HG METAL

ANNUAL REPORT 2016

CONTENTS

CORPORATE **PROFILE**

At HG Metal, we are sturdy like steel, yet flexible enough to understand and meet our clients' unique and changing needs. Change is constant and we believe in always gaining new perspectives to advance with evolving market trends.

With more than 40 years of experience in the industry, we have shaped a strong reputation as one of the largest steel distributors and processors around the region. We add value by bridging the gap between upstream steel producers and end users of steel. Through our three main business units – HG Distribution, HG Construction Steel and HG Industrial Steel & Services – we provide one-stop, end-to-end customised solutions for our strong clientele base of more than 1,500.

With more than 800,000 square feet of land area, HG Metal has one of the largest steel warehouse and processing facilities in Singapore, storing more than 3,000 varieties of steel products for a wide range of industries and applications. Armed with an extensive network of suppliers and solid sourcing capabilities, HG Metal offers customised solutions for our regional customer base along the entire supply chain.

HG Metal was listed on Singapore Exchange's former junior board, SESDAQ, on 21 March 2002 and was upgraded to the Mainboard in May 2004.

OUR **BUSINESS**

ONE-STOP CENTRE OFFERING INTEGRATED AND TAILORED SOLUTIONS

In today's ever changing and demanding business environment, we strive to provide quality steel products and one-stop customised solutions to meet our clients' steel needs. We offer end-to-end services ranging from distribution services to downstream value-added activities via our three business units.

HG DISTRIBUTION

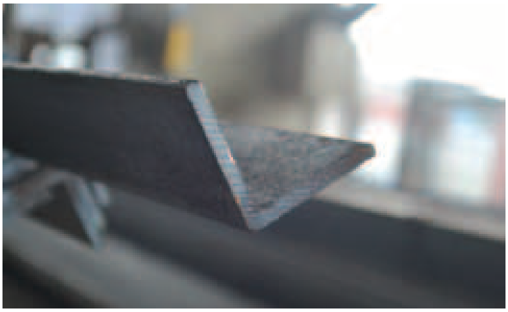
Under our Distribution business, we provide a wide array of services including wholesale activities, retailing, trading, sourcing of products and distributing steel products to ASEAN countries. We have an extensive and competitively priced portfolio of more than 3,000 types of quality steel products for a wide range of industries and applications, including BCA-compliant materials and higher grade niche products. We take pride in our strong and established sourcing capabilities from an extensive network of suppliers around the world. We also provide value-added services like steel finishing services, product customisation, logistics and local/export shipment.

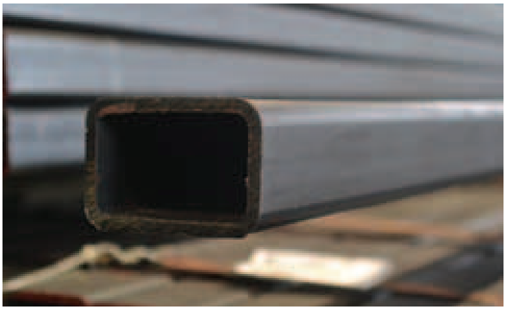
HG CONSTRUCTION STEEL

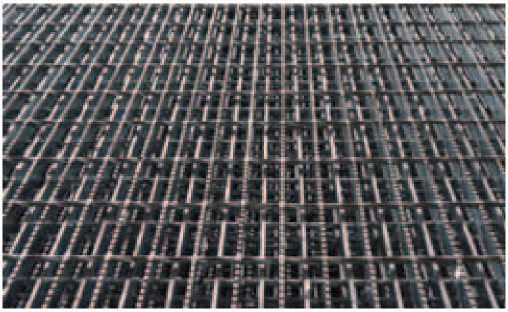
To meet the rising demand for construction steel, we offer comprehensive packages that cater to just-in-time production for all forms of construction steel requirements. Our products range from cut-and bend reinforcing bars to deformed bars, and straight re-bars, while our services include customised steel finishing services like galvanising, coating, cutting and drilling, as well as rental of plates and beams. Our state-of-the-art facilities in Singapore boast fully automated cut-and-bend production lines, with a monthly production capacity of 6,000 tonnes.

HG INDUSTRIAL STEEL AND SERVICES

As part of this business, we offer a broad range of value-added services and tailored solutions that cater to diversified and specialised industries, such as marine, transportation and electronics. Given the specialised nature of our clients' industries, our products include non-ferrous steel with light-weight and high conductivity properties required for electronics and marine sectors. Our customers can also enjoy flexible commercial packages such as blanket orders and rental options.







INTERNATIONAL NETWORK OF SUPPLIERS AND CLIENTS

Over the years, we have established a strong global network of suppliers and clients. Our extensive network of suppliers includes China, Japan, Korea, Turkey, Russia, Ukraine and other Eastern European countries. We also have a large and diversified customer base of more than 1,500 clients from around the world, with our key markets being Singapore, Myanmar, Malaysia and Indonesia. We also serve countries such as Brunei, India, Sri Lanka, Thailand, Vietnam, the Philippines, New Zealand, Australia and Papua New Guinea.

LARGE-SCALE COMPREHENSIVE FACILITIES

We have approximately 800,000 sq ft of warehousing and processing facilities located at Jurong Port Road and Jalan Buroh. The facilities have a combined steel storage capacity of 200,000 tonnes and a combine monthly handling capacity (in and out) of 80,000 tonnes.

ENSURING QUALITY, ENHANCING VALUE

At HG Metal, everything we do is driven by our desire to ensure quality and enhance value for our clients. Our large-scale facilities and ability to order steel in bulk ensure that we achieve economies of scale, which enable us to offer competitive prices in the market. Together with our one-stop tailored solutions, extensive procurement network and established geographical reach, these key strengths have helped cement our 40-year position in the steel industry. Supported by highly experienced teams in management, operations and sales, we leverage on our decades of knowledge to deliver steel solutions more efficiently and effectively. From supply chain management, logistics and warehousing operation to quality assurance and dedicated customer service, we go the extra mile to provide greater value for our clients with products of the highest quality.

ADVANCING IN THE MARKET

To strengthen our foothold in the market, we adopt a multi-pronged growth strategy focused on:

- Diversifying our business model to include higher value-added services and direct sales to end-users
- Widening our geographical reach in South East Asia
- Strengthening customer relationships by directly engaging end-users of steel who require large and customised orders for specific projects
- Enhancing our processing capabilities by offering more downstream customisation services

MESSAGE TO SHAREHOLDERS

DEAR SHAREHOLDERS,

STAYING RESILIENT AMIDST HEADWINDS

We are pleased to present to you the annual report of HG Metal Manufacturing Limited ("HG Metal") for the year ended 31 December 2016 ("FY2016").

2016 has been a year marked by a number of uncertainties in the global economic and political environment. Challenges ensued amidst a tight labour market, weak consumer sentiments, high material costs and falling business margins. A slowing global economy led Singapore's GDP growth to register only 1.8% for the whole of 2016.

Despite these headwinds, our efforts in re-aligning our business focus to the industry demands have helped us to stay resilient and to produce relatively respectable performance in the face of these challenges. During the year, we have managed to turn our business around, reversing a loss into a profit, while we remained focused on building up our expertise. We believe we are now better positioned to capture any growth and business opportunities whenever they arise.

FINANCIAL PERFORMANCE

Notwithstanding the anticipated macro-economic challenges and volatility in international steel prices, the Group has managed to stay its course and produced resilient results that were evident in the improved performance. This year, we went against all odds and placed our profitability back in the black.

In FY2016, the Group recorded revenue of S$108.5 million as compared to S$127.9 million in the previous year, translating to a 15% decrease in revenue. This was attributed to a 9% decline in sales volume and 7% drop in average selling price. In spite of this, gross profit surged by 20% from S$5.0 million in FY2015 to S$6.0 million in FY2016. The higher gross profit registered was due to a higher gross profit margin of 5.6% achieved during the year against 3.9% for the previous year, as a result of an improved procurement strategy and also better matching of customers' requirements.

Consequently, the Group reported a net profit after tax of S$0.9 million in FY2016 against a net loss after tax of S$5.6 million in FY2015. This was achieved by improved gross profit margin and reduced overhead expenses arising from the implementation of Group's cost optimisation program. However, the rise in other operating income of S$1.0 million was partially offset by the reduction in share of profit from associates of S$0.7 million.

The Group's inventory holding increased to S$14.2 million as at 31 December 2016 as compared to S$5.4 million a year ago on efforts to replenish stocks to support business activities.

The Group's bank balances and fixed deposits as at 31 December 2016 stood at S$37.7 million, decreasing from S$50.5 million in FY2015, mainly attributed to the Group's stock replenishment.

The Group's total borrowings were reduced to S$2.0 million as at 31 December 2016 as compared to S$6.8 million as at 31 December 2015 on account of full settlement of certain bank term loans.

PROPOSED DIVIDEND

As an appreciation to our shareholders for your unwavering support, the Board of Directors are pleased to recommend a final tax exempt dividend of 0.5 Singapore cents per ordinary share for FY2016. This is subject to shareholders' approval at the coming Annual General Meeting.

OUTLOOK AND BUSINESS STRATEGIES

We expect the business environment for the steel industry to remain challenging as the industry presents a mismatch between international steel prices and regional market demand. The recent surge in international steel prices in spite of a lagging demand within the local and regional markets coupled with the intensified competition have exerted pressure on the margins of the steel industry across the board.

While we acknowledge that the volatility in international steel prices and the fluctuations in foreign exchange currencies amidst a slower global economy are all likely to affect our business in the near term, the Group is focused on enhancing our competitive strengths and fostering strategic partnerships with our valued stakeholders to add value to the Group. Further, we are also strengthening our capabilities and widening our product range to better capture the local business opportunities arising from increased infrastructure spendings in Singapore.

The Group continues to be committed in exploring and pursuing viable growth opportunities, while managing the risk exposure of the business vigilantly. We believe that our strong balance sheet will enable us to remain focus in pursuing strategic business and investment opportunities, both locally and overseas, including the key overseas market of Myanmar.

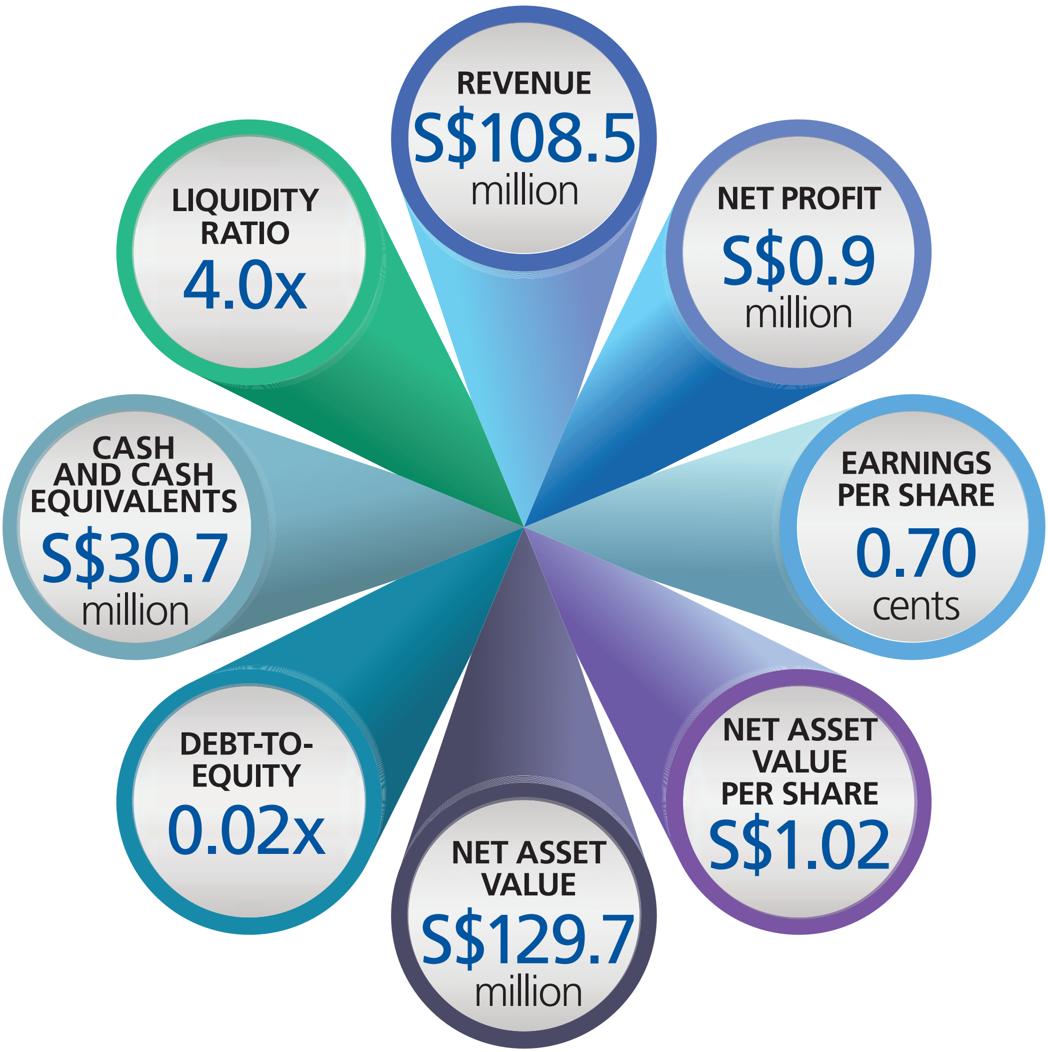
APPRECIATION

On behalf of the Board of Directors, we would like to thank our business associates and customers for their support for all these years, giving us the opportunity to forge meaningful working relationships together. We would also like to extend our appreciation to our management team and staff for their dedication and commitment during these challenging times. Finally, we want to express our gratitude to our shareholders who have seen the value in us. We look forward to journeying with you as we continue to create greater shareholders' value in the years to come.

TAN KENG BOON
Chairman

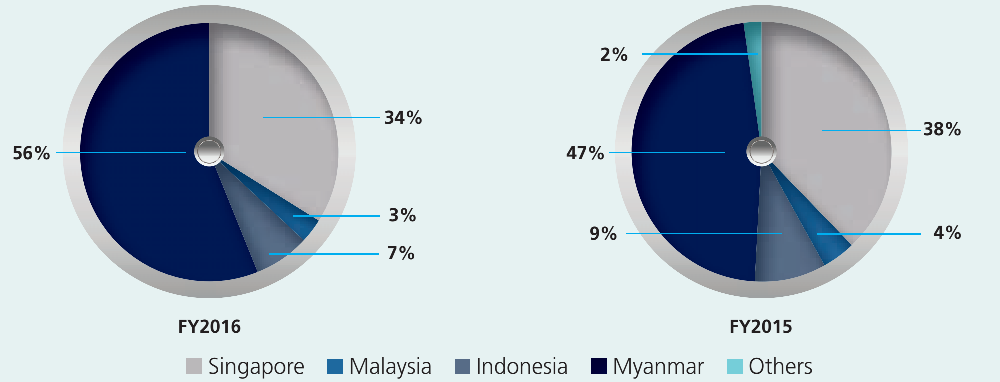
FOO SEY LIANG
Executive Director

KEY FIGURES

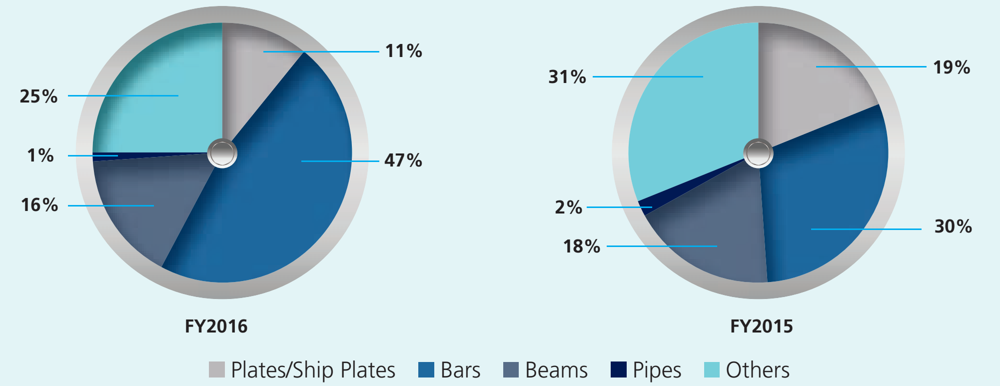

REVENUE
S$108.5
million
NET PROFIT
S$0.9
million
EARNINGS PER SHARE
0.70
cents
NET ASSET VALUE PER SHARE
S$1.02
NET ASSET VALUE
S$129.7
million
DEBT-TO-EQUITY
0.02x
CASH AND CASH EQUIVALENTS
S$30.7
million
LIQUIDITY RATIO
4.0x

FINANCIAL **HIGHLIGHTS**

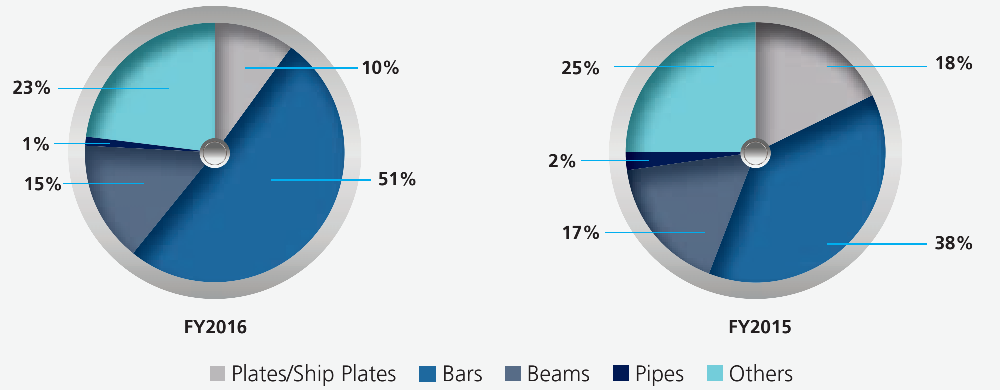
REVENUE BY REGION (%)



REVENUE BY PRODUCT (%)



SALES VOLUME BY PRODUCT (%)



OPERATING & **FINANCIAL REVIEW**

REVENUE AND GROSS PROFIT

Despite a challenging economic environment, the Group has managed to stay its course to deliver positive results for the year ended 31 December 2016.

During the year, the Group had a revenue of S$108.5 million, a decrease of 15% from S$127.9 million in FY2015. This was due to a decline in sales volume and average selling price by 9% and 7% respectively.

Nevertheless, the Group's gross profit achieved a gain of 20% to S$6.0 million for the year in review from S$5.0 million last year, attributed to higher gross profit margin of 5.6% achieved in FY2016 as compared to a gross profit margin of 3.9% in FY2015.

OTHER OPERATING INCOME

Other operating income surged 11% from S$8.9 million in FY2015 to S$9.9 million in FY2016. This was largely due to a S$0.6 million increase in foreign exchange gain, S$0.2 million increase in warehouse services income and a S$0.2 million gain from the disposal of fixed assets.

KEY EXPENSES

The Group's selling and distribution expenses were reduced to S$0.2 million during the year from S$0.8 million in FY2015 due to lower sales volume and the conscientious implementation of cost optimisation initiatives by the Group.

The administrative expenses fell by 13% to S$8.1 million in FY2016, led by a reduction in staff cost by S$0.5 million and overall decrease in other administrative expenses of S$0.7 million.

The other operating expenses declined by S$3.3 million to S$9.0 million for the year, mainly attributable to the absence of provision for inventories of S$2.1 million, doubtful debts provision of S$0.2 million, and fixed assets write-down of S$0.5 million, which occurred in FY2015.

Finance expenses dropped to S$0.09 million for the year against S$0.2 million in FY2015, due to the Group's full repayment of certain bank term loans.

NET PROFIT AFTER TAX

The Group report a net profit after tax of S$0.9 million in FY2016, a positive turnaround from a net loss after tax of S$5.6 million in FY2015. This was mainly contributed by improved gross profit margin and reduction of overhead expenses. However, the gain in other operating income of S$1.0 million was partially offset by a lower share of profit from associates of S$0.7 million.

BALANCE SHEET

As at 31 December 2016, inventory level stood at S$14.2 million as compared with S$5.4 million as at 31 December 2015 in line with stock replenishment during the year.

Trade and other receivables were at S$34.8 million for FY2016 against S$31.9 million as at 31 December 2015, consistent with the increase in sales activities seen in 4Q2016.

Meanwhile, trade and other payables increased to S$14.0 million as at 31 December 2016, translating to an increase of S$5.1 million as compared to last year due to higher purchasing volume in 4Q2016.

As the Group made full repayment of certain bank term loans during the year, total bank borrowings reduced significantly from S$6.8 million as at 31 December 2015 to S$2.0 million as at 31 December 2016.

CASH POSITION

Net cash flows used in operating activities was S$8.6 million in FY2016 as compared to net cash flows generated from operating activities of S$1.7 million in FY2015, as a result of an increase in trade and other payables of S$5.1 million which were offset by the increase in trade and other receivables of S$3.0 million, as well as an increase in inventories of S$10.2 million.

On the other hand, net cash flows used in investing activities for FY2016 was S$5.8 million, mainly due to fixed deposit pledged with a bank. This was, however, partially offset by dividends received from investment in associate.

Meanwhile, net cash flows used in financing activities for FY2016 was S$5.4 million as the Group made $8.5 million repayment of bank borrowings, which was partially balanced out by S$3.7 million proceeds of new bank borrowings.

As at 31 December 2016, the Group's cash and cash equivalents continued to be healthy at S$30.7 million against S$50.5 million as at 31 December 2015.

FIVE-YEAR FINANCIAL SUMMARY

	FY2016	FY2015	FY2014	FY2013	FP2012[1]
FOR THE YEAR (S$'m)					
Revenue	**108.53**	127.87	187.85	266.05	405.36
Gross Profit	**6.04**	5.02	11.26	16.13	17.23
Profit/(Loss) Before Tax	**0.90**	(5.64)	(16.93)	3.20	5.49
Net Profit/(Loss) After Tax	**0.91**	(5.65)	(16.75)	3.26	5.34
Operating Cash Flow	**(8.58)**	1.67	65.27	(34.21)	(0.75)
Cash Flow from Investing	**(5.83)**	2.49	7.60	38.84	(14.26)
Free Cash Flow	**(14.41)**	4.16	72.87	4.63	(15.01)
AT YEAR END (S$'m)					
Total Assets	**151.82**	152.54	181.93	236.06	262.64
Total Liabilities	**22.12**	23.20	46.53	96.91	123.75
Shareholders' Funds	**129.43**	129.07	134.84	137.48	137.03
Cash and Cash Equivalents	**30.70**	50.51	52.66	16.12	18.52
Total Borrowing[2]	**1.96**	6.82	12.71	62.09	64.69
Gearing Ratio[3]	**–**	–	–	0.33	0.34
PER SHARE DATA (Singapore Cents)					
Basic Earnings Per Share[4]	**0.70**	(4.25)	(14.56)	3.19	5.22
SHAREHOLDER'S RETURN					
ROE (%) (Net Profit/Shareholders' Fund)	**0.70%**	(4.38%)	(12.42%)	2.37%	3.89%
ROA (%) (Net Profit/Total Assets)	**0.60%**	(3.70%)	(9.21%)	1.38%	2.03%
Gross Dividend (Cents)	**0.50**	nil	nil	0.10	0.30
Share Price at End of Year (S$)	**0.31**	0.039	0.071	0.077	0.084

1 The Group changed its financial year end from 30 September to 31 December on 25 October 2012. Accordingly, FP2012 results reflect a 15-month period from 1 October 2011 to 31 December 2012.

2 Total Borrowing : Bank Borrowing (loan & bills payable).

3 Gearing Ratio : (Total Borrowing - Cash & cash equivalent)/Shareholders' Funds.

4 On 11 May 2016, the Company completed a share consolidation of every ten existing issued ordinary shares of the Company into one ordinary share and Earnings Per Share for the comparative period had been adjusted for the effects of the share consolidation.

CORPORATE **RESPONSIBILITY**

Social responsibility underpins how we conduct business at HG Metal. As a company, we understand clients are not the only important stakeholders that we need to look after. We are also accountable to our shareholders, employees, the community at large that we operate in.

WORKPLACE SAFETY

The well-being of our employees is one of our top priorities. Our employees, who are our key assets, deserve to work in a safe, secure and conducive environment.

To instil a corporate culture of safety and ensure our Health and Safety policy standards and procedures are adhered to at all levels of operations, we conduct safety trainings and send our people for external courses to keep them up-to-date with new safety developments pertaining to the steel industry. Our staff must also complete the Safety Orientation Course (Metal Working), and equipment can only be operated by staff who have been properly trained.

We periodically service and perform maintenance repairs on our facilities to ensure everything is operationally safe and in proper working condition. Together with close monitoring of our facilities, a safe working environment is assured for everyone.

We have attained the bizSAFE Star certification awarded by the Workplace Safety & Health Council and we endeavour to continually maintain and enhance the safety conditions of our facilities.

PRODUCT QUALITY

The steel products in our extensive portfolio are appropriately certified, some of which are approved for use by the Building and Construction Authority. As part of our strategy to enhance quality, we have implemented a programme that helps to tag and trace our steel products. From time to time, our clients require mill certifications for their respective industries and applications in order to ensure they comply with the respective regulations. This programme will enable us to quickly and accurately provide them with the necessary information.

