-factory warehouse with land area of 15,665 square metres.	Leasehold (21 years ending 31 July 2028)

12 GOODWILL

	Group	
	2020	**2019**
	$'000	**$'000**
At beginning of year	7,583	9,683
Impairment loss recognised during the year (Note 22)	(2,530)	(2,100)
At end of year	5,053	7,583

12 GOODWILL (cont'd)

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("**CGUs**") that are expected to benefit from that business combination. The allocation is as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Scaffolding services CGU:		
(Hock Ann Metal Scaffolding Pte Ltd)	4,603	6,403
Other CGUs with insignificant goodwill	450	1,180
	5,053	7,583

Goodwill is tested annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amounts of the CGUs are determined using value in use calculations, derived from the most recent financial budgets approved by management for the next five years. Key assumptions as follows:

	Estimated average growth rate		Discount rate	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Scaffolding services CGU	3.0%	3.0%	6.5%	6.7%

Management has forecast future cash flows taking into account the effects of COVID-19, including developments subsequent to year end. Discount rates were estimated using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs.

13 SUBSIDIARIES

	Company	
	2020	**2019**
	$'000	**$'000**
Unquoted equity shares, at cost	59,802	59,802
Less: Allowance for impairment	(17,700)	(10,200)
	42,102	49,602

Movement in the allowance for impairment:

	Company	
	2020	**2019**
	$'000	**$'000**
Balance at beginning of year	10,200	4,700
Increase in allowance recognised in profit or loss	7,500	5,500
Balance at end of year	17,700	10,200

13 SUBSIDIARIES (cont'd)

The company has considered indicators of impairment on certain subsidiaries and estimated the recoverable amount as disclosed in Note 3(vi). Consequently, a $7,500,000 impairment charge has been recognised for the financial year ended 30 June 2020 (2019: $5,500,000).

The Group's subsidiaries as at the end of the current and prior financial years are listed in the table below.

Name of subsidiary	Principal activities	Place of incorporation and business	Effective equity interest and voting power held	
			2020	2019
			%	%
Held by the Company				
Union Steel Pte Ltd[(1)]	Trading of steel products.	Singapore	100	100
YLS Steel Pte Ltd[(1)]	Recycling of scrap metals, trading of steel products, waste collection and management, and rental of materials.	Singapore	100	100
Yew Lee Seng Metal Pte Ltd[(1)]	Trading of ferrous and non-ferrous scrap metals.	Singapore	100	100
Union Engineering Pte Ltd[(1)]	Investment property holding and rental of properties.	Singapore	100	100
Hock Ann Metal Scaffolding Pte Ltd[(1)]	Scaffolding services.	Singapore	100	100
Gee Sheng Machinery & Engineering Pte Ltd[(2)]	Mechanical engineering services.	Singapore	100	100
Transvictory Holdings Pte Ltd[(2)]	Investment holding.	Singapore	100	100
Held by the subsidiaries				
Hock Ann Marine Scaffolding Pte Ltd[(1)]	Scaffolding services.	Singapore	100	100
Union CHH Sdn Bhd[(2)]	Inactive.	Malaysia	100	100
Transvictory Winch System Pte Ltd[(2)]	Sale of marine deck equipment.	Singapore	100	100
Steadfast Offshore & Marine Pte Ltd[(2)]	Sale of marine deck equipment.	Singapore	100	100
Megafab Engineering Pte Ltd[(2)]	Equipment and related installation of industrial machinery, mechanical engineering work.	Singapore	70	70
Used Equipment Pte Ltd[(2)]	Online portal for sales of industrial equipment.	Singapore	100	100
YLS Holdings Sdn Bhd[(2)(3)]	Investment holding.	Malaysia	40	40

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Statutory audits performed by other audit firms. Audited or reviewed by Deloitte & Touche LLP, Singapore for consolidation purposes.

(3) The Company is considered a subsidiary as the Group has the rights to appoint 2 out of 3 members of its board of directors. The board of directors has the power to direct the relevant activities of YLS Holdings Sdn Bhd.

13 SUBSIDIARIES (cont'd)

Subsidiaries with non-controlling interests

Management is of the view that the non-controlling interests are not material to the Group. Accordingly, disclosures otherwise required by SFRS(I) 12 *Disclosure of Interests in Other Entities* have not been made.

14 BANK LOANS AND BILLS PAYABLE

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Bills payable to banks	2,212	2,891	-	-
Bank loans	26,450	27,590	2,074	3,919
Less: Amount due for settlement within 12 months (shown under current liabilities)	(28,662)	(27,936)	(2,074)	(1,752)
Amount due for settlement after 12 months	-	2,545	-	2,167

Bank loans are arranged at floating interest rates that ranged from 1.2% to 4.3% (2019: 1.3% to 4.4%) per annum with periodic repayment over 1 to 13 years.

Management is of the view that the carrying amount of the loans approximates their fair values as interest rates are repriced to market rates at regular intervals.

Loans amounting to $2,074,000 (2019: $3,919,000) are secured by a charge over shares of a subsidiary.

Loans amounting to $376,000 (2019: $705,000) are secured by a charge over leasehold land and buildings (Note 9).

As at 30 June 2020, the Group and the Company were not in compliance with certain financial covenants as stipulated by the banks. Consequently, the Group and the Company reclassified bank loans amounting to $640,000 and $322,000 respectively from non-current liabilities to current liabilities as at 30 June 2020, as it did not have an unconditional right to defer settlement of these amounts for at least 12 months from 30 June 2020.

Subsequent to the year end, the banks have granted the Group and the Company a waiver letter to the non-compliance of covenants until November 2021.

Reconciliation of liabilities arising from financing activities

Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities. The Group's liabilities arising from financing activities comprise bank loans and bills payable, lease liabilities and finance leases. There are no non-cash changes for the year ended 30 June 2019.

14 BANK LOANS AND BILLS PAYABLE (cont'd)

					Non-cash changes		
	30 June 2019	Adoption of FRS 116	1 July 2019	Financing cash flows (i)	New lease liabilities	Interest accruing	30 June 2020
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans and bills payable	30,481	-	30,481	(1,819)	-	-	28,662
Lease liabilities (Note 16)	-	14,029	14,029	(2,624)	958	694	13,057
Finance leases (Note 16)	53	(53)	-	-	-	-	-
	30,534	13,976	44,510	(4,443)	958	694	41,719

	1 July 2018	Financing cash flows (i)	30 June 2019
	$'000	$'000	$'000
Bank loans and bills payable	34,812	(4,331)	30,481
Finance leases (Note 16)	134	(81)	53
	34,946	(4,412)	30,534

(i) The cash flows make up the net amount of proceeds from borrowings and repayments in the statement of cash flows.

15 TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trade payables - outside parties	2,280	3,484	-	-
Rental deposits	1,577	1,565	-	-
Advances received	1,464	960	-	-
Accruals for operating expenses	1,519	1,677	368	366
Other payables - subsidiaries	-	-	23,773	23,769
Other payables - outside parties	912	812	100	73
	7,752	8,498	24,241	24,208

The average credit period on purchases of goods is 30 days (2019: 30 days). No interest is charged on outstanding balances. Other payables due to subsidiaries were unsecured, interest free and repayable on demand.

