



## **EMPIRE MANUFACTURING PTE. LTD. Singapore**

**D-U-N-S: 12-345-6789**



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## EMPIRE MANUFACTURING PTE. LTD.

(Hereinafter referred to as Subject Company, "SC")

1 Yishun Avenue 7, Singapore 768923

Tel: (65) 6450 8888

Fax: (65) 6552 2113

Website: www.empiremanufacturing.com.sg

### Executive Summary

D&B D-U-N-S	:	12-345-6789
Registration Date	:	27.07.1966
Registration Number	:	196622311M
Legal Form	:	Limited Private Company
Chief Executive	:	Mr. Bryon Chung (Managing Director)
Staff Strength	:	Approximately 1,000
Paid Up Ordinary	:	SGD914,523,646.00
Line of Business	:	Engaged in manufacturing and trading of gloves
SIC Code	:	5169
Auditor	:	Ernst & Young LLP
Banker (s)	:	OCBC

### Credit Rating

**CA3**

### D&B Rating

**4A3**

### FSS

**100**

(Please refer to Appendix)

### Credit Risk

Average

### Payment

Average

### Recommended Credit Range

SGD30,000,000 to  
SGD60,000,000

### Financial Condition

Average

### Operational Trend

Average

### General Reputation

Average

### Legal Status

Limited Private Company

A private company is one which has a small group of shareholders. Under the law, this group cannot be more than 50 people. A private company cannot ask the public to invest in it or to deposit money with it. Capital must be raised privately from among the small group of shareholders and through bank loans.

### Corporate Profile

SC was established on 27<sup>th</sup> July 1966 as a Limited Private Company under the name style of Empire Manufacturing Pte. Ltd. The company is registered with the Accounting and Corporate Regulatory Authority (ACRA) under the registration number, 196600239N.

SC is engaged in manufacturing and trading of gloves. An establishment of 22 years, SC has been in this line of business since the commencement of its business operations.

SC's registered office address is 1 Yishun Avenue 7, Singapore 768923 and this is the company's current operating address. This premise houses SC's sales cum headquarter as well as operation facilities.

As of April 2020, SC's capital stands as follows:

	<u>Currency</u>	<u>Amount</u>	<u>Number of Shares</u>
Issued Ordinary	SGD	914,523,646.00	291,882,437
Paid-Up Ordinary	SGD	914,523,646.00	-



## Shareholders' Information

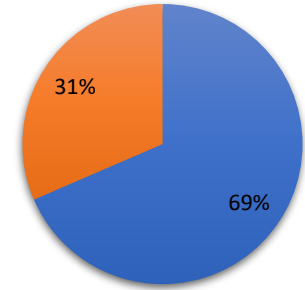
### Details of Shareholders:

- Name : Empire Holdings Pte. Ltd.  
Registration Number : 199600000N  
Place of Origin : Netherlands  
Number of Shares : 200,000,000
- Name : Empire Investment Pte. Ltd.  
Registration Number : 199600001N  
Place of Origin : Singapore  
Number of Shares : 91,882,437

### Board of Directors:

- Name : Johnson  
IC/Passport : G12345678  
Nationality : British  
Address : 3 Ardmore Park  
#25-02, Ardmore 3  
Singapore 259950  
Date of Appointment : 13.03.2017  
Position : Director
- Name : Jennifer  
IC/Passport : G12345678  
Nationality : American  
Address : 37 Scotts Road  
#07-01, Reignwood Hamilton Scotts  
Singapore 228229  
Date of Appointment : 31.07.2017  
Position : American
- Name : Bryon Chung  
IC/Passport : S12345678  
Nationality : Singaporean  
Address : 28 Lenton Green  
President Gardens  
Singapore 789277  
Date of Appointment : 30.08.2013  
Position : Director

### Shareholding Breakdown (%):



- Empire Holdings Pte. Ltd.
- Empire Investment Pte. Ltd.



## Key Personnel

Heading the management is Mr. Bryon Chung as the Managing Director. He is the overall in charge of SC's daily business operations.

**Staff Strength**  
Approximately 1,000

Assisting Mr. Bryon Chung in the running of the daily operations of the company is a group of personnel.

Checks revealed that apart from SC, Mr. Bryon Chung has directorship and shareholdings in another Singapore registered companies, which include:

- Empire 1 Singapore Pte. Ltd.
- Empire 2 Singapore Pte. Ltd.

Assisting Mr. Bryon Chung in the running of the day-to-day operations of the company is a group of personnel. Some of them are:

- General Manager : Mr. Jonathan
- Finance Manager : Mr. Jason

Check revealed that the company has an approximately staff strength of 1,000 assisting in the daily operations of the company.

## Current Investigation

On 23<sup>rd</sup> April 2020, SC confirmed partial information in this report. The rest of the information is obtained from public sources.



## Business Operations

On 23<sup>rd</sup> April 2020, the company confirmed the information of business operations. Part of the information below is obtained from external sources.

SC is engaged in manufacturing and trading of gloves. Established since 1996, SC has approximately 22 years of experience in the line of business.

Checks revealed that SC is registered with the Building and Construction Authority of Singapore under the following categories:

Work Heads	Description	Tendering Limits
CW01	General Building	C – SGD4.00 million
CW02	Civil Engineering	B1 – SGD40.00 million
CR08	Piling Works	L5 – SGD13.00 million
CR10	Pre-cast Concrete Works	L4 – SGD4.00 million

The expiry date of the mentioned registration is 1<sup>st</sup> July 2021.

Meanwhile, the Company is also registered as a Licensed Builder with the Building and Construction Authority of Singapore under the following categories:

Work Heads	Description	Expiry Date
GB1	General Builder Class 1	18/06/2021
SB(PW)	Specialist Builder (Piling Works)	18/06/2021
SB(SS)	Specialist Builder (Structural SteelWork)	25/10/2019
SB(PC)	Specialist Builder (Pre-cast Concrete Work)	16/10/2018

The Company is also registered as Government Supplier under the following categories:

Supply Heads	Financial Grade	Expiry Date
EPU/SER/34 - Service (Consultant)	S10 >\$30,000,000 (EPU S10)	10/01/2020
EPU/MAR/10 - Shipbuilding, Repair and Marine Supplies	S10 >\$30,000,000 (EPU S10)	10/01/2020

## Operations Rating

3

## Obtained Scores

66

## Rating Guide

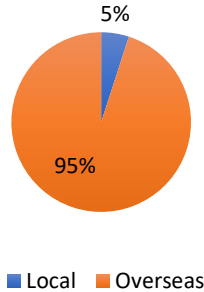
Rating	Score	Implications
1	85-100	Excellent
2	75-84	Above Average
3	50-74	Average
4	35-49	Fair
5	15-34	Below Average
6	1-14	Poor
NR	No Data	No Rating

# Singapore Comprehensive Report



Current investigation revealed that SC's procurements are sourced from both local (5%) and overseas (95%) suppliers.