OUR PEOPLE

Learning is a lifelong process and we value the importance of staff training and skills upgrading. By keeping our people up-to-date with the market, it helps to maintain and improve their productivity. We see the need to invest in our people and nurture talent from within. We have in place a talent management programme that helps to groom our leaders of tomorrow.

Besides training and development, we want our people to feel comfortable and motivate to work as they do at home. Hence, we strive to provide not only a conducive work environment with communal areas to foster team-building, but also encourage work-life balance to improve our employees' physical and mental well-being.

COMMUNITY RELATIONS

As a good corporate citizen, we recognise that we play an important role in contributing to the society and we believe we can make a difference. We aim to give back to the society and over the years, we have contributed monetary donations to many different charities which help the needy, both young and old. At the same time, we encourage our employees to volunteer their time and effort to help the less fortunate of the society.

ENVIRONMENTAL EFFORTS

Environmental sustainability is an issue businesses must consider and we do our utmost to ensure that our operations do not harm the environment.

Our core product, steel, is very environmentally friendly and its great durability enables it to be reused. Steel can also be 100% recycled infinitely with no loss of quality. This recyclability is further enhanced by steel's magnetic properties, which allows it to be easily extracted from waste.[1]

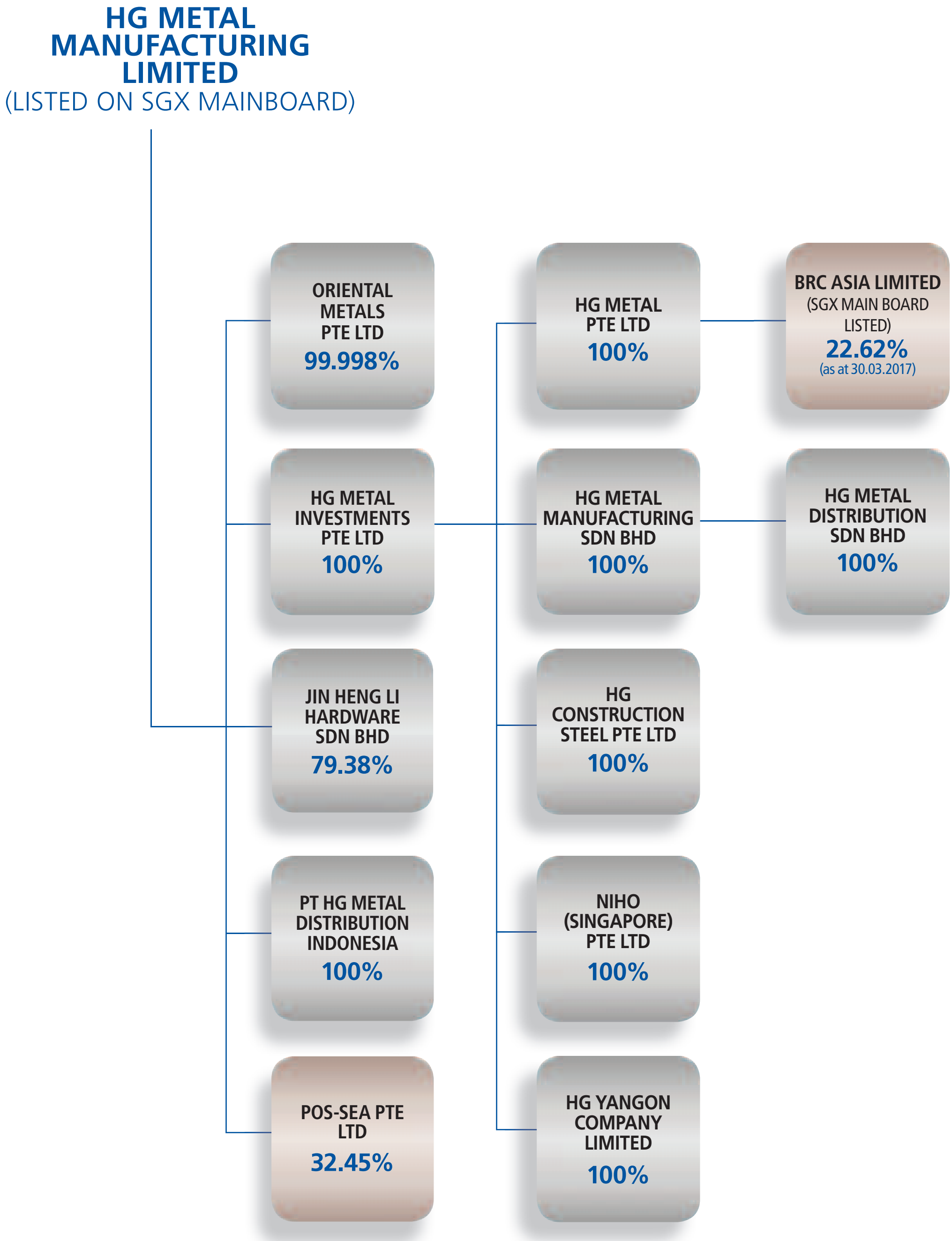
We are committed to conducting our business in a way that is eco-friendly and helps to conserve the environment. Besides reusing and recycling remnant steel from our operations, we also encourage our people to minimise carbon footprint by conserving energy usage, consume water resources responsibly and refrain from water wastage.

INVESTOR RELATIONS

The ultimate goal of investor relations is to provide stakeholders with up-to-date and reliable information, so that they can make educated investment decisions.

We see the importance of maintaining open, two-way channels of communication, in order to facilitate proper communication and manage the expectations of the financial community. Through multiple avenues like emails, phone calls, meetings and email alerts via our corporate website, we strive to fulfil our responsibility and deliver information to the market in a timely manner. Another key mode of engaging the investment community is the annual general meeting, where shareholders can raise questions and interact with the management and the board of directors.

CORPORATE **STRUCTURE**



Associated company

BOARD OF DIRECTORS

TAN KENG BOON
NON-INDEPENDENT AND NON-EXECUTIVE CHAIRMAN

Mr Tan Keng Boon was appointed as Non-Independent and Non-Executive Chairman to the Board on 16 May 2016. Mr Tan, an established private equity investor, is the Managing Director of venture and private equity funds managed by Seavi Advent, a group of fund management companies.

He has overall responsibility for Seavi Advent's investment activities in the Asia Pacific region, and has sponsored, led or co-led investments in over 80 companies. Mr Tan's career highlights include serving as the Chairman of the Singapore Venture Capital and Private Equity Association from 1993 to 2001.

Over the last 25 years, Mr Tan has served on the boards of various listed companies. Mr Tan was previously co-founder and General Manager of Semicon Industries and earlier worked for DBS Bank and ExxonMobil Singapore. Mr Tan received a Bachelor of Engineering Degree and a Diploma in Business Administration from the University of Singapore.

Further Information
Date of first appointment as a Director: 16 May 2016
Date of last re-election as a Director: Nil

Present Directorships
(on 31 December 2016):
Listed companies: Nil

Other:
Mr Tan also holds directorships in various non-listed companies.

Past Directorships held over the preceding three years
(from 01 January 2014 to 31 December 2016):
Ho Bee Land Ltd.
Ho Bee Foundation

FOO SEY LIANG
EXECUTIVE DIRECTOR

Mr Foo Sey Liang was appointed to the Board as Executive Director on 10 April 2014. Mr Foo is also the significant investor of the Group. He develops and monitors strategies for ensuring the long-term financial viability of the organisation. Mr Foo has over 20 years of experience in the construction business.

Further Information
Date of first appointment as a Director: 10 April 2014
Date of last re-election as a Director: 23 April 2015

Present Directorships
(on 31 December 2016):
Listed companies:
BRC Asia Limited

Other:
Mr Foo also holds directorships in various non-listed companies.

Past Directorships held over the preceding three years
(from 01 January 2014 to 31 December 2016): Nil

TEO YI-DAR (ZHANG YIDA)
NON-EXECUTIVE DIRECTOR

Mr Teo Yi-Dar (Zhang Yida) was first appointed to the Board on 13 November 2014.

Mr Teo started his career as an Engineer with SGS-Thomson Microelectronics in 1996, and he joined Keppel Corporation Ltd's business development division in 1997. In 1999, Mr Teo joined Boston-based Advent International Private Equity Group, commencing his career in the direct investment business. Mr Teo currently manages an international Private Equity business, conducting buy-outs and expansion capital funding of Asian companies in the engineering, manufacturing, industrial and technology sectors.

Mr Teo holds two Masters' degrees; Master of Science Degree in Industrial and Systems Engineering (1998) and Master of Science Degree in Applied Finance (2000) from the National University of Singapore. Mr Teo graduated from the same university with a Bachelor of Electrical Engineering (Honours) in 1996.

Mr Teo was awarded the Chartered Financial Analyst by the CFA Institute in 2001.

Further Information
Date of first appointment as a Director: 13 November 2014
Date of last re-election as a Director: 29 April 2016

Present Directorships
(on 31 December 2016):
Listed companies:
Yangzijiang Shipbuilding (Holdings) Ltd.
China Yuanbang Property Holdings Limited
Smartflex Holdings Ltd
Denox Environmental & Technology Holdings Limited

Other:
Mr Teo also holds directorships in various non-listed companies.

Past Directorships held over the preceding three years
(from 01 January 2014 to 31 December 2016):
Net Pacific Financial Holdings Limited

BOARD OF DIRECTORS

NG WENG SUI HARRY

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Ng Weng Sui Harry was appointed to the Board as Independent Director on 10 April 2014. He is the Chairman of the Audit & Risk Committee and a member of the Nominating Committee and Remuneration Committee. Mr Ng is currently the Executive Director of HLM (International) Corporate Services Pte. Ltd., a company providing corporate services, including business consultancy, corporate advisory, and accounting and secretarial services.

Mr Ng has more than 30 years of experience in accountancy, audit and finance. He was the Chief Financial Officer and Executive Director of Achieva Limited from October 2008 to April 2010 and Chief Financial Officer of SunMoon Food Company Limited from August 2004 to July 2008.

Mr Ng sits on the boards of various SGX-listed Companies.

He is currently a Fellow Member of the Institute of Singapore Chartered Accountants and a Fellow of the Association of Chartered Certified Accountants (UK). Mr Ng obtained a Master of Business Administration (General Business Administration) from The University of Hull, UK.

Further Information
Date of first appointment as a Director: 10 April 2014
Date of last re-election as a Director: 29 April 2016

Present Directorships
(on 31 December 2016):
Listed companies:
Artvision Technologies Ltd
IEV Holdings Limited
Oxley Holding Limited
Q&M Dental Group (Singapore) Limited

Other:
HLM (International) Corporate Services Pte. Ltd. (Executive Director)
IEV Energy Investment Pte. Ltd.

Past Directorships held over the preceding three years
(from 01 January 2014 to 31 December 2016): Nil

KESAVAN NAIR

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Kesavan Nair was appointed to the Board as Independent Director on 17 April 2014. He is the Chairman of the Nominating Committee and Remuneration Committee, and is a member the Audit & Risk Committee. Mr Nair is a practicing Advocate and Solicitor with Genesis Law Corporation in the areas of civil and criminal litigation and corporate law.

Mr Nair is also an Independent Director of various SGX-listed and SGX-Catalist Companies.

Mr Nair graduated from The University College of Wales, Aberystwyth, with a Bachelor of Laws (Honours) in 1988. He was admitted as a Barrister-at Law, Middle Temple in 1990, a Barrister and Solicitor of the Supreme Court of the Australian Capital Territory in 1991 and an Advocate & Solicitor of the Supreme Court of Singapore in 1992.

Further Information
Date of first appointment as a Director: 17 April 2014
Date of last re-election as a Director: 23 April 2015

Present Directorships
(on 31 December 2016):
Listed companies:
IEV Holdings Limited
Kitchen Culture Holdings Ltd.
Arion Entertainment Singapore Limited (F.K.A Elektromotive Group Limited)

Other:
Genesis Law Corporation
Genvest Pte Ltd

Past Directorships held over the preceding three years
(from 01 January 2014 to 31 December 2016): Nil

KEY MANAGEMENT **PERSONNEL**

SHARON TAY
FINANCIAL CONTROLLER

Ms Tay joined the Group in October 2013 and was appointed as Financial Controller of the Group on 30 January 2015. She is in charge of overseeing finance, accounting, tax and treasury functions of the Group.

Ms Tay has over 20 years of working experience in finance, accounting and auditing. Prior to joining the Group, she had held various management appointments in listed companies and government-related organisations.

Ms Tay holds a Bachelor of Arts (Hons) degree in Accounting and Financial Management from University of Sheffield (UK), and is a Chartered Accountant with the Institute of Singapore Chartered Accountants and a member of the Association of Chartered Certified Accountants (UK).

JACK TAN
HEAD OF OPERATIONS

Mr Tan joined the Group in April 2014 and was appointed as Head of Operations on 30 January 2015. He is responsible for operational planning and management, warehouse and logistics management and facilities management. His responsibilities also include implementing policies in ensuring Quality, Health, Safety and Environment measures are in place.

Mr Tan has 17 years of experience in the operation of ferrous, non-ferrous scrap and new metal materials. Prior to joining the Group, he was the Corporate Manager of Esun International Pte Ltd. He was in charge of safety and maintenance management, manpower management, purchasing, building construction project and corporate matters since 2011. He had held various positions including Chief Operating Officer, General Manager and Manager with Union Steel Holdings Limited from year 2001 to year 2009.

ROYSTON JOHNS
GENERAL MANAGER (SALES)

Mr Royston Johns joined the Group in May 2016 and was appointed as General Manager (Sales) overseeing the sales and marketing department. He is responsible for the group sales, customer service and business development.

Mr Royston Johns brings with him more than 30 years of experience in sales, customer service, business development, shipping, warehousing and operations in the marine & offshore industries.

Prior to joining the Group, Mr Royston Johns has 9 years of experience in the steel stock holders business with Continental Steel Pte Ltd as a deputy Head of Sales.

Mr Royston Johns holds a Bachelor of Business Administration from La Trobe University (Australia), a Diploma in Marketing from Chartered Institute of Marketing (UK), and a Diploma in Sales & Marketing from the Marketing Institute of Singapore.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Tan Keng Boon
Non-Independent and Non-Executive Chairman

Foo Sey Liang
Executive Director

Teo Yi-Dar (Zhang Yida)
Non-Executive Director

Ng Weng Sui Harry
Independent Non-Executive Director

Kesavan Nair
Independent Non-Executive Director

AUDIT & RISK COMMITTEE
Ng Weng Sui Harry *(Chairman)*
Kesavan Nair
Tan Keng Boon

NOMINATING COMMITTEE
Kesavan Nair *(Chairman)*
Ng Weng Sui Harry
Tan Keng Boon

REMUNERATION COMMITTEE
Kesavan Nair *(Chairman)*
Ng Weng Sui Harry
Tan Keng Boon

COMPANY SECRETARIES
Wee Woon Hong
Srikanth Rayaprolu

REGISTERED OFFICE
15 Jurong Port Road
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Tel: (65) 6268 2828
Fax: (65) 6268 3838
Web: www.hgmetal.com

SHARE REGISTRAR
M&C Services Private Limited
112 Robinson Road #05-01
Singapore 068902

EXTERNAL AUDITORS
Ernst & Young LLP
Public Accountants and Chartered Accountants
Singapore

Partner-in-charge:
Andrew Tan Chwee Peng
(With effect from financial year ended 31 December 2016)

INTERNAL AUDITORS
Deloitte & Touche
Enterprise Risk Services Pte Ltd

PRINCIPAL BANKERS
United Overseas Bank Limited
DBS Bank Ltd
Oversea-Chinese Banking Corporation Limited

CORPORATE **GOVERNANCE**

HG Metal Manufacturing Limited (the "**Company**") is committed to complying with the revised Code of Corporate Governance 2012 ("**Code**") so as to ensure greater transparency and to safeguard the interests of shareholders. This statement describes the Company's corporate governance practices and activities with specific reference to the Code established by the Singapore Corporate Governance Committee and relevant sections of the Listing Manual issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

1. BOARD MATTERS

The Board's conduct of affairs

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

1.1 Role of the Board

The Board of Directors (the "**Board**") comprises 1 Executive Director and 4 Non-Executive Directors. 2 of the 4 Non-Executive Directors are Independent Non-Executive Directors. The Board's primary role is to protect and enhance long-term shareholder value. To fulfill this, apart from its statutory responsibilities, the Board's principal functions include the following:

(a) approving the Group's corporate and strategic directions taking into account the key stakeholders of the Group;

(b) establishing goals for the Management and monitoring the achievement of these goals;

(c) ensuring the quality, effectiveness and integrity of management leadership;

(d) approving annual budgets, investment and divestment proposals;

(e) appointment of Board Directors and key managerial personnel;

(f) ensuring an effective risk management framework is in place to safeguard shareholders' interests and the Group's assets;

(g) reviewing financial performance and implementing financial policies which incorporate risk management, internal controls and reporting compliance; and

(h) assuming responsibility for corporate governance.

Every Director, in the course of carrying out his duties, acts in good faith and considers at all times, the interests of the Group to discharge their duties and responsibilities at all times as fiduciaries in the interest of the Group.

1.2 Board Processes

To assist the Board in the discharge of its oversight function, certain functions have been delegated to various Board Committees, namely, the Audit & Risk Committee ("**ARC**"), Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"), each of which has its own written terms of reference. The minutes of meetings of these committees are circulated among the Board.

CORPORATE **GOVERNANCE**

Formal Board meetings are held at least once every quarter to oversee the business affairs of the Group and approve any financial or business decisions and/or strategies. Where necessary, additional Board meetings are held to deliberate on urgent substantive matters. Telephone and video-conference attendance at Board meetings is allowed under the Company's Constitution. The Board also approves transactions through written resolutions which are circulated to the Board together with all relevant information relating to the proposed transaction.

The agenda for Board and Board Committees meetings is prepared in consultation with the respective Chairmen. The agenda and relevant board papers are circulated in advance of the scheduled meetings.

1.3 Directors' meeting held in the Financial Year ended 31 December 2016 ("FY2016")

The attendance of the Directors at meetings for FY2016 is as follows:

	Board of Directors		Audit & Risk Committee		Remuneration Committee		Nominating Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Tan Keng Boon[1]	5	3	5	3	1	0	1	0
Ching Chiat Kwong[2]	5	0	–	–	–	–	–	–
Foo Sey Liang	5	5	–	–	–	–	–	–
Teo Yi-Dar	5	5	–	–	–	–	–	–
Ng Weng Sui Harry	5	5	5	5	1	1	1	1
Kesavan Nair	5	5	5	5	1	1	1	1
Low See Ching[3]	5	1	5	1	1	0	1	0

Notes:
1. Mr Tan Keng Boon was appointed as Non-Independent and Non-Executive Chairman on 16 May 2016, as well as a member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee.
2. Mr Ching Chiat Kwong resigned as Non-Executive and Non-Independent Chairman with effect from 16 May 2016.
3. Mr Low See Ching resigned as Non-Executive Director with effect from 16 May 2016 and ceased to be a member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee.

The Directors were appointed based on their experience, stature, expertise and potential to contribute to the proper guidance of the Group and its businesses. As such, we believe that each individual Director's contributions can be reflected in ways other than through their attendance at Board meetings and/or Board committee meetings. It also takes into account the contribution by Board members in other forms including periodic reviews of the Group, provision of guidance and advice on various matters relating to the Group.

1.4 Matters Requiring Board Approval

The Directors have identified a few areas for which the Board has direct responsibility for decision making, such as:

- approval of the quarterly results announcements;
- approval of the annual report and accounts;
- declaration of interim dividends and proposal of final dividends;
- convening of shareholders' meetings;
- approval of corporate strategy;
- authorisation of major transactions;
- approval of Board changes and appointments on Board committees;
- increase in investment in businesses and subsidiaries;
- divestment in any of the Group's companies; and
- commitments to term loans and lines of credit from banks and financial institutions by the Company.

The Company has adopted and documented in its internal guidelines the matters that are reserved for Board's approval.

While matters relating in particular to the Company's objectives, strategies and policies require the Board's direction and approval, Management is responsible for the day-to-day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board.

1.5 Training of Directors

Our Directors are provided with extensive background information about our Group's history, mission, values and business operations. Changes to regulations and accounting standards are monitored closely by Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education on Board processes and best practices as well as updates on relevant new laws and regulations. Directors also have the opportunity to visit the Group's operational facilities and meet with Management to gain a better understanding of the business operations. The Company will issue the appointment letters to new Non-Executive Directors and service agreements to Executive Director (as the case may be) setting out the Directors' duties and obligations. Newly appointed Directors shall also be briefed on the business and organisational structure of the Group and its strategic directions. The Company encourages Directors to attend training courses organized by the Singapore Institute of Directors or other training institutions in connection with their duties at the Company's expense. The Directors are also provided with updates on the relevant new laws, regulations and accounting standards related to the Group's operating environment through e-mails and regular briefings by the Company Secretaries and the external auditor.

CORPORATE **GOVERNANCE**

1.6 Board Composition and Guidance

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

All Directors exercise independent judgement and make decisions objectively in the best interest of the Company. The assessment criteria in the Chairman's assessment of Directors include intensity of participation at meetings, quality of interventions and special contribution.

The NC is satisfied that the Board has the appropriate mix of expertise to lead and govern the Group effectively as the the Board comprises members with diverse expertise and experience in the steel, finance and legal industries which enables them, in their collective wisdom, to contribute effectively at Board and Board Committee meetings.

As of the date of this report, the Board comprises the following Directors:

EXECUTIVE DIRECTOR
Mr Foo Sey Liang

NON-EXECUTIVE AND NON-INDEPENDENT DIRECTORS
Mr Tan Keng Boon (Non-Independent and Non-Executive Chairman)
Mr Teo Yi-Dar (Zhang Yida) (Non-Executive Director)

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr Kesavan Nair
Mr Ng Weng Sui Harry

The profiles of the Board members are set out in pages 13 to 14 of the Annual Report.

The composition of the Board is determined in accordance with the following principles:

- to form a strong independent element on the Board, at least one-third of the Board should be Independent Non-Executive Directors;
- the Board should have enough Directors to serve on various committees of the Board without over-burdening the Directors or making it difficult for them to fully discharge their responsibilities;
- the Board should comprise Directors with a broad range of competencies and expertise; and
- Directors appointed by the Board are subject to election by shareholders at the following Annual General Meeting ("**AGM**") and thereafter, Directors are subject to re-election according to the provisions in the Company's Constitution. Regulation 89 of the Company's Constitution states that one-third of the Directors shall retire from office by rotation with the exception of the Director holding office as Managing Director.

CORPORATE GOVERNANCE

The Company notes that for financial years commencing on or after 1 May 2016, the Independent Non-Executive Directors should make up at least half of the Board where the Chairman is not an Independent Non-Executive Director under Guideline 2.2 of the Code. Although the Independent Non-Executive Directors of the Company currently do not make up half of the Board, there is a strong independent element. Matters requiring the Board's approval are discussed and deliberated with participation from each member of the Board. All major decisions are based on collective decisions without any individual influencing or dominating the decision making process. The Board and NC will continue to review the Board's composition as and when necessary.

The NC is responsible for reviewing the independence of each Director based on the guidelines set out in the Code. The NC conducts the review annually and requires each Independent Non-Executive Director to submit a confirmation of independence based on the guidelines provided in the Code.

Based on the confirmation of independence submitted by the Independent Non-Executive Directors and the results of the NC's review, the NC was of the view that each Independent Non-Executive Director is independent in accordance with the Code.

All Non-Executive Directors (including the Independent Non-Executive Directors) confer regularly with the Executive Director and Management to develop strategies for the Group, review the performance of Management, assess remuneration and discuss corporate governance matters. The Group's Non-Executive Directors (including the Independent Non-Executive Directors) had held periodic conference calls and/or meetings without the presence of Management during FY2016.

The Board regularly examines its size and, with a view to determining the impact of its number upon effectiveness, decides on what it considers an appropriate size for itself, taking into account the scope and nature of the Company's operations. The Board and NC take into account, *inter alia*, the Directors' contributions, areas of expertise and scope of work on an annual basis in evaluating whether the Board's composition is adequate. The Board and NC are satisfied that the current Board's size and composition are appropriate for the Group.

The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience to enable Management to benefit from a diverse perspective in reviewing the issues that are brought before the Board. This assists the NC in identifying and nominating suitable candidates for appointment to the Board.

Particulars of interests of Directors who held office at the end of this financial year in shares and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are set out in the Directors' Statement.

CORPORATE **GOVERNANCE**

1.7 Independent Members of the Board of Directors

The Board has 2 Independent Non-Executive Directors, representing at least one-third of the Board: Mr Kesavan Nair and Mr Ng Weng Sui Harry. The criteria for independence are based on the definition given in the Code, which considers an Independent Non-Executive Director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company. The independence of each Director is reviewed annually by the NC.

As at 31 December 2016, no Independent Non-Executive Directors on the Board had served for more than nine years from the date of his initial appointment.

1.8 Chairman and Chief Executive Officer

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

Mr Tan Keng Boon is the Non-Independent and Non-Executive Chairman (the "**Chairman**"), while Mr Foo Sey Liang is the Executive Director. Mr Foo Sey Liang assumes and bears overall daily operational responsibility for the Group's business. Mr Tan Keng Boon and Mr Foo Sey Liang are not related to each other. There is a clear division of responsibilities between Mr Tan Keng Boon and Mr Foo Sey Liang, which ensures there is a balance of power and authority at the top of the Group.