16 LEASE LIABILITIES

Lease liabilities (Disclosure required under SFRS(I) 16)

	Group
	2020
	$'000
Maturity analysis:	
Within one year	2,453
In the second to fifth years inclusive	8,587
After five years	5,877
	16,917
Less: Unearned interest	(3,860)
	13,057
Analysed as:	
Current	2,428
Non-current	10,629
	13,057

The Group does not face a significant liquidity risk with regard to its lease liabilities. Lease liabilities are monitored within the Group's treasury function.

Finance leases (Disclosure required by SFRS(I) 1-17)

	Group	
	Minimum lease payments	**Present value of minimum lease payments**
	2019	**2019**
	$'000	**$'000**
Amounts payable under finance leases:		
Within one year	55	53
Less: Future finance charges	(2)	-
Present value of lease obligations	53	53
Less: Amount due to settlement within 12 months (shown under current liabilities)		(53)
Amount due for settlement after 12months		-

17 DEFERRED TAX

The following are the major deferred tax liabilities and assets recognised by the Group and the Company, and the movements thereon, during the current and prior reporting periods:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
At beginning of year	(3,024)	(3,055)	(39)	(39)
Credited to profit or loss (Note 24)	57	31	-	-
At end of year	(2,967)	(3,024)	(39)	(39)

The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax assets	65	65	-	-
Deferred tax liabilities	(3,032)	(3,089)	(39)	(39)
	(2,967)	(3,024)	(39)	(39)

Deferred tax balances mainly relate to differences between tax and book depreciation of property, plant and equipment.

18 SHARE CAPITAL

	Group and Company			
	2020	**2019**	**2020**	**2019**
	Number of ordinary shares ('000)		**$'000**	**$'000**
Issued and fully paid:				
At beginning and end of year	39,378	39,378	36,603	36,603

Fully paid ordinary shares, which have no par value, carry one vote per share and a right to dividends as and when declared by the Company.

19 CAPITAL RESERVE

Capital reserve arose due to an increase in ownership interest in a subsidiary during prior years. The balance represents the difference between the fair value of consideration paid and the carrying amount of non-controlling interests acquired.

20 REVENUE

	Group	
	2020	2019
	$'000	$'000
Sale of goods – metal	37,766	47,454
Sale of goods – engineering	7,762	7,009
Rental of materials and equipment	7,476	7,558
Scaffolding services	4,973	4,586
Other service incomes	1,765	1,998
	59,742	68,605

21 OTHER INCOME

	Group	
	2020	2019
	$'000	$'000
Transportation income	71	78
Interest income	78	86
Rental of leasehold properties (Note 28)	1,807	1,563
Rental of investment property (Notes 11 and 28)	929	1,067
Gain on disposal of property, plant and equipment	27	123
Reversal of allowance for inventories (Note 8)	-	15
Government grants	983	83
Net foreign exchange gain	160	27
Others	26	629
	4,081	3,671

Government grants mainly relate to wage support. Under the conditions of the grants, the Group will be required to retain its local employees even if business is affected by the COVID-19 outbreak. As at 30 June 2020, the Group has approximately $0.3 million (2019: $Nil) of deferred grant income included in other payables.

22 OTHER OPERATING EXPENSES

	Group	
	2020	**2019**
	$'000	**$'000**
Loss allowance for receivables (Note 7)	986	438
Receivables written off (Note 7)	-	25
Allowance for inventories (Note 8)	1,507	-
Property, plant and equipment written off (Note 9)	399	-
Depreciation of right-of-use assets (Note 10)	2,153	-
Fair value loss on investment property (Note 11)	3,062	2,188
Impairment of goodwill (Note 12)	2,530	2,100
Amortisation of other intangible assets	4	4
Rental expense	1,239	3,650
Net foreign exchange loss	-	44
Others	3	117
	11,883	8,566

23 FINANCE COSTS

	Group	
	2020	**2019**
	$'000	**$'000**
Interest on bills payable	116	108
Interest on bank loans	794	917
Interest on obligations under finance leases	-	5
Interest on lease liabilities	694	-
	1,604	1,030

24 INCOME TAX

	Group	
	2020	**2019**
	$'000	**$'000**
Current tax expense	225	2
Overprovision of current tax in prior years	(232)	(156)
Deferred tax (credit) expense (Note 17)	(43)	69
Overprovision of deferred tax in prior years (Note 17)	(14)	(100)
	(64)	(185)

24 INCOME TAX (cont'd)

Income tax for the year can be reconciled to the accounting loss as follows:

	Group	
	2020	**2019**
	$'000	**$'000**
Loss before tax	(7,858)	(5,212)
Tax credit calculated at statutory rate of 17% (2019: 17%)	(1,336)	(886)
Non-deductible items - net	1,779	811
Deferred tax assets not recognised	58	226
Overprovision of current tax in prior years	(232)	(156)
Overprovision of deferred tax in prior years	(14)	(100)
Utilisation of previously unabsorbed losses and capital allowances	(319)	(281)
Others	-	201
	(64)	(185)

The Group has unabsorbed tax losses and unutilised capital allowances of approximately $4.6 million (2019: $4.3 million). The resulting deferred tax asset has not been recognised in the financial statements due to the unpredictability of future profit streams.

The use of these potential tax benefits is subject to the agreement of the Inland Revenue Authority of Singapore and compliance with certain provisions of the Singapore Income Tax Act.

25 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging:

	Group	
	2020	**2019**
	$'000	**$'000**
Directors' remuneration:		
- of the Company	1,124	1,142
- of the subsidiaries	381	435
Employee benefits expense (including directors' remuneration)	9,964	9,463
Cost of defined contribution plans included in employee benefits expense	589	520
Audit fees:		
- paid/payable to auditors of the Company	180	186
- paid/payable to other auditors	42	50

25 LOSS FOR THE YEAR (cont'd)

Amount recognised in profit or loss relating to leases (The Group as lessee)

(Disclosure required under SFRS(I) 16)

	2020
	$'000
Depreciation of right-of-use assets (Note 10)	2,153
Interest on lease liabilities (Note 23)	694
Expense relating to short-term leases	1,239

(Disclosure required under SFRS(I) 1-17)

	2019
	$'000
Payment recognised as an expense during the year:	
Minimum lease payments under operating leases	3,650

The total cash outflow for leases amount to $3,650,000.

26 LOSS PER SHARE

Loss per share for the year ended 30 June 2020 has been calculated based on the loss for the year attributable to owners of the Company of $7,643,000 and 39,378,000 shares.

Loss per share for the year ended 30 June 2019 has been calculated based on the loss for the year attributable to owners of the Company of $4,687,000 and 39,378,000 shares.

27 DIVIDENDS

On 22 October 2018, a final dividend of $0.012 cents per share (total $473,000) in respective of the financial year ended 30 June 2018 was paid to the shareholders.

No dividends were declared in respect of the financial year ended 30 June 2020 and 30 June 2019.

28 OPERATING LEASE ARRANGEMENTS

(i) The Group as a lessee

(Disclosure required by SFRS(I) 1-17)

At 30 June 2019, the Group had outstanding commitments under non-cancellable operating leases, which fell due as follows:

	2019
	$'000
Within one year	2,721
In the second to fifth years inclusive	7,937
After five years	8,456
	19,114

(ii) The Group as lessor

The Group leased out certain portions of its investment property, land and buildings and warehouse to non-related parties under operating leases. Rental income from these arrangements is disclosed in Note 21.