## Procurements (%)



### Overseas Suppliers based in:

- United States of America
- France
- United Kingdom
- Germany
- Japan

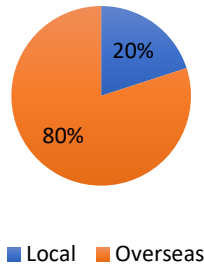
### Purchasing Terms:

- Letter of Credit
  - Document Acceptance
  - Cash on Delivery
- Against

In general business transactions, SC is granted Letter of Credit, Document against Acceptance and Cash on Delivery by its suppliers.

Current check further revealed that SC's products are delivered to both local (20%) and overseas (80%) markets.

## Clientele Base (%)



### Overseas Markets:

- Korea
- Malaysia
- Indonesia
- Myanmar
- Thailand

### Selling Terms:

- Document Acceptance
  - Cash on Delivery
- Against

In its business transactions, payment terms that SC grants to its clients vary with the creditworthiness cum payment regularity of its clients. Cash on Delivery as well as Document against Acceptance are generally accepted.



## Related Entities

Ultimate Holding Entity (as at FYE2018):  
Empire Manufacturing Sdn Bhd, Malaysia

Immediate Holding Entity:  
Empire Holdings Pte. Ltd., Singapore

Subsidiaries (as at FYE2018):

Name	% of Shareholding
Empire Technologies (S) Pte. Ltd., Singapore	100
Empire Innovation Singapore Pte. Ltd., Singapore	100
Empire High Tech Korea Ltd, Korea	100

Affiliates (as at FYE2018):

Name	% of Shareholding
Kolors Kevarkian S.A., Argentina	5
Empire Volga, Russia	0.01

Name	% of Shareholding in SC
Empire Investment Pte. Ltd., Singapore	31



## Litigations

The following results were obtained upon litigation searches conducted based on the registration number(s) and/or Identification number(s) of SC.

There were legal suits filed against SC in the last 5 years under the following suit numbers:

Suits	Date Writ	Status	Nature of Claim/ Amount	Plaintiff
<u>869 / 2015</u>	25/08/2015	CONCLUDED Doc. Date 09/11/2016	TORT-OTHERS(CONTRACT) SGD 3,688,945.42 - 0.00 - 0.00 - 0.00 - 0.00 Document Remarks -	CONCLUDED 09/11/2016 TK3127203 YUKIO MIYAMAE GOH KIM THONG ANDREW - FORTIS LAW CORPORATION AG/20150181.SZ
<u>S 869 / 2015</u>	25/08/2015	CONCLUDED Doc. Date 09/11/2016	TORT-OTHERS(CONTRACT) SGD 3,688,945.42 - 0.00 - 0.00 - 0.00 - 0.00 Document Remarks -	CONCLUDED 09/11/2016 09PP65661 LOIC JACQUES PAPLOREY GOH KIM THONG ANDREW - FORTIS LAW CORPORATION AG/20150181.SZ
<u>S 869 / 2015</u>	25/08/2015	CONCLUDED Doc. Date 09/11/2016	TORT-OTHERS(CONTRACT) SGD 3,688,945.42 - 0.00 - 0.00 - 0.00 - 0.00 Document Remarks -	CONCLUDED 09/11/2016 13FV02433 ALEXIS DOMINIQUE SUZAT GOH KIM THONG ANDREW - FORTIS LAW CORPORATION AG/20150181.SZ
<u>S 869 / 2015</u>	25/08/2015	CONCLUDED Doc. Date 09/11/2016	TORT-OTHERS(CONTRACT) SGD 3,688,945.42 - 0.00 - 0.00 - 0.00 - 0.00 Document Remarks -	CONCLUDED 09/11/2016 13FV04622 REMY KLAMMERS GOH KIM THONG ANDREW - FORTIS LAW CORPORATION AG/20150181.SZ
<u>S 869 / 2015</u>	25/08/2015	CONCLUDED Doc. Date 09/11/2016	TORT-OTHERS(CONTRACT) SGD 3,688,945.42 - 0.00 - 0.00 - 0.00 - 0.00 Document Remarks -	CONCLUDED 09/11/2016 200820311K KNIGHT CAPITAL PTE LTD GOH KIM THONG ANDREW - FORTIS LAW CORPORATION AG/20150181.SZ

\*The writ filed does not indicate latest status of action. Please purchase Latest Detailed Litigation report to obtain its complete status.

Litigation information is provided by a third party and may or may not reflect the status and details as at the time of original filing. As such, we are unable to guarantee its accuracy, completeness or currentness and shall not be liable for any damage or loss that may be caused as a result of any error, omission or reliance on the information.



# Singapore Comprehensive Report



## Payment Information

The rating indicates the payment pattern of SC based upon D&B Singapore Payment Database, comments from suppliers of SC as well as industrial sources.

### Payment Rating

3

### Payment Information Extracted from our Database:

Date	Paying Record	Terms	Usually Pays	Maximum Outstanding (Local Curr)	Current Balance (Local Curr)	Beyond Terms (Local Curr)
31-Mar-18	PROMPT	Net 30		350	50	0
28-Feb-18	PROMPT	Net 30		350	50	0
28-Feb-18	SLOW	Net 30	30/30	750	750	750
31-Jan-18	PROMPT	Net 30		350	50	0
31-Dec-17	PROMPT	Net 30		350	50	0
30-Nov-17	PROMPT	Net 30		350	50	0
31-Oct-17	PROMPT	Net 30		350	50	0
31-Oct-17	SLOW	Net 30	30/30	10,000	10,000	10,000
30-Sep-17	PROMPT	Net 30		10,000	10,000	0

### Obtained Scores

66

### Rating Guide

Rating	Score	Implications
1	80-100	Excellent
2	70-79	Above Average
3	50-69	Average
4	30-49	Fair
5	20-29	Below Average
6	0-19	Poor
NR	No Data	No Rating

The rating indicates the payment pattern of SC based upon the D&B Singapore Payment Database, comments from suppliers of SC as well as industrial sources.

Amounts may be rounded to nearest figure in prescribed ranges

Note: In some instances, payment beyond terms can be the result of disputes over merchandise, lost invoices, etc. The "Payment", "Default" and "Collection" data and/or information may be overlap. Subscriber is required to seek for clarification in the event of doubt and notify with full details to clarify that SC has already made payment, or dispute the debt for any reason.

## Banker & Charges

- Citibank NA

### Registered Charges:

- Charge Number : C20010926  
 Date of Registration : 20.09.2017  
 Chargee(s) : Overseas-Chinese Banking Corporation Limited  
 Amount : All Monies
- Charge Number : C20010927  
 Date of Registration : 20.09.2017  
 Chargee(s) : Overseas-Chinese Banking Corporation Limited  
 Amount : All Monies

# Singapore Comprehensive Report



## Two Years Financial Outlook

### Financial Highlight

The Group experienced an improving turnover performance in FYE2018. This was followed by better net profitability. The Group reaped net profits worth USD48.35 million in FYE2018, scoring net profit margin of 1.88%. The generation of net profits led to higher accumulated profits in FYE2018. This in turn enlarged total shareholder's equity during the end of FYE2018. The higher net profit margin registered meant that the Group was more profitable for the year. The Group made lower returns on its assets and equity in FYE2018.