The Chairman plays a key role in promoting high standards of corporate governance, ensures that Board meetings are held when necessary and sets the Board meeting agenda (with the assistance of the Company Secretaries and in consultation with the Executive Director). The Chairman ensures that the Board members are provided with complete, adequate and timely information. The Chairman ensures that procedures are introduced to comply with the Code and ensures effective communication within the Board and with the shareholders.

The Board has delegated the daily operations of the Group to the Executive Director. The Executive Director leads the Management team and executes the strategic plans in alignment with the strategic decisions and goals set out by the Board and ensures that the Directors are kept updated and informed of the Group's businesses.

The Company notes that under Guideline 3.3 of the Code, the Company should appoint an Independent Non-Executive Director to be the lead Independent Non-Executive Director where the Chairman is not an Independent Non-Executive Director. Although no lead Independent Director has been appointed, there is a strong independent element and distinct separation of responsibilities between the Chairman and the Executive Director as mentioned above.

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Major proposals and decisions made by the Board are subject to majority approval by the members of the Board. The appointment of new Board members, nomination of directors for re-election and review of the Board and individual Directors' performance are carried out by the NC. The remuneration packages of the Executive Director and key management personnel, as well as the Directors' fees payable to the Non-Executive Directors are reviewed by the RC. Members of the ARC, NC and RC are mostly made up of Independent Non-Executive Directors. The Board believes that there are sufficiently strong and adequate safeguards to ensure an appropriate balance of power and authority within the spirit of good corporate governance. In addition, all Directors make decisions objectively in the interests of the Company.

Where warranted, the Independent Non-Executive Directors meet for discussions before the Board meetings in the absence of the Executive Director.

1.9 Board Membership

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

The Board has delegated to the NC the functions of developing and maintaining a transparent and formal process for the appointment of new Directors, making recommendations for Directors who are due for retirement by rotation to seek re-election at general meeting and determining the independent status of each Director.

As at the date of this report, the NC comprises the following members, the majority of whom (including the Chairman) are independent:–

Mr Kesavan Nair (Chairman and Independent Non-Executive Director)
Mr Ng Weng Sui Harry (Independent Non-Executive Director)
Mr Tan Keng Boon (Non-Independent and Non-Executive Director)

The NC is regulated by its terms of reference and its key functions include:–

- making recommendations to the Board on new appointments to the Board;
- determining orientation programs for new Directors and recommending opportunities for the continuing training of the Directors;
- making recommendations to the Board on the re-nomination of retiring Directors standing for re-election at the Company's AGM, having regard to the Directors' contribution and performance (e.g. attendance, preparedness, participation and candour);
- ensuring that all Directors submit themselves for re-nomination and re-election at regular intervals and at least every three years;
- determining annually whether or not a Director is independent;

CORPORATE **GOVERNANCE**

- reviewing the size and composition of the Board with the objective of achieving a balanced Board in terms of the mix of experience and expertise;
- reviewing the appointment of immediate family members (spouse, child, adopted child, step-child, sibling and parent) of any of the Company's Directors or substantial shareholders to managerial positions in the Company;
- determining whether a Director who has multiple board representations is able to and has been adequately carrying out his duties as Director of the Company;
- reporting to the Board on its activities and proposals; and
- carrying out such other duties as may be agreed to by the NC and the Board.

When a vacancy exists, through whatever cause, or where it is considered that the Board would benefit from the services of a new Director with particular skills and knowledge, the NC, in consultation with the Board, determines the selection criteria for the position based on the skills and knowledge deemed necessary for the Board to best carry out its responsibilities. Candidates may be suggested by Directors or Management or sourced from external sources. The NC will interview the candidates and assess them based on objective criteria approved by the Board such as integrity, independent mindedness, possession of the relevant skills required or skills needed to complement the existing Board members, ability to commit the time and effort to carry out his responsibilities, track record of good-decision making, relevant experience and financial literacy. The NC will make a recommendation to the Board on the appointment and the Board then appoints the most suitable candidate who must stand for election at the next AGM of shareholders.

The NC meets at least once a year. The Company's Constitution provides that, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM, and prior to nominating a retiring Director for re-election, the NC will evaluate the Director's contribution and performance taking into consideration factors such as attendance, preparedness, participation and candour.

A Director who has no relationship with the Company, its related corporation, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement, is considered to be independent. The NC conducts an annual review of Directors' independence based on the guidelines set forth in the Code and is of the view that Mr Ng Weng Sui Harry and Mr Kesavan Nair are independent.

All Directors declare their board memberships as and when practicable. The NC has reviewed and is satisfied that all Directors have devoted sufficient time and attention to the affairs of the Group to adequately perform their duties as Directors of the Group.

In assessing the capacity of the Directors, the NC takes into consideration the expected and/or competing time commitments of the Directors, size and composition of the Board, and nature and scope of the Group's operations and size.

CORPORATE **GOVERNANCE**

The NC is satisfied that the Directors are able to and have adequately carried out their duties as Directors of the Company after taking into consideration the number of listed company Board representations and their principal commitments. Currently, the NC does not determine the maximum number of listed company Board representations which a Director may hold as the NC is of the view that it is for each Director to assess his/her own capacity and ability to undertake other obligations or commitments together with serving on the Board effectively. The Board and the NC will review the requirement to determine the maximum number of listed Board representations as and when they deem fit.

Key information regarding the Directors and information on shareholdings in the Company held by each Director are set out in the Board of Directors and Directors' Statement sections of this Annual Report.

The Company does not have any alternate director.

1.10 Board Performance

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

We believe that Board performance is ultimately reflected in the performance of the Group and the Company. The Board should ensure compliance with applicable laws and Board members should act in good faith, with due diligence and care in the best interests of the Group and the shareholders. In addition to these fiduciary duties, the Board is charged with two key responsibilities of setting the strategic direction of the Group and ensuring that the Group is ably led. The Board, through the delegation of its authority to the NC, reviews the Board's composition annually to ensure that the Board has the appropriate mix of expertise and experience to lead the Group.

The NC assesses the effectiveness of the Board as a whole, its Board Committees and the contribution of each individual Director to the effectiveness of the Board on an annual basis. Objective performance criteria used to assess the performance of the Board include both quantitative and qualitative criteria. The Board and the NC believe that the financial indicators are mainly used to measure the Management's performance and hence are less applicable to the Board.

No external facilitator was engaged by the Company in FY2016.

The NC has conducted a Board's performance evaluation as a whole in FY2016 and received the individual directors' self-assessment. The Board's performance evaluation and the individual directors' self-assessment is to assess the effectiveness of the Board as a whole and its Board Committees and the contribution by the Chairman and each individual Director to the effectiveness of the Board on an annual basis.

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In its assessment of the Board's and its Board Committees effectiveness, the NC takes into consideration the frequency of the Board meetings and the Board Committee meetings, the rate at which issues raised are adequately dealt with and the reports from the various committees. In the like manner, the NC is able to assess the contribution of each individual Director to the effectiveness of the Board.

The performance criteria for the Board and Board Committees' evaluation are amongst other criteria, board structure, conduct of meetings, corporate strategy and planning and risk management and internal controls.

The individual directors' assessment parameters are broadly based on the attendance records at the meetings of the Board and the relevant Board Committees, intensity of participation at meetings, sense of independence, quality of contributions and workload requirements.

1.11 Access to Information

Principle 6: In order to fulfil their responsibilities, Directors should be provided with complete, adequate and timely information prior to Board meetings and on an ongoing basis so as to enable them to make informed decisions to discharge their duties and responsibilities.

Directors receive a regular supply of information from Management about the Group so that they are equipped to play as full a part as possible in Board meetings. Detailed Board papers are circulated to all Directors prior to the scheduled meetings so that members may better understand the issues beforehand, allowing for more time at such meetings for questions that members may have. The Board papers provided include background or explanatory information relating to matters to be brought before the Board meeting. Management provides members of the Board with quarterly management accounts, as well as financial, business and corporate matters of the Group timely to enable the Directors to oversee the Company's operational and financial performance. Directors are also informed of any significant developments or events relating to the Company.

All Directors have separate and independent access to the advice and services of the Company Secretaries. The Company Secretaries and/or their representatives attend the Board and Board Committee meetings and assist the Chairman of the Board's and Board Committee's meetings in ensuring that the relevant procedures are followed and that applicable rules and regulations are complied with as well as ensuring good information flow within the Board and its Committees, between key management personnel and the Non-Executive Directors, facilitating orientation and assisting with professional development, if required. The appointment and removal of the Company secretary is a matter which is approved by the Board.

The Board also has separate and independent access to the Company's key management personnel.

Each Director has the right, at the Company's expense, to seek independent legal and other professional advice concerning any aspect of the Group's operations or undertakings in order to fulfill their duties and responsibilities as Directors.

2. REMUNERATION MATTERS

2.1 Procedures for developing Remuneration Policies

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

The Group's remuneration policy is to provide compensation packages at market rates which reward successful performance and attract, retain and motivate Directors and key management personnel.

The RC comprises solely of Non-Executive Directors, the majority of whom, including the Chairman, are independent. At the date of this report, the RC comprises the following members:–

Mr Kesavan Nair (Chairman and Independent Non-Executive Director)

Mr Ng Weng Sui Harry (Independent Non-Executive Director)

Mr Tan Keng Boon (Non-Independent and Non-Executive Director)

The RC meets at least once each year and at other times as required.

The RC is responsible for recommending to the Board a framework of remuneration for the Directors and key management personnel which is submitted to the whole Board for endorsement. The RC reviews and approves recommendations on remuneration policies and packages for Directors and key management personnel in the interests of improved corporate performance.

The RC's review of remuneration packages covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, profit sharing (where applicable) and benefits-in-kind. The RC has full authority to obtain any external professional advice on matters relating to remuneration as and when the need arises.

The RC also reviews the Company's obligations arising from termination clauses and termination processes in relation to Executive Directors and key management personnel's contracts of service to ensure that such clauses and processes are fair and reasonable.

In setting out the remuneration packages, the RC would take into consideration pay and employment conditions within the industry and in comparable companies. The remuneration packages take into account the Company's relative performance and the performance of the individual Directors/key management personnel.

CORPORATE **GOVERNANCE**

The RC's recommendations are submitted to the entire Board. Each member of the RC shall abstain from voting on any resolution concerning his own remuneration.

No remuneration consultants were engaged by the Company during FY2016. The RC may consider utilising external expert advice and data, as and when necessary, to assist in the evaluation of its compensation recommendations.

2.2 Level and Mix of Remuneration

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

Disclosure on Remuneration

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

The 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 management personnel.

The remuneration packages of the Executive Director and key management personnel are determined based on the framework recommended by the RC. In doing so, the RC reviews the length of the fixed appointment period, the notice period for termination and the terms of the compensation package in the event of the termination of any Executive Director's contracts of service to ensure that the terms of such clauses are not onerous to the Company. The Executive Director's framework of remuneration includes a fixed element as well as a variable element in the form of a bonus and a profit sharing incentive which is linked to the Company's and individual's performance to align their interests with the shareholders.

All Non-Executive Directors are paid a Director's fee, with additional fees for serving as the chairman or member of a Board Committee and attendance fees for Board and Board Committee meetings. These fees are recommended by the RC and submitted to the Board for endorsement. The remuneration of Non-Executive Directors are appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the Directors. The Directors' fees of the Independent Non-Executive Directors are subject to approval by shareholders at each AGM thereby ensuring that their independence is not compromised.

CORPORATE **GOVERNANCE**

Each member of the RC abstains from deliberating on or making recommendations in respect of any proposed amounts to be paid by the Company to him.

An employee share option scheme ("**ESOS**") was approved by the shareholders of the Company at the Extraordinary General Meeting of the Company held on 12 January 2012 as a compensation scheme for selected employees of the Group who, in the opinion of the appointed committee under the ESOS, have contributed or will contribute to the success of the Group. The ESOS is administered by the RC.

Since the commencement of the ESOS and up to the date of this report, no options were granted under the ESOS to Directors of the Company and/or employees of the Group.

The RC is of the view that the variable component of the remuneration packages of the Executive Director and key management personnel are moderate. In view of this, there is no necessity for the Company to institute contractual provisions to reclaim the incentives or any related payments from the parties involved should there be any misstatements of financial results, or of misconduct resulting in financial loss to the Group.

The performance criteria used to assess the variable component of the remuneration (short-term and long-term incentive) of Executive Director and key management personnel is determined by having regards to the performance of the Group, leadership, as well as industry benchmarks, which include the profitability of the Group, leadership, as well as the Executive Director's and key management personnel's compliance in all audit matters. The Executive Director's and key management personnel's short-term incentives (namely the performance-related variable component) are recommended by the RC and approved by the Board.

The remuneration of the Directors from the Company for FY2016 is as follows:–

Directors	Base Salary[4] (%)	Bonus[4] (%)	Director Fees (%)	Allowances and Others (%)	TOTAL (%)
Tan Keng Boon[1]	–	–	100	–	100
Ching Chiat Kwong[2]	–	–	100	–	100
Foo Sey Liang	84.22	15.78	–	–	100
Teo Yi-Dar (Zhang Yida)	–	–	100	–	100
Ng Weng Sui Harry	–	–	100	–	100
Kesavan Nair	–	–	100	–	100
Low See Ching[3]	–	–	100	–	100

Notes:
1. Mr Tan Keng Boon was appointed as Non-Independent and Non-Executive Chairman on 16 May 2016, as well as a member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee.
2. Mr Ching Chiat Kwong resigned as Non-Executive and Non-Independent Chairman with effect from 16 May 2016.
3. Mr Low See Ching resigned as Non-Executive Director with effect from 16 May 2016 and ceased to be a member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee.
4. The salary and bonus amounts shown are inclusive of Central Provident Fund contributions.

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The Board believes that it is for the benefit of the Company and the Group that the remuneration of the Executive Director be kept confidential due to its sensitive nature and the potential negative impact such disclosure will have on the Group given the highly competitive environment it is operating in.

The Non-Executive Directors receive Directors' fees in accordance with their contributions, taking into account factors such as responsibilities, effort and time spent for serving on the Board and the Board Committees. The Non-Executive Directors' fees were derived using the fee structure as follows:

	S$
Basic fee	40,000
Board chairmanship	6,000
ARC chairmanship	6,000
NC chairmanship	4,000
RC chairmanship	4,000
ARC membership	3,000
NC membership	2,000
RC membership	2,000

2.3 Remuneration of Employees Related to Directors

There is no employee who is related to a Director or the Chief Executive Officer whose remuneration exceeds S$50,000 in the Group's employment for FY2016.

2.4 Remuneration of Key Management Personnel

A breakdown of the remuneration of key management personnel for FY2016 set out below:

Name of Executive Officers	**Base Salary[3] (%)**	**Bonus[3] (%)**	**Allowances and Others (%)**	**TOTAL (%)**
Executive Officers who receive below S$250,000				
Sharon Tay Hong Kiang	84.86	15.14	–	100
Jack Tan Leong Chye	82.26	14.19	3.55	100
Royston Johns	88.89	8.11	3.00	100
Jeffrey Leong Kar Yew[1]	83.70	–	16.30	100
Dan Ang Thiam Kwee[2]	83.24	16.76	–	100

Notes:

1 Mr Jeffrey Leong Kar Yew has resigned as a Head of Sales with effect from 2 January 2016.

2 Mr Dan Ang Thiam Kwee was appointed as the Acting Head of Sales on 4 January 2016 and relinquished the post as the Acting Head of Sales on 1 May 2016.

3 The salary and bonus amounts shown are inclusive of Central Provident Fund contributions.

CORPORATE GOVERNANCE

The total remuneration paid to the top five key management personnel during FY2016 was $518,988.

As at 31 December 2016, the Group has three key management personnel as stated above.

The Board believes that it is for the benefit of the Company and the Group that the remuneration of key management personnel (who are not Directors of the Company) be kept confidential, due to its sensitive nature and concerns of poaching. As the Company with a small and tightly-knit team, such disclosure would be disadvantageous to the Company in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing amongst the employees of the Company.

3. ACCOUNTABILITY AND AUDIT

Accountability

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

In presenting the annual financial statements and quarterly announcements to shareholders as well as any price sensitive reports to the public, the Board aims to provide the shareholders with a balanced and understandable assessment of the Company's and the Group's performance, position and prospects.

The Board is provided with an analysis of the management accounts at the quarterly Board meetings on a timely basis, which presents a balanced and understandable assessment of the Company's performance, position and prospects.

The Board reviews compliance issues, if any, with Management on a quarterly basis and as and when required.

3.1 Risk Management and Internal Controls

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

The Board recognises that it is responsible for the overall internal control framework, but accepts that no cost effective internal control system will preclude all errors and irregularities, as the system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss. The ARC will annually:

- satisfy itself that adequate measures are being made to identify and mitigate any material business risks associated with the Group;

CORPORATE GOVERNANCE

- ensure that a review of the effectiveness of the Group's material internal controls, including financial, operating, information technology and compliance controls and risk management, is conducted at least annually. Such review can be carried out by internal auditors;
- ensure that the internal control recommendations made by internal auditors and the management letter recommendations by external auditors (noted during the course of the statutory audit) have been implemented; and
- ensure the Board is in a position to comment on the adequacy and effectiveness of the internal controls of the Group.

The Board with the assistance of the internal auditors, determine the Company's levels of risk tolerance and risk policies and oversees Management in the design, implementation and monitoring of the risk management and internal control systems.

Based on the internal controls established and maintained by the Group, works performed by the internal and external auditors and reviews performed, the Board, with concurrence of the ARC are of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology controls and risk management systems were adequate and effective as at 31 December 2016.

The Board has received assurance from the Executive Director and the Financial Controller that (a) the financial records have been properly maintained and the financial statements for FY2016 give a true and fair view of the Company's operations and finances; and (b) the Company's risk management and internal control systems are effective.

The Company manages risks under an overall strategy determined by the Board and supported by the ARC. The Company sets acceptable risk management standards and periodically reviews the risks that the Group is subject to.

3.2 Audit & Risk Committee

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

The ARC comprises 3 members, all of whom including the Chairman are Independent and Non-Executive Directors. The ARC's members are:–

Mr Ng Weng Sui Harry (Chairman and Independent Non-Executive Director)

Mr Kesavan Nair (Independent Non-Executive Director)

Mr Tan Keng Boon (Non-Independent and Non-Executive Director)

All 3 members have recent and relevant accounting or related financial management expertise or experience.

The terms of reference of the ARC were revised to include risk management. It was approved and adopted by the ARC on 2 November 2012 and approved by the Board on 12 November 2012.

The ARC's main objective is to assist the Board in fulfilling its fiduciary responsibilities relating to internal controls, overseeing the external audit process, reviewing the financial information to be disclosed to the public and ensuring that arrangements are in place for the independent investigation and follow up of reports by staff of improprieties in financial reporting and other matters. To achieve this, the ARC ensures that its members have the appropriate qualifications to provide independent, objective and effective oversight.

Specifically, the ARC meets periodically to perform the following functions:

- reviewing the audit plans of the external and internal auditors;
- reviewing the external and internal auditors' reports;
- reviewing the co-operation given by the Company's officers to the external and internal auditors;
- reviewing the adequacy of the internal audit function;
- evaluating the adequacy and effectiveness of the Group's system of internal controls, including financial, information technology, operational and compliance controls, and risk management, by reviewing written reports from internal auditors and management letters issued by external auditors (in the course of the statutory audit) and management responses and actions to correct any deficiencies;
- reviewing the financial statements of the Company and the Group before their submission to the Board;
- reviewing non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors;
- nominating external auditors for appointment or re-appointment and approve the remuneration and terms of engagement of the external auditor;
- reviewing the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual issued by SGX-ST, and by such amendments made thereto from time to time;
- reviewing interested person transactions (as defined in Chapter 9 of the Listing Manual issued by SGX-ST) to ensure that they are on normal commercial terms and arms' length basis and not prejudicial to the interests of the Company or its shareholders in any way;
- overseeing the Company's risk management systems, practices and procedures to ensure effectiveness of risk identification and management, and compliance with internal guidelines and external requirements by, *inter alia*, assessing the Company's risk management framework for appropriateness and adequacy, and monitoring Management accountability for risk management processes and compliance with risk policies; and
- reviewing and making recommendations to the Board in relation to risk management.

CORPORATE **GOVERNANCE**

Apart from the duties listed above, the ARC may commission and review the findings of internal investigations into matters where there is suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore and other applicable law, rule or regulation which has or is likely to have material impact on the Company's or Group's operating results and/or financial position.

The ARC meets from time to time with the Group's external and internal auditors, in each case without the presence of the Management of the Company, at least once a year. The ARC meets with the Management to review accounting, auditing and financial reporting matters so as to provide the necessary checks and balances to ensure that an effective control environment is maintained in the Group. The ARC also studies proposed changes in accounting policies, examines the internal audit functions and discusses the accounting implications of major transactions. Furthermore, the ARC advises the Board regarding the adequacy of the Group's internal controls and the contents and presentation of its interim and annual reports.

The ARC is also authorised to investigate any matter within its terms of reference and has full access to and co-operation of the Management and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly. The ARC meets annually with the internal auditors and the external auditors, without the presence of the Management to review the adequacy of audit arrangements, with particular emphasis on the scope and quality of their audits, and the independence and objectivity of the internal and external auditors.

The aggregate amount of fees paid or payable to the external auditors of the Company, broken down into audit and non-audit services during FY2016 are as follows:–

Audit fees: $165,000

Non-audit fees: Nil

The ARC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. In the ARC's opinion, Ernst & Young LLP is suitable for re-appointment and it has accordingly recommended to the Board that Ernst & Young LLP be nominated for re-appointment as the external auditor of the Company at the forthcoming AGM.

The Company is in compliance with Rule 712, Rule 715 and Rule 716 of the Listing Manual in relation to its external auditor.

It is the Company's practice for the external auditor to present to the ARC its audit plan and with updates relating to any change of accounting standards impacting on the financial statements before an audit commences. During the financial year under review, the changes in accounting standards did not have any impact on the Group's financial statements.

3.3 Whistle-Blowing Policy

The Group has adopted a constructive whistle-blowing policy and guideline in order to detect and deter any fraud or deliberate error in the preparation, evaluation, review or audit of any financial statement, financial reports and records of the Company.

Demonstrating its pledge to good corporate governance, the Group provides an avenue for employees to bring their complaints responsibly to report any possible improprieties in matters of financial reporting or other matters that they may encounter to the ARC or any other committees established by the ARC for such purpose without fear of reprisal. The establishment of the whistle-blowing structure also augments the Group's ability to detect potential fraud, providing another level of comfort and assurance to investors.

Under the whistle-blowing policy, all concerns expressed anonymously will be investigated although consideration will be given to the seriousness of the issue raised, the credibility of the concern and the likelihood of confirming the allegation from attributable sources. In addition, every effort will be made to protect the complainant's identity, if so requested, so long as it is compatible with a proper investigation.

Once a complaint has been made, the action taken will depend on the nature of the concern and initial inquiries will be made to determine whether an investigation is appropriate, and the form it should take.

The ARC maintains a record of concerns raised under this policy and the outcomes, and will report as necessary to the Board.

None of the ARC members were previous partners or directors of the existing auditing firms within the previous 12 months and none of the ARC members hold any financial interest in the above-mentioned auditing firms.

3.4 Internal Audit

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

The Group has outsourced its internal audit function to Deloitte & Touche Enterprise Risk Services Pte Ltd. The ARC is satisfied that the internal audit function is staffed by suitably qualified and experienced professionals. The ARC approves the hiring, removal, evaluation and compensation of the internal auditors.

The aim of the internal audit function is to promote internal control in the Group and to monitor the performance and effective application of internal audit procedures. It supports the Directors in assessing key internal controls through a structured review programme. The internal audit function is expected to meet the standard set by internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors. The internal auditors have unfettered access to all the Company's documents, records, properties and personnel and access to the ARC to perform internal audit function.

The internal audit function reports functionally to the Chairman of the ARC and administratively to the Executive Director. The ARC is satisfied that the internal audit function has adequate resources and has appropriate standing within the Group. The ARC, on an annual basis, assesses the effectiveness of the internal auditors by examining:

- the scope of the internal auditors' work;
- the quality of the internal audit reports;
- the internal auditors' relationship with the external auditors; and
- the internal auditors' independence of the areas reviewed.

4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

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

Principle 15: Companies should actively engage their shareholders and put in place an Investor Relations Policy to promote regular, effective and fair communication with shareholders.

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

The Company firmly believes in high standards of transparent corporate disclosure, pursuant to the SGX-ST's Listing Rules and the Singapore Companies Act, whereby shareholders are informed of all major developments that affect the Group. Information is communicated to our shareholders on a timely basis. 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.

The Company does not have an Investor Relations Policy in place. However, the Board's policy is that all shareholders should be informed simultaneously in an accurate and comprehensive manner regarding all material developments that impact the Group via SGXNET on an immediate basis, in line with the Group's disclosure obligations pursuant to the Listing Manual and the Singapore Companies Act. There is no dedicated investor relations team in place as the Board was of the view that the current communication channels are sufficient and cost-effective.