(Disclosure required by SFRS(I) 16)

Management is of the view that unguaranteed residual values do not represent a significant risk for the Group. The Group did not identify any indications that the situation will change.

Maturity analysis of operating lease payments:

	2020
	$'000
Year 1	469
Year 2	78
	547

(Disclosure required by SFRS(I) 1-17)

As at 30 June 2019, the Group had contracted with tenants for the following minimum lease payments:

	2019
	$'000
Within one year	1,436
In the second to fifth years inclusive	472
	1,908

The leases had terms of 1 to 2 years.

Revenue from rental of materials and equipment is disclosed in Note 20. These leases were arranged on a rolling basis with no fixed tenure.

29 SEGMENT INFORMATION

The Group's reportable segments under SFRS(I) 8 *Operating Segments* are as follows:

- Metals - import and export of scrap metals, trading and leasing of metal products.
- Scaffolding - provision of scaffolding services and related consultancy services.
- Engineering - civil construction and engineering work, manufacturing of motor vehicle bodies and sale and rental of marine deck equipment.
- Others - income from rental of properties.

The following is an analysis of the Group's revenue and results by reportable segment:

	Revenue		**Net loss**	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Metals	38,594	54,214	1,949	3,231
Scaffolding	5,076	4,691	(924)	(841)
Engineering	16,072	9,700	(2,760)	(2,976)
Others	-	-	(2,650)	(1,508)
Total	59,742	68,605	(4,385)	(2,094)
Unallocated corporate expenses			(1,947)	(2,174)
Interest income			78	86
Finance costs			(1,604)	(1,030)
Loss before tax			(7,858)	(5,212)

Revenue reported above represents revenue generated from external customers. There were no inter-segment sales in the current and prior years.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment profit represents the profit earned by each segment without allocation of central administration costs, interest income, finance costs and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

Fair value loss on investment property of $3,062,000 (2019: $2,188,000) was allocated to the Others segment. Impairment losses on goodwill of $1,800,000 (2019: $1,000,000) and $730,000 (2019: $1,100,000) were allocated to the Scaffolding and Engineering segments respectively.

29 SEGMENT INFORMATION (cont'd)

Segment assets

	2020	2019
	$'000	**$'000**
Metals	54,119	47,925
Scaffolding	11,349	12,198
Engineering	30,811	30,497
Others	8,055	10,177
Total segment assets	104,334	100,797
Other unallocated assets	2,119	3,082
Total assets	106,453	103,879

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the assets attributable to each segment.

Geographical information

The Group operates mainly in Singapore. The Group's revenue from external customers and information about its segment assets are detailed below:

	Revenue from external customers		Non-current assets	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	46,174	49,054	56,507	50,968
India	6,415	8,521	-	-
Malaysia	1,315	1,578	720	720
Indonesia	1,692	5,655	-	-
Pakistan	1,051	15	-	-
Bangladesh	780	2,341	-	-
Korea	273	27	-	-
Vietnam	516	195	-	-
China (inclusive of Hong Kong)	121	144	-	-
Australia	155	99	-	-
Others	1,250	976	-	-
	59,742	68,605	57,227	51,688

29 SEGMENT INFORMATION (cont'd)

Information about major customers

There were no customers which accounted for 10% or more of the Group's revenue.

Other segment information

	Depreciation and amortisation		**Additions to non-current assets**	
	2020	**2019**	**2020**	**2019**
	$'000	**$'000**	**$'000**	**$'000**
Metals	3,891	2,746	3,558	1,072
Scaffolding	443	448	1,084	7
Engineering	1,783	1,514	225	552
Others	385	255	20	740
Total	6,502	4,963	4,887	2,371

30 COVID-19

The outbreak of COVID-19 has impacted the Group as there has been disruption to regular business operations due to the measures taken to curb the impact of the pandemic. Some of the Group's responses include the following:

(i) The Group implemented measures to ensure the health and safety of employees by monitoring and ensuring compliance with guidelines and directives issued by the relevant authorities.

(ii) As part of credit risk management, the Group undertook a review of its credit policies and reduced credit limits given to certain customers.

(iii) As part of liquidity risk management, the Group will closely monitor the timing of payments to suppliers and seek extended payment terms where applicable.

(iv) The Group also implemented cost saving measures in relation to employee costs and other expenses, and commenced price renegotiations with suppliers.

The Group has considered external and internal information in assessing the impact of COVID-19 on its financial statements. The Group will continue to monitor economic conditions and assess their financial impact.

As at the date of these financial statements, management has not identified any events or conditions that may cast a material uncertainty on the Group and the Company's ability to continue as going concerns.

Number of shares (excluding treasury shares and subsidiary holdings)	:	39,378,100
Class of shares	:	Ordinary shares
Voting rights	:	One vote per share
No. of treasury shares and percentage	:	Nil
No. of subsidiary holdings held and percentage	:	Nil

DISTRIBUTION OF SHAREHOLDINGS AS AT 17 SEPTEMBER 2020

Size of Shareholdings	No. of Shareholders	%	No of Shares	%
1 – 99	45	3.47	414	0.00
100 – 1,000	469	36.13	308,572	0.79
1,001 – 10,000	628	48.38	2,434,455	6.18
10,001 – 1,000,000	152	11.71	9,640,276	24.48
1,000,001 and above	4	0.31	26,994,383	68.55
Total	1,298	100.00	39,378,100	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 17 SEPTEMBER 2020

No.	Name of Shareholders	No of Shares	%
1	Ang Yu Seng	13,724,840	34.85
2	Goi Seng Hui	8,584,000	21.80
3	Ang Yew Chye	3,565,143	9.05
4	Lian Bee Metal Pte Ltd	1,120,400	2.85
5	Raffles Nominees (Pte) Limited	801,370	2.03
6	Wilson Ong (Wilson Wang)	670,100	1.70
7	Lim & Tan Securities Pte Ltd	538,300	1.37
8	Phillip Securities Pte Ltd	507,608	1.29
9	Chew Ghim Bok	450,000	1.14
10	Ang Jun Long	390,800	0.99
11	Lim Ah Kaw @ Lim Lan Ching	371,190	0.94
12	Leh Bee Hoe	263,600	0.67
13	Maybank Kim Eng Securities Pte. Ltd	226,600	0.58
14	Cheng Buck Poh @ Chng Bok Poh	203,400	0.52
15	DBS Nominees Pte Ltd	199,300	0.51
16	Lim Puay Lan	197,300	0.50
17	Seah Kiok Leng	159,300	0.40
18	Tan Teck Meng	133,000	0.34
19	OCBC Securities Private Ltd	131,466	0.33
20	Goh Ching Yu @ Goh Chwee Lian	120,600	0.31
	Total:	32,358,317	82.17

SUBSTANTIAL SHAREHOLDERS AS AT 17 SEPTEMBER 2020

	Direct Interest		Deemed Interest	
Name	**No of Shares**	**%**	**No of Shares**	**%**
Ang Yu Seng	13,724,840	34.85	-	-
Goi Seng Hui	8,584,000	21.80	-	-
Ang Yew Chye	3,565,143	9.05	-	-

As at 17 September 2020, 34.27% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST which requires 10% of the equity securities (excluding preference shares and convertible equity securities) in a class that is listed to be in the hands of the public.