Liquidity position deteriorated in current financial year, registering performance below the industry norm. Working capital surplus has increased and the Group remained solvent in generating current assets to cover current debt obligations in FYE2018.

The cash flow statement shows that the company was sufficient to cover its cash outflow from investing activities with the cash inflow from its operating and financing activities.

Total debt to equity decreased, posting at 278.11% in FYE2018, which remained higher than the industry norm of 186.23%. The Group has continued to rely on more debt than equity to finance its operations during FYE2018.

We would like to highlight that the company had total bank borrowings totalling of USD217.94 million in FYE2018 as compared to USD196.88 million in FYE2017. According to its audited financials for FYE2018, the borrowings were unsecured.

Taking into consideration profitability, liquidity and leverage, the company has shown an average financial performance.

### Financial Rating FR 3

**Auditor**  
PricewaterhouseCoopers LLP

**Financial Statement Type**  
Consolidated

**Fiscal Year**  
31 March 2017 to 2018

**Currency**  
USD

### Rating Guide

FR1	Excellent
FR2	Above Average
FR3	Average
FR4	Fair
FR5	Below Average
FR6	Poor
NR	No Data Available

This rating serves as a reference to assess SC's financial performance. The financial rating assigned to SC takes into account of the following considerations: Profitability, Return on Invested Capital, Liquidity, Asset Management and Capital Structure and Solvency.

**Table 1: Key Balance Sheet Data (USD)**

March	2018	2017	% Changes
Current Assets	844,656,000	717,343,000	17.75
Other Assets	9,073,000	8,989,000	0.93
Fixed Assets	695,000	983,000	(29.30)
<b>Total Assets</b>	<b>854,424,000</b>	<b>727,315,000</b>	<b>17.48</b>
Current Liabilities	628,106,000	537,041,000	16.96
Non-Current Liabilities	343,000	538,000	(36.25)
<b>Total Liabilities</b>	<b>628,449,000</b>	<b>537,579,000</b>	<b>16.90</b>
<b>Working Capital</b>	<b>216,550,000</b>	<b>180,302,000</b>	<b>20.10</b>
Share Capital	1,211,000	1,211,000	-
Other Reserves	5,010,000	6,177,000	(18.89)
Accumulated Profit (Loss)	219,754,000	182,348,000	20.51
<b>Total Shareholder's Equity</b>	<b>225,975,000</b>	<b>189,736,000</b>	<b>19.10</b>

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# Singapore Comprehensive Report



**Table 2: Key Earnings Data (USD)**

March	2018	2017	% Changes
<b>Turnover</b>	<b>2,565,617,000</b>	<b>2,491,810,000</b>	<b>2.96</b>
Profit (Loss) Before Tax	55,206,000	50,689,000	8.91
Income Tax	(6,858,000)	(5,204,000)	(31.78)
<b>Profit (Loss) After Tax</b>	<b>48,348,000</b>	<b>45,485,000</b>	<b>6.29</b>
Dividends	(10,942,000)	(13,447,000)	18.63
Accumulated Profit (Loss) B/Forward	182,348,000	150,310,000	21.31
<b>Accumulated Profit (Loss) C/Forward</b>	<b>219,754,000</b>	<b>182,348,000</b>	<b>20.51</b>

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**Table 3: Key Cash Flows Data (USD)**

March	2018	2017	% Changes
Net Cash Flow from Operating Activities	10,804,000	49,514,900	(78.18)
Net Cash Flow from Investing Activities	(25,409,000)	(22,484,000)	(13.01)
Net Cash Flow from Financing Activities	26,825,000	(67,512,000)	139.73
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>12,220,000</b>	<b>(40,481,100)</b>	<b>130.19</b>
Effects of Exchange Rate changes on cash held	51,000	(31,000)	264.52
Cash and Cash Equivalents B/Forward	73,156,000	113,669,000	(35.64)
<b>Cash and Cash Equivalents C/Forward</b>	<b>85,427,000</b>	<b>73,156,900</b>	<b>16.77</b>

- The figure is not available



**Table 4: Key Financial Ratios**

March		Industry Norm*			2018	2017
		Lower	Median	Upper		
<b>Profitability</b>						
Gross Profit (Loss) Margin (%)	Gross Earnings/Turnover*100%	-	-	-	3.83	4.06
Pre-tax Profit (Loss) Margin (%)	Pre-tax Earnings/Turnover*100%	-	-	-	2.15	2.03
Net Profit (Loss) Margin (%)	Net Earnings/Turnover*100%	-	-	-	1.88	1.83
Basic Earning Power (%)	Earnings Before Interest & Tax/Net Assets*100%	-	-	-	26.21	27.89
Earnings Per Share (USD)	Net Earnings/No. of Shares Outstanding	-	-	-	24.17	22.74
<b>Return on Invested Capital</b>						
Return on Assets (%)	Net Earnings/Total Assets*100%	-0.16	1.92	5.35	5.66	6.25
Return on Equity (%)	Net Earnings/Total Equity*100%	1.64	8.12	23.61	21.40	23.97
<b>Liquidity</b>						
Current Ratio	Current Assets/Current Liabilities	1.12	1.35	1.98	1.34	1.34
Quick Ratio	(Current Assets - Inventories)/Current Liabilities	-	-	-	1.29	1.27
Cash Ratio	Cash/Current Liabilities	-	-	-	0.10	0.10
Collection Period (days)	Accounts Receivable/Turnover*365	88.56	56.22	24.69	34.82	28.81
Payment Period (days)	Accounts Payable/COS *365	-	-	-	27.60	22.53
Inventory Conversion Period (days)	Inventory/Turnover*365	-	-	-	4.70	5.46
<b>Operating Efficiency</b>						
Fixed Asset Turnover Ratio (times)	Turnover/Fixed Assets	-	-	-	3,691.54	2,534.90
Asset Turnover Ratio (times)	Turnover/Total Assets	-	-	-	3.00	3.43
Accounts Receivable Turnover Ratio (times)	Turnover/Accounts Receivable	-	-	-	10.48	12.67
Accounts Payable Turnover Ratio (times)	COS/Accounts Payable	-	-	-	13.22	16.20
Inventory Turnover Ratio (times)	Turnover/Inventory	0.00	2.26	24.08	77.71	66.80
<b>Leverage</b>						
Total Debt to Asset Ratio (%)	Total Liabilities/Total Assets*100%	-	-	-	73.55	73.91
Total Debt to Equity Ratio (%)	Total Liabilities/Total Equity*100%	483.23	186.23	60.94	278.11	283.33
Non-Current Debt to Equity Ratio (%)	Non-Current Liabilities/Total Equity*100%	-	-	-	0.15	0.28
Total Bank Borrowings to Equity Ratio (%)	Total Bank Borrowings/Total Equity*100%	-	-	-	96.44	103.76
Current Bank Borrowings Coverage Ratio	Net Earnings/Current Bank Borrowings	-	-	-	0.22	0.23
Interest Coverage Ratio	Earnings Before Interest & Tax/Interest Expense	-	-	-	14.70	23.83