Communication is made through:

- annual reports that are prepared and sent to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Singapore Companies Act and Singapore Financial Reporting Standards;
- quarterly announcements containing a summary of the financial information and affairs of the Group for that period;
- notices of and explanatory memoranda for AGMs and Extraordinary General Meetings;
- press releases on major developments of the Company and the Group;
- disclosure to the SGX-ST; and
- the Company's website at http://www.hgmetal.com at which our shareholders can access information on the Group.

Moreover, our shareholders are encouraged to attend the AGM to ensure a high level of accountability and to be updated on the Company's strategies and goals. The Company's Constitution allows a shareholder to appoint up to 2 proxies to attend a shareholder's meeting on his behalf. In line with the amendments to the Companies Act (Cap. 50), corporate shareholders of the Company which provide nominee or custodial services to third parties may appoint more than two proxies to attend and vote on their behalf at general meetings. The notice of the AGM is sent to our shareholders, together with explanatory notes, appendices or a circular on items of special business, at least 14 days before the meeting. The Chairmen of the ARC, NC and RC are normally present and available to address questions relating to the work of their respective committees at general meetings. Furthermore, the external auditors are present to assist our Board in addressing any relevant queries by our shareholders. During the general meetings, the shareholders will be informed of the rules governing general meetings, including voting procedures.

Voting in absentia, which is currently not permitted, may only be possible following careful study to ensure that the integrity of information and authentication of the identity of shareholders through the internet are not compromised, and legislative changes are effected to recognize remote voting.

Both Executive and Non-Executive Board members meet or speak with shareholders regularly, primarily through general meetings of shareholders, to gather their views and address concerns.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. In line with the new Rule 730A of the SGX-ST Listing Manual, all the resolutions are voted on by way of poll and the Company announces the detailed results showing the number of votes cast for and against each resolution and the respective percentages to the public.

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The Company prepares minutes of general meetings which incorporate substantial comments and queries from the shareholders and responses from the Company. These minutes are available upon request by shareholders.

The Company does not have a fixed dividend policy at present. The issue of payment of dividends is deliberated by the Board annually, having regards to various factors (e.g. Company's profit, cash flow, capital requirements for investment and growth, general business conditions and other factors as the Board deems appropriate).

5. DEALINGS IN SECURITIES

In accordance with Rule 1207(19) of the Listing Manual issued by SGX-ST, the Company notifies all employees and officers that they are prohibited from trading in the Company's shares one month prior to the announcement of the Company's full year results and 14 days before the announcement of the three quarters of the Company's financial results.

In addition, the Company, the Directors and its officers are expected to observe insider trading laws at all times even when dealing in securities within permitted trading periods. The Company prohibits its officers from dealing in the Company's shares on short-term considerations or when they are in possession of unpublished price-sensitive information.

6 UPDATE ON USE OF PROCEEDS FROM SHARE PLACEMENT

On 31 October 2014, the Company issued and allotted 213,600,000 new ordinary shares in the capital of the Company (the "**Placement Share**") pursuant to a private placement at an issue price of S$0.069 for each Placement Share to raise net proceeds of approximately S$14.7 million.

In accordance to the announcements released on 8 July 2016, 10 August 2016 and 8 February 2017, the Company had utilised all the net proceeds of approximately S$14.7 million for working capital purpose.

The aforementioned proceeds have been used in accordance with the stated use as set out in the announcement dated 8 October 2014.

7 INTERESTED PERSON TRANSACTIONS

The Company is required to comply with the requisite rules under Chapter 9 of the Listing Manual issued by SGX-ST for interested person transactions. To ensure compliance with Chapter 9, the ARC meets quarterly to review if the Company will be entering into an interested person transaction in order to ensure that the interested person transactions are carried out on normal commercial terms and will not prejudicial to the interests of the shareholders.

The Company has not entered into any interested person transaction with aggregate value of more than S$100,000 during FY2016 pursuant to Rule 907 of the Listing Manual of the SGX-ST.

8 MATERIAL CONTRACTS

Save as disclosed in the audited financial statements of this Annual Report, there are no material contracts of the Company or its subsidiaries involving the interests of the Directors or controlling shareholder(s) subsisting at the end of FY2016 or have been entered into since the end of the previous financial year.

9 RISK MANAGEMENT

Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as deliberate on appropriate measures to control and mitigate these risks. Management is accountable to the Board for ensuring the effectiveness of risk management and adherence to risk appetite limits.

On a day-to-day basis, business units have primary responsibility for risk management. The various business units provide the key management with a timely assessment of key risk exposures and the associated management responses. These units also recommend risk appetite and control limits.

The significant risk management policies are as disclosed in the audited financial statements of this Annual Report. The financial and operational risk management policies are outlined below:

Fluctuations in steel prices

As a distributor of steel products, the Group purchases a wide range of steel products and maintains substantial inventories to be in a position to fulfil customers' orders within a short lead time. The cost of steel products purchased is the main component of the Group's cost of sales for its steel distribution business. Prices of steel products are subject to international price fluctuations of steel. Therefore, the Group is vulnerable to any fluctuations in prices of steel.

The Group, with more than 40 years of knowledge and expertise gained in this line of business, is able to make appropriate adjustments to its supplier choice, timing of purchase and shipment, contracting arrangement with its customers to address price fluctuation risk.

Credit risk of its customers

The Group extends credit terms ranging from 30 to 90 days to its customers, depending on their credit worthiness. From time to time, in the ordinary course of business, certain customers may default on their payment. Such events may arise due to the inherent risk from its customers' business, risk pertaining to the political, economic, social and legal environment of its customers' jurisdiction and foreign exchange risk. In the event that the Group's customers default on their payments, the Group would have to make allowances for doubtful debts or incur write-offs, which will have an adverse impact on its profitability.

CORPORATE **GOVERNANCE**

The Group performs credit check and approval before granting credit to customers and imposes a credit limit and credit term on each customer. All credit accounts are subject to regularly review.

In order to avoid excessive concentration of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentration of credit risks are controlled and managed accordingly.

Foreign exchange exposure

The purchases and sales of the Group are mainly denominated in US$. As a result, the Group is exposed to fluctuations in foreign exchange rates. For FY2016, approximately 81% of its total purchases were made in US$, whilst approximately 45% and 55% of its total sales were denominated in S$ and US$ respectively. Hence, the Group may be exposed to any significant fluctuation of the US$.

The Group monitors the US$ exchange rates closely and has in place a hedging policy to manage its exposure.

Expansion and Investment Risk

In view of the Group's plan to expand beyond the Singapore market, the Group is constantly seeking opportunities to diversify into new areas or expand to regional markets such as Malaysia, Indonesia and other Southeast Asian countries to pursue sustainable growth. Hence, the Group is exposed to expansion and investment risk from new investments such as joint ventures, acquisitions or new businesses.

The Group is adopting the practice of conducting due diligence assessments and other business analyses for any investment proposal in order to minimise any potential risk exposure. All investment proposals are subject to approval from the Board before implementation.

FINANCIAL **CONTENTS**

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of HG Metal Manufacturing Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2016.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

(b) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

DIRECTORS

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

Tan Keng Boon
Foo Sey Liang
Teo Yi-Dar (Zhang Yida)
Ng Weng Sui Harry
Kesavan Nair

In accordance with Regulation 88 and 89 of the Company's Constitution, Tan Keng Boon, Foo Sey Liang and Kesavan Nair retire and, being eligible, offer themselves for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Except as described in paragraph five below, neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct Interest		Deemed Interest	
Name of director	At the beginning of financial year* or date of appointment	At the end of financial year	At the beginning of financial year* or date of appointment	At the end of financial year
Ordinary shares of the Company				
Tan Keng Boon	–	–	13,350,000	13,350,000
Foo Sey Liang	–	–	28,405,000	28,405,000
Teo Yi-Dar (Zhang Yida)	–	70,000	13,350,000	–
Ng Weng Sui Harry	10,000	10,000	–	–

* The information presented above had been adjusted for the effects of the share consolidation

During the financial year, the Company undertook a share consolidation exercise whereby every ten existing issued ordinary shares of the Company were consolidated into one ordinary share. The share consolidation was approved by members of the Company at the Extraordinary General Meeting held on 29 April 2016 and was completed on 11 May 2016.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year or at the end of the financial year.

OPTIONS

There were no share options granted during the financial year to subscribe for unissued shares of the Company.

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

There were no unissued shares of the Company under options as at the end of the financial year.

DIRECTORS' STATEMENT

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee ("ARC") carried out its functions in accordance with section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors

- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors

- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the ARC

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators

- Reviewed the cost effectiveness and independence and objectivity of the external auditor

- Reviewed the nature and extent of non-audit services provided by the external auditor

- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit

- Reported actions and minutes of the ARC to the board of directors with such recommendations as the ARC considered appropriate

- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

The ARC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The ARC has also conducted a review of interested person transactions.

The ARC convened five meetings during the financial year. The ARC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the ARC are disclosed in the Report on Corporate Governance.

DIRECTORS' **STATEMENT**

AUDITORS

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditors.

On behalf of the board of directors,

Foo Sey Liang
Director

Teo Yi-Dar (Zhang Yida)
Director

Singapore
31 March 2017

INDEPENDENT **AUDITOR'S REPORT**

to the members of HG Metal Manufacturing Limited

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of HG Metal Manufacturing Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2016, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the 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 Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and 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 (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. 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. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Key Audit Matters (continued)

Impairment assessment of trade receivables

Trade receivable balances are significant to the Group as they amounted to $32,797,000, representing 37.7% of the total current assets of the consolidated balance sheet as of 31 December 2016. During the current financial year, allowance for doubtful debts recognised in the profit and loss amounted to $4,000.

The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by management. The determination as to whether a trade receivable is collectable involves management judgement. Specific factors management considers include the age of the balances, location of customers, existence of disputes, recent historical payments and any other available information concerning the creditworthiness of customers. Management uses the information to assist in their judgement to determine whether allowance for doubtful debts is required. As such, we determined that this is a key audit matter.

We obtained an understanding of the Group's processes and controls relating to the monitoring of trade receivables and review of credit risks of customers. In addition, our audit procedures included, amongst others, on a sample basis, requesting trade receivable confirmations and evidence of receipts from the customers subsequent to balance sheet date. We also evaluated the assumptions and estimates used by management to determine the trade receivables impairment amount through testing of the accuracy of ageing of the trade receivables, analyses of ageing profile of the trade receivables to identify credit risks, reviewing historical payment patterns and correspondence with customers on expected settlement dates. We also assessed the adequacy of the disclosures on the trade receivables, and the related credit and liquidity risks in Notes 16 and 33 respectively.

Carrying amount of inventories

As of 31 December 2016, the Group's total inventory balance amounted to $14,217,000, representing 16.3% of the total current assets of the consolidated balance sheet.

The Group is exposed to risk of slow-moving and/or obsolete inventory as a result of volatility demand for steel and its steel price. Significant judgement is required for the estimation of the net realisable value and allowance for slow-moving and obsolete inventories. Such estimation is made after taking into consideration factors such as movement in steel price, current and expected future market demand and pricing competition. As such, we determined that this is a key audit matter.

As part of our audit, we attended inventory counts at selected inventory locations to observe the condition of the inventories on sample basis. We evaluated the appropriateness of the basis and processes used by management in determining the net realisable value of inventories. We also evaluated the assumptions and estimates used by management in determining the write down amount through testing of the accuracy of inventories aging report, analysing the aging profile of inventories to identify slow and obsolete inventories as well as reviewing historical and subsequent to financial year end sales patterns. In addition, we reviewed the adequacy of the disclosures on inventories in Note 15 of the financial statements.

INDEPENDENT **AUDITOR'S REPORT**

to the members of HG Metal Manufacturing Limited

Key Audit Matters (continued)

Impairment assessment of investment in BRC Asia Limited ("BRC Asia")

The Group has a 22.62% interest in BRC Asia, which is accounted for as an associate. As of 31 December 2016, the Group's investment in BRC Asia amounted to $50,057,000 representing 77.3% of the total non-current assets of the consolidated balance sheet.

BRC Asia is listed on the Singapore Exchange. As at 31 December 2016, the market value of the shares of BRC Asia is lower than the carrying value of the Group's investment in BRC Asia, indicating potential impairment. Management undertook an impairment assessment and determined the recoverable value using the dividend inflow method, which required significant management judgment. As such, we determined that this is a key audit matter.

We evaluated management's assessment of the impairment indicators in this investment. In such consideration, the market price of BRC Asia shares is used as a starting point to assess whether there is any decline in the fair value of this investment below its cost. Our audit procedures included, amongst others, analysing the share price trend of BRC Asia, comparing the share price with external data used by analysts and evaluating the financial results of BRC Asia. We also assessed the appropriateness of the methodology used by management in determining the recoverable amount of this investment. We evaluated the assumptions and estimates used by management in the projection of dividend inflow from BRC Asia. We verified the reasonableness of inputs used in the projection and reviewed management's analysis on the sensitivity of the recoverable amount to changes in the respective assumptions, particularly the discount rate used. Our internal valuation experts assisted us in assessing the reasonableness of the discount rate.

We also assessed the adequacy of the disclosures on the impairment of investment in associate in Note 14 to the financial statements.

Other Information

Management is responsible for 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.

INDEPENDENT **AUDITOR'S REPORT**

to the members of HG Metal Manufacturing Limited

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 FRSs, 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.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional skepticism 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.

INDEPENDENT **AUDITOR'S REPORT**

to the members of HG Metal Manufacturing Limited

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

- 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 or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

INDEPENDENT **AUDITOR'S REPORT**

to the members of HG Metal Manufacturing Limited

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 Andrew Tan Chwee Peng.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

31 March 2017

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

For the financial year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Revenue	4	**108,529**	127,869
Cost of sales		**(102,491)**	(122,848)
Gross profit		**6,038**	5,021
Other operating income	5	**9,888**	8,923
Selling and distribution costs		**(220)**	(816)
Administrative expenses		**(8,095)**	(9,284)
Other operating expenses		**(9,006)**	(12,277)
Finance costs	6	**(95)**	(239)
Share of associates' results		**2,386**	3,036
Profit/(loss) before income tax	7	**896**	(5,636)
Income tax credit/(expense)	8	**10**	(12)
Net profit/(loss) for the year		**906**	(5,648)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		**(43)**	(23)
Share of other comprehensive income of associates		**(192)**	(281)
Other comprehensive income for the year, net of tax		**(235)**	(304)
Total comprehensive income for the year		**671**	(5,952)
Profit/(loss) attributable to:			
Owners of the Company		**896**	(5,455)
Non-controlling interests		**10**	(193)
		906	(5,648)
Total comprehensive income attributable to:			
Owners of the Company		**666**	(5,712)
Non-controlling interests		**5**	(240)
		671	(5,952)
Earnings per share:			
Basic (cents)	9	**0.70**	(4.25)
Diluted (cents)	9	**0.70**	(4.25)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 31 December 2016

	Note	Group 2016 $'000	Group 2015 $'000	Company 2016 $'000	Company 2015 $'000
Assets					
Non-current assets					
Property, plant and equipment	10	**13,864**	14,905	**9,421**	9,400
Intangible assets	11	**65**	92	**61**	89
Investment in subsidiaries	12	**–**	–	**13,147**	13,147
Investment in associates	13	**50,855**	49,503	**505**	505
		64,784	64,500	**23,134**	23,141
Current assets					
Inventories	15	**14,217**	5,381	**12,269**	4,381
Trade and other receivables	16	**34,758**	31,889	**49,142**	46,362
Income tax recoverable		**–**	61	**–**	–
Prepaid expenses		**316**	191	**263**	178
Fixed deposits pledged with bank	17	**7,038**	–	**7,038**	–
Cash and cash equivalent	17	**30,704**	50,514	**20,027**	33,701
		87,033	88,036	**88,739**	84,622
Total assets		**151,817**	152,536	**111,873**	107,763
Equity and liabilities					
Current liabilities					
Trade and other payables	18	**13,957**	8,853	**23,493**	9,254
Finance lease payables	20	**239**	246	**239**	239
Bank borrowings	21	**1,963**	4,171	**1,963**	4,171
Deferred income	22	**1,429**	1,429	**1,429**	1,429
Provision for income tax		**13**	13	**–**	–
Derivative financial instruments	19	**403**	59	**403**	59
		18,004	14,771	**27,527**	15,152
Net current assets		**69,029**	73,265	**61,212**	69,470
Non-current liabilities					
Finance lease payables	20	**139**	378	**139**	378
Bank borrowings	21	**–**	2,646	**–**	2,646
Deferred income	22	**2,976**	4,405	**2,976**	4,405
Provision for reinstatement costs	23	**1,000**	1,000	**700**	700
		4,115	8,429	**3,815**	8,129
Total liabilities		**22,119**	23,200	**31,342**	23,281
Net assets		**129,698**	129,336	**80,531**	84,482
Equity attributable to owners of the Company					
Share capital	24	**152,052**	152,052	**152,052**	152,052
Treasury shares	25	**(2,215)**	(1,906)	**(2,215)**	(1,906)
Other reserves	26	**1,410**	1,640	**2,527**	2,527
Accumulated losses		**(21,818)**	(22,714)	**(71,833)**	(68,191)
		129,429	129,072	**80,531**	84,482
Non-controlling interests		**269**	264	**–**	–
Total equity		**129,698**	129,336	**80,531**	84,482
Total equity and liabilities		**151,817**	152,536	**111,873**	107,763

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2016

		Attributable to owners of the Company									
	Note	Share capital $'000	Treasury shares $'000	Capital reserve $'000	Fair value reserve $'000	Other reserves $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Equity attributable to owners of the Company, total $'000	Non-controlling interests $'000	Total equity $'000
Group											
Opening balance at 1 January 2016		**152,052**	**(1,906)**	**2,527**	**(4)**	**(211)**	**(672)**	**(22,714)**	**129,072**	**264**	**129,336**
Profit for the year		–	–	–	–	–	–	**896**	**896**	**10**	**906**
Other comprehensive income											
Foreign currency translation		–	–	–	–	–	**(38)**	–	**(38)**	**(5)**	**(43)**
Share of other comprehensive income of associates		–	–	–	–	–	**(192)**	–	**(192)**	–	**(192)**
Other comprehensive income for the year, net of tax		–	–	–	–	–	**(230)**	–	**(230)**	**(5)**	**(235)**
Total comprehensive income for the year		–	–	–	–	–	**(230)**	**896**	**666**	**5**	**671**
Contributions by and distributions to owners											
Purchase of treasury shares	25	–	**(309)**	–	–	–	–	–	**(309)**	–	**(309)**
Total contributions by and distributions to owners		–	**(309)**	–	–	–	–	–	**(309)**	–	**(309)**
Total transactions with owners in their capacity as owners		–	**(309)**	–	–	–	–	–	**(309)**	–	**(309)**
Closing balance at 31 December 2016		**152,052**	**(2,215)**	**2,527**	**(4)**	**(211)**	**(902)**	**(21,818)**	**129,429**	**269**	**129,698**

STATEMENTS OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2016

	Note	Attributable to owners of the Company									
		Share capital $'000	Treasury shares $'000	Capital reserve $'000	Fair value reserve $'000	Other reserves $'000	Foreign currency translation reserve $'000	Accumulated losses $'000	Equity attributable to owners of the Company, total $'000	Non-controlling interests $'000	Total equity $'000
Group											
Opening balance at 1 January 2015		152,052	(1,885)	2,527	(4)	(177)	(415)	(17,259)	134,839	564	135,403
Loss for the year		–	–	–	–	–	–	(5,455)	(5,455)	(193)	(5,648)
Other comprehensive income											
Foreign currency translation		–	–	–	–	–	24	–	24	(47)	(23)
Share of other comprehensive income of associates		–	–	–	–	–	(281)	–	(281)	–	(281)
Other comprehensive income for the year, net of tax		–	–	–	–	–	(257)	–	(257)	(47)	(304)
Total comprehensive income for the year		–	–	–	–	–	(257)	(5,455)	(5,712)	(240)	(5,952)
Contributions by and distributions to owners											
Purchase of treasury shares	25	–	(21)	–	–	–	–	–	(21)	–	(21)
Total contributions by and distributions to owners		–	(21)	–	–	–	–	–	(21)	–	(21)
Changes in ownership interests in subsidiary											
Acquisition of non-controlling interests	12	–	–	–	–	–	–	–	–	(60)	(60)
Premium paid on acquisition of non-controlling interests	12	–	–	–	–	(34)	–	–	(34)	–	(34)
Total changes in ownership interests in subsidiary		–	–	–	–	(34)	–	–	(34)	(60)	(94)
Total transactions with owners in their capacity as owners		–	(21)	–	–	(34)	–	–	(55)	(60)	(115)
Closing balance at 31 December 2015		152,052	(1,906)	2,527	(4)	(211)	(672)	(22,714)	129,072	264	129,336

STATEMENTS OF **CHANGES IN EQUITY**

For the financial year ended 31 December 2016

		Attributable to owners of the Company				
	Note	**Share capital $'000**	**Treasury shares $'000**	**Capital reserve $'000**	**Accumulated losses $'000**	**Total equity $'000**
Company						
Opening balance at 1 January 2016		**152,052**	**(1,906)**	**2,527**	**(68,191)**	**84,482**
Loss for the year, representing total comprehensive income for the year		**–**	**–**	**–**	**(3,642)**	**(3,642)**
<u>Contributions by and distributions to owners</u>						
Purchase of treasury shares	25	**–**	**(309)**	**–**	**–**	**(309)**
Total transactions with owners in their capacity as owners		**–**	**(309)**	**–**	**–**	**(309)**
Closing balance at 31 December 2016		**152,052**	**(2,215)**	**2,527**	**(71,833)**	**80,531**
Opening balance at 1 January 2015		152,052	(1,885)	2,527	(60,588)	92,106
Loss for the year, representing total comprehensive income for the year		–	–	–	(7,603)	(7,603)
<u>Contributions by and distributions to owners</u>						
Purchase of treasury shares	25	–	(21)	–	–	(21)
Total transactions with owners in their capacity as owners		–	(21)	–	–	(21)
Closing balance at 31 December 2015		152,052	(1,906)	2,527	(68,191)	84,482

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED **CASH FLOW STATEMENT**

For the financial year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Cash flows from operating activities			
Profit/(loss) before income tax		**896**	(5,636)
Adjustments for:			
Bad debts written off/(recovered), net	5, 7	**6**	(37)
Depreciation of property, plant and equipment	10	**2,539**	2,420
Amortisation of intangible assets	11	**29**	31
Recognition of deferred income	5	**(1,429)**	(1,429)
Gain on disposal of property, plant and equipment	5	**(326)**	(95)
Property, plant and equipment written off	7	**33**	46
Impairment of property, plant and equipment	7	**22**	538
Write off of inventories	7	**–**	34
(Reversal of impairment)/impairment of inventories, net	5, 7	**(227)**	2,139
Allowance for impairment of trade and other receivables, net	5, 7	**29**	195
Fair value loss on derivatives	7	**344**	59
Fair value gain on investment held for trading	5	**–**	(234)
Finance cost	6	**95**	239
Interest income	5	**(272)**	(74)
Share of associates' results		**(2,386)**	(3,036)
Unrealised foreign exchange (gain)/loss, net		**(51)**	274
Operating cash flows before changes in working capital		**(698)**	(4,566)
Working capital changes:			
Inventories		**(10,202)**	19,391
Trade and other receivables		**(3,029)**	3,527
Trade and other payables		**5,104**	(16,569)
Cash (used in)/generated from operations		**(8,825)**	1,783
Interest received		**272**	74
Interest paid		**(95)**	(239)
Income tax refund		**71**	55
Net cash flows (used in)/generated from operating activities		**(8,577)**	1,673
Cash flows from investing activities			
Dividend income received from investment in associates		**843**	2,739
Fixed deposit pledged with a bank		**(7,038)**	–
Proceeds from disposal of investment held for trading		**–**	344
Purchase of property, plant and equipment	A	**(358)**	(724)
Proceeds from disposal of property, plant and equipment	B	**722**	175
Purchase of intangible assets		**(2)**	(50)
Proceeds from disposal of intangible assets		**–**	5
Net cash flows (used in)/generated from investing activities		**(5,833)**	2,489

CONSOLIDATED **CASH FLOW STATEMENT**

For the financial year ended 31 December 2016

	Note	2016 $'000	2015 $'000
Cash flows from financing activities			
Acquisition of non-controlling interests	12	**–**	(94)
Proceeds from bank borrowings		**3,654**	–
Repayment of bank borrowings		**(8,528)**	(5,895)
Purchase of treasury shares	25	**(309)**	(21)
Repayment of finance lease payables		**(246)**	(159)
Net cash flows used in financing activities		**(5,429)**	(6,169)
Net decrease in cash and cash equivalents		**(19,839)**	(2,007)
Effects of exchange rate changes on cash and cash equivalents		**29**	(140)
Cash and cash equivalents at beginning of financial year		**50,514**	52,661
Cash and cash equivalents at end of financial year	17	**30,704**	50,514

Note A: Purchase of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $1,951,000 (2015: $2,532,000). The additions were by way of cash payments of $358,000 (2015: $674,000), finance lease of Nil (2015: $717,000) as well as transfer of assets from prepaid expenses and inventories amounting to Nil (2015: $27,000) and $1,593,000 (2015: $1,114,000) respectively.

Cash outflows for the year also include payments in respect of the purchase of property, plant and equipment in the prior years of Nil (2015: $50,000).