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of Union Steel Holdings Limited ("**Company**") will be held by way of electronic means on Thursday, 29 October 2020 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements and Directors' Statement of the Company and the Group for the financial year ended 30 June 2020 together with the Auditors' Report thereon. **Resolution 1**

2. To approve the payment of Directors' fees of S$163,800 for the financial year ending 30 June 2021, payable half yearly in arrears. (2020: S$163,800) **Resolution 2**

3. To re-elect the following Directors of the Company who retire pursuant to Regulation 91 of the Constitution of the Company:

   Regulation 91

   Mr. Ang Yu Seng **Resolution 3**
   Mr. Wong Loke Tan **Resolution 4**

   [See Explanatory Note (i)]

4. To appoint Nexia TS Public Accounting Corporation as Auditors of the Company in place of the retiring Auditors of the Company, Deloitte & Touche LLP, to hold office until the conclusion of the next AGM and to authorise the Directors of the Company to fix their remuneration. **Resolution 5**

   [See Explanatory Note (ii)]

5. To transact any other ordinary business which may properly be transacted at an AGM.

AS SPECIAL BUSINESS

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

6. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

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

   a. (i) 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 pursuant to any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(the "***Share Issue Mandate***")

provided that:

(1) the aggregate number of shares (including shares to be issued pursuant to the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution 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), 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 twenty per centum (20%) 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 (a) above, the percentage of the total issued shares shall be based on the total number of issued shares in the capital of the Company (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

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

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

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

    Adjustments in accordance with Rule 806(3)(a) or Rule 806(3)(b) are only to be made in respect of new shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of the resolution approving the mandate.

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

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

Resolution 6

[See Explanatory Note (iii)]

By Order of the Board

Chew Kok Liang
Shirley Tan Sey Liy
Company Secretaries

Singapore, 14 October 2020

Explanatory Notes:

(i) Mr. Ang Yu Seng will, upon re-election as a Director of the Company, remain as a member of the Nominating Committee.

Mr. Wong Loke Tan will, upon re-election as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee and will be considered independent pursuant to Rule 704(8) of the Listing Manual of the SGX-ST.

Please refer to pages 45 to 51 in the Annual Report for the detailed information for Mr. Ang Yu Seng and Mr. Wong Loke Tan required pursuant to Rule 720(5) of the Listing Manual of the SGX-ST.

(ii) The Company is seeking approval from the shareholders on the change of the Auditor of the Company from Deloitte & Touche LLP to Nexia TS Public Accounting Corporation. Please refer to the appendix 'The Proposed Change of the Auditors of the Company from Deloitte & Touche LLP to Nexia TS Public Accounting Corporation' attached to this Notice of AGM ("**Appendix**") for more information pertaining to this resolution.

(iii) Resolution 6 above, if passed, will empower the Directors of the Company from the date of this AGM until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to twenty per centum (20%) 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 percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time this Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Resolution is passed and any subsequent consolidation or subdivision of shares.

Notes relating to measures to minimise the risk of COVID-19:

General

1. In view of the circuit breaker measures applicable as of the date of this Notice up to 1 June 2020 and pursuant to the COVID-19 (Temporary Measures) Act that was passed by Parliament on 7 April 2020 and the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 issued by the Minister of Law on 13 April 2020 (as amended from time to time), provide legal certainty such that issuers are able to make alternative arrangements to hold general meetings where personal attendance is required under written law or legal instruments (such as a company's constitution). A joint statement was also issued by the Monetary Authority of Singapore, the Accounting and Corporate Regulatory Authority and the Singapore Exchange Regulation on 13 April 2020 to provide guidance on the conduct of general meetings during the period when elevated safe distancing measures are in place. As such, the AGM will be held by way of electronic means and shareholders will NOT be allowed to attend the AGM in person. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the Company's corporate website https://www.unionsteel.com.sg and the following URL: https://agm.conveneagm.com/unionsteel. This Notice will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

2. Alternative arrangements are instead put in place to allow shareholders to participate in the AGM by:

   (a) watching or listening to the AGM proceedings via a Live Webcast (as defined below). Shareholders who wish to participate as such will have to pre-register in the manner outlined in Notes 3 to 6 below;

   (b) submitting questions ahead of the AGM. Please refer to Notes 7 to 9 below for further details; and

   (c) voting by proxy at the AGM. Please refer to Notes 10 to 16 below for further details.

Participation in the AGM via live webcast or live audio feed

3. A shareholder of the Company or their corporate representatives (in the case of a member which is a legal entity) will be able to watch or listen to the proceedings of the AGM through a "live" webcast via mobile phone, tablet or computer ("**Live Webcast**"). In order to do so, the member must pre-register by 10.00 a.m. on 27 October 2020 ("**Registration Deadline**"), at the following URL: https://agm.conveneagm.com/unionsteel ("**USHL AGM Website**"), to create an account.

4. Following authentication of his/her/its status as a shareholder of the Company, such shareholder will receive an email confirming the authentication of their status and will be able to access the Live Webcast using the account created.

5. Shareholders who have registered by the Registration Deadline in accordance with paragraph 2 above but do not receive an email response by 12:00 p.m. on 28 October 2020 may contact the Company for assistance at the following email address: corporate@unionsteel.com.sg, with the following details included: (1) the member's full name; and (2) his/her/its identification/registration number.

6. Non-SRS holders whose shares are registered under Depository Agents ("**DAs**") **must** contact their respective DAs to indicate their interest in order for their respective DAs to make the necessary arrangements for them to participate in the Live Webcast of the AGM proceedings.

Submission of questions prior to the AGM

7. A shareholder of the Company may also submit questions relating to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations. The Company shall only address relevant and substantial questions (as may be determined by the Company in its sole discretion) received. The Company will publish the minutes of the AGM on SGXNET and the Company's website within one month after the date of AGM.

8. To do so, all questions must be submitted no later than the Registration Deadline through any one of the following means:

   (a) via the USHL AGM Website; or

   (b) in physical copy by depositing the same at the Company's registered office at 33 Pioneer Road North, Singapore 628474; or

   (c) by email to corporate@unionsteel.com.sg.

9. If the questions are deposited in physical copy at the Company's registered office or sent via email, and in either case not accompanied by the completed and executed Proxy Form (as defined below), the following details must be included with the submitted questions: (i) the member's full name; and (ii) his/her/its identification/registration number for verification purposes, failing which the submission will be treated as invalid.

Voting by proxy

10. Shareholders may only exercise their voting rights at the AGM via proxy voting. The accompanying proxy form for the AGM may be accessed via the USHL AGM Website, the Company's corporate website https://www.unionsteel.com.sg, and will also be made available on the SGX website at the URL https://www.sgx.com/securities/company-announcements.

11. Shareholders (including Relevant Intermediary*) who wish to vote on any or all of the resolutions at the AGM must submit a proxy form to appoint the Chairman of the Meeting as their proxy to do so on their behalf.

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

    (a) in the electronic format accessible on the USHL AGM Website;

    (b) if submitted by post, be lodged at the office of the Company's registered office at 33 Pioneer Road North, Singapore 628474; or

    (c) if submitted electronically, be submitted via email to corporate@unionsteel.com.sg,

    in either case by **no later than 10.00 a.m. on 27 October 2020, being 48 hours before the time appointed for the AGM**.

    In the case of submission of the Proxy Form other than via the USHL AGM Website, a member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

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

13. In the case of submission of the Proxy Form other than via the USHL AGM Website, the instrument appointing the Chairman of the Meeting as proxy must be under the hand of the appointor or on his/her attorney duly authorised in writing. Where the instrument appointing the Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its common seal or signed on its behalf by its attorney duly authorised in writing or by an authorised officer of the corporation, failing which the instrument of proxy may be treated as invalid.