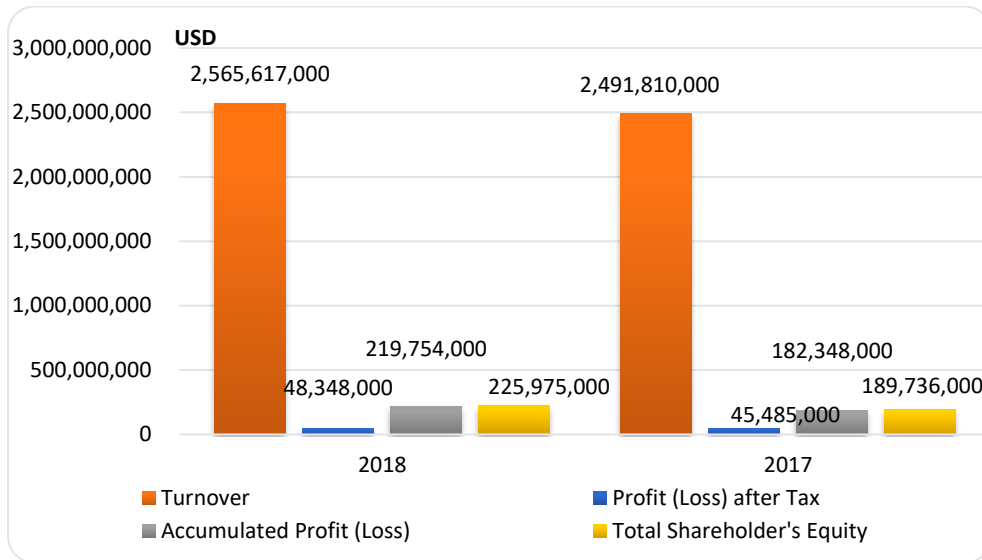
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\* The Industry Norms are calculated solely based on the information available in the database of Dun & Bradstreet (Singapore) Pte Ltd and may not be reflective of Industry Averages. Dun & Bradstreet (Singapore) Pte Ltd reserves the right to vary the data fields and/or exclude any data element in the report at discretion.

# Singapore Comprehensive Report



## Profitability



**Chart 1: Comparative Performance of Turnover, Earnings and Total Shareholder's Equity**

## Profitability

Higher turnover and net profits, enlarged accumulated profits, appreciation of shareholders' equity

More profitable due to ability to control costs

the Group's turnover rose by 2.96% to USD2.57 billion in FYE2018. Turnover represented revenue from sale of goods and rendering of services. We observed that revenue from sale of goods had formed that bulk of revenue during the years.

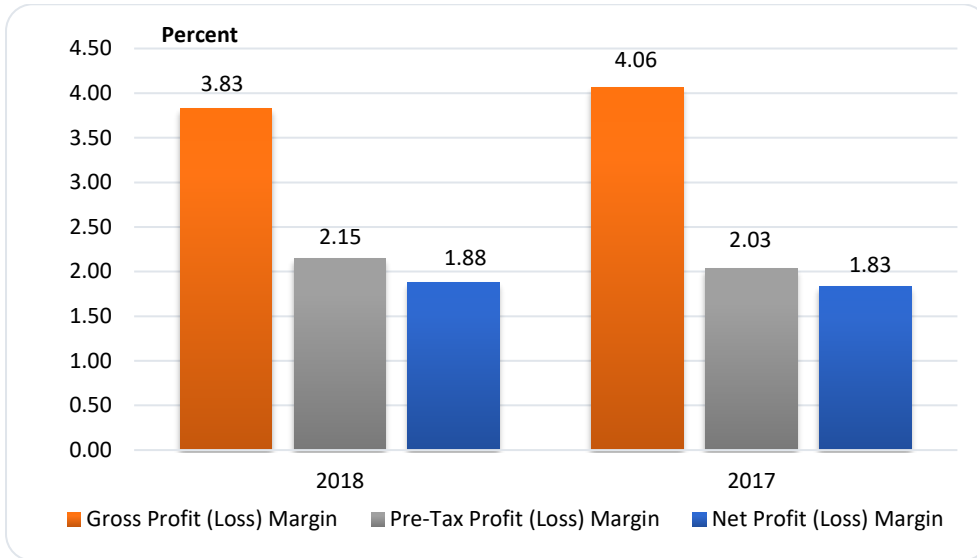
Aside from turnover, the Group has posted other operating income amounting to USD62.28 million in FYE2018 as compared to USD61.09 million in FYE2017.

Cost of sales increased by 3.21% to USD2.47 billion in the current year. the Group was able to cover the rising cost of sales with the revenue generated but registered lower gross profit of USD98.39 million in current year from USD101.21 million in the previous year.

Meanwhile, total operating expenses increased by 16.34% to USD17.82 million in the FYE2018. The increases in distribution and marketing and administrative expenses led to the overall increment in total operating expenses in FYE2018.

Net profitability posted at USD48.35 million in FYE2018, representing an improvement of 6.29% from previous financial year. On top of better sales performance, the higher net profitability was also a result of the Group's ability to control costs.

the Group has distributed dividend amounting to USD10.94 million in FYE2018 and USD13.45 million in FYE2017. The generation of higher net profits helped boost accumulated profits by 20.51% to USD219.75 million in FYE2018. This in turn has translated into enlarged total shareholder's equity, which appreciated by 19.10% to USD225.98 million in FYE2018.



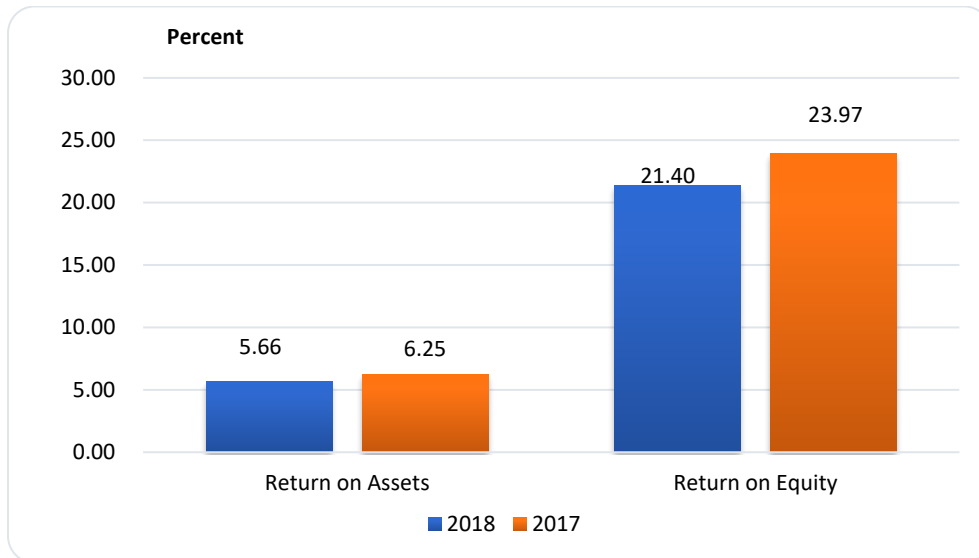
**Chart 2: Analysis of Profit (Loss) Margin Ratios**

Gross profit margin has decreased by 0.23% points to 3.83% in FYE2018. Meanwhile, pre-tax profit margin increased by 0.12% points to 2.15% in FYE2018. Net profit margin rose by 0.05% points to 1.88% in FYE2018, This implies that the Group was more profitable as compared to the previous financial year.