Note B: Disposal of property, plant and equipment

During the financial year, the Group received proceeds of $722,000 (2015: $175,000) from disposal of property, plant and equipment.

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

1. CORPORATE INFORMATION

HG Metal Manufacturing Limited ("the Company") is a public limited liability company incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited.

The registered office and principal place of business of the Company is located at 15 Jurong Port Road, Singapore 619119.

The principal activities of the Company are those of investment holding and the business of trading of steel products. The principal activities of the subsidiaries are disclosed in Note 12 of the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollars (SGD or $) and all values in the tables are rounded to the nearest thousand ($'000), except when otherwise indicated.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 7 Disclosure Initiative	1 January 2017
Amendments to FRS 12 Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Improvements to FRSs (December 2016) – Amendments to FRS 112: Classifications of the Scope of the Standard	1 January 2017
Improvements to FRSs (December 2016) – Amendments to FRS 28: Measuring an Associate or Joint Venture at fair value	1 January 2018
Amendments to FRS 40 Transfers of Investment Property	1 January 2018
FRS 115 Revenue from Contracts with Customers	1 January 2018
Amendments to FRS 115 Clarifications to FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 109 Financial Instruments	1 January 2018
Amendments to FRS 102 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to FRS 104 Applying FRS 109 Financial Instruments with FRS 104 Insurance Contracts	1 January 2018
FRS 116 Leases	1 January 2019
Amendments to FRS 110 & FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined
INT FRS 122 Foreign Currency Transactions and Advance Consideration	1 January 2018

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

During 2016, the Group performed a preliminary assessment of FRS 115 which is subject to changes arising from a more detailed ongoing analysis. The Group has identified the following key area that is likely to be affected:

Variable consideration

The transaction prices for certain contracts with customers provide price concession based on the indexes to be published by the relevant government authority in future period. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of the expected price concession to be provided. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under FRS 115, and will be required to be estimated over the contract period. FRS 115 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Group expects that application of the constraint will not result in more revenue being deferred than is under current FRS.

Transition

The Group plans to adopt the standard when it becomes effective in 2018. Based on the Group's initial assessment, the Group does not expect any significant adjustments on adoption of FRS 115.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

The Group is currently assessing the impact of FRS 109 and plans to adopt the new standard on the required effective date.

FRS 116 Leases

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemption for lessees – leases of 'low value' assets and short-term leases. The new standard is effective for annual periods beginning on or after 1 January 2019.

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (continued)

(a) Basis of consolidation (continued)

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

– De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– De-recognises the carrying amount of any non-controlling interest;

– De-recognises the cumulative translation differences recorded in equity;

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

– Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) Business combinations

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (continued)

(b) Business combinations (continued)

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

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

2.6 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Foreign currency (continued)

(b) *Consolidated financial statements*

For consolidation purposes, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the weighted average exchange rates for the year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land, are measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has unlimited useful life and therefore is not depreciated.

Depreciation is computed on the straight line basis over the estimated useful lives of the assets as follows:

Buildings	–	20 to 50 years
Leasehold buildings	–	10 to 41 years
Plant and machinery	–	5 to 10 years
Furniture and fittings	–	4 to 10 years
Office equipment	–	3 to 10 years
Renovation	–	5 to 10 years
Motor vehicles	–	4 to 10 years

Construction in progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is derecognised.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and accumulated impairment losses.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

(a) Computer software

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

Computer software licences are stated at cost less accumulated amortisation and impairment in value, if any. These costs are amortised using the straight line method over their estimated useful lives of 3 to 5 years.

(b) Club membership

Club membership was acquired separately and has an indefinite useful life.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less impairment losses.

2.11 Associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Associates (continued)

Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associates are eliminated to the extent of the interest in the associates.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.12 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised 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.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (continued)

(a) Financial assets (continued)

Subsequent measurement

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

(ii) Loans and receivables

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

De-recognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (continued)

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised 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 liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

(i) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(ii) Financial liabilities at amortised cost

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Raw materials: purchase costs on a weighted average cost basis;

– Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

2.16 Provisions

General

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Provisions (continued)

Provision for reinstatement costs

Provision for reinstatement cost arose from the estimated cost of dismantling, removing and restoring the leasehold properties at the end of their lease terms.

The reinstatement costs which are provided at the present value of estimated costs required to settle the obligation are recognised as part of the cost of that particular asset. The estimated future cost if reinstatement is reviewed annually and adjusted as appropriate.

2.17 Financial guarantees

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.18 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.19 Employee benefits

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (continued)

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

2.20 Leases

(a) As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

Revenue from engineering services is recognised when services are rendered.

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

Rental income under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease.

Dividend income is recognised in profit or loss when the Group's right to receive payment is established.

2.22 Taxes

(a) Current income tax

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Taxes (continued)

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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 profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Taxes (continued)

(b) *Deferred tax (continued)*

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) *Sales tax*

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

– Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

– Receivables and payables that are stated with the amount of sales tax included.

2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 29, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.24 Share capital and share issue expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.26 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

   (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

Management is of the opinion that there is no significant judgment made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

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 are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) *Allowance for doubtful debts*

The Group establishes allowance for doubtful receivables on a case-by-case basis when they believe that payment of amounts owed is unlikely to occur. In establishing these allowances, the Group considers its historical experience and changes to its customers' financial position. If the financial conditions of receivables were to deteriorate, additional allowances may be required.

The carrying amount of the trade receivables as at 31 December 2016 is $32,797,000 (2015: $29,753,000).

(b) *Inventories and related allowance*

Inventories are stated at the lower of cost and net realisable value. The Group primarily determines cost of inventories using the "weighted average" method. The Group estimates the net realisable value of inventories based on assessment of receipt or committed sales prices and provides for excess and obsolete inventories based on historical usage, estimated future demand and related pricing.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

(b) *Inventories and related allowance (continued)*

In determining excess quantities, the Group considers recent sales activities, related margins and market positioning of its products. These estimates are generally not subject to significant volatility, due to the long life cycles of its products. However, factors beyond its control, such as demand levels, technological advances and pricing competition, could change from period to period. If such factors had an adverse effect, the Group might be required to reduce the value of its inventories, which would adversely affect its results, cash flows and financial position.

The carrying amount of the inventories as at 31 December 2016 is $14,217,000 (2015: $5,381,000).

(c) *Impairment of investment in associates*

The directors of the Company follow the guidance of FRS 36 – Impairment of Assets, in determining whether investment in associates is other than temporary impaired. This requires assumptions made regarding the duration and extent to which the fair value of an investment is less than its costs and the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

Based on the directors' assessment using dividend inflow model, there is no requirement to provide for any allowance for impairment in value of investment in "BRC Asia Limited" as the recoverable amount (value in use) exceeds the carrying value of investment. The sensitivity analysis and key assumptions applied in determining the value in use are disclosed and further explained in Note 14 to the financial statements.

The carrying amount of the investment in associates at 31 December 2016 is $50,057,000 (2015: $49,028,000).

(d) *Impairment of property, plant and equipment*

The Group assesses at each reporting period whether there is an indication that its property, plant and equipment may be impaired. The assessment requires an estimation of the recoverable amount of the property, plant and equipment. The assessment may entail the Group to make an estimate of the expected cash flows from the property, plant and equipment and to choose a suitable discount rate in order to calculate the present value of those cash flows and available valuation report.

The carrying value of the Group's property, plant and equipment is $13,864,000 (2015: $14,905,000).

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

4. REVENUE

Revenue of the Group represents the invoiced value of goods sold less goods returned and discounts allowed, net of goods and services tax. Revenue of the Group is in respect of external transactions only.

	Group	
	2016	**2015**
	$'000	**$'000**
Sale of goods	**97,796**	111,256
Provision of services	**10,733**	16,613
	108,529	127,869

5. OTHER OPERATING INCOME

	Group	
	2016	**2015**
	$'000	**$'000**
Allowance for doubtful trade receivables no longer required, now written back	**46**	69
Bad debts recovered	**1**	44
Write back of allowance for stock obsolescence	**227**	5
Discount received	**3**	9
Claims and compensation received	**15**	160
Fair value gain on investment held for trading	**–**	234
Gain on disposal of property, plant and equipment	**326**	95
Interest income		
– fixed deposits	**266**	68
– current accounts with banks	**6**	6
Operating lease income	**1,931**	2,123
Foreign exchange gain, net	**551**	–
Warehouse and handling fee income	**4,666**	4,382
Recognition of deferred income (Note 22)	**1,429**	1,429
Sundry income	**421**	299
	9,888	8,923

6. FINANCE COSTS

	Group	
	2016	**2015**
	$'000	**$'000**
Interest expense		
– finance lease	**11**	6
– term loans	**80**	231
– trust receipts	**4**	2
	95	239

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

7. PROFIT/(LOSS) BEFORE INCOME TAX

Profit/(loss) before income tax is arrived at after charging the following:

	Group	
	2016	**2015**
	$'000	**$'000**
Depreciation of property, plant and equipment recognised as an expense in cost of sales	**918**	700
Inventories recognised as an expense in cost of sales (Note 15)	**98,572**	118,527
Operating lease expenses recognised as an expense in cost of sales	**465**	485
Audit fees paid/payable to:		
– Auditors of the Company	**165**	217
– Other auditors	**14**	21
Non-audit fees paid/payable to:		
– Auditors of the Company	**–**	7
Directors fees payable to:		
– Directors of the Company	**209**	234
Staff cost (including directors)		
– Salaries, bonuses and allowances	**4,842**	5,342
– Employer's contributions to defined contribution plan	**462**	483
– Other staff welfare expenses	**210**	223
Legal and professional fees	**325**	417
Included in other operating expenses:		
Foreign exchange loss, net	**–**	7
Depreciation of property, plant and equipment	**1,621**	1,720
Amortisation of intangible assets	**29**	31
Property, plant and equipment written off	**33**	46
Impairment of property, plant and equipment	**22**	538
Write down of inventories to net realisable value	**–**	2,144
Write off of inventories	**–**	34
Allowance made for doubtful trade and other receivables	**75**	264
Bad debts written off	**7**	7
Operating lease expenses	**6,028**	6,213
Fair value loss on forward currency contracts	**344**	59

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For the financial year ended 31 December 2016

8. INCOME TAX (CREDIT)/EXPENSE

Major components of income taxes

The major components of income taxes for the years ended 31 December 2016 and 2015 are:

	Group	
	2016	**2015**
	$'000	**$'000**
Current income tax		
– Current financial year	**–**	–
– Over provision in respect of prior periods	**(10)**	–
	(10)	–
Deferred tax		
– Under provision in respect of prior periods	**–**	12
	–	12
Total income tax (credit)/expense recognised in profit or loss	**(10)**	12

The reconciliation between tax (credit)/expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2016 and 2015 is as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Profit/(loss) before income tax	**896**	(5,636)
Tax at the domestic rates applicable to profits in the countries where the Group operates	**124**	(885)
Tax effect of:		
– expenses not deductible for tax purposes	**540**	1,091
– income not subject to tax	**(348)**	(272)
(Over)/under provision in respect of prior periods	**(10)**	12
Tax exemption and tax relief	**–**	(30)
Enhanced tax deduction	**(29)**	(3)
Deferred tax assets not recognised	**244**	721
Benefits from previously unrecognised tax losses	**(126)**	(114)
Share of associates' results	**(405)**	(516)
Others	**–**	8
	(10)	12

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

8. INCOME TAX (CREDIT)/EXPENSE (CONTINUED)

At the balance sheet date, the Group has tax losses of approximately $101,751,000 (2015: $101,231,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 30).

9. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the Group's profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing the Group's profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

These profit/(loss) and share data are presented in the table below:

	Group	
	2016	**2015**
	$'000	**$'000**
Profit/(loss) for the year attributable to owners of the Company	**896**	(5,455)
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares for basic earnings per share computation and diluted earnings per share computation*	**127,437**	128,282^

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during the year.

^ The computations of comparative earnings per share and weighted average number of shares were adjusted for the effect of share consolidation.

There are no dilutive potential ordinary shares during the year.

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For the financial year ended 31 December 2016

10. PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Buildings $'000	Leasehold buildings $'000	Plant and machinery $'000	Furniture and fittings $'000	Office equipment $'000	Renovation $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Group										
Cost										
At 1 January 2015	226	1,639	16,203	13,267	818	661	899	1,752	250	35,715
Additions	–	–	–	1,210	25	13	147	1,137	–	2,532
Disposals/write off	–	–	–	(1,544)	–	(12)	–	(296)	(250)	(2,102)
Exchange differences	(29)	(224)	–	(87)	3	(8)	–	(45)	–	(390)
At 31 December 2015 and 1 January 2016	**197**	**1,415**	**16,203**	**12,846**	**846**	**654**	**1,046**	**2,548**	**–**	**35,755**
Additions	**–**	**–**	**–**	**1,639**	**5**	**129**	**7**	**171**	**–**	**1,951**
Disposals/write off	**–**	**(1,171)**	**–**	**(1,016)**	**(17)**	**(8)**	**–**	**(326)**	**–**	**(2,538)**
Exchange differences	**(4)**	**13**	**–**	**7**	**–**	**–**	**1**	**6**	**–**	**23**
At 31 December 2016	**193**	**257**	**16,203**	**13,476**	**834**	**775**	**1,054**	**2,399**	**–**	**35,191**
Accumulated depreciation and impairment loss										
At 1 January 2015	–	533	9,905	6,483	407	438	550	1,497	250	20,063
Charge for the year	–	67	914	1,000	62	63	104	210	–	2,420
Disposals/write off	–	–	–	(1,383)	–	(12)	–	(294)	(250)	(1,939)
Impairment loss	–	538	–	–	–	–	–	–	–	538
Exchange differences	–	(119)	–	(63)	–	(4)	(2)	(44)	–	(232)
At 31 December 2015 and 1 January 2016	**–**	**1,019**	**10,819**	**6,037**	**469**	**485**	**652**	**1,369**	**–**	**20,850**
Charge for the year	**–**	**5**	**914**	**1,087**	**61**	**64**	**100**	**308**	**–**	**2,539**
Disposals/write off	**–**	**(1,004)**	**–**	**(773)**	**(11)**	**(6)**	**–**	**(315)**	**–**	**(2,109)**
Impairment loss	**–**	**–**	**–**	**16**	**6**	**–**	**–**	**–**	**–**	**22**
Exchange differences	**–**	**14**	**–**	**6**	**–**	**–**	**–**	**5**	**–**	**25**
At 31 December 2016	**–**	**34**	**11,733**	**6,373**	**525**	**543**	**752**	**1,367**	**–**	**21,327**
Net carrying amount										
At 31 December 2016	**193**	**223**	**4,470**	**7,103**	**309**	**232**	**302**	**1,032**	**–**	**13,864**
At 31 December 2015	197	396	5,384	6,809	377	169	394	1,179	–	14,905

NOTES TO THE **FINANCIAL STATEMENTS**
For the financial year ended 31 December 2016

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Leasehold buildings $'000	Plant and machinery $'000	Furniture and fittings $'000	Office equipment $'000	Renovation $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Company								
Cost								
At 1 January 2015	9,372	4,134	594	413	798	1,251	250	16,812
Additions	–	1,285	17	2	107	1,085	–	2,496
Disposals/write off	–	–	–	–	–	(235)	(250)	(485)
At 31 December 2015 and 1 January 2016	**9,372**	**5,419**	**611**	**415**	**905**	**2,101**	**–**	**18,823**
Additions	**–**	**1,595**	**3**	**125**	**7**	**53**	**–**	**1,783**
Disposals/write off	**–**	**(113)**	**–**	**–**	**–**	**–**	**–**	**(113)**
At 31 December 2016	**9,372**	**6,901**	**614**	**540**	**912**	**2,154**	**–**	**20,493**
Accumulated depreciation and impairment loss								
At 1 January 2015	5,091	1,304	232	227	450	1,043	250	8,597
Charge for the year	474	463	51	45	103	175	–	1,311
Disposals/write off	–	–	–	–	–	(235)	(250)	(485)
At 31 December 2015 and 1 January 2016	**5,565**	**1,767**	**283**	**272**	**553**	**983**	**–**	**9,423**
Charge for the year	**474**	**681**	**52**	**58**	**98**	**291**	**–**	**1,654**
Disposals/write off	**–**	**(5)**	**–**	**–**	**–**	**–**	**–**	**(5)**
At 31 December 2016	**6,039**	**2,443**	**335**	**330**	**651**	**1,274**	**–**	**11,072**
Net carrying amount								
At 31 December 2016	**3,333**	**4,458**	**279**	**210**	**261**	**880**	**–**	**9,421**
At 31 December 2015	3,807	3,652	328	143	352	1,118	–	9,400

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

10. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

As at the balance sheet date, the net carrying amount of property, plant and equipment purchased under finance leases were as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Plant and machinery	**–**	23	**–**	–
Motor vehicles	**678**	868	**678**	868
	678	891	**678**	868

Lease assets are pledged as security for the related finance lease liability.

The net carrying amount of property, plant and equipment of the Group and the Company that were mortgaged as security for bank borrowings (Note 21) were as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Leasehold properties	**4,470**	5,384	**3,333**	3,807

Impairment of assets

During the year, a subsidiary of the Group carried out a review of recoverable amount of its assets, an impairment loss of $22,000 (2015: $538,000), representing the write-down of assets to their recoverable amount was recognised in "Other operating expenses" (Note 7) line item of profit or loss for the year ended 31 December 2016.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

11. INTANGIBLE ASSETS

	Computer software $'000	Club membership $'000	Total $'000
Group			
Cost			
At 1 January 2015	991	–	991
Additions	2	48	50
Disposals	(10)	–	(10)
At 31 December 2015 and 1 January 2016	**983**	**48**	**1,031**
Additions	**2**	**–**	**2**
At 31 December 2016	**985**	**48**	**1,033**
Accumulated amortisation			
At 1 January 2015	912	–	912
Amortisation	31	–	31
Disposals	(4)	–	(4)
At 31 December 2015 and 1 January 2016	**939**	**–**	**939**
Amortisation	**29**	**–**	**29**
At 31 December 2016	**968**	**–**	**968**
Net carrying amount			
At 31 December 2016	**17**	**48**	**65**
At 31 December 2015	44	48	92

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

11. INTANGIBLE ASSETS (CONTINUED)

	Computer software $'000	Club membership $'000	Total $'000
Company			
Cost			
At 1 January 2015	916	–	916
Additions	–	48	48
Disposals	(9)	–	(9)
At 31 December 2015, 1 January 2016 and 31 December 2016	**907**	**48**	**955**
Accumulated amortisation			
At 1 January 2015	841	–	841
Amortisation	29	–	29
Disposals	(4)	–	(4)
At 31 December 2015 and 1 January 2016	**866**	**–**	**866**
Amortisation	**28**	**–**	**28**
At 31 December 2016	**894**	**–**	**894**
Net carrying amount			
At 31 December 2016	**13**	**48**	**61**
At 31 December 2015	41	48	89

Computer software

Computer software of the Group and the Company is determined to have finite useful lives and is amortised on a straight-line basis over 3 to 5 years with remaining useful lives of 1 to 4 years (2015: 1 to 5 years).

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2016	**2015**
	$'000	**$'000**
Unquoted equity shares, at cost	**14,114**	14,114
Impairment losses	**(967)**	(967)
	13,147	13,147

(a) Composition of the Group

The Group has the following investment in subsidiaries.

Name of subsidiaries	Principal activities	Country of incorporation/ business	Proportion of ownership interest	
			2016	**2015**
			%	**%**
Held by the Company				
Jin Heng Li Hardware Sdn Bhd[(2)]	Dormant	Malaysia	**79.38**	79.38
Oriental Metals Pte Ltd[(1)]	Trading and manufacturing of steel products and provisions of engineering services	Singapore	**99.99**	99.99
HG Metal Investments Pte Ltd[(1)]	Investment holding	Singapore	**100.00**	100.00
PT HG Metal Distribution Indonesia[(3)]	Dormant	Indonesia	**100.00**	100.00
Held by HG Metal Investments Pte Ltd				
Niho (Singapore) Pte Ltd[(1)]	Dormant	Singapore	**100.00**	100.00
HG Construction Steel Pte Ltd[(1)]	Supply of steel material to the construction industry and rental of metal plates	Singapore	**100.00**	100.00

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group (continued)

Name of subsidiaries	Principal activities	Country of incorporation/ business	Proportion of ownership interest 2016 %	2015 %
Held by HG Metal Investments Pte Ltd (continued)				
HG Metal Manufacturing Sdn Bhd(2)	Dormant	Malaysia	**100.00**	100.00
HG Metal Pte Ltd(1)	Investment holding	Singapore	**100.00**	100.00
HG Yangon Company Limited(3)(4)	Trading and distribution of steel products	Myanmar	**100.00**	100.00
Held by HG Metal Manufacturing Sdn Bhd				
HG Metal Distribution Sdn Bhd(2)	Dormant	Malaysia	**100.00**	100.00

(1) Audited by Ernst & Young LLP, Singapore.

(2) Audited by RSM Malaysia.

(3) Not required to be audited under the laws of the country of incorporation.

(4) Incorporated on 25 March 2015.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Interest in subsidiaries with material non-controlling interest (NCI)

Name of subsidiaries	Principal place of business	Proportion of ownership interest held by NCI	Gain/(loss) allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends paid to NCI $'000
31 December 2016:					
Jin Heng Li Hardware Sdn Bhd	Malaysia	**20.62%**	**10**	**244**	**–**
31 December 2015:					
Niho (Singapore) Pte Ltd	Singapore	0.00%	(22)	–	–
Jin Heng Li Hardware Sdn Bhd	Malaysia	20.62%	(171)	234	–

(c) Summarised financial information about subsidiaries with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised balance sheets

	Niho (Singapore) Pte Ltd 2015 $'000	Jin Heng Li Hardware Sdn Bhd 2016 $'000	Jin Heng Li Hardware Sdn Bhd 2015 $'000
Current			
Assets	79	**1,372**	1,288
Liabilities	(34)	**(633)**	(626)
Net current assets	45	**739**	662
Non-current			
Assets	–	**415**	466
Liabilities	–	**–**	–
Net non-current assets	–	**415**	466
Net assets	45	**1,154**	1,128

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Summarised financial information about subsidiaries with material NCI (continued)

Summarised statement of comprehensive income

	Niho (Singapore) Pte Ltd	Jin Heng Li Hardware Sdn Bhd	
	2015	2016	2015
	$'000	$'000	$'000
Revenue	–	**–**	–
(Loss)/profit before income tax	(125)	**39**	(831)
Income tax credit	–	**10**	–
(Loss)/profit after tax – continuing operations	(125)	**49**	(831)
Other comprehensive income	–	**–**	–
Total comprehensive income	(125)	**49**	(831)

Other summarised information

Net cash flows (used in)/from operations	(909)	**20**	444

(d) Acquisition of ownership interest in subsidiary

Niho (Singapore) Pte Ltd ("Niho")

On 6 May 2015, the Group's subsidiary company, HG Metal Investments Pte Ltd ("HGMI") acquired an additional 40.97% equity interest in Niho from its non-controlling interests for a cash consideration of $94,000. As a result of this acquisition, Niho became a wholly-owned subsidiary of HGMI.

The carrying amount of the non-controlling interest in Niho at 6 May 2015 was $60,000. The difference of $34,000 between the consideration and the carrying value of the non-controlling interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity.

The following summarises the effect of the changes in the Group's ownership interest in Niho on the equity attributable to owners of the Company:

	$'000
Consideration paid for acquisition of non-controlling interests	94
Decrease in equity attributable to non-controlling interests	(60)
Premium paid on acquisition of non-controlling interests	34

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

13. INVESTMENT IN ASSOCIATES

The investments in associates are summarised below:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
POS-SEA Pte Ltd	**798**	475	**505**	505
BRC Asia Limited ("BRC")	**50,057**	49,028	**–**	–
	50,855	49,503	**505**	505
Fair value of investment in an associate for which there is published price quotation (BRC)	**21,916**	29,923	**–**	–

Name of associates	Principal activities	Country of incorporation/ business	Proportion of ownership interest	
			2016	**2015**
			%	**%**
Held by the Company				
POS-SEA Pte Ltd(1)	Commission agent for procurement of steel products and materials	Singapore	**32.45**	32.45
Held by HG Metal Pte Ltd				
BRC Asia Limited(2)	Prefabrication and trading of steel reinforcement products and manufacture and sale of wire mesh fences	Singapore	**22.42#**	22.42#

(1) Audited by UHY Lee Seng Chan & Co, Singapore.

(2) Audited by Ernst & Young LLP, Singapore.

The Group has 22.62% (2015: 22.58%) of voting rights in BRC Asia Limited.