14. An investor who holds shares under the Supplementary Retirement Scheme ("**SRS Investor**") and wishes to vote, should approach their respective SRS Operators to submit their votes to appoint the Chairman of the Meeting as their proxy, at least 7 working days before the AGM.

15. A Depositor's name must appear on the Depository Register maintained by The Central Depositor (Pte) Limited as at 72 hours before the time fixed for holding the AGM in order for the Depositor to be entitled to vote at the AGM.

16. **Please note that shareholders will not be able to vote through the Live Webcast and can only vote with their proxy forms which are required to be submitted in accordance with the foregoing paragraphs.**

* A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Chapter 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Chapter 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Personal Data Privacy

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) 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, proxy 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.

IMPORTANT:
1. The Annual General Meeting ("**Meeting**") is being convened by electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Order 2020. **Due to the current COVID-19 restriction order, a member will not be able to physically attend the Meeting**. **A member (including Relevant Intermediary**) must appoint the Chairman of the Meeting as proxy to vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting.**
2. Alternative arrangements relating to the attendance of the Meeting through electronic means, as well as conduct of the Meeting and relevant guidance with full details are set out in the accompanying Company's announcement dated 14 October 2020, which can be accessed via the SGX website at: https://www.sgx.com/securities/company-announcements.
3. An investor who holds shares under the Supplementary Retirement Scheme ("**SRS Investors**") and wishes to vote should approach their respective SRS Operators to submit their votes to appoint the Chairman of the Meeting as their proxy, at least 7 working days before the Meeting.
4. This Proxy Form is not valid for use by SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

UNION STEEL HOLDINGS LIMITED

Company Registration No. 200410181W
(Incorporated in the Republic of Singapore)

ANNUAL GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ______________________ NRIC/Passport No. ______________________

of ____

being *a member/members of **UNION STEEL HOLDINGS LIMITED** ("**Company**"), hereby appoint:

	Proportion of Shareholdings	
Chairman of the Meeting	**No of Shares**	**%**

as *my/our proxy to attend and vote for me/us* on my/our* behalf at the Annual General Meeting ("**Meeting**") of the Company to be held by **electronic means** on **Thursday, 29 October 2020 at 10:00 a.m.** and at any adjournment thereof. I/We* direct my/our* proxy to vote for or against, or to abstain from voting the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy will vote or abstain from voting at his/her discretion. In terms of proxy voting, the shareholder/shareholders must appoint the Chairman of the Meeting to act as proxy and direct the vote at the Meeting.

No.	Resolutions relating to:	No. of votes 'For'**	No. of votes 'Against'**	No. of votes 'Abstain'**
Ordinary Business				
1	Audited Financial Statements and Directors' Statement of the Company and the Group for the financial year ended 30 June 2020			
2	Approval of Directors' fees amounting to S$163,800 for the financial year ending 30 June 2021, payable half yearly in arrears (2020: S$163,800)			
3	Re-election of Mr. Ang Yu Seng as a Director under Regulation 91			
4	Re-election of Mr. Wong Loke Tan as a Director under Regulation 91			
5	Appointment of Nexia TS Public Accounting Corporation as Auditors of the Company in place of the retiring Auditors of the Company, Deloitte & Touche LLP, and to authorise the Directors of the Company to fix their remuneration			
Special Business				
6	Authority to issue new shares			

***If you wish to exercise all your votes 'For' or 'Against' or 'Abstain', please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate. If you mark the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution on a poll and your votes will not be counted in computing the required majority on a poll.*

Dated this ______________ day of ____________ 2020

Total number of Shares in:	**No. of Shares**
(a) CDP Register	
(b) Register of Members	

____

Signature of Shareholder(s)
and/or, Common Seal of Corporate Shareholder

* Delete where inapplicable

IMPORTANT: PLEASE READ NOTES OVERLEAF

Due to the fast-evolving COVID-19 situation in Singapore, the Company may be required to change its Meeting arrangements at short notice. The Company is taking the relevant steps in accordance with the Part 4 of the COVID-19 (Temporary Measures) Act 2020.

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 entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. **In light of the current COVID-19 measures in Singapore, members will not be able to attend the Meeting in person. A member of the Company (including a Relevant Intermediary*) must appoint the Chairman of the Meeting as his/her/its proxy to vote on his/her/its behalf at the Meeting if such member wishes to exercise his/her/its voting rights at the Meeting.**

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

   a. via the following URL: https://agm.conveneagm.com/unionsteel ("**USHL AGM Website**") in the electronic format accessible on the USHL AGM Website;

   b. if submitted by post, be lodged at the Company's registered office at 33 Pioneer Road North, Singapore 628474; or

   c. if submitted electronically, be submitted via email to corporate@unionsteel.com.sg,

   in either case **by no later than 10.00 a.m. on 27 October 2020, being 48 hours before the time appointed for the AGM**.

   In the case of submission of the Proxy Form other than via the USHL AGM Website, a member who wishes to submit an instrument of proxy must first download, complete and sign the proxy form, before submitting it by post to the address provided above, or before scanning and sending it by email to the email address provided above.

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

4. In the case of submission of the Proxy Form other than via the USHL AGM Website, the instrument appointing Chairman of the Meeting as proxy must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing Chairman of the Meeting as proxy is executed by a corporation, it must be executed either under its seal or signed on its behalf by an attorney duly authorised in writing or by an authorised officer of the corporation. Where the instrument appointing Chairman of the Meeting as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument, failing which the instrument may be treated as invalid.

5. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore, and the person so authorised shall upon production of a copy of such resolution certified by a director of the corporation to be a true copy, be entitled to exercise the powers on behalf of the corporation so represented as the corporation could exercise in person if it were an individual.

6. An investor who holds shares under the Supplementary Retirement Scheme ("**SRS Investor**") and wishes to vote, should approach their respective SRS Operators to submit their votes to appoint the Chairman of the Meeting as their proxy, at least 7 working days before the Meeting.

*"Relevant intermediary" has the same meaning ascribed to it in Section 181 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing the Chairman of the Meeting as proxy if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the Chairman of the Meeting as proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the Chairman of the Meeting as proxy lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the 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 member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 October 2020.

APPENDIX DATED 14 OCTOBER 2020

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

IF YOU ARE IN ANY DOUBT AS TO THE CONTENTS HEREIN OR AS TO THE COURSE OF ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT, TAX ADVISER OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

This Appendix is circulated to the Shareholders (as defined in this Appendix) of Union Steel Holdings Limited (the "**Company**") together with the Company's annual report for the financial year ended 30 June 2020 (the "**Annual Report**"). Its purpose is to explain to the Shareholders the rationale and provide information to the Shareholders for the Proposed Change of Auditors (as defined in this Appendix) to be tabled at the annual general meeting of the Company (the "**AGM**") to be convened by electronic means on 29 October 2020 at 10:00 a.m.

The Notice of the AGM and a proxy form are enclosed with the Annual Report. This Appendix has been appended to the Annual Report, which has been made available on SGXNet and the company's website. A printed copy of this Appendix will not be dispatched to Shareholders.