## Return on Invested Capital

## Return on Invested Capital



Slackened ROA and ROE during the year

**Chart 3: Comparative Changes in Return on Assets Ratio and Return on Equity Ratio**

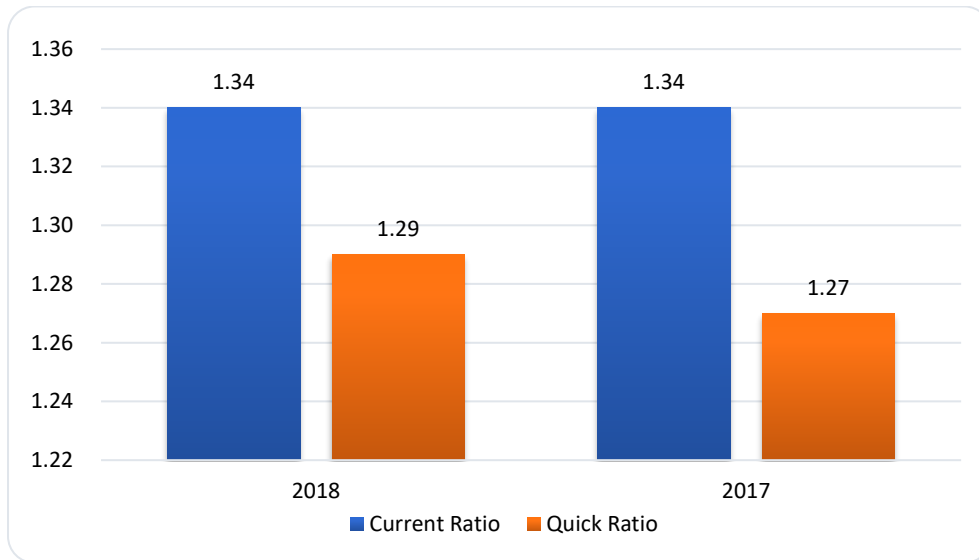
Return on Assets ratio (ROA) reduced by 0.59% points to 5.66% in FYE2018, implying that the Group was able to generate USD5.66 for every USD100 worth of assets invested. The poorer net profitability performance was due to the company's inability to generate better returns. Note that the Group's ROA remained above the industry norm of 1.92%.

Meanwhile, Returns on Equity ratio (ROE) shrunk by 2.57% points to 21.40% in FYE2018. In other words, the Group was able to achieve a return of USD21.40 for every USD100 equity pumped into the business instead of last financial period's USD23.97. Note that the Group's ROE remained above the industry norm of 8.12%.

Basically, the ROE measures the management's capability in generating returns on its shareholders' funds and based on the lower ROE in FYE2018, it appeared that the management had been less efficient in giving its shareholders better returns.



## Liquidity



**Chart 4: Comparative Changes in Current Ratio and Quick Ratio**

## Liquidity

Improved liquidity position and SC's current ratio remained above the industry norm of below the industry norm of 1.35

Net cash surplus registered

the Group's current ratio remained at 1.34 from FYE2017 to 2018. Overall, the Group's liquidity position remained below the industry norm of 1.35.

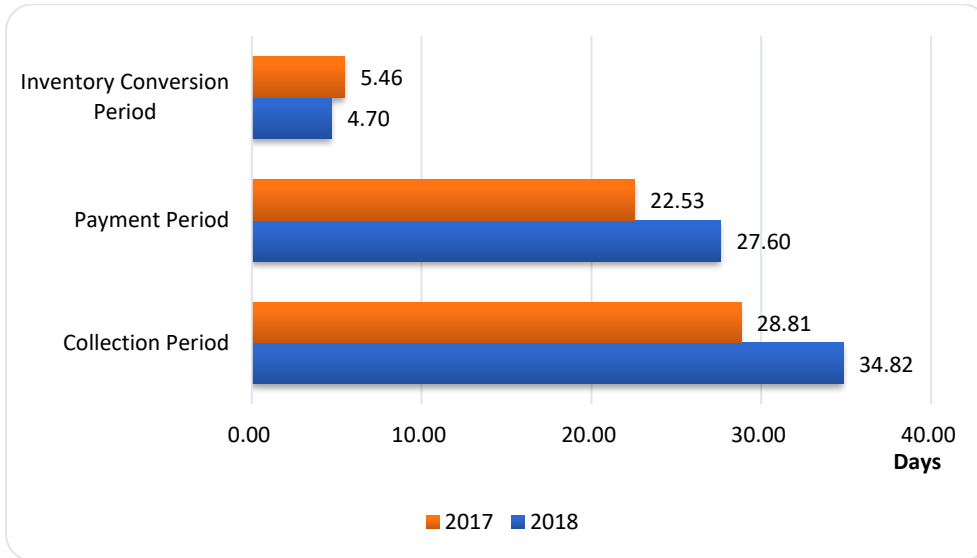
Working capital surplus has increased by 20.10%, registering at USD216.55 million in FYE2018. Furthermore, the surplus suggests that the company remained solvent with sufficient current assets to cover current debt obligations in the event of liquidation.

the Group's cash position increased by 16.77% to USD85.43 million in FYE2018. This was due to the sufficient amount of cash generated from operating and financing activities to cover its cash outflow from investing activities.

the Group has generated net cash inflow from operating activities of USD10.80 million in FYE2018, a 78.18% decrease from previous financial year. This was mainly due to the increase in trade and other receivables. On the other hand, cash expenditure in investing activities expanded by 13.01% to USD25.41 million in FYE2018. This was mainly due to the increase in short term loans to related parties. Meanwhile, net cash outflow from financing activities turned around by 139.73% to inflow of USD26.83 million in FYE2018. This was mainly contributed by the increase in loans from related corporations.

As such, net cash deficit in FYE2017 rebounded to surplus of USD12.22 million during the current financial year.





**Chart 5: Analysis of Collection, Payment and Inventory Conversion Periods**

Inventory conversion period decreased from 5.46 days in FYE2017 to 4.70 days in FYE2018, implying that it took a shorter time for the company to turn its stocks into sales. We noticed that the Group has maintained a lower level of inventory at the end of FYE2018 of USD33.02 million, which was a decrease of 11.49%.