Dividends of $843,000 (2015: $2,739,000) were received from BRC Asia Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

13. INVESTMENT IN ASSOCIATES (CONTINUED)

The summarised financial information in respect of BRC Asia Limited and POS-SEA Pte Ltd based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	BRC Asia Limited		POS-SEA Pte Ltd	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Currents	**142,489**	151,563	**29,781**	49,673
Non-current assets excluding goodwill	**96,074**	87,290	**678**	911
Goodwill	**10,907**	10,907	**–**	–
Total assets	**249,470**	249,760	**30,459**	50,584
Current liabilities	**(45,269)**	(49,408)	**(27,831)**	(49,029)
Non-current liabilities	**(20,165)**	(20,818)	**–**	–
Total liabilities	**(65,434)**	(70,226)	**(27,831)**	(49,029)
Net assets	**184,036**	179,534	**2,628**	1,555
Net assets excluding goodwill	**173,129**	168,627	**2,628**	1,555
Proportion of the Group's ownership	**22.42%**	22.42%	**32.45%**	32.45%
Group's share of net assets	**38,816**	37,806	**853**	505
Goodwill on acquisition	**10,907**	10,907	**–**	–
Other adjustments	**334**	315	**(55)**	(30)
Carrying amount of the investment	**50,057**	49,028	**798**	475

Summarised statement of comprehensive income

	BRC Asia Limited		POS-SEA Pte Ltd	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	**337,590**	372,128	**217,732**	658,249
Profit after tax from continuing operations	**9,205**	11,665	**992**	1,298
Other comprehensive income	**(858)**	(1,250)	**–**	–
Total comprehensive income	**8,347**	10,415	**992**	1,298

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

14. IMPAIRMENT TESTING OF INVESTMENT IN ASSOCIATES

The investment in associates for impairment testing is as follow:

	Group	
	2016	**2015**
	$'000	**$'000**
BRC Asia Limited ("BRC")	**50,057**	49,028

Key assumptions used in value in use calculations

The recoverable amounts of BRC have been determined based on value-in-use calculations, using dividend projections based on projected financial statements approved by management covering a five year period. The following rates are used by the management:

	2016	**2015**
	%	**%**
Discount rate	**7.0**	7.8
Long term projected growth rate	**3.0**	3.0

Sensitivity to changes in assumptions

For BRC, the estimated recoverable amount exceeds its carrying amount by approximately $3,510,000 (2015: $9,277,000) and, consequently, any adverse change in a key assumption would result in an impairment loss. The implications of the key assumptions for the recoverable amount are discussed below:

Discount rates – Discount rates represent the current market assessment of the risks specific to BRC. The discount rate calculation is based on the specific circumstances of BRC and derived from its weighted average cost of capital. The beta factors are evaluated annually based on publicly available market data. A rise in the discount rate in excess of 7.28% (2015: 8.72%) would result in impairment.

Long term projected growth rates – Projected growth rates are based on published industry research. A reduction in the projected growth rates below 2.67% (2015: 1.89%) would result in impairment.

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

15. INVENTORIES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Trading inventories	**12,228**	4,376	**12,269**	4,381
Finished goods	**10**	26	**–**	–
Work-in-progress	**253**	194	**–**	–
Raw materials	**1,726**	785	**–**	–
Inventories (at lower of cost or net realisable value)	**14,217**	5,381	**12,269**	4,381

	Group	
	2016	**2015**
	$'000	**$'000**
Inventories recognised as expense in cost of sales (Note 7)	**98,572**	118,527
(Reversal)/write-down of inventories to net realisable value recognised in other operating expenses, net	**(227)**	2,139
Write off of inventories	**–**	34

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For the financial year ended 31 December 2016

16. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Trade receivables				
Third parties	**35,296**	32,807	**30,895**	28,403
Amounts due from subsidiaries	**–**	–	**7,589**	6,560
Amounts due from related parties	**–**	29	**–**	29
Allowance for doubtful receivables	**(2,499)**	(3,083)	**(4,649)**	(4,648)
	32,797	29,753	**33,835**	30,344
Other receivables				
Third parties	**798**	928	**462**	518
Rental, utilities and other deposits	**1,232**	1,260	**1,066**	1,101
Amounts due from subsidiaries	**–**	–	**15,610**	16,223
Allowances for doubtful receivables from third parties (non-trade)	**(78)**	(53)	**(7)**	–
Allowances for doubtful receivables from subsidiaries	**–**	–	**(1,824)**	(1,824)
	1,952	2,135	**15,307**	16,018
	34,749	31,888	**49,142**	46,362
Non-financial assets				
Advance to suppliers for purchase of inventories	**9**	1	**–**	–
	34,758	31,889	**49,142**	46,362

Other receivables (third parties) include an amount of $300,000 (2015: $300,000) receivable from the sale of the Company's leasehold buildings.

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $3,851,000 (2015: $11,704,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2016	**2015**
	$'000	**$'000**
Trade receivables past due:		
– Less than 30 days	**3,121**	7,586
– 30 – 60 days	**673**	3,910
– 61 – 90 days	**51**	187
– 91 – 120 days	**6**	19
– More than 120 days	**–**	2
	3,851	11,704

Receivables that are impaired

Receivables that are impaired at the balance sheet date and the movement of the allowance accounts used to record the impairment are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables				
Trade receivables – nominal amounts	**2,499**	3,083	**2,135**	2,134
Less: Allowance for impairment	**(2,499)**	(3,083)	**(2,135)**	(2,134)
	–	–	**–**	–
Movement in allowance accounts:				
Balance at 1 January	**3,083**	3,099	**2,134**	2,144
Charge for the year	**50**	211	**48**	89
Written back	**(46)**	(69)	**–**	–
Bad debts written off against allowance	**(584)**	(99)	**(47)**	(99)
Exchange differences	**(4)**	(59)	**–**	–
Balance at 31 December	**2,499**	3,083	**2,135**	2,134

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For the financial year ended 31 December 2016

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables that are impaired (continued)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Non-trade receivables				
Non-trade receivables – nominal amounts	**78**	53	**7**	–
Less: Allowance for impairment	**(78)**	(53)	**(7)**	–
	–	–	**–**	–
Movement in allowance accounts:				
Balance at 1 January	**53**	–	**–**	–
Charge for the year	**25**	53	**7**	–
Balance at 31 December	**78**	53	**7**	–

	Company	
	2016	**2015**
	$'000	**$'000**
Due from subsidiaries (Trade)		
Subsidiaries – nominal amounts	**7,589**	6,560
Less: Allowance for impairment	**(2,514)**	(2,514)
	5,075	4,046
Movement in allowance accounts:		
Balance at 1 January	**2,514**	–
Charge for the year	**–**	2,514
Balance at 31 December	**2,514**	2,514

16. TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables that are impaired (continued)

	Company	
	2016	**2015**
	$'000	**$'000**
Due from subsidiaries (non-trade)		
Subsidiaries – nominal amounts	**1,824**	1,824
Less: Allowance for impairment	**(1,824)**	(1,824)
	–	–
Movement in allowance accounts:		
Balance at 1 January	**1,824**	7,297
Write back	**–**	(2,311)
Bad debts written off against allowance	**–**	(3,162)
Balance at 31 December	**1,824**	1,824

Receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Trade receivables, including amounts due from subsidiaries and related parties, are non-interest bearing and are generally on 30 to 90 days' credit terms.

Other receivables, including amounts due from subsidiaries, are unsecured, interest-free and repayable in cash on demand.

Trade receivables denominated in foreign currencies at 31 December 2016 and 2015 are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	**18,676**	22,193	**18,676**	22,193

17. CASH AND CASH EQUIVALENT

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	**18,515**	27,481	**14,013**	20,700
Fixed deposits with banks	**12,189**	23,033	**6,014**	13,001
Cash and cash equivalents	**30,704**	50,514	**20,027**	33,701
Fixed deposits pledged with a bank	**7,038**	–	**7,038**	–
Bank balances and fixed deposits	**37,742**	50,514	**27,065**	33,701

17. CASH AND CASH EQUIVALENT (CONTINUED)

Fixed deposits earn weighted average effective interest rate of 0.89% (2015: 1.41%) per annum and for tenures ranging from 2 to 6 months (2015: 2 to 3 months).

The purpose of the pledged fixed deposits is to secure credit facilities with the bank as disclosed in Note 21.

Cash and bank balances denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
United States Dollar	**2,103**	3,709	**2,066**	3,306
Malaysian Ringgit	**52**	56	**52**	56

18. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Financial liabilities				
Trade payables				
Third parties	**10,337**	4,861	**9,654**	4,228
Amounts due to subsidiaries	**–**	–	**14**	1,099
Amounts due to related parties	**50**	–	**–**	–
Amounts due to associates	**4**	68	**4**	68
	10,391	4,929	**9,672**	5,395
Other payables				
Deposits from customers	**1,137**	1,136	**625**	639
Accrued operating expenses	**1,453**	1,655	**1,210**	1,371
Other payables	**468**	733	**320**	516
Amounts due to subsidiaries	**–**	–	**11,200**	1,061
	3,058	3,524	**13,355**	3,587
Total financial liabilities	**13,449**	8,453	**23,027**	8,982
Non-financial liability				
GST payable	**508**	400	**466**	272
	13,957	8,853	**23,493**	9,254

18. TRADE AND OTHER PAYABLES (CONTINUED)

Trade payables including amounts due to subsidiaries and associates are non-interest bearing and are normally settled on 30 to 90 days' term.

The non-trade amounts, including amounts due to subsidiaries are unsecured, interest-free, repayable on demand and expected to be settled in cash.

Deposits from customers are trade related, unsecured and settled upon the fulfilment of the contractual obligations.

Trade payables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
United States Dollar	**486**	2,556	**484**	2,555

19. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/ Notional Amount $'000	2016 $'000		Contract/ Notional Amount $'000	2015 $'000	
		Assets	Liabilities		Assets	Liabilities
Group and Company						
Forward currency contracts	**19,155**	**–**	**403**	19,618	–	59

Forward currency contracts are used to hedge foreign currency risk arising from the Group's sales and purchases denominated in USD for which firm commitments existed at the end of the reporting year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

20. FINANCE LEASE PAYABLES

As at balance sheet date, the Group has obligations under finance leases that are repayable as follows:

	Minimum lease payments $'000	Future finance charges $'000	Present value of lease payments $'000
Group			
2016			
Within one financial year	**250**	**(11)**	**239**
After one financial year but less than five financial years	**145**	**(6)**	**139**
	395	**(17)**	**378**
2015			
Within one financial year	257	(11)	246
After one financial year but less than five financial years	395	(17)	378
	652	(28)	624

	Minimum lease payments $'000	Future finance charges $'000	Present value of lease payments $'000
Company			
2016			
Within one financial year	**250**	**(11)**	**239**
After one financial year but less than five financial years	**145**	**(6)**	**139**
	395	**(17)**	**378**
2015			
Within one financial year	250	(11)	239
After one financial year but less than five financial years	395	(17)	378
	645	(28)	617

Lease terms are for three years (2015: three years) with options to purchase at the end of the lease term. Interest is payable at an average effective interest rates of 2.60% to 5.66% (2015: 2.60% to 5.89%) per annum.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

21. BANK BORROWINGS

		Group		Company	
		2016	2015	2016	2015
		$'000	$'000	$'000	$'000
Current					
Secured					
– Term loans	SGD	–	4,171	–	4,171
– Trust receipts	USD	**1,963**	–	**1,963**	–
		1,963	4,171	**1,963**	4,171
Total current borrowings		**1,963**	4,171	**1,963**	4,171
Non-current					
Secured					
– Term loans	SGD	–	2,646	–	2,646
Total non-current borrowings		–	2,646	–	2,646
Total bank borrowings		**1,963**	6,817	**1,963**	6,817

Secured

The secured portions of the bank borrowings of the Group and the Company are secured by way of:

(i) legal mortgage over leasehold properties (Note 10) of the Group and of the Company with net carrying amount of $4,470,000 (2015: $5,384,000) and $3,333,000 (2015: $3,807,000) respectively as at 31 December 2016;

(ii) fixed charge over investment in BRC Asia Limited;

(iii) fixed deposits pledged with a bank

Unsecured

As at the balance sheet date, there are no unsecured bank borrowing.

The Group's bank borrowings have the following maturity dates and interest at floating rates:

	Interest rates per annum	
	2016	2015
Term loans	–	2.84% – 2.90%
Trust receipts	**1.94% – 2.55%**	–

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

22. DEFERRED INCOME

Deferred income represents the excess of sale price over the estimated fair value of the leasehold property at 15 Jurong Port Road arising from the sale and leaseback of the property. The fair value of the leasehold property was determined by an external valuation using a Direct Sale Comparison Approach valuation method. The deferred income of $10 million is amortised to profit or loss over the seven years lease period commencing February 2013. Deferred income is classified as follows:

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Current	**1,429**	1,429
Non-current	**2,976**	4,405
	4,405	5,834

23. PROVISION FOR REINSTATEMENT COSTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Provision for reinstatement costs	**1,000**	1,000	**700**	700

The movement in provision for reinstatement costs is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January and 31 December	**1,000**	1,000	**700**	700

Provision for reinstatement costs is made in respect of the Group and Company's leasehold properties to fulfil the obligations under the lease agreements. Outflows are expected only at the end of the lease tenure of the leasehold properties in year 2020 (2015: 2020).

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

24. SHARE CAPITAL

	Group and Company			
	2016		2015	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully-paid:				
Ordinary shares				
At beginning of the year	**1,306,122**	**152,052**	1,306,122	152,052
Before share consolidation	**1,306,122**	**152,052**	1,306,122	152,052
At end of the year	**130,611***	**152,052**	1,306,122	152,052

* On 11 May 2016, the Company completed a share consolidation of every ten existing issued ordinary shares of the Company into one ordinary share. The information presented above represents the status after the share consolidation.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value.

25. TREASURY SHARES

	Group and Company			
	2016		2015	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully-paid:				
Ordinary shares				
At beginning of the year	**23,797**	**1,906**	23,268	1,885
Acquired during the financial year	**8,139**	**309**	529	21
Before share consolidation	**31,936**	**2,215**	23,797	1,906
At end of the year	**3,193***	**2,215**	23,797	1,906

* On 11 May 2016, the Company completed a share consolidation of every ten existing issued ordinary shares of the Company into one ordinary share. The information presented above represents the status after the share consolidation.

Treasury shares relate to ordinary shares of the Company that are held by the Company.

The Company acquired 8,139,000 (2015: 529,000) shares in the Company for a total consideration of $309,000 (2015: $21,000) by way of market acquisition and this is presented as a component within shareholders' equity.

NOTES TO THE **FINANCIAL STATEMENTS**
For the financial year ended 31 December 2016

26. OTHER RESERVES

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Capital reserve (a)	**2,527**	2,527	**2,527**	2,527
Foreign currency translation reserve (b)	**(902)**	(672)	**–**	–
Fair value reserve (c)	**(4)**	(4)	**–**	–
Premium paid on acquisition of non-controlling interest (d)	**(211)**	(211)	**–**	–
	1,410	1,640	**2,527**	2,527

(a) Capital reserve

In 2005, the Company entered into a $10,000,000 convertible loan agreement (2005 Convertible Loan Agreement) with Oversea-Chinese Banking Corporation Limited ("OCBC") for the purpose of expansion and/or to be applied to general working capital requirements. On 15 August 2006, the Company and OCBC entered into a revised Convertible Loan Agreement for refinancing the 2005 Convertible Loan Agreement which granted OCBC the right to convert the loan amount into new ordinary shares of the Company at any time until maturity date on 5 July 2008.

The net proceeds received from the issue of the convertible loan were split into the liability element and equity component, representing the fair value of the embedded option to convert the liability into equity of the Group and the Company. Accordingly, $101,000 was credited to capital reserve in the financial year ended 30 September 2006.

OCBC exercised its option to convert the entire convertible loan of $10 million into 31,171,147 new ordinary shares of the Company during the financial year ended 30 September 2007. In accordance with the terms of the revised convertible loan agreement, the Company was entitled to a certain percentage of share of profits earned by OCBC from the sale of these conversion shares, net of certain expenses.

Subsequently OCBC sold the shares and a sum of $2,426,000 was received by the Company as its share from the net profit earned by OCBC on the disposal of the conversion shares. The Company has recorded the consideration received as capital reserve.

(b) Foreign currency translation reserve

The foreign currency translation reserve comprises all foreign exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. Movement in this account is set out in the consolidated statement of changes in equity.

26. OTHER RESERVES (CONTINUED)

(c) Fair value reserve

Fair value reserve represents the cumulative fair value changes, net of tax, of available for sale financial assets until they are disposed of or impaired.

(d) Premium paid on acquisition of non-controlling interest

Premium paid on acquisition of non-controlling interest was recognised on the difference between the consideration and the carrying value of the additional interest in subsidiary acquired without a change in control.

27. SIGNIFICANT TRANSACTIONS WITH RELATED COMPANIES AND RELATED PARTIES

In addition to the related party information disclosed elsewhere in the financial statements, the following were significant transactions between the Company and its related companies and related parties on rates and terms agreed between the parties during the financial year:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
With subsidiaries				
Sales	**–**	–	**11,386**	13,238
Purchases	**–**	–	**144**	1,219
Rental income	**–**	–	**456**	485
Other income	**–**	–	**61**	74
Purchase of plant and equipment	**–**	–	**–**	237
With associate				
Sales	**9**	–	**2**	–
Purchases	**3,273**	1,149	**2,683**	537
Other charges	**18**	–	**18**	–
With companies related to directors of the Company				
Sales	**–**	30	**–**	30
Other charges	**3**	67	**3**	67

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For the financial year ended 31 December 2016

27. SIGNIFICANT TRANSACTIONS WITH RELATED COMPANIES AND RELATED PARTIES (CONTINUED)

Compensation of key management personnel

The remuneration of Directors and other members of key management of the Group and of the Company during the financial year are as follows:

	Group	
	2016	2015
	$'000	$'000
Directors of the Company		
Salaries and other short-term employee benefits	**362**	380
Employer's contributions to defined contribution plan	**21**	18
Key management personnel (non-directors)		
Salaries and other short-term employee benefits	**486**	449
Employer's contributions to defined contribution plan	**41**	33
	910	880

28. COMMITMENTS AND CONTINGENT LIABILITIES

Operating lease commitments

The Group and the Company as lessee

As at the balance sheet date, the Group and the Company have commitments for rental payable in subsequent accounting periods as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Future minimum lease payments				
Within one financial year	**5,967**	5,926	**5,464**	5,452
After one financial year but within five financial years	**13,370**	18,317	**12,629**	17,308
After five financial years	**1,599**	2,143	**1,599**	2,143
	20,936	26,386	**19,692**	24,903

The above operating lease commitments are based on existing rates. The lease agreements provide for a periodic revision of such rates in the future and renewal options. There are no contingent rents included in the agreements or restrictions on subleasing the premises, warehouse and office equipment.

28. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Operating lease commitments (continued)

The Group and the Company as lessor

As at the balance sheet date, the Group and the Company have contracted with their tenants for the following future minimum lease payments:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Within one financial year	**4,714**	5,271	**2,289**	3,058
After one financial year but within five financial years	**2,040**	1,333	**804**	1,215
	6,754	6,604	**3,093**	4,273

Capital commitments

As at balance sheet date, the Group and the Company had no capital commitments.

Contingent liabilities

Guarantees

Intra-group financial guarantees comprise corporate guarantees granted by the Company to banks in respect of banking facilities amounting to $1,630,000 (2015: $5,630,000) to secure banking facilities provided to certain subsidiaries. The financial guarantees will expire when the loans have been paid and discharged and/or when the banking facilities are no longer available to the subsidiaries.

The principal risk to which the Company is exposed is credit risk in connection with the guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the subsidiaries for which, the guarantees were given on behalf of.

There are no terms and conditions attached to the guarantee contracts that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

In the opinion of the directors, no loss is anticipated from these guarantees.

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For the financial year ended 31 December 2016

28. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Contingent liabilities (continued)

Guarantees (continued)

The fair values of the financial guarantee contracts have not been recognised on the balance sheet at 31 December 2016 of the Company as the Company is of the view that the fair values of the corporate guarantees are not significant and that no material losses will arise in respect of the guarantees provided at the date of these financial statements.

29. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has two reportable operating segments as follows:

(i) The trading segment is a supplier of steel products and includes the holding of investments in subsidiaries in the business of steel distribution and provision of industrial steel services.

(ii) The manufacturing segment produces construction steel products and provides related engineering services.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

Transactions between operating segments are generally based on terms determined on commercial basis.

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29. SEGMENT INFORMATION (CONTINUED)

	Trading $'000	Manufacturing $'000	Adjustment/ elimination $'000	Group $'000
Financial year ended 31 December 2016				
REVENUE				
Sales to external customers	91,861	16,668	–	108,529
Inter-segment sales (Note A)	11,386	144	(11,530)	–
Total	103,247	16,812	(11,530)	108,529
RESULTS				
(Loss)/profit from operations (Note C)	(3,499)	2,278	(446)	(1,667)
Interest expense	(95)	–	–	(95)
Interest income	196	76	–	272
Share of associates' results	323	2,063	–	2,386
Segment (loss)/profit	(3,075)	4,417	(446)	896
Income tax credit				10
Profit for the year				906
OTHER INFORMATION				
Debit/(Credit):				
Investment in associates	798	50,057	–	50,855
Additions to non-current assets (Note B)	1,784	169	–	1,953
Depreciation and amortisation of assets	1,705	863	–	2,568
Recognition of deferred income	(1,429)	–	–	(1,429)
Impairment of property, plant and equipment	–	22	–	22
Write back impairment of inventories	(210)	(17)	–	(227)
Fair value loss on derivatives	344	–	–	344
ASSETS AND LIABILITIES				
Segment assets (Note A)	146,701	30,179	(25,063)	151,817
Total assets				151,817
Segment liabilities (Note A)	53,453	9,526	(40,873)	22,106
Tax payable				13
Total liabilities				22,119

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

29. SEGMENT INFORMATION (CONTINUED)

	Trading $'000	Manufacturing $'000	Adjustment/ elimination $'000	Group $'000
Financial year ended 31 December 2015				
REVENUE				
Sales to external customers	110,486	17,383	–	127,869
Inter-segment sales (Note A)	13,238	1,219	(14,457)	–
Total	123,724	18,602	(14,457)	127,869
RESULTS				
(Loss)/profit from operations (Note C)	(8,968)	1,281	(820)	(8,507)
Interest expense	(239)	–	–	(239)
Interest income	42	32	–	74
Share of associates' results	415	2,621	–	3,036
Segment (loss)/profit	(8,750)	3,934	(820)	(5,636)
Income tax expense				(12)
Loss for the year				(5,648)
OTHER INFORMATION				
Debit/(Credit):				
Investment in associates	475	49,028	–	49,503
Additions to non-current assets (Note B)	2,690	129	(237)	2,582
Depreciation and amortisation of assets	1,520	918	13	2,451
Recognition of deferred income	(1,429)	–	–	(1,429)
Impairment of property, plant and equipment	538	–	–	538
Write down/write off of inventories	1,953	220	–	2,173
Fair value loss on derivatives	59	–	–	59
ASSETS AND LIABILITIES				
Segment assets (Note A)	143,763	26,937	(18,225)	152,475
Income tax recoverable				61
Total assets				152,536
Segment liabilities (Note A)	46,836	8,638	(32,287)	23,187
Tax payable				13
Total liabilities				23,200

29. SEGMENT INFORMATION (CONTINUED)

Notes:

(A) Segment assets and liabilities include balances with companies in the Group. Inter-segment sales, assets and liabilities are eliminated on consolidation.

(B) Additions to non-current assets consist of additions to property, plant and equipment and intangible assets.

(C) Other non-cash expenses consist of inventories written-down, provisions, and impairment of financial assets as presented in the respective notes to the financial statements.

Geographical information

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

	External sales		Non-current assets	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Myanmar	**61,101**	59,504	**130**	139
Singapore	**36,572**	49,190	**13,355**	14,179
Malaysia	**3,501**	5,270	**444**	679
Indonesia	**7,203**	10,895	**–**	–
Others	**152**	3,010	**–**	–
	108,529	127,869	**13,929**	14,997

Non-current assets information presented above consist of property, plant and equipment and intangible assets as presented in the consolidated balance sheet.

Information about a major customer

Revenue from one major customer amounted to $61,101,000 (2015: $59,504,000), arising from sales of the trading segment.

30. DIVIDENDS

	Group and Company	
	2016	**2015**
	$'000	**$'000**
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
– Final exempt (one-tier) dividend for 2016: 0.5 cents (2015: nil cent) per share	**637**	–

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

31. FINANCIAL INSTRUMENTS

Classification of financial instruments

	Fair value through profit and loss $'000	Loans and receivables $'000	Liabilities at amortised cost $'000
Group			
31 December 2016			
Assets			
Trade and other receivables (Note 16)	**–**	**34,749**	**–**
Bank balances and fixed deposits (Note 17)	**–**	**37,742**	**–**
Total	**–**	**72,491**	**–**
Liabilities			
Derivative financial instruments (Note 19)	**403**	**–**	**–**
Trade and other payables (Note 18)	**–**	**–**	**13,449**
Finance lease payables (Note 20)	**–**	**–**	**378**
Bank borrowings (Note 21)	**–**	**–**	**1,963**
Total	**403**	**–**	**15,790**
31 December 2015			
Assets			
Trade and other receivables (Note 16)	–	31,888	–
Bank balances and fixed deposits (Note 17)	–	50,514	–
Total	–	82,402	–
Liabilities			
Derivative financial instruments (Note 19)	59	–	–
Trade and other payables (Note 18)	–	–	8,453
Finance lease payables (Note 20)	–	–	624
Bank borrowings (Note 21)	–	–	6,817
Total	59	–	15,894

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

31. FINANCIAL INSTRUMENTS (CONTINUED)

Classification of financial instruments (continued)

	Fair value through profit and loss $'000	Loans and receivables $'000	Liabilities at amortised cost $'000
Company			
31 December 2016			
Assets			
Trade and other receivables (Note 16)	**–**	**49,142**	**–**
Bank balances and fixed deposits (Note 17)	**–**	**27,065**	**–**
Total	**–**	**76,207**	**–**
Liabilities			
Derivative financial instruments (Note 19)	**403**	**–**	**–**
Trade and other payables (Note 18)	**–**	**–**	**23,027**
Finance lease payables (Note 20)	**–**	**–**	**378**
Bank borrowings (Note 21)	**–**	**–**	**1,963**
Total	**403**	**–**	**25,368**
31 December 2015			
Assets			
Trade and other receivables (Note 16)	–	46,362	–
Bank balances and fixed deposits (Note 17)	–	33,701	–
Total	–	80,063	–
Liabilities			
Derivative financial instruments (Note 19)	59	–	–
Trade and other payables (Note 18)	–	–	8,982
Finance lease payables (Note 20)	–	–	617
Bank borrowings (Note 21)	–	–	6,817
Total	59	–	16,416

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value hierarchy

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

– Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

– Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

– Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There were no transfers between the levels of fair value measurements during the financial year.