This Appendix has been prepared by the Company with assistance from RHTLaw Asia LLP. RHTLaw Asia LLP has not independently verified the contents of this Appendix.

The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") assumes no responsibility for the accuracy of any statements or opinions made or reports contained in the Appendix.

UNION STEEL HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number: 200410181W

APPENDIX TO SHAREHOLDERS IN RELATION TO THE PROPOSED CHANGE OF THE AUDITORS OF THE COMPANY FROM MESSRS DELOITTE & TOUCHE LLP TO MESSRS NEXIA TS PUBLIC ACCOUNTING CORPORATION

APPENDIX TO SHAREHOLDERS
IN RELATION TO THE PROPOSED CHANGE OF AUDITORS
Definitions

In this Appendix, the following definitions apply throughout unless otherwise stated:

"**ACRA**"	:	The Accounting and Corporate Regulatory Authority
"**AGM**"	:	The annual general meeting of the Company to be convened by electronic means on 29 October 2020 at 10:00 a.m.
"**Annual Report**"	:	The annual report of the Company for the financial year ended 30 June 2020
"**Appendix**"	:	This appendix dated 14 October 2020
"**Audit Committee**"	:	The audit committee of the Company, comprising Siau Kai Bing, Wong Loke Tan and Tan Min-Li
"**Auditors**"	:	The external auditors of the Company as appointed from time to time
"**Board**"	:	The board of directors of the Company for the time being
"**CDP**"	:	The Central Depository (Pte) Limited
"**Companies Act**"	:	The Companies Act (Chapter 50) of Singapore, as amended, supplemented or modified from time to time
"**Company**"	:	Union Steel Holdings Limited
"**Constitution**"	:	The constitution of the Company as amended, supplemented or modified from time to time
"**Directors**"	:	The directors of the Company for the time being, and each a "**Director**"
"**Group**"	:	The Company and its subsidiaries
"**Latest Practicable Date**"	:	30 September 2020, being the latest practicable date prior to the finalisation of this Appendix
"**Listing Manual**"	:	The Listing Manual of the SGX-ST as may be amended, supplemented or modified from time to time
"**Nexia**"	:	Nexia TS Public Accounting Corporation
"**Notice of AGM**"	:	The notice of AGM to be held on 29 October 2020 at 10:00 a.m.
"**Ordinary Resolution**"	:	The ordinary resolution in relation to the Proposed Change of Auditors
"**Proposed Change of Auditors**"	:	The proposed change of Auditors from Messrs Deloitte & Touche LLP to Messrs Nexia TS Public Accounting Corporation
"**SGX-ST**"	:	Singapore Exchange Securities Trading Limited
"**Shareholders**"	:	Registered holders of the Shares, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP whose Securities Accounts are credited with those Shares
"**Shares**"	:	Ordinary shares in the capital of the Company
"**Substantial Shareholder**"	:	A person who has an interest or interests in one or more voting shares in the Company, and the total votes attached to that share, or those shares, is not less than 5% of the total votes attached to all the voting shares of the Company
"**%**"	:	Per centum or percentage

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the respective meanings ascribed to them in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore.

The terms "**subsidiary holdings**" and "**treasury shares**" shall have the respective meanings ascribed to them in the Listing Manual.

The term "**subsidiary**" shall have the meaning ascribed to it in Section 5 of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa. Words importing the masculine gender shall, where applicable, include the feminine and neuter genders.

References to persons shall, where applicable, include corporations.

Any reference to a time of day in this Appendix shall be a reference to Singapore time unless otherwise stated. Any reference to any enactment is a reference to that enactment as for the time being amended or re-enacted.

Any term defined under the Companies Act or the Listing Manual, or any statutory modification thereof and used in this Appendix shall, where applicable, have the meaning ascribed to it under the Companies Act or the Listing Manual, or such modification thereof, as the case may be, unless otherwise provided.

Any discrepancies in figures included in this Appendix between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Appendix may not be an arithmetic aggregation of the figures that precede them.

Any reference to a date and/or time of day in this Appendix shall be a reference to Singapore time unless otherwise stated.

The headings in this Appendix are inserted for convenience only and shall be ignored in construing this Appendix.

UNION STEEL HOLDINGS LIMITED

(Incorporated in the Republic of Singapore)
Company Registration Number: 200410181W

Directors:

Mr Ang Yu Seng (Executive Chairman & Chief Executive Officer)
Mr Ang Yew Chye (Executive Director)
Mr Siau Kai Bing (Lead Independent Director)
Ms Tan Min-Li (Independent Director)
Mr Wong Loke Tan (Independent Director)
Mr Goi Kok Ming (Wei Guoming) (Non-Executive Director)

Registered Office:

33 Pioneer Road North
Singapore 628474

14 October 2020

To: The Shareholders of Union Steel Holdings Limited

Dear Sir / Madam,

THE PROPOSED CHANGE OF THE AUDITORS OF THE COMPANY FROM MESSRS DELOITTE & TOUCHE LLP TO MESSRS NEXIA TS PUBLIC ACCOUNTING CORPORATION

1. INTRODUCTION

1.1. We refer to item 4 appearing in the Notice of Annual General Meeting. This item is an Ordinary Resolution ("**Resolution 5**") for the Proposed Change of Auditors.

1.2. The purpose of this Appendix is to explain the rationale for, and to provide Shareholders with the relevant information in connection with the Ordinary Resolution to be tabled at the AGM, and to seek Shareholders' approval for the resolution relating to the same. This Appendix has been prepared solely for the purpose set out herein and may not be relied upon by any persons (other than the Shareholders) or for any other purpose.

1.3. The SGX-ST assumes no responsibility for the accuracy of any statements or opinions made or reports contained in this Appendix.

2. THE PROPOSED CHANGE OF AUDITORS

2.1. Background and Rationale

2.1.1. At the last annual general meeting of the Company held on 24 October 2019, Messrs Deloitte & Touche LLP was re-appointed as auditors of the Company to hold office until the close of the next annual general meeting of the Company. Messrs Deloitte & Touche LLP has been the auditors of the Group since 31 March 2015.

2.1.2. The Board assessed and reviewed the duration of the services provided by Messrs Deloitte & Touche LLP and is of the view that as a matter of good corporate governance, it is appropriate to consider a rotation of auditors while keeping the costs at a reasonable level given the Group's current level of activities and business. The Board, the Audit Committee and Messrs Deloitte & Touche LLP mutually agreed that it would be in the interests of both, the Company and Messrs Deloitte & Touche LLP, not to continue the appointment due to cost considerations.

2.1.3. Further, as part of the Company's ongoing efforts to enhance operating cost efficiencies, the Board had reviewed audit fee proposals from various audit firms. The Board in consultation with the Audit Committee has determined that the audit fee proposal from Messrs Nexia TS Public Accounting Corporation is the most competitive and would provide a cost saving of approximately S$90,000 (or 39%) to the Group. The Company does not expect the reduction in cost to affect the quality and scope of the audit to be undertaken with the Proposed Change of Auditors.

2.1.4. In compliance with Rule 712(1) of the Listing Manual, the Board had considered other various factors, including the adequacy of resources, the experience of the audit firm and the audit engagement partner, the number and experience of supervisory and professional staff and the audit firm's other audit engagements and the anticipated size and complexity of the Group. The Board notes that Messrs Nexia TS Public Accounting Corporation meets the requirements under Rule 712(2) of the Listing Manual as it is registered with and regulated by ACRA. Upon evaluation, the Board is satisfied that Messrs Nexia TS Public Accounting Corporation will be able to meet the audit requirements of the Group.