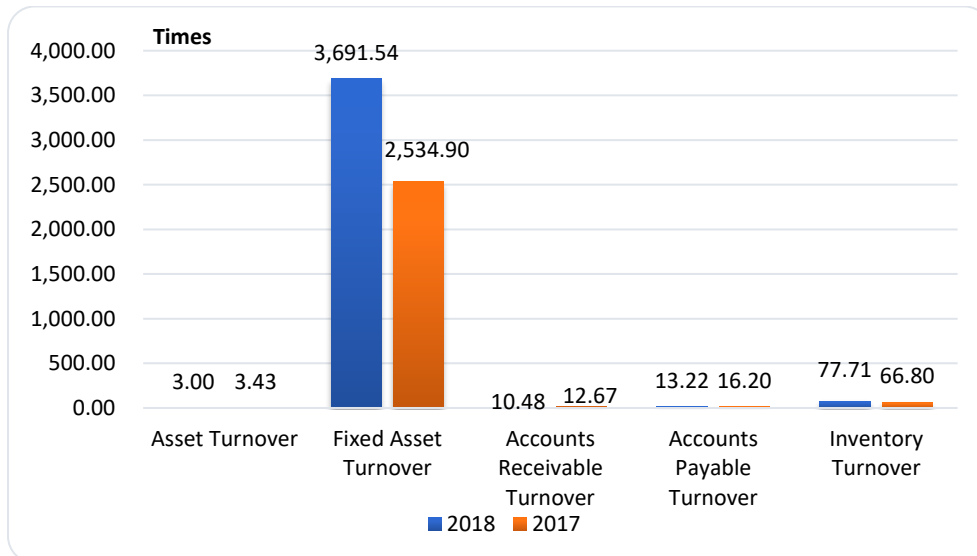
Payment period increased to 27.60 days in FYE2018 from 22.53 days in FYE2017. We noticed that trade creditors has increased by 26.42% in FYE2018, which was more proportionate than its increment in the cost of sales.

Collection period lengthened from 28.81 days in FYE2017 to 34.82 days in FYE2018. This implies that the company was less efficient in its collection from customers. Note that the Group's collection period remained shorter than industry norm of 56.22 days.



## Operating Efficiency

## Operating Efficiency



**Chart 6: Comparative Changes in Asset, Accounts Receivable, Inventory and Fixed Asset Turnover Ratios**

Efficient in the management of its overall assets

A higher inventory turnover ratio, a result of lower maintenance of stockpile

Asset turnover ratio decreased to 3.00 times, while fixed assets turnover ratio increased to 3,691.54 times in FYE2018. Total asset level increased by 17.48%, which was more proportionate than the growth in the Group's turnover. Note that increases in current assets and other assets have triggered an overall increment in total asset in FYE2018. All in all, the company remained efficient in capitalizing on its assets to generate returns.

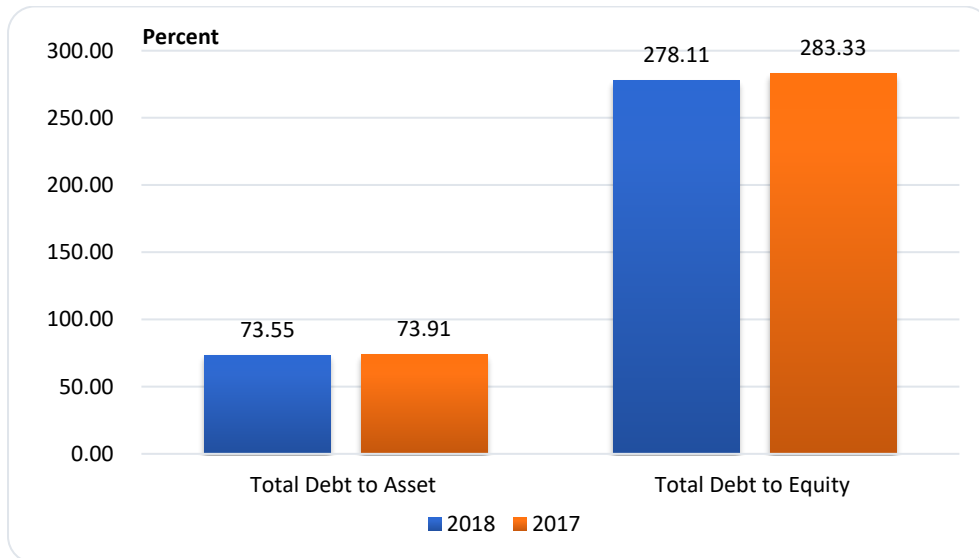
Accounts receivable and accounts payable turnovers ratios moved in tandem for two financial years under review. The lower accounts receivable turnover ratio of 10.48 times reinforced that the Group was slower in the recovery of its debts from trade debtors. Accounts payable turnover ratio dropped to 13.22 times, showing that the Group took a longer period to pay its trade creditors (See section on Liquidity).

Inventory turnover ratio rose to 77.71 times in FYE2018 from 66.80 times in FYE2017. This was largely the effect of a lower stock position at the end of FYE2018. Note that the Group's inventory turnover ratio remained above the industry norm of 2.26 times.



## Leverage

## Leverage



**Chart 7: Comparative Changes in Total Debt to Asset Ratio and Total Debt to Equity Ratio**

Leverage level was lower but remained higher than the industry norm, higher bank borrowings

Total debt to asset ratio decreased by 0.36% points from 73.91% in FYE2017 to 73.55% in FYE2018. This implies that the Group has continued to rely on more debt than equity to finance its operations during FYE2018.

Total debt to equity contracted, posted at 278.11% in FYE2018 as compared to 283.33% in FYE2017. the Group's total debt to equity ratio was higher than the industry norm of 186.23%.

We would like to highlight that the company had total bank borrowings totalling of USD217.94 million in FYE2018 as compared to USD196.88 million in FYE2017. According to its audited financials for FYE2018, the borrowings were unsecured.



## Financial Stress Score

### Financial Stress Score for this business.

100~81 Minimal Risk	80~61 Low Risk	60 ~ 41 Average Risk	40 ~ 21 Significant Risk	20 ~ 1 Unable to Score
------------------------	-------------------	-------------------------	-----------------------------	---------------------------

- The D&B Financial Stress Score: 1487
- The D&B Financial Stress Percentile: 100
- Total asset amount is high
- The sales growth rate is high
- Working capital efficiency is high

Relative Risk	Risk Class	Average Probability of Failure
Minimal Risk / Low Risk / Average Risk / Significant Risk / Unable to Score	<b>1/2/3/4</b> Highest Risk:4, Lowest Risk: 1	<b>0.19%</b> Highest Risk: 100%, Lowest Risk: 0%

### Interpreting the Financial Stress Score:

- 1. The D&B Financial Stress Score predicts the likelihood that a business will fail within the next 12 months.
- 2. The D&B Financial Stress Score is a relative measure of risk, where 1 represents businesses that have the highest probability of failure and 100 the lowest.

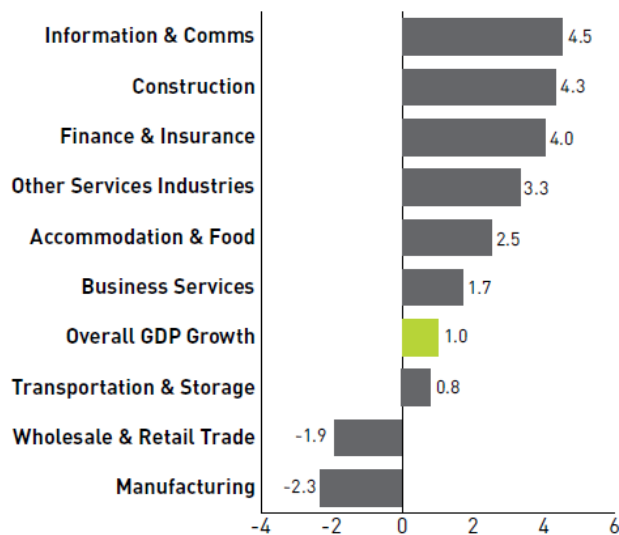


## Industry Information

In the fourth quarter of 2019, the Singapore economy grew by 1.0 per cent on a year-on-year basis, faster than the 0.7 per cent growth in the previous quarter. The sectors which contributed the most to growth in the quarter were the finance & insurance sector, the other services industries, and the business services sector.

