
RESPONSE TO SGX-ST QUERIES IN RELATION TO THE UNAUDITED FINANCIAL RESULTS FOR THE FULL YEAR ENDED 30 JUNE 2020

The Board of Directors (the “Board”) of Sin Ghee Huat Corporation Ltd (the “Company”) and its subsidiaries (together the “Group”) refers to its announcement made on 28 August 2020 in relation to the Unaudited Financial Statements and Dividend Announcement for the full year ended 30 June 2020. The Board would like to provide the following additional information in respond to the queries raised by SGX-ST on 8 September 2020.

SGX-ST Query 1

With reference to the unaudited financial statements for the year ended 30 June 2020, it is stated that, “Impairment loss on trade and other receivables increased by S\$0.7 million or 281% to S\$0.9 million for FY2020 (FY2019: S\$0.2 million), largely due to the impairment of receivables recorded for a certain customer in respect of the cessation of our joint venture entity in New Zealand.”

Please disclose:

i) The Company’s plans to recover the trade and other receivables;

In the Company’s announcement entitled “Business Update” dated 5 June 2020, the Company informed shareholders that the joint-venture agreement with the Company’s New Zealand joint-venture partner had been terminated. Consequently, the New Zealand joint-venture entity, First Break SG Metals 2015 Limited (“FBSGM”), in which the Company has a 50% equity interest, would be closed. The net trade receivables from FBSGM of approximately S\$0.8 million¹ (refer to Table 1) will be written-off upon the statutory closure of FBSGM.

The Company will continue to follow-up on the Others doubtful trade debts of approximately S\$53,000² (refer to Table 1).

Table 1: Breakdown for impairment loss on trade and other receivables

FY2020	S\$'000
<i>Doubtful trade debts:</i>	
¹ FBSGM	831
² Others	53
<i>Expected credit loss (ECL)</i>	20
	<hr/> 904 <hr/>

ii) Whether they are major customer(s) and whether the Company continues to transact with these customer(s);

They are not our major customers. The Company will not transact with these customers until the outstanding receivables are recovered. Otherwise, the transactions will be based on COD terms.

iii) How long are the debts outstanding and when were the sales reported;

Table 2: Breakdown of net debts outstanding

S\$'000	Total	< 91 Days	181-270 Days	271-360 Days	> 360 Days
FBSGM	831	-	-	-	831
Others	53	-	1	23	29
ECL	20	20	-	-	-
	904	20	1	23	860

In relation to the above, sales were reported mainly prior to FY2020.

iv) What were the actions taken to recover the trade and other receivables;

In relation to FBSGM, the stock balance was shipped back to Singapore to offset against the outstanding trade receivables. Furthermore, any remaining funds upon the completion of the statutory closure will be used to offset against the trade receivables. However, the remaining funds are not expected to be material.

In relation to the Others doubtful trade debts, the Company will continue to follow-up and/or take appropriate actions as practicable.

v) The reasons for the impairment on trade and other receivables;

Please refer to explanation under **Item i** for reason(s) for the impairment on trade and other receivables in relation to FBSGM.

The reasons for the impairment on trade and other receivables are mainly for 1) long-outstanding debts whereby the allowance for impairment would be made in accordance to our policy and, 2) customers which are in various stages of restructuring i.e. liquidation, judicial management etc.

vi) The Board's opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade and other receivables; and

The Board is of the opinion that the reasonableness and methodologies used to determine the value of the impairment of the trade and other receivables is satisfactory.

vii) The Board's assessment of the recoverability of the remaining trade and other receivables.

The Board is of the view that there is no indication the remaining trade and other receivables are unrecoverable. The Company continues to closely monitor and follow-up on the remaining trade and other receivables.

SGX-ST Query 2

It is disclosed on page 2 of the unaudited financial results that the Group has recognised an allowance of inventory impairment, net, of \$4,636,000 for the year ended 30 June 2020.

Please disclose:

i) the reasons for the allowance of inventory impairment;

The allowance for inventory impairment was made for: 1) slow-moving inventories in accordance with our policy, 2) write-down of inventories to net realisable value ("NRV"), and 3) specific inventories that catered to a specific customer and project which has since been delayed and there was no firm purchase commitment from the specific customer in the foreseeable future and no expected market demand from other customers.

Table 3: Breakdown for allowance of inventory impairment

FY2020	S\$'000
<i>Allowance of inventory impairment:</i>	
<i>Slowing-moving</i>	1,477
<i>Specific</i>	2,859
<i>Write-down to NRV</i>	300
	<u>4,636</u>

ii) how the allowance of inventory impairment amount was determined; and

The allowance of inventory impairment was determined based on the difference between the cost of the inventories less residual (scrap) value as at 30 June 2020.

iii) the Board's opinion on the reasonableness of the methodologies used to determine the value of the allowance of inventory impairment.

The Board is of the opinion that the reasonableness of the methodologies used to determine the value of the allowance of inventory impairment is satisfactory.

By Order of the Board

Kua Ghim Siong
Chief Executive Officer
Sin Ghee Huat Corporation Ltd.

10 September 2020