2.1.5. The financial statements of the Company are currently prepared in accordance with the Singapore Financial Reporting Standards (International) and the scope of audit services to be provided by Messrs Nexia TS Public Accounting will be comparable to the services currently provided by Messrs Deloitte & Touche LLP.

2.1.6. In this regard, the Company's retiring auditors, Messrs Deloitte & Touche LLP, will retire and not seek re-appointment at the Company's AGM.

2.1.7. Messrs Nexia TS Public Accounting Corporation have on 7 October 2020 given their written consent to act as the Auditors, subject to the approval of the Shareholders at the AGM.

2.1.8. The appointment of Messrs Nexia TS Public Accounting Corporation would be effective upon obtaining the approval of Shareholders at the AGM. If approval is obtained, Messrs Nexia TS Public Accounting Corporation will hold office as the Auditors until the conclusion of the next AGM.

2.1.9. The Board wishes to highlight that the Proposed Change of Auditors is in no way the result of any disagreement with Messrs Deloitte & Touche LLP or dismissal of Messrs Deloitte & Touche LLP. The Directors wish to express their appreciation for the past services rendered by Messrs Deloitte & Touche LLP.

2.2. Requirements under Rule 712 of the Listing Manual

2.2.1. Pursuant to Rule 712(1) of the Listing Manual, the Directors and the Audit Committee, having considered the adequacy of the resources and experience of Messrs Nexia TS Public Accounting Corporation and the audit engagement partner assigned, the size and complexity of the Group's operations, and the number and experience of supervisory and professional staff assigned to the audit, are of the opinion that the appointment of Messrs Nexia TS Public Accounting Corporation as the Auditors will be able to meet the audit requirements of the Company.

2.2.2. Pursuant to Rule 712(3) of the Listing Manual, the appointment of Messrs Nexia TS Public Accounting Corporation as the Auditors must be specifically approved by Shareholders in a general meeting. Accordingly, the appointment of Messrs Nexia TS Public Accounting Corporation would be effective upon the approval by Shareholders at the AGM to be held on 29 October 2020.

2.2.3. Pursuant to Section 205 of the Companies Act, Chapter 50 of Singapore, a copy of the notice of nomination of the proposed new Auditors dated 5 October 2020 from a Shareholder is attached as **Annex A** to this Appendix.

2.3. Requirements under Rule 715 of the Listing Manual

2.3.1. The Board confirms that pursuant to the Shareholders' approval of the Proposed Change of Auditors, Messrs Nexia TS Public Accounting Corporation will become the auditors of the Company and of its Singapore-incorporated subsidiaries for the financial year ending 30 June 2021 and going forward.

2.4. Requirements under Rule 1203(5) of the Listing Manual

2.4.1. In accordance with the requirements of Rule 1203(5) of the Listing Manual:

(i) the Company had received a copy of the professional clearance letter from Messrs Deloitte & Touche LLP dated 7 October 2020 to Messrs Nexia TS Public Accounting Corporation, confirming that they are not aware of any professional reasons why Messrs Nexia TS Public Accounting Corporation should not accept appointment as the new auditors of the Company;

(ii) the Board confirms that there were no disagreements with Messrs Deloitte & Touche LLP on accounting treatments within the last 12 months from the date of this Appendix;

(iii) the Board confirms that the Company is not aware of any circumstances connected with the Proposed Change of Auditors that should be brought to the attention of the Shareholders which has not been disclosed in this Appendix;

(iv) the reasons for the Proposed Change of Auditors are disclosed in paragraph 2.1 of this Appendix above; and

(v) the Board confirms that the Company is in compliance with Rules 712 and 715 of the Listing Manual in relation to the proposed appointment of Messrs Nexia TS Public Accounting Corporation as its new auditors, after taking into account the various factors in paragraph 2.2 and 2.3 of this Appendix above.

2.5. Information on Messrs Nexia TS Public Accounting Corporation

2.5.1. Messrs Nexia TS Public Accounting Corporation ("**Nexia**") is associated with Smith & Williamson in the United Kingdom, and both Nexia and Smith & Williamson are independent member firms of the Nexia International network, a leading global network of independent accounting and consulting firms operated by Nexia International Limited with a worldwide turnover in excess of USD$4 billion, with substantial representation in the major financial centres of the world, which are supported by 32,000 professional staff worldwide and 727 offices in more than 122 countries globally. Smith & Williamson is a leading, independently owned, accounting, financial advisory and investment management group with over 1,700 employees in the United Kingdom with its headquarters in London. As part of the top ten largest firms of accountants in the United Kingdom, it has 12 principal offices in the United Kingdom, Ireland and Jersey. Its services include investment management, accountancy, tax, corporate and financial advisory.

2.5.2. Nexia (formerly practising as Nexia Tan & Sitoh) was founding in 1993 by two (2) experienced chartered accountants, namely Henry Tan and Sitoh Yih Pin. Nexia is registered with ACRA and has 19 directors and approximately 220 professional staff offering auditing, accounting, advisory and taxation services. Nexia has offices in Singapore, Malaysia, Myanmar and Shanghai, People's Republic of China, and is amongst the top 10 largest accounting firms in Singapore. Certain directors of Nexia are audit committee members of a number of listed companies in Singapore and have many years of experience in corporate governance and auditing issues. Nexia is currently the independent auditors to more than 40 Singapore listed companies. In this regard, Nexia has approximately 200 professional staff in its Singapore office.

2.5.3. Ms Meriana Ang will be the designated Lead Engagement Partner who will be assigned to lead the audit of the Company and its subsidiaries. Ms Meriana Ang is a member of the institute of Singapore Chartered Accountants and a public accountant registered with ACRA. She has more than 15 years of experience in providing audit services to a variety of clients, including various companies listed on the SGX-ST. Her experience in listed companies covers various industries includes oil and gas, real estate, shipping, construction, food and beverages, manufacturing, distribution and trading, services and investment holding with operation in various geographical locations including Singapore, Myanmar, Indonesia, Malaysia, Canada, United States of America, People's Republic of China and Vietnam.

2.5.4. Ms Meriana Ang is currently the Lead Engagement Partner of several Singapore listed companies with operations in various geographical locations. In particular, both Nexia and Ms Meriana Ang have experience in auditing companies with similar business activities as the Company (i.e. which are in the metal, scaffolding and engineering sector). In recent years, Ms Meriana Ang has also acted as the Reporting Accountant for corporate transactions, such as major acquisitions and reverse takeover of companies listed on the SGX-ST.

2.5.5. Ms Meriana Ang had previously been subjected to the Practice Monitoring Programme ("**PMP**") review by ACRA and the Company noted that there is no adverse feedback from ACRA on Ms Meriana Ang from previous exercises. Other partners of Nexia selected for review in 2018 under the PMP conducted by ACRA have also passed the practice review and have not received a hot review order. Ms Meriana Ang will be supported by an Engagement Quality Control Reviewer ("**EQCR**"), who is an experienced director to ensure that the engagement team is provided additional objective viewpoints on the audit and an audit team of 4 to 5 professionals, comprising a manager, senior associates and associates.

2.5.6. Apart from EQCRs allocated for all listed company and large public-interest clients, detailed quality reviews are performed by a central review team on these audits. Also other than ACRA PMP inspections, Nexia also undergoes Nexia International quality reviews and ACRA PMP inspections on a periodic basis.