For the whole of 2019, the economy expanded by 0.7 per cent, slower than the 3.4 per cent growth recorded in 2018. The finance & insurance sector was the largest contributor to GDP growth, followed by the other services industries, the business services sector and the information & communications sector.

The Singapore economy grew by 1.0 per cent year-on-year in the fourth quarter, faster than the 0.7 per cent growth in the previous quarter (Exhibit 1). On a quarter-on-quarter seasonally-adjusted annualised basis, the economy expanded at a slower pace of 0.6 per cent, compared to the 2.2 per cent growth in the preceding quarter.



**Exhibit 1: GDP and Sectoral Growth Rates in 4Q 2019**

The manufacturing sector shrank by 2.3 per cent year-on-year in the fourth quarter, extending the 0.7 per cent contraction in the third quarter. The performance of the sector was weighed down by output declines in the electronics, chemicals, transport engineering and general manufacturing clusters.

The services producing industries collectively expanded by 1.5 per cent year-on-year in the fourth quarter, faster than the 0.8 per cent growth in the previous quarter. Among the services sectors, the information & communications sector recorded the strongest growth at 4.5 per cent, followed by the finance & insurance sector (4.0 per cent) and the other services industries (3.3 per cent).

Meanwhile, the construction sector grew by 4.3 per cent year-on-year in the fourth quarter, accelerating from the 3.1 per cent expansion in the third quarter. The growth of the sector was supported by both public sector and private sector construction works.

Total demand rose by 1.1 per cent year-on-year in the fourth quarter, reversing the 2.1 per cent decline in the preceding quarter (Exhibit 2).



	2018	2019			2019
		II	III	IV	
<b>Total Demand</b>	6.3	-1.3	-2.1	1.1	-0.7
<b>External Demand</b>	5.7	-1.6	-2.5	1.1	-1.1
<b>Total Domestic Demand</b>	0.6	0.3	0.3	-0.1	0.4
<b>Consumption Expenditure</b>	0.7	0.5	0.6	0.5	0.6
Public	0.1	0.0	0.1	0.2	0.1
Private	0.6	0.4	0.5	0.4	0.5
<b>Gross Fixed Capital Formation</b>	-0.4	-0.1	0.2	-0.2	0.0
<b>Changes in Inventories</b>	0.2	-0.1	-0.5	-0.5	-0.2

## Exhibit 2: Percentage-Point Contribution to Total Demand Growth

For the whole of 2019, total demand fell by 0.7 per cent, in contrast to the 6.3 per cent growth in 2018. External demand contributed negatively to total demand growth (-1.1 percentage-points), while the contribution of domestic demand was positive (0.4 percentage-points).

### **National Saving**

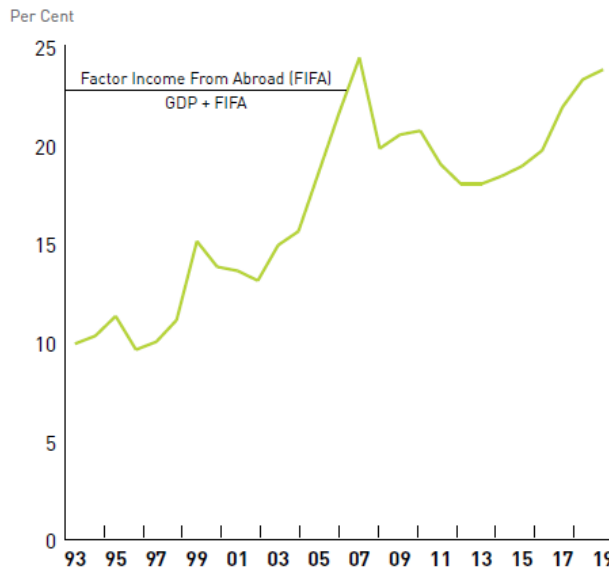
With factor income outflows exceeding inflows by \$47 billion, Gross National Income (GNI) came in at \$461 billion, lower than the \$508 billion in nominal GDP.

Gross National Savings (GNS) declined by 1.2 per cent to \$212 billion in 2019. This comprised a net outflow of \$86 billion that was lent or transferred abroad, and \$126 billion in Gross Capital Formation. The national savings rate was 46 per cent of GNI in 2019, slightly lower compared to the 47 per cent in 2018.

### **GNI and the External Economy**

Factor income from abroad reached \$158 billion in 2019, up from \$153 billion in 2018. The contribution of overseas operations to total income was 24 per cent in 2019, a slight increase compared to the 23 per cent recorded in 2018 (Exhibit 3).

Based on the Survey of Singapore's Investment Abroad, the stock of direct investment abroad decreased from \$858 billion in 2017 to \$836 billion in 2018.



**Exhibit 3: Singapore's Earnings from External Economy as a Proportion of Total Income**

## **Outlook For 2020**

In November 2019, MTI announced a GDP growth forecast of “0.5 to 2.5 per cent” for 2020. The forecast was premised on a modest pickup in global growth, along with a recovery in the global electronics cycle, in 2020. Since then, the outbreak of the coronavirus disease 2019 (COVID-19) has affected China, Singapore and many countries around the world.

In Asia, the COVID-19 outbreak is likely to dampen the growth prospects of China and other affected countries this year. In China, GDP growth in 2020 is expected to come in lower than earlier projected due to a pullback in household consumption as a result of the lockdowns and travel restrictions implemented in several major Chinese cities to contain the spread of the virus. Industrial production has also been disrupted because of work stoppages and delays arising from these containment measures. These developments in China will, in turn, have a knock-on impact on regional economies, including the ASEAN economies, through lower outbound tourism and other import demand from China, as well as disruptions to supply chains. Regional economies directly affected by the COVID-19 outbreak, such as Japan, Thailand and Malaysia, may also experience a drop in domestic consumer sentiments, and hence private consumption growth.

Elsewhere, the growth outlook for the US and Eurozone economies in 2020 remains broadly unchanged. In the US, GDP growth is expected to moderate this year, as the impact of the 2018 tax cuts wanes and trade policy uncertainty continues to weigh on private investment. Nevertheless, private consumption is likely to remain firm on the back of a healthy labour market and resilient wage growth. Growth in the Eurozone economy in 2020 is expected to be similar to last year's, as stable labour market conditions and favourable financing conditions are likely to lend support to domestic demand.