(a) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value by level at the end of the reporting period:

	Group 2016 $'000		
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Total**
Recurring fair value measurements			
Liabilities			
Financial liabilities:			
Derivative financial instruments			
– Forward currency contracts	**–**	**(403)**	**(403)**
As at 31 December 2016	**–**	**(403)**	**(403)**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

32. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(a) Assets and liabilities measured at fair value (continued)

	Group		
	2015 $'000		
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices (Level 2)**	**Total**
Recurring fair value measurements			
Liabilities			
Financial liabilities:			
Derivative financial instruments			
– Forward currency contracts	–	(59)	(59)
As at 31 December 2015	–	(59)	(59)

Level 2 fair value measurements

The following is the description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within level 2 of the fair value hierarchy:

Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The most frequently applied valuation techniques include forward pricing, using present value calculations. The models incorporate various inputs including the credit quality of counterparties, foreign exchange spot and forward rates and forward rate curves.

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For the financial year ended 31 December 2016

32. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at 31 December 2016 and 2015 but for which fair value is disclosed:

	Group			
	2016 $'000			
	Quoted prices in active markets for identical assets (Level 1)	**Significant unobservable inputs (Level 3)**	**Fair value Total**	**Carrying amount**
Assets				
Investment in associate (BRC)	**21,916**	**–**	**21,916**	**50,057**
Investment in associate (POS-SEA Pte Ltd)	**–**	**–**	**–***	**798**
Liabilities				
Obligations under finance leases	**–**	**370**	**370**	**378**
Bank borrowings	**–**	**1,917**	**1,917**	**1,963**

	Group			
	2015 $'000			
	Quoted prices in active markets for identical assets (Level 1)	**Significant unobservable inputs (Level 3)**	**Fair value Total**	**Carrying amount**
Assets				
Investment in associate (BRC)	29,923	–	29,923	49,028
Investment in associate (POS-SEA Pte Ltd)	–	–	–*	475
Liabilities				
Obligations under finance leases	–	607	607	624
Bank borrowings	–	6,556	6,556	6,817

32. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(b) Assets and liabilities not carried at fair value but for which fair value is disclosed (continued)

Determination of fair value

Obligations under finance leases and bank borrowings: Fair value is estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending and leasing arrangements at the balance sheet date.

* Investment in equity securities carried at cost

Fair value information has not been disclosed for the Group's investment in equity securities that are carried at cost because fair value cannot be measured reliably. These equity securities represent ordinary shares in a company that is not quoted on any market and does not have any comparable industry peer that is listed. In addition, the variability in the range of reasonable fair value estimates derived from valuation techniques is significant. The Group does not intend to dispose of this investment in the foreseeable future.

33. FINANCIAL RISK MANAGEMENT

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Financial Controller.

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and Company's credit risk arises primarily from trade and other receivables. For other financial assets (including derivatives financial instruments and cash and cash equivalents), the Group and the Company minimise credit risks by dealing exclusively with high credit rating counterparties.

The Group and Company have a credit policy in place and the exposure to credit risk is monitored on an on-going basis. Credit review, which takes into account qualitative and quantitative factors like business performance and profile of the customers, is performed and approved by the management before credit is granted. The customer's payment profile and credit exposures are monitored on an on-going basis by the Credit Controller.

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) *Credit risk (continued)*

Concentration risk

Concentration risk arises when a number of counterparties are engaged in similar business activities, or activities in the same geographical region, or have economic features that would cause their ability to meet contractual obligations to be similarly affected by changes in economic, political or other conditions. Concentrations indicate the relative sensitivity of the Group's performance to developments affecting a particular industry.

In order to avoid excessive concentrations of risk, the Group's policies and procedures include specific guidelines to focus on maintaining a diversified portfolio. Identified concentrations of credit risks are controlled and managed accordingly.

Exposure to credit risk

At the balance sheet date, the Group's and the Company's maximum exposure to credit risk is represented by:

– the carrying amount of each class of financial assets recognised in the balance sheets.

– an amount of $1,630,000 (2015: $5,630,000) relating to corporate guarantees provided by the Company to banks on its subsidiaries' borrowings and other banking facilities.

Credit risk concentration profiles

The Group's and the Company's trade receivables concentration profiles by geographical areas and industry sectors as at balance sheet date are as follows:

	Group		**Company**	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
By country:				
– Myanmar	**24,169**	20,667	**24,169**	20,667
– Singapore	**7,787**	8,503	**8,825**	9,094
– Malaysia	**82**	46	**82**	46
– Indonesia	**759**	411	**759**	411
– Others	**–**	126	**–**	126
	32,797	29,753	**33,835**	30,344

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For the financial year ended 31 December 2016

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) *Credit risk (continued)*

Credit risk concentration profiles (continued)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
By industry sectors:				
– Trading	**24,640**	24,900	**24,640**	28,945
– Construction	**4,820**	3,864	**5,858**	410
– Others	**3,337**	989	**3,337**	989
	32,797	29,753	**33,835**	30,344

At the end of the reporting period, approximately:

– 77% (2015: 81%) of the Group's trade receivables were due from 3 (2015: 3) major customers who are located in Singapore, Indonesia and Myanmar (2015: Singapore, Indonesia and Myanmar).

– 0% (2015: 0.10%) of the Group's trade receivables were due from related parties.

Financial assets that are neither past due nor impaired

Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and have no history of default. Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 16 (Trade and other receivables).

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and Company's exposure to liquidity risks arises primarily from mismatches of the maturities of financial assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) *Liquidity risk (continued)*

The Group and the Company manages its liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from financial institutions. In addition, the Group and Company also maintain surplus cash for future investment opportunities.

The following are the contractual maturities of financial assets and liabilities of the Group and Company at balance sheet date based on contractual undiscounted payments:

	Within one year $'000	Two to five years $'000	Total $'000
Group			
As at 31 December 2016			
Financial assets:			
Trade and other receivables	**34,749**	**–**	**34,749**
Bank balances and fixed deposits	**37,742**	**–**	**37,742**
Total undiscounted financial assets	**72,491**	**–**	**72,491**
Financial liabilities:			
Derivative financial instruments	**403**	**–**	**403**
Trade and other payables	**13,449**	**–**	**13,449**
Finance lease payables	**250**	**145**	**395**
Bank borrowings	**1,963**	**–**	**1,963**
Total undiscounted financial liabilities	**16,065**	**145**	**16,210**
Total net undiscounted financial assets/ (liabilities)	**56,426**	**(145)**	**56,281**
As at 31 December 2015			
Financial assets:			
Trade and other receivables	31,888	–	31,888
Bank balances and fixed deposits	50,514	–	50,514
Total undiscounted financial assets	82,402	–	82,402
Financial liabilities:			
Derivative financial instruments	59	–	59
Trade and other payables	8,453	–	8,453
Finance lease payables	257	395	652
Bank borrowings	4,291	2,696	6,987
Total undiscounted financial liabilities	13,060	3,091	16,151
Total net undiscounted financial assets/ (liabilities)	69,342	(3,091)	66,251

NOTES TO THE **FINANCIAL STATEMENTS**

For the financial year ended 31 December 2016

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

	Within one year $'000	Two to five years $'000	Total $'000
Company			
As at 31 December 2016			
Financial assets:			
Trade and other receivables	**49,142**	**–**	**49,142**
Bank balances and fixed deposits	**27,065**	**–**	**27,065**
Total undiscounted financial assets	**76,207**	**–**	**76,207**
Financial liabilities:			
Derivative financial instruments	**403**	**–**	**403**
Trade and other payables	**23,027**	**–**	**23,027**
Finance lease payables	**250**	**145**	**395**
Bank borrowings	**1,963**	**–**	**1,963**
Total undiscounted financial liabilities	**25,643**	**145**	**25,788**
Total net undiscounted financial assets/ (liabilities)	**50,564**	**(145)**	**50,419**
As at 31 December 2015			
Financial assets:			
Trade and other receivables	46,362	–	46,362
Bank balances and fixed deposits	33,701	–	33,701
Total undiscounted financial assets	80,063	–	80,063
Financial liabilities:			
Derivative financial instruments	59	–	59
Trade and other payables	8,982	–	8,982
Finance lease payables	250	395	645
Bank borrowings	4,291	2,696	6,987
Total undiscounted financial liabilities	13,582	3,091	16,673
Total net undiscounted financial assets/ (liabilities)	66,481	(3,091)	63,390

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2016

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from finance lease payables and bank borrowings. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than 3 months from the balance sheet date.

The Group's and Company's exposure to interest rate risk relate primarily to interest-bearing fixed deposits and debt obligations with financial institutions.

Sensitivity analysis for interest rate risk

At the balance sheet date, if interest rates had been 50 (2015: 50) basis points lower/higher with all other variables held constant, the Group's income and equity would have been approximately $86,000 (2015: $81,000) higher/lower, arising mainly as a result of lower/higher interest expense on debt obligations with financial institutions.

A similar change in interest rates would have increased/decreased the Company's income and equity by approximately $55,000 (2015: $31,000).

(d) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily the Singapore Dollar ("SGD"), United States Dollar ("USD") and Malaysian Ringgit ("MYR").

The Group is exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, Myanmar and Indonesia. The Group's net investments in Malaysia, Myanmar and Indonesia are not hedged as currency positions in MYR and USD are considered to be long-term in nature.

NOTES TO THE **FINANCIAL STATEMENTS**

33. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) *Foreign currency risk (continued)*

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit/(loss) before tax to a reasonably possible change in the USD and SGD exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Increase/(decrease) Profit before tax 2016 $'000	**Increase/(decrease) Profit before tax 2015 $'000**
Group			
USD/SGD	– strengthened 2% (2015: 2%)	**406**	468
	– weakened 2% (2015: 2%)	**(406)**	(468)

		Increase/(decrease) Profit before tax 2016 $'000	**Increase/(decrease) Profit before tax 2015 $'000**
Company			
USD/SGD	– strengthened 2% (2015: 2%)	**415**	442
	– weakened 2% (2015: 2%)	**(415)**	(442)

34. CAPITAL MANAGEMENT

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the year ended 31 December 2016 and 31 December 2015.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2017.

APPENDIX

APPENDIX DATED 11 APRIL 2017

This Appendix is circulated to Shareholders of HG Metal Manufacturing Limited (the "**Company**") together with the Company's 2016 Annual Report. Its purpose is to provide Shareholders with information on, and to explain the rationale for, the proposed renewal of the Share Purchase Mandate to be tabled at the Annual General Meeting to be held at 15 Jurong Port Road, Singapore 619119 on 26 April 2017 at 10 a.m.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

If you have sold or transferred all your shares in the capital of the Company held through The Central Depository (Pte) Limited ("**CDP**"), you need not forward this Appendix to the purchaser or transferee as arrangements will be made by CDP for a separate Appendix to be sent to the purchaser or transferee. If you have sold or transferred all your shares represented by physical share certificate(s), you should at once hand this Appendix to the purchaser or transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

The Notice of Annual General Meeting and Proxy Form are enclosed with the 2016 Annual Report.

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

HG METAL

HG METAL MANUFACTURING LIMITED
(Company Registration No.: 198802660D)
(Incorporated in the Republic of Singapore)

APPENDIX IN RELATION TO THE PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE

APPENDIX

1. INTRODUCTION

1.1 The Directors wish to seek Shareholders' approval for the proposed renewal of the share purchase mandate previously approved by Shareholders on 29 April 2016 (the "**Share Purchase Mandate**").

1.2 The purpose of this Appendix, to be circulated to Shareholders together with the Company's 2016 Annual Report, is to provide Shareholders with information relating to, and to explain the rationale for, the proposed renewal of the Share Purchase Mandate to be tabled at the Annual General Meeting (the "**AGM**") of the Company to be held on 26 April 2017. Details of the Share Purchase Mandate, including the rationale for and the benefits to the Company, are set out in paragraph 2.2 below.

2. THE PROPOSED SHARE PURCHASE MANDATE

2.1 The Existing Share Purchase Mandate

Shareholders had approved the Share Purchase Mandate to enable all the Directors to exercise all powers of the Company to purchase or otherwise acquire such number of issued shares of the Company ("**Shares**") on the terms of the Share Purchase Mandate at the Annual General Meeting of the Company held on 29 April 2016. Particulars of the Share Purchase Mandate were set out in the Appendix to the 2015 Annual Report to Shareholders dated 14 April 2016.

The Share Purchase Mandate was expressed to take effect until the conclusion of the next AGM of the Company, being the AGM of the Company to be held on 26 April 2017. Accordingly, the Directors propose that the Share Purchase Mandate be renewed at the AGM, to take effect until the next AGM of the Company. The terms of the Share Purchase Mandate which are sought to be renewed remain unchanged.

2.2 Rationale for Share Purchase Mandate

The approval of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake share purchases or acquisitions up to the three per cent. (3%) limit described in paragraph 2.4.1 below at any time, during the period when the Share Purchase Mandate is in force.

The rationale for the Company to undertake the purchase or acquisition of its issued Shares is as follows:

(a) In managing the business of the Group, the management team strives to increase Shareholders' value by improving, *inter alia*, the return on equity of the Group. In addition to growth and expansion of business, share purchase is one of the ways through which the return on equity of the Group may be enhanced.

APPENDIX

(b) The Share Purchase Mandate is an expedient, effective and cost-efficient way for the Company to return surplus cash/funds over and above its ordinary capital requirements, if any, which is in excess of the financial and investment needs of the Company to its Shareholders. In addition, the Share Purchase Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company's share capital structure, cash reserves and its dividend policy.

(c) The Share Purchase Mandate will provide the Company the flexibility to undertake share purchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.

(d) The Share Purchase Mandate will help buffer short-term share price volatility and offset the effects of short-term share price speculation, thereby boosting Shareholders' confidence.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the said three per cent. (3%) limit during the duration referred to in paragraph 2.4.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full three per cent. (3%) limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate would be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Purchase Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

2.3 Issued Shares as at the Latest Practicable Date

As at 31 March 2017 ("**Latest Practicable Date**"), the total number of issued Shares of the Company (excluding treasury shares) is 127,417,735 Shares.

2.4 Authority and Limits on the Share Purchase Mandate

The authority and limits placed on share purchases or acquisitions of Shares by the Company under the proposed Share Purchase Mandate are summarised below:

2.4.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than three per cent. (3%) of the total number of issued Shares (excluding treasury shares) (ascertained as at the date of the AGM), unless the Company has, at any time during the Relevant Period, reduced its share capital in accordance with the applicable provisions of the Companies Act, in which event the total number of issued Shares (excluding treasury shares) shall be taken to be the total number of issued Shares (excluding treasury shares) as altered. Any Shares which are held as treasury shares will be disregarded for purposes of computing the three per cent. (3%) limit.

For illustrative purposes only, on the basis of 127,417,735 Shares in issue (excluding treasury shares) assuming that (a) no further Shares are issued on or prior to the AGM, and (b) the Company does not reduce its share capital, not more than 3,822,532 Shares (representing three per cent. (3%)) of the total number of issued Shares (excluding treasury shares) as at that date may be purchased by the Company pursuant to the proposed Share Purchase Mandate during the duration referred to in paragraph 2.4.2 below.

Rationale for limit

Although Section 76B of the Companies Act permits the Company to purchase or acquire up to 20% of its Shares, the Directors, after taking into consideration the requirement in Rule 882 of the Listing Manual that share purchases may not exceed 10% of the Company's Shares and the take-over implications arising from any purchase or acquisition by the Company of its Shares, would be seeking the renewal of the Share Purchase Mandate to authorise the Directors, from time to time, to purchase Shares either through market purchases or off-market purchases on an equal access scheme as defined in Section 76C of Companies Act of up to a maximum of three per cent. (3%) of the Shares as at the date of the AGM at which the Share Purchase Mandate is renewed, at such price up to but not exceeding the Maximum Price (as defined below).

APPENDIX

2.4.2 Duration of Authority

Purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate may be made, at any time and from time to time, on and from the date of the AGM of the Company held on 26 April 2017, at which the Share Purchase Mandate is approved, up to:

(a) the date on which the next AGM is held or required by law to be held;

(b) the date on which the purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate are carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

The authority conferred on the Directors by the Share Purchase Mandate to purchase Shares may be renewed at the next AGM or any other general meeting of the Company. When seeking the approval of the Shareholders for the renewal of the Share Purchase Mandate, the Company is required to disclose details pertaining to purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate made during the previous twelve (12) months, including the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for such purchases of Shares, where relevant, and the total consideration paid for such purchases.

2.4.3 Manner of Purchases or Acquisitions of Shares

Purchases or acquisitions of Shares may be made by way of:

(a) on-market purchases ("**Market Purchase**"), transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or

(b) off-market purchases ("**Off-Market Purchase**") effected pursuant to an equal access scheme in accordance with Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Manual and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all of the following conditions:

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

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(ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements, (2) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid (if applicable) and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to Rule 885 of the Listing Manual, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document to all Shareholders containing at least the following information:

(a) the terms and conditions of the offer;

(b) the period and procedures for acceptances;

(c) the reasons for the proposed Share buy-back;

(d) the consequences, if any, of the Share purchases by the Company that will arise under the Singapore Code on Take-overs and Mergers ("**Take-over Code**") or other applicable take-over rules;

(e) whether the Share buy-back, if made, could affect the listing of the Company's equity securities on the SGX-ST;

(f) details of any Share buy-back made by the Company in the previous 12 months (whether Market Purchases or Off-Market Purchases in accordance with an equal access scheme), giving the total number of Shares purchased, the purchase price per Share or the highest and lowest prices paid for the purchases of Shares, where relevant, and the total consideration paid for the purchases; and

(g) whether the Share purchased by the Company will be cancelled or kept as treasury Shares.

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2.4.4 Maximum Purchase Price

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) ("**related expenses**") to be paid for a Share will be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company under the Share Purchase Mandate. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

(a) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price (as defined hereinafter); and

(b) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price (as defined hereinafter),

(the "**Maximum Price**") in either case, excluding related expenses of the purchase or acquisition.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, and is deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days.

2.5 Status of Purchased Shares

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares. At the time of each purchase of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company at that time.

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2.6 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act, are summarised below:

2.6.1 Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed ten per cent. (10%) of the total number of issued Shares.

2.6.2 Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of Shares as fully paid bonus Shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.6.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

(a) sell the treasury shares for cash;

(b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;

(c) transfer the treasury shares as consideration for the acquisition of Shares in or assets of another company or assets of a person;

(d) cancel the treasury shares; or

(e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

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2.7 Reporting Requirements

Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the Registrar.

The Company shall notify the Registrar within 30 days of a purchase of Shares by the Company on the SGX-ST or otherwise. Such notification shall include details of the purchases including the date of the purchases, the total number of Shares purchased by the Company, the number of Shares cancelled and the number of Shares held as treasury shares, the Company's issued ordinary share capital before and after the purchase of Shares, the amount of consideration paid by the Company for the purchases and such other information as required by the Companies Act.

Rule 886(1) of the Listing Manual specifies that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9.00 a.m.:

(a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and

(b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the closing of acceptances of the offer for the Off-Market Purchase.

The notification of such purchases or acquisitions of Shares to the SGX-ST shall include details of the total number of Shares authorised for purchase, the date of purchase, prices paid for the total number of Shares purchased, the purchase price per Share or the highest and lowest purchase price per Share and the number of issued Shares excluding treasury shares after purchase, in the form prescribed under the Listing Rules. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

The Company, upon undertaking any sale, transfer, cancellation and/or use of treasury shares, will comply with Rule 704(28) of the Listing Manual, which provides that an issuer must make an immediate announcement thereof, stating the following:

(i) date of the sale, transfer, cancellation and/or use;

(ii) purpose of such sale, transfer, cancellation and/or use;

(iii) number of treasury shares sold, transferred, cancelled and/or used;

(iv) number of treasury shares before and after such sale, transfer, cancellation and/or use;

(v) percentage of the number of treasury shares against the total number of Shares outstanding before and after such sale, transfer, cancellation and/or use; and

(vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

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2.8 Source of Funds

The Company may only apply funds for the purchase or acquisition of the Shares as provided in the Constitution and in accordance with the applicable laws in Singapore. The Company may not purchase its Shares for a consideration other than in cash or, in the case of a Market Purchase, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

The Company intends to use internal sources of funds or external borrowings or a combination of both to finance the Company's purchase or acquisition of the Shares pursuant to the Share Purchase Mandate.

2.9 Financial Effects

It is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions of Shares that may be made pursuant to the Share Purchase Mandate on the NTA and EPS as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares and the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares purchased or acquired are cancelled or held as treasury shares.

The Company's total issued share capital will be diminished by the total number of the Shares purchased by the Company and which are cancelled. The NTA of the Group will be reduced by the aggregate purchase price paid by the Company for the Shares.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced. For the purposes of the Share Purchase Mandate, it is intended that purchases or acquisitions of the Shares by the Company, if any, will be made out of the Company's capital and the foregoing has been assumed in the preparation of the financial effects illustrated below.

The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group. The purchase or acquisition of the Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The proposed Share Purchase Mandate will be exercised with a view to enhance the earnings and/or the NTA value per Share of the Group.

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For illustrative purposes only, the financial effects of the Share Purchase Mandate on the Company and the Group, based on the unaudited financial statements of the Group for the financial year ended 31 December 2016 are based on the assumptions set out below:

(a) based on 127,417,735 Shares in issue (excluding treasury shares) and assuming that (i) no further Shares are issued, and (ii) no Shares are held by the Company as treasury shares on or prior to the AGM, not more than 3,822,532 Shares (representing three per cent. (3%) of the total number of issued Shares (excluding treasury shares) as at that date) may be purchased by the Company pursuant to the proposed Share Purchase Mandate;

(b) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires the 3,822,532 Shares at the Maximum Price of S$0.395 for one (1) Share (being the price equivalent to five per cent. (5%) above the Average Closing Price of the Shares for the last five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 3,822,532 Shares (excluding related expenses) is approximately S$1,510,000; and

(c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires the 3,822,532 Shares at the Maximum Price of S$0.451 for one (1) Share (being the price equivalent to twenty per cent. (20%) above the Average Closing Price of the Shares on the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 3,822,532 Shares (excluding related expenses) is approximately S$1,724,000.

For illustrative purposes only, and based on the assumptions set out in sub-paragraphs (a), (b) and (c) above and assuming that (i) the purchase or acquisition of Shares is financed by internal sources of funds and/or external borrowings, (ii) the Share Purchase Mandate had been effective on 1 January 2016, and (iii) the Company had purchased or acquired the 3,822,532 Shares (representing three per cent. (3%)) of its issued ordinary share capital at the Latest Practicable Date, the financial effects of the purchase or acquisition of the 3,822,532 Shares by the Company pursuant to the Share Purchase Mandate:

(i) by way of purchases made entirely out of capital and held as treasury shares; and

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(ii) by way of purchases made entirely out of capital and cancelled, or as summarised for ease of reference in the following table:

	Purchased out of:	Type of purchase	Held as Treasury Shares or Cancelled	Maximum Price per Share (S$)
1(A)	Capital	Market Purchase	Held as treasury shares	0.395
1(B)	Capital	Off-Market Purchase	Held as treasury shares	0.451
2(A)	Capital	Market Purchase	Cancelled	0.395
2(B)	Capital	Off-Market Purchase	Cancelled	0.451

on the unaudited financial statements of the Group for the financial year ended 31 December 2016, are set out below:

(1) Purchases made entirely out of capital and held as treasury shares

(A) Market Purchases

	Group Before Share Purchase S$'000	Group After Share Purchase S$'000	Company Before Share Purchase S$'000	Company After Share Purchase S$'000
As at 31 December 2016				
Share capital	152,052	152,052	152,052	152,052
Capital and other reserves	1,410	1,410	2,527	2,527
Retained earnings	(21,818)	(21,818)	(71,833)	(71,833)
	131,644	131,644	82,746	82,746
Treasury share	(2,215)	(3,725)	(2,215)	(3,725)
Shareholders' funds	129,429	127,919	80,531	79,021
Net tangible assets	129,364	127,854	80,470	78,960
Minority interests	269	269	–	–
Current assets	87,033	85,523	88,739	87,229
Current liabilities	18,004	18,004	27,527	27,527
Working capital	69,029	67,519	61,212	59,702
Number of issued Shares	127,417,735	123,595,203	127,417,735	123,595,203
Weighted average number of Shares	127,437,235	123,614,703	127,437,235	123,614,703
Financial ratios				
Net tangible assets/Share (S$)(1)	1.02	1.03	0.63	0.64
Current ratio (times)(2)	4.83	4.75	3.22	3.17
Earnings per Share (cents)(3)	0.70	0.73	(2.86)	(2.95)

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Notes:

For the purpose of the above calculations:

(1) "**Net tangible asset/Share**" is calculated based on the NTA and the issued and paid-up Shares (excluding treasury shares) as the Latest Practicable Date;

(2) "**Current ratio**" represents the ratio of total current assets to the total current liabilities; and

(3) "**Earnings per Share**" is calculated based on profit attributable to Shareholders and weighted average number of issued and paid-up Shares (excluding treasury shares) as at the Latest Practicable Date.