2.5.7. For more information about Nexia, please visit http://www.nexiats.com.sg.

2.6. Recommendation of the Audit Committee

2.6.1. The Audit Committee has reviewed the Proposed Change of Auditors and has taken into consideration the Audit Quality Indicators Disclosure Framework issued by ACRA, as well as the requirements under the Listing Manual. The Audit Committee has also noted that Ms Meriana Ang has passed the latest Practice Monitoring Programme review by ACRA.

2.6.2. Having satisfied itself as to the suitability of Messrs Nexia TS Public Accounting Corporation, the Audit Committee recommends the Proposed Change of Auditors.

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

3.1. As at the Latest Practicable Date, the interests of the Directors and the Substantial Shareholders in the Shares, as recorded in the Register of Directors' Shareholdings and Register of Substantial Shareholders' Shareholdings of the Company are as follows:

		Number of Shares	
	Direct Interest	**Deemed Interest**	**Total Interest (%) [(1)]**
Directors			
Ang Yu Seng	13,724,840	-	34.85
Goi Seng Hui	8,584,000	-	21.80
Ang Yew Chye	3,565,143	-	9.05
Siau Kai Bing	12,000	-	0.03

Notes:

(1) Based on 39,378,100 shares (excluding treasury shares and subsidiary holdings) in issue as at the Latest Practicable Date.

4. DIRECTORS' RECOMMENDATIONS

The Directors are of the opinion that the Proposed Change of Auditors is in the interests of the Company. Accordingly, they recommend that Shareholders vote in favour of the ordinary resolution in respect of the Proposed Change of Auditors set out in the Notice of AGM.

5. ANNUAL GENERAL MEETING

5.1. The AGM, notice of which is appended to the Annual Report, will be held by way of electronic means on 29 October 2020 at 10.00 a.m. for the purpose of considering and, if thought fit, passing with or without modifications, the resolution set out therein.

6. ACTIONS TO BE TAKEN BY SHAREHOLDERS

6.1. Alternative Arrangements for AGM

No physical attendance

Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (as amended from time to time), the AGM will be held by electronic means and members of the Company will NOT be allowed to attend the AGM in person.

Appointment of Chairman of the AGM as Proxy

Shareholders (whether individuals or corporates) must appoint the Chairman of the AGM as proxy and to give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the proxy form if such member wishes to exercise his/her/its voting rights at the Meeting, failing which the appointment and votes will be treated as invalid.

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

(a) in the electronic format accessible on the Union Steel Holdings Limited AGM Website;

(b) if submitted by post, be lodged at the office of the Company's registered office at 33 Pioneer Road North, Singapore 628474 **or**

(c) if submitted electronically, be submitted via email to corporate@unionsteel.com.sg,

in either case by no later than 10.00 a.m. on 27 October 2020, being 48 hours before the time appointed for the AGM.

In the case of submission of the Proxy Form other than via the Union Steel Holdings Limited AGM Website, a member who wishes to submit an instrument of proxy must first download, complete and sign the proxy.

6.2. When Depositor regarded as Shareholder

A Depositor shall not be regarded as a member of the Company entitled to vote thereat unless his name appears on the Depository Register maintained by CDP pursuant to Part IIIAA of the Securities and Futures Act at least 72 hours before the AGM.

6.3. No Despatch of Printed Copies of Appendix, Notice of AGM and Proxy Form

In line with the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, no printed copies of the Appendix, the Notice of AGM and the Proxy Form in respect of the AGM will be despatched to Shareholders.

A copy of the Appendix is appended to the Annual Report, which has been uploaded on SGXNet and will be made available on the Company's website. A Shareholder will need an internet browser and PDF reader to view these documents on SGXNet and the Company's website.

7. DIRECTORS' RESPONSIBILITY STATEMENT

7.1. The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the Proposed Change of Auditors, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading.

7.2. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

8. DOCUMENTS FOR INSPECTION

8.1. Copies of the following documents are available for inspection at the registered office of the Company during normal business hours from the date of this Appendix up to and including the date of the AGM:

(a) the Constitution;

(b) the annual report of the Company for the financial year ended 30 June 2020;

(c) the professional clearance letter from Messrs Deloitte & Touche LLP; and

(d) the letter of consent from Messrs Nexia TS Public Accounting Corporation.

8.2. In view of the movement restrictions pursuant to the COVID-19 (Temporary Measures) (Control Order) Regulations 2020, access to the registered office of the Company may not be possible during this period. Shareholders who wish to inspect the above documents should contact the Company so that arrangements can be made.

For and on behalf of the Board

Mr Ang Yu Seng

Executive Chairman / Chief Executive Officer
Union Steel Holdings Limited

Notice of Nomination

5 October 2020

Union Steel Holdings Limited
33 Pioneer Road North
Singapore 628474

Attention: The Board of Directors

Dear Sirs

Notice of Nomination

Pursuant to Section 205(11) of the Companies Act, Chapter 50 of Singapore, I, Ang Yu Seng, in my capacity as a member of Union Steel Holdings Limited (the "**Company**"), hereby give notice of my nomination of Messrs Nexia TS Public Accounting Corporation of 80 Robinson Road #25-00, Singapore 068898 for appointment as the Auditors of the Company in place of the retiring Auditors, Messrs Deloitte & Touche LLP of 6 Shenton Way, OUE Downtown 2, #33-00 Singapore 068809 at the forthcoming Annual General Meeting of the Company to be held on 29 October 2020 or at any adjournment thereof.

Yours faithfully

Ang Yu Seng
Member, Union Steel Holdings Limited

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BOARD OF DIRECTORS

Mr. Ang Yu Seng
Mr. Ang Yew Chye
Mr. Siau Kai Bing
Mr. Wong Loke Tan
Ms. Tan Min-Li
Mr. Goi Kok Ming (Wei Guoming)

NOMINATING COMMITTEE

Ms. Tan Min-Li (Chairman)
Mr. Ang Yu Seng
Mr. Siau Kai Bing

REMUNERATION COMMITTEE

Mr. Wong Loke Tan (Chairman)
Mr. Siau Kai Bing
Ms. Tan Min-Li

AUDIT COMMITTEE

Mr. Siau Kai Bing (Chairman)
Mr. Wong Loke Tan
Ms. Tan Min-Li

COMPANY SECRETARIES

Mr. Chew Kok Liang (LLB) (Hons)
Ms. Shirley Tan Sey Liy (ACS)

SHARE REGISTRAR

B.A.C.S. Private Limited
8 Robinson Road #03-00
ASO Building
Singapore 048544

INDEPENDENT AUDITOR

Deloitte & Touche LLP
6 Shenton Way
OUE Downtown 2, #33-00
Singapore 068809
Audit partner: Mr Panjabi Sanjay Gordhan
(Date of appointment: 24 October 2019)

PRINCIPAL BANKERS

CIMB Bank Berhad
DBS Bank Limited
Malayan Banking Berhad
Oversea-Chinese Banking Corporation Limited
United Overseas Bank Limited

INVESTOR RELATIONS

Union Steel Corporate Marketing
33 Pioneer Road North,
Singapore 628474

Union Steel Holdings Limited

Headquarters
33 Pioneer Road North
Singapore 628474

Tel. : +65 6861 9833
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www.unionsteel.com.sg