At the same time, uncertainties in the global economy remain. First, should the COVID-19 outbreak be more widespread, severe and protracted than anticipated, there could be a sharper pullback in global consumption, as well as more prolonged disruptions to global supply chains and production. A sharper-than-expected slowdown in the Chinese economy arising from the outbreak will also negatively affect global trade and economic growth. Second, notwithstanding the Phase 1 trade deal, US-China trade relations remain uncertain, especially as they turn to more contentious issues in the next phase of their negotiations. Third,

# Singapore Comprehensive Report



geopolitical tensions in the Middle East could affect financial and commodity markets, which will have negative spillover effects on the region and Singapore.

Against this backdrop, the outlook for the Singapore economy has weakened since the last review in November. In particular, the COVID-19 outbreak is expected to affect the Singapore economy through several channels. First, outward-oriented sectors such as manufacturing and wholesale trade will be affected by the weaker growth outlook in several of Singapore's key final demand markets, including China. Firms in these sectors could also be affected by supply chain disruptions arising from prolonged factory closures and labour shortages in China as a result of the measures implemented by the Chinese government to contain the outbreak.

Second, the outbreak has led to a sharp fall in tourist arrivals, particularly from China, to Singapore. This has badly affected the tourism (e.g., hotels, travel agents and cruise operators) and transport (e.g., air transport) sectors. Third, domestic consumption in Singapore is likely to decline as locals cut back on shopping and dining-out activities. This will adversely affect firms in segments such as retail and food services.

Nonetheless, there are pockets of relative strength in the Singapore economy. These include the construction sector, which is projected to post steady growth given the rebound in construction demand since 2018. The information & communications sector is also expected to be resilient on account of sustained enterprise demand for IT solutions.

Taking into account the global and domestic economic environment, the GDP growth forecast for 2020 is downgraded to **"-0.5 to 1.5 per cent", with growth expected to come in at around 0.5 per cent, the mid-point of the forecast range**. As the COVID-19 situation is still evolving, MTI will continue to monitor developments and their impact on the Singapore economy closely.

*Source: Ministry of Trade and Industry  
February 2020*



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## Remark

In conclusion, taking into consideration of SC's general performance, reputation as well as market conditions we would rate SC as an average credit risk company.



## Appendix

### Credit Rating Guide

Score Key		Credit Risk Assessment	Proposed Credit Limit (in concerned business field)
<b>CA1</b>	Minimal	Credit can proceed with favourable terms	Large amount
<b>CA2</b>	Low	Credit can proceed promptly	Fairly large amount
<b>CA3</b>	Average	Credit can proceed normally	Moderate amount
<b>CA4</b>	Above Average	Credit should proceed with monitor	Small amount – periodical review
<b>CA5</b>	Fairly High	Credit should be extended under guarantee	C.O.D. to small amount
<b>CA6</b>	High	Credit is not recommended	C.O.D.
<b>NR</b>	Assessment not conducted	Insufficient data available	No recommendation

This rating serves as a reference to assess SC's credit risk and to set the amount of credit to be extended. It is calculated from a composite of weighted scores obtained from each of the major sections of this report. The assessed factors and their relative weights (as indicated through %) in our credit analysis are as follows:

- Financial Condition (40%)
- Credit History (20%)
- Ownership Background (20%)
- Payment Record (10%)
- Market Trend (5%)
- Operational Size (5%)

In case of unlimited companies, newly established companies, or lack of financial data, more weight is given to 'Ownership background' and 'Payment record' in our analysis.

#### Adopted Abbreviations:

- **NA** – Not Available
- **SGD** – Singapore Dollars
- **SC** – Subject Company (the inquired company)



## D&B Rating Glossary

### D&B Risk Indicators

Risk Indicator	Level of Risk	Guide to Interpretation
4	Significant level of risk	Take suitable assurances before extending credit
3	Greater than average risk	Proceed with transaction but monitor closely
2	Low risk	Proceed with transaction
1	Minimal risk	Proceed with transaction – offer terms required
-	Insufficient information to assign a risk indicator	No public information or D&B proprietary information available to indicate trading activity

### D&B Financial Strength Indicators

The **Financial Strength Indicator** is based on Net Worth (alternatively, Paid-Up Capital). The table below contains the possible values.

Financial Strength Indicator		Range	
Paid-Up Capital	Net Worth	From	To
<b>5AA</b>	<b>5A</b>	SGD 90,000,000	And above
<b>4AA</b>	<b>4A</b>	SGD 20,000,000	SGD 89,999,999
<b>3AA</b>	<b>3A</b>	SGD 4,000,000	SGD 19,999,999
<b>2AA</b>	<b>2A</b>	SGD 2,000,000	SGD 3,999,999
<b>1AA</b>	<b>1A</b>	SGD 1,000,000	SGD 1,999,999
<b>AA</b>	<b>A</b>	SGD 900,000	SGD 999,999
<b>BB</b>	<b>B</b>	SGD 800,000	SGD 899,999
<b>CC</b>	<b>C</b>	SGD 700,000	SGD 799,999
<b>DD</b>	<b>D</b>	SGD 600,000	SGD 699,999
<b>EE</b>	<b>E</b>	SGD 500,000	SGD 599,999
<b>FF</b>	<b>F</b>	SGD 300,000	SGD 499,999
<b>GG</b>	<b>G</b>	SGD 100,000	SGD 299,999
<b>HH</b>	<b>H</b>	0	SGD 99,999

#### Alternate Ratings Used

<b>N</b>	Financial Strength is negative
<b>O</b>	Financial Strength is undisclosed
<b>NB</b>	New Business: Less than 12 months
<b>NQ</b>	Ceased Trading
<b>FB</b>	Foreign Branch

**Note:** D&B Rating and CRI are valid for a period of 12 months subject to no changes in company's activity. All Information contained in D&B report is obtained by D&B from the rated subject and third party sources. Although reasonable care has been taken to ensure that the information in the Report is true, such information is provided 'as is' without any warranty of any kind and D&B, in particular, makes no representation or warranty, express or implied, as to accuracy, timeliness or completeness of any such information. In providing this Rating and CRI, D&B does not underwrite the risks of any third party or that of the subject.

### Financial Ratio Glossary

Key Business Ratios are used to identify irregularities in the status and future potential of a company.

Name	Formula	Explanation
<b>Current Ratio (X)</b>	Total Current Assets / Total Current Liabilities	This ratio shows the cover by current assets of short term creditors, and the higher the ratio the more assurance there is that payment of creditors can be met.
<b>Asset Turnover (%)</b>	[Turnover / Total Assets (including Intangibles)] x 100	This ratio measures how efficient the company's management has been in generating sales from the assets at its disposal.  The measure can vary considerably from industry to industry and should therefore be judged according to the industry norm.
<b>Profit Margin (%)</b>	(Profit before Tax / Turnover) x 100	This reveals the profits earned per pound of sales and therefore measures the efficiency of the operation.
<b>Return on Assets (%)</b>	(Profit before Tax / Total Assets) x 100	This ratio is an indicator of the business' ability to withstand adverse conditions such as falling prices, rising costs or declining sales.  This is the key indicator of profitability for a company it matches operational profits with the assets available to earn a return.  Companies using their assets efficiently will have a relative high return while less well-run businesses will have a relatively low return.

# Singapore Comprehensive Report



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