HG METAL

ANNUAL REPORT 2017

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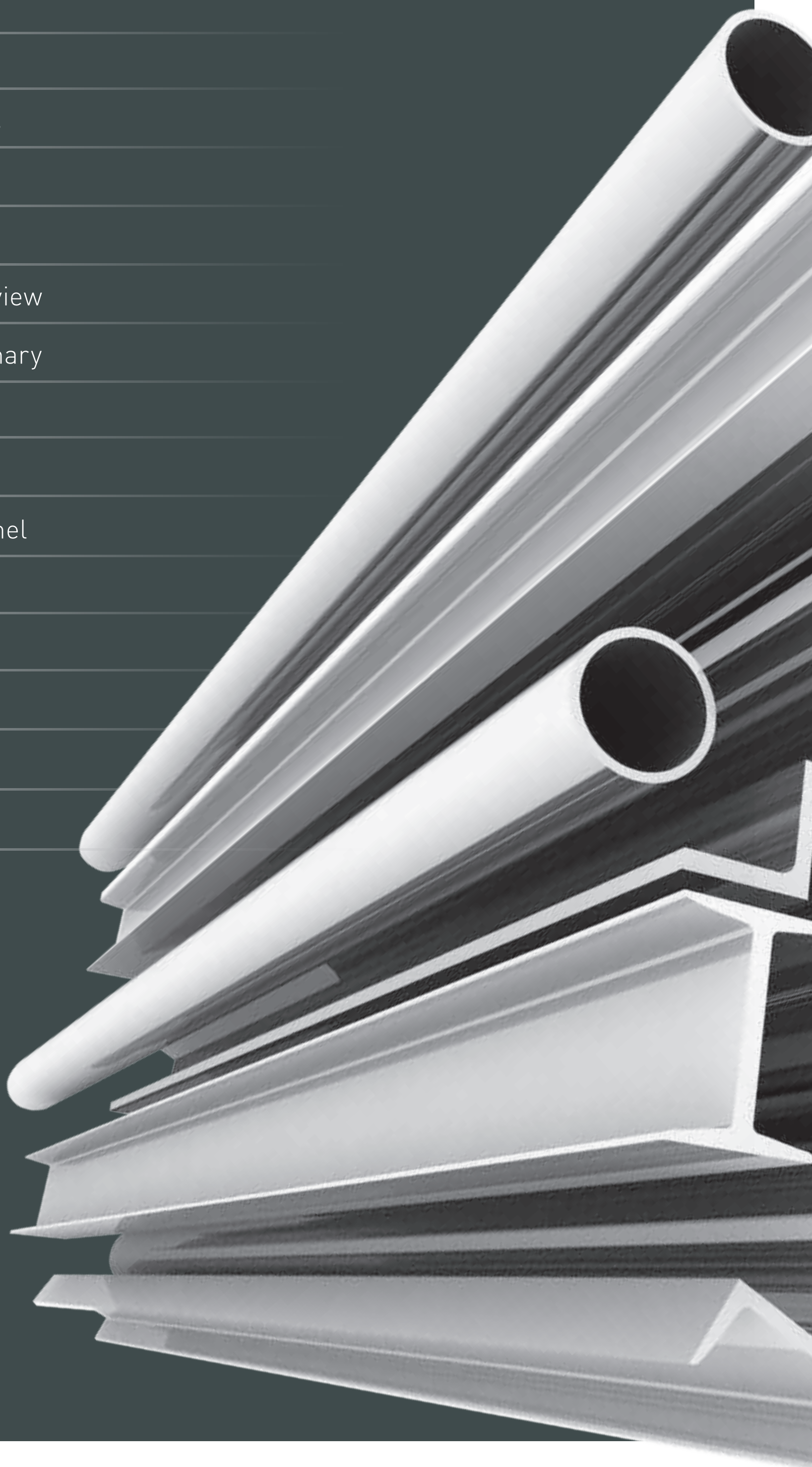
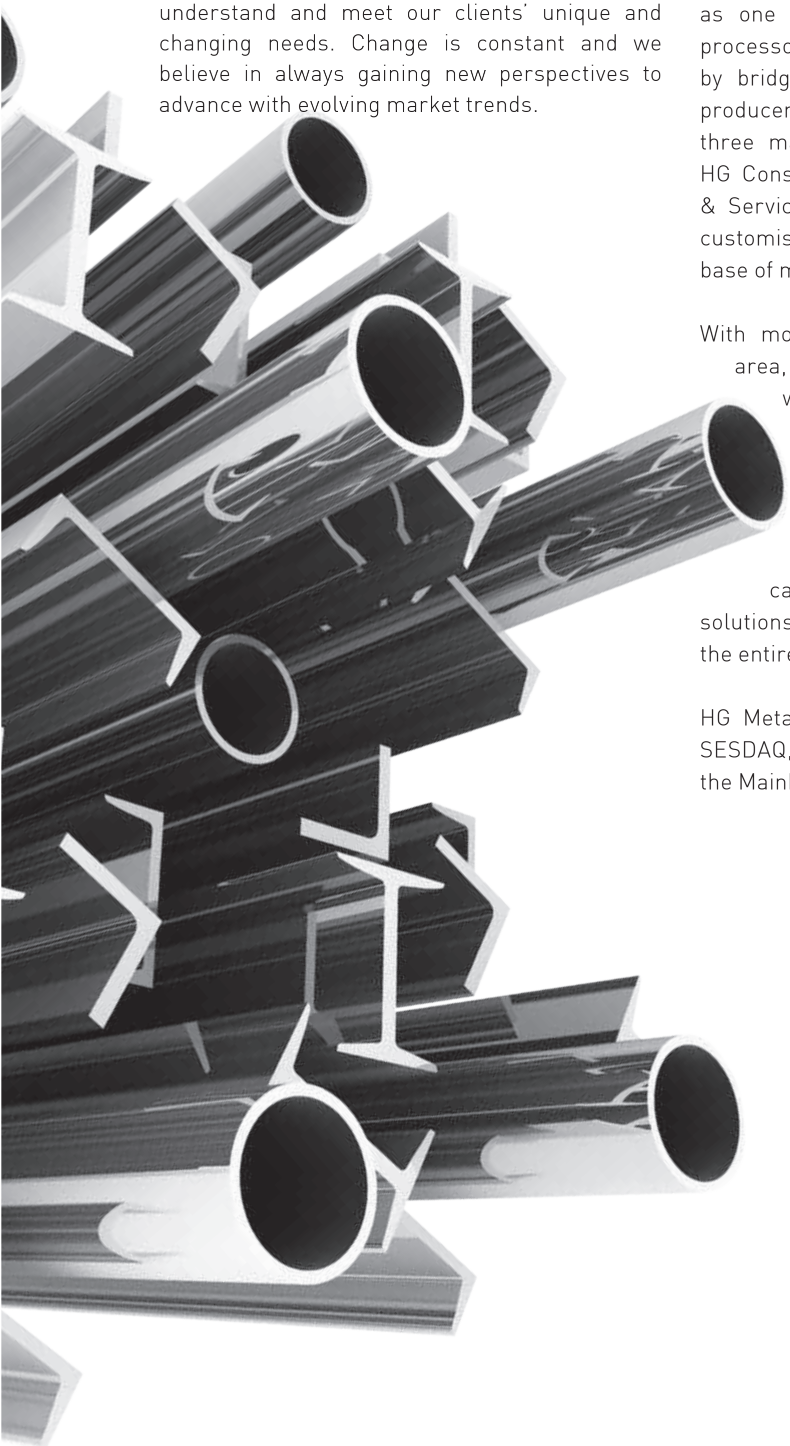