(B) Off-Market Purchases

	Group Before Share Purchase S$'000	Group After Share Purchase S$'000	Company Before Share Purchase S$'000	Company After Share Purchase S$'000
As at 31 December 2016				
Share capital	152,052	152,052	152,052	152,052
Capital and other reserves	1,410	1,410	2,527	2,527
Retained earnings	(21,818)	(21,818)	(71,833)	(71,833)
	131,644	131,644	82,746	82,746
Treasury shares	(2,215)	(3,939)	(2,215)	(3,939)
Shareholders' funds	129,429	127,705	80,531	78,807
Net tangible assets	129,364	127,640	80,470	78,746
Minority interests	269	269	–	–
Current assets	87,033	85,309	88,739	87,015
Current liabilities	18,004	18,004	27,527	27,527
Working capital	69,029	67,305	61,212	59,488
Number of issued Shares	127,417,735	123,595,203	127,417,735	123,595,203
Weighted average number of Shares	127,437,235	123,614,703	127,437,235	123,614,703
Financial ratios				
Net tangible assets/Share (S$)[(1)]	1.02	1.03	0.63	0.64
Current ratio (times)[(2)]	4.83	4.74	3.22	3.16
Earnings per Share (cents)[(3)]	0.70	0.73	(2.86)	(2.95)

Notes:

For the purpose of the above calculations:

(1) "**Net tangible asset/Share**" is calculated based on the NTA and the issued and paid-up Shares (excluding treasury shares) as the Latest Practicable Date;

(2) "**Current ratio**" represents the ratio of total current assets to the total current liabilities; and

(3) "**Earnings per Share**" is calculated based on profit attributable to Shareholders and weighted average number of issued and paid-up Shares (excluding treasury shares) as at the Latest Practicable Date.

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(2) Purchases made entirely out of capital and cancelled

(A) Market Purchases

	Group Before Share Purchase S$'000	Group After Share Purchase S$'000	Company Before Share Purchase S$'000	Company After Share Purchase S$'000
As at 31 December 2016				
Share capital	149,837	148,327	149,837	148,327
Capital and other reserves	1,410	1,410	2,527	2,527
Retained earnings	(21,818)	(21,818)	(71,833)	(71,833)
Shareholders' funds	129,429	127,919	80,531	79,021
Net tangible assets	129,364	127,854	80,470	78,960
Minority interests	269	269	–	–
Current assets	87,033	85,523	88,739	87,229
Current liabilities	18,004	18,004	27,527	27,527
Working capital	69,029	67,519	61,212	59,702
Number of issued Shares	127,417,735	123,595,203	127,417,735	123,595,203
Weighted average number of Shares	127,437,235	123,614,703	127,437,235	123,614,703
Financial ratios				
Net tangible assets/Share (S$)(1)	1.02	1.03	0.63	0.64
Current ratio (times)(2)	4.83	4.75	3.22	3.17
Earnings per Share (cents)(3)	0.70	0.73	(2.86)	(2.95)

Notes:

For the purpose of the above calculations:

(1) "**Net tangible asset/Share**" is calculated based on the NTA and the issued and paid-up Shares (excluding treasury shares) as the Latest Practicable Date;

(2) "**Current ratio**" represents the ratio of total current assets to the total current liabilities; and

(3) "**Earnings per Share**" is calculated based on profit attributable to Shareholders and weighted average number of issued and paid-up Shares (excluding treasury shares) as at the Latest Practicable Date.

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(B) Off-Market Purchases

	Group Before Share Purchase S$'000	Group After Share Purchase S$'000	Company Before Share Purchase S$'000	Company After Share Purchase S$'000
As at 31 December 2016				
Share capital	149,837	148,113	149,837	148,113
Capital and other reserves	1,410	1,410	2,527	2,527
Retained earnings	(21,818)	(21,818)	(71,833)	(71,833)
Shareholders' funds	129,429	127,705	80,531	78,807
Net tangible assets	129,364	127,640	80,470	78,746
Minority interests	269	269	–	–
Current assets	87,033	85,309	88,739	87,015
Current liabilities	18,004	18,004	27,527	27,527
Working capital	69,029	67,305	61,212	59,488
Number of issued Shares	127,417,735	123,595,203	127,417,735	123,595,203
Weighted average number of Shares	127,437,235	123,614,703	127,437,235	123,614,703
Financial ratios				
Net tangible assets/Share (S$)(1)	1.02	1.03	0.63	0.64
Current ratio (times)(2)	4.83	4.74	3.22	3.16
Earnings per Share (cents)(3)	0.70	0.73	(2.86)	(2.95)

Notes:

For the purpose of the above calculations:

(1) "**Net tangible asset/Share**" is calculated based on the NTA and the issued and paid-up Shares (excluding treasury shares) as the Latest Practicable Date;

(2) "**Current ratio**" represents the ratio of total current assets to the total current liabilities; and

(3) "**Earnings per Share**" is calculated based on profit attributable to Shareholders and weighted average number of issued and paid-up Shares (excluding treasury shares) as at the Latest Practicable Date.

Shareholders should note that the financial effects set out above are purely for illustrative purposes only based on the abovementioned assumptions. Although the proposed Share Purchase Mandate would authorise the Company to purchase or acquire up to three per cent. (3%) of the total number of issued Shares (excluding treasury shares) as determined in accordance with the applicable provisions of the Companies Act, the Company may not necessarily purchase or be able to purchase the entire three per cent. (3%) of the total number of its issued Shares (excluding treasury shares). In addition, the Company may cancel all or part of the Shares purchased or hold all or part of the Shares purchased in treasury.

Shareholders who are in doubt as to their tax positions or any tax implications in their respective jurisdictions should consult their own professional advisers.

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2.10 Take-over Implications

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

2.10.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

2.10.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of Shares in a company to obtain or consolidate effective control of the company.

Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert, namely:

(a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, any company whose associated companies include any of the above companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above companies for the purchase of voting rights;

(b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total ten per cent. (10%) or more of the client's equity share capital;

(f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;

(g) partners; and

(h) an individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions, companies controlled by any of the above persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above companies for the purchase of voting rights.

For this purpose, ownership or control of at least twenty per cent. (20%) but not more than fifty per cent. (50%) of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

2.10.3 Effect of Rule 14 and Appendix 2

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares:

(a) the voting rights of such Directors and their concert parties would increase to thirty per cent. (30%) or more; or

(b) in the event that such Directors and their concert parties hold between thirty per cent. and fifty per cent. (50%) of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than one per cent. (1%) in any period of six (6) months.

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Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares:

(i) the voting rights of such Shareholder would increase to thirty per cent. (30%) or more; or

(ii) if such Shareholder holds between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent. (1%) in any period of six (6) months.

Such Shareholders need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

2.10.4 Based on the shareholdings of the Directors in the Company as at the Latest Practicable Date, none of the Directors will become obligated to make a mandatory offer by reason only of the buy-back of 3% Shares by the Company pursuant to the Share Purchase Mandate.

The Directors are not aware of any Shareholder or group of Shareholders acting in concert who may become obligated to make a mandatory offer in the event that the Directors exercise the power to repurchase Shares pursuant to the Share Purchase Mandate.

Shareholders who are in doubt as to their obligations, if any, to make a mandatory takeover offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the SIC and/or their professional advisers at the earliest opportunity.

2.11 Taxation

Shareholders who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisors.

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2.12 Listing Rules

While the Listing Rules do not expressly prohibit purchase of Shares by a listed company during any particular time or times, the listed company would be considered an "insider" in relation to any proposed purchase or acquisition of its issued Shares. In this regard, the Company will not purchase any Shares pursuant to the Share Purchase Mandate after a price-sensitive development has occurred or has been the subject of a consideration and/or a decision of the Board until such time the price-sensitive information has been publicly announced. In particular, pursuant to Listing Rule 1207(19)(c), the Company will not purchase or acquire any Shares through Market Purchases during the period of:

(a) one (1) month immediately preceding the announcement of the Company's annual results; and

(b) two (2) weeks immediately preceding the announcement of the Company's quarterly results.

The Company is required under Rule 723 of the Listing Manual to ensure that at least ten per cent. (10%) of its Shares are in the hands of the public. The "**public**", as defined under the Listing Manual, are persons other than the directors, chief executive officer, substantial Shareholders or controlling Shareholders of the Company or its subsidiaries, as well as the associates of such persons.

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 68,059,415 Shares, representing approximately 53.41% of the issued Shares (excluding treasury shares), are in the hands of the public. Assuming that the Company purchases its Shares through Market Purchases up to the full three per cent. (3%) limit pursuant to the Share Purchase Mandate, the number of Shares in the hands of the public not taking into account treasury shares would be reduced to 64,236,883 Shares, representing approximately 51.97% of the reduced total number of issued Shares (excluding treasury shares). Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full three per cent. (3%) limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of the Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

2.13 Previous Share Purchases

The Company has not purchased any Shares during the 12-month period immediately preceding the Latest Practicable Date.

3. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Based on information in the Register of Directors maintained by the Company, as at the Latest Practicable Date, the number of Shares in which the Directors have an interest, are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	(%)(1)	Number of Shares	(%)(1)
Tan Keng Boon	–	–	13,350,000(2)	10.48
Foo Sey Liang	–	–	28,405,000(3)	22.29
Teo Yi-Dar (Zhang Yida)	–	–	–	–
Ng Weng Sui Harry	10,000	0.01	–	–
Kesavan Nair	–	–	–	–

Notes:

(1) Based on total issued and paid-up ordinary share capital (excluding treasury shares) comprising 127,417,735 Shares as at the Latest Practicable Date.

(2) Mr Tan Keng Boon is deemed to be interested in the 13,350,000 Shares held by Seavi Advent Investments Ltd by virtue of Section 7 of the Companies Act. SEAVI Advent Investments Ltd ("**SEAVI**") is an investment holding company incorporated in the British Virgin Islands. SEAVI is beneficially owned by SEAVI Advent Equity VI (Cayman) L.P. and Ocean Private Equity III Fund Limited (collectively known as the "**SEAVI Advent Funds**"). The SEAVI Advent Funds are private equity funds managed by SEAVI Advent Corporation Limited.

(3) Mr Foo Sey Liang is deemed to be interested in the 28,405,000 Shares held by Flame Gold International Limited, by virtue of Section 7 of the Companies Act.

APPENDIX

Based on information in the Register of Substantial Shareholders maintained by the Company, as at the Latest Practicable Date, the Substantial Shareholders and the number of Shares in which they have an interest are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	(%)[1]	Number of Shares	(%)[1]	Number of Shares	(%)[1]
SEAVI Advent Investments Ltd	–	–	13,350,000[2]	10.48	13,350,000	10.48
Tan Keng Boon	–	–	13,350,000[3]	10.48	13,350,000	10.48
Flame Gold International Limited	28,405,000	22.29	–	–	28,405,000	22.29
Foo Sey Liang	–	–	28,405,000[4]	22.29	28,405,000	22.29
Rise Capital Ventures Ltd	8,010,000	6.29	–	–	8,010,000	6.29
Aung Tin Htut	–	–	8,010,000[5]	6.29	8,010,000	6.29
Chye Hin Hardware Pte. Ltd.	8,608,657	6.76	–	–	8,608,657	6.76
Yap Xi Ming	571,000	0.45	8,612,312[6]	6.76	9,183,312	7.21
Tan Kim Seng	400,008	0.31	8,608,657[7]	6.76	9,008,665	7.07

Notes:

(1) Based on total issued and paid-up ordinary share capital (excluding treasury shares) comprising 127,417,735 Shares as at the Latest Practicable Date.

(2) SEAVI is an investment holding company incorporated in the British Virgin Islands. SEAVI is beneficially owned by the SEAVI Advent Funds. The SEAVI Advent Funds are private equity funds managed by SEAVI Advent Corporation Limited.

(3) Mr Tan Keng Boon is deemed to be interested in the 13,350,000 Shares held by SEAVI by virtue of Section 7 of the Companies Act.

(4) Mr Foo Sey Liang is deemed to be interested in the 28,405,000 Shares held by Flame Gold International Limited, by virtue of Section 7 of the Act.

(5) Aung Tin Htut is deemed to be interested in the 8,010,000 Shares held by Rise Capital Ventures Ltd by virtue of Section 7 of the Act.

(6) Yap Xi Ming holds approximately 33.33% in the share capital of Chye Hin Hardware Pte. Ltd. ("**Chye Hin**") and is therefore deemed interested in the 8,608,657 Shares held by Chye Hin by virtue of Section 7 of the Act. He is also deemed to be interested in the 3,655 Shares held by CIMB Securities (S) Pte Ltd as his nominee.

(7) Tan Kim Seng holds approximately 25% in the share capital of Chye Hin and is therefore deemed interested in the 8,608,657 Shares held by Chye Hin by virtue of Section 7 of the Act.

APPENDIX

4. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution relating to the renewal of the Share Purchase Mandate.

5. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 15 Jurong Port Road, Singapore 619119 not later than 48 hours prior to the AGM, being 10 a.m. on 24 April 2017. Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the AGM if he so wishes.

6. RESPONSIBILITY STATEMENT

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 renewal of the Share Purchase Mandate, 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. 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.

7. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 15 Jurong Port Road, Singapore 619119 during normal business hours from the date of this Appendix up to the date of the forthcoming AGM:

(a) the Annual Report of the Company for the financial year ended 31 December 2016; and

(b) the Constitution of the Company.

Yours faithfully

For and on behalf of
the Board of Directors of
HG Metal Manufacturing Limited

Foo Sey Liang
Executive Director
Singapore

SHAREHOLDINGS **STATISTICS**

as at 15 March 2017

Number of Shares	–	127,417,735 (excluding treasury shares)
Class of Shares	–	Ordinary Shares
Voting Rights	–	On a show of hands: 1 vote
	–	On a poll: 1 vote for each ordinary share

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	440	8.83	20,234	0.01
100 – 1,000	762	15.28	505,679	0.39
1,001 – 10,000	2,948	59.14	12,452,282	9.53
10,001 – 1,000,000	822	16.49	38,042,505	29.13
1,000,001 and above	13	0.26	79,590,665	60.94
	4,985	100.00	130,611,365^	100.00

Note:

^ The total number of shares includes the treasury shares of 3,193,630 held by the Company.

Shareholding Held in Hands of Public

As at 15 March 2017, the percentage of shareholdings held in the hands of the public was approximately 53.36% and Rule 723 of the Listing Manual is complied with.

TOP 20 SHAREHOLDERS LIST

S/No	Name of Shareholder	Number of Shares	%*
1	UOB Kay Hian Pte Ltd	29,913,933	23.48
2	DBS Vickers Securities (S) Pte Ltd	13,595,901	10.67
3	Chye Hin Hardware Pte Ltd	8,608,657	6.76
4	Rise Capital Ventures Limited	8,010,000	6.29
5	Daiwa Capital Markets Singapore Limited	3,638,800	2.86
6	DBS Nominees Pte Ltd	3,402,827	2.67
7	Sia Ling Sing	1,940,733	1.52
8	Phillip Securities Pte Ltd	1,613,376	1.27
9	Citibank Nominees Singapore Pte Ltd	1,610,081	1.26
10	CIMB Securities (S) Pte Ltd	1,488,526	1.17
11	Maybank Kim Eng Securities Pte Ltd	1,311,048	1.03
12	OCBC Securities Private Ltd	1,263,153	0.99
13	Tan Ah Yen	762,100	0.60
14	Ong King Sin	732,000	0.57
15	HSBC (Singapore) Nominees Pte Ltd	670,000	0.53
16	Tan Wai See	655,000	0.51
17	Goh Guan Siong (Wu Yuanxiang)	650,600	0.51
18	Ng Hwee Koon	604,150	0.47
19	Yap Xi Ming	571,000	0.45
20	Tan Lay Choon	555,869	0.44
		81,597,754	64.05

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 15 March 2017 of 127,417,735 shares (which excludes 3,193,630 shares which are held as treasury shares representing approximately 2.51% of the total number of issued shares excluding treasury shares).

SHAREHOLDINGS **STATISTICS**

as at 15 March 2017

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Substantial Shareholder	**No. of Shares**	**Percentage (%)(1)**	**No. of Shares**	**Percentage (%)(1)**
Flame Gold International Limited	28,405,000	22.29	–	–
Foo Sey Liang	–	–	28,405,000(2)	22.29
SEAVI Advent Investments Ltd	–	–	13,350,000(3)	10.48
Tan Keng Boon	–	–	13,350,000(4)	10.48
Rise Capital Ventures Ltd	8,010,000	6.29	–	–
Aung Tin Htut	–	–	8,010,000(5)	6.29
Chye Hin Hardware Pte. Ltd.	8,608,657	6.76	–	–
Yap Xi Ming	571,000	0.45	8,612,312(6)	6.76
Tan Kim Seng	400,008	0.31	8,608,657(7)	6.76

Notes:

(1) Based on total issued and paid-up ordinary share capital (excluding treasury shares) comprising 127,417,735 Shares as at 15 March 2017.

(2) Foo Sey Liang is deemed to be interested in the 28,405,000 Shares held by Flame Gold International Limited, by virtue of Section 7 of the Act.

(3) SEAVI Advent Investments Ltd ("**SEAVI**") is an investment holding company incorporated in the British Virgin Islands. SEAVI is beneficially owned by SEAVI Advent Equity VI (Cayman) L.P. and Ocean Private Equity III Fund Limited (collectively known as the "**SEAVI Advent Funds**"). The SEAVI Advent Funds are private equity funds managed by SEAVI Advent Corporation Limited.

(4) Tan Keng Boon is deemed to be interested in the 13,350,000 Shares held by SEAVI by virtue of Section 7 of the Act. SEAVI is an investment holding company incorporated in the British Virgin Islands. SEAVI is beneficially owned by SEAVI Advent Funds. The SEAVI Advent Funds are private equity funds managed by SEAVI Advent Corporation Limited.

(5) Aung Tin Htut is deemed to be interested in the 8,010,000 shares in the capital of the Company which Rise Capital Ventures Ltd has an interest in, by virtue of Section 7 of the Act.

(6) Yap Xi Ming holds approximately 33.33% in the share capital of Chye Hin Hardware Pte. Ltd. ("**Chye Hin**") and is therefore deemed interested in the 8,608,657 Shares held by Chye Hin by virtue of Section 7 of the Act. He is also deemed to be interested in the 3,655 shares held by CIMB Securities (S) Pte Ltd as his nominee.

(7) Tan Kim Seng holds approximately 25% in the share capital of Chye Hin and is therefore deemed interested in the 8,608,657 Shares held by Chye Hin by virtue of Section 7 of the Act.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of HG Metal Manufacturing Limited (the "**Company**") will be held at Orchid Room, 15 Jurong Port Road, Singapore 619119 on Wednesday, 26 April 2017 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2016 together with the Auditors' Report thereon. **(Resolution 1)**

2. To declare a one-tier tax-exempt final dividend of 0.5 cents per ordinary share for the financial year ended 31 December 2016. **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to the Company's Constitution:

   Mr Tan Keng Boon (Regulation 88) *[See explanatory note (i)]* **(Resolution 3)**

   Mr Foo Sey Liang (Regulation 89) **(Resolution 4)**

   Mr Kesavan Nair (Regulation 89) *[See explanatory note (i)]* **(Resolution 5)**

4. To approve the payment of Directors' fees of S$209,118 for the financial year ended 31 December 2016 (previous financial year: S$234,000). **(Resolution 6)**

5. To re-appoint Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 7)**

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

AS SPECIAL BUSINESS

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

7. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST")**

   That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited, 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 in pursuance at 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 in pursuance of 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) 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) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraphs (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

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

(b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and

(c) any subsequent consolidation or subdivision of shares;

NOTICE OF **ANNUAL GENERAL MEETING**

(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 Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier 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.

[See Explanatory Note (ii)] **(Resolution 8)**

8. **Renewal of the Share Purchase Mandate**

That:

(a) for the purposes of the Companies Act (Chapter 50 of Singapore) (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) (each a "**Market Purchase**") on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"); and/or

(ii) off-market purchase(s) (each an "**Off-Market Purchase**") in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

NOTICE OF **ANNUAL GENERAL MEETING**

(b) unless varied or revoked by the members of the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution and expiring on the earlier of:

(i) the date on which the next annual general meeting of the Company ("**AGM**") is held or required by law to be held; or

(ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earlier;

(c) in this Ordinary Resolution:

"**Maximum Limit**" means that number of issued Shares representing three per cent. (3%) of the total number of issued Shares (excluding treasury shares) as at the date of the passing of this Ordinary Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of issued Shares shall be taken to be the total number of Shares as altered (excluding any treasury shares that may be held by the Company from time to time);

"**Relevant Period**" means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Ordinary Resolution; and

"**Maximum Price**", in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

(i) in the case of a Market Purchase, one hundred and five per cent (105%) of the Average Closing Price; and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price,

NOTICE OF **ANNUAL GENERAL MEETING**

where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days (a "**Market Day**" being a day on which the SGX-ST is open for trading in securities), on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days; and

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.

[See Explanatory Note (iii)] **(Resolution 9)**

By Order of the Board

Wee Woon Hong
Srikanth Rayaprolu
Company Secretaries
Singapore
11 April 2017

Explanatory Notes:

(i) Mr Tan Keng Boon will, upon re-election as a Director of the Company, remain as a Non-Independent and Non-Executive Chairman, and member each of the Audit & Risk Committee, Nominating Committee and the Remuneration Committee. He is not considered independent for the purpose of Rule 704(8) of the Listing Manual in accordance with Guideline 2.3 of the Code of Corporate Governance 2012. Detailed information of Mr Tan Keng Boon can be found in the Annual Report 2016.

Mr Kesavan Nair will, upon re-election as a Director of the Company, remain as a Chairman of the Nominating Committee and Remuneration Committee and member of the Audit & Risk Committee, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual in accordance with Guideline 2.3 of the Code of Corporate Governance 2012. Detailed information of Mr Kesavan Nair can be found in the Annual Report 2016.

(ii) The Ordinary Resolution 8 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is 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, 50% of the total number of issued shares (excluding treasury shares), of which up to 20% may be issued other than on a pro-rata basis to shareholders.

NOTICE OF **ANNUAL GENERAL MEETING**

For the purpose of 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) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of 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 Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

(iii) The Ordinary Resolution 9 seeks to renew the share purchase mandate to enable the Directors of the Company to exercise all the powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company not exceeding in aggregate the Maximum Limit (as defined in the mandate). Details of the terms of the mandate are set out in the Appendix to the 2016 Annual Report of the Company.

Note:

1. A Member entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member.

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 15 Jurong Port Road, Singapore 619119 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

4. The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

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

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.

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HG METAL MANUFACTURING LIMITED

Company Registration No. 198802660D
(Incorporated In the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. An Investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investors**") (as may be applicable) may attend and cast his vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SPS Approved Nominees to appoint their nominee as proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.
2. This proxy form is not valid for use by CPF and SRS investors and shall be ineffective for all intents and purported to be used by them.

*I/We, ______________________________ (Name) ____________________ (NRIC/Passport No.)

of ____ (Address)

being a member/members of HG Metal Manufacturing Limited (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Orchid Room, 15 Jurong Port Road, Singapore 619119 on 26 April 2017 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against 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/proxies will vote or abstain from voting at his/her discretion.

	Please tick here if more than two proxies will be appointed (Please refer to note 3). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services.

All resolutions put to the vote at the Meeting shall be decided by way of poll.

(Please indicate your vote "For" or "Against" with a tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions relating to:	For	Against
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2016		
2	Final dividend of 0.5 cents per ordinary share for the financial year ended 31 December 2016		
3	Re-election of Mr Tan Keng Boon as a Director		
4	Re-election of Mr Foo Sey Liang as a Director		
5	Re-election of Mr Kesavan Nair as a Director		
6	Approval of Directors' fees amounting to S$209,118/-		
7	Re-appointment of Ernst & Young LLP as Auditors		
8	Authority to issue shares and convertible securities pursuant to Section 161 of the Companies Act, Chapter 50.		
9	Renewal of the Share Purchase Mandate		

Dated this ________ day of ____________________ 2017

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

____

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

* Delete where inapplicable

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 50 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. A shareholder of the Company entitled to attend and vote at the Meeting of the Company may appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.

3. Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.

4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 15 Jurong Port Road Singapore 619119 not less than forty-eight (48) hours before the time appointed for the Meeting.

5. Where a member appoints more than one proxy, he shall specify the number of shares to be represented by each proxy, failing which, the appointment shall be deemed to be in the alternative.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or by an officer on behalf of the corporation.

7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney or other authority, the power of attorney or authority or a notarially certified copy thereof must be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.

8. 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.

9. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (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 is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2017.

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