CORPORATE PROFILE

At HG Metal Manufacturing Limited ("**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.

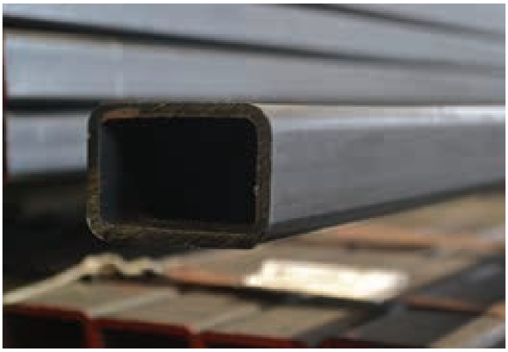


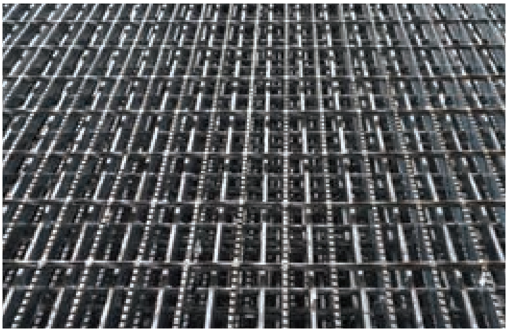
With more than 40 years of experience in the industry, we have shaped a strong reputation as one of the largest steel distributors and processors around the region. We add value by bridging the gap between upstream steel producers and end users of steel. Through our three main business units – HG Distribution, 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 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,

We are pleased to present to you the annual report of HG Metal Manufacturing Limited ("**HG Metal**") for the year ended 31 December 2017 ("**FY2017**").

GROUP'S FINANCIAL PERFORMANCE

In FY2017, we continued to make good progress with respect to our strategic priorities and in building a simpler, more customer-oriented company. Although we had expected a challenging FY2017 due to the continued weakness in demand amid the challenging business environment, we met those challenges head on and managed to come through it well.

Our multi-year focus on cost efficiency, business sustainability and growing revenue organically are progressing on track. Such performance is not only a testament of our longstanding reputation as one of the largest steel distributors and the appeal of our customised solutions to our regional customers.

We are pleased to report to shareholders that the Group's total revenue for FY2017 has grown from S$108.5 million in FY2016 to S$162.6 million. This increase in revenue was a combination of rise in international steel prices that occurred in FY2017, which resulted in a 34% increase in average selling price and also a 12% increase in sales volume.

Due to higher revenue recorded during the year, as well as slight improvement in gross profit margin in FY2017, the Group reported an increase of S$3.7 million in gross profit to S$9.7 million in FY2017 from S$6.0 million in FY2016.

However, in spite of this increase, the Group posted a net loss after tax of S$12.0 million in FY2017 as compared to a net profit after tax of S$0.9 million in FY2016, mainly due to the impairment loss from disposal of our associated company, BRC Asia Limited ("**BRC**"). The Company has reviewed its investment strategy in BRC and considers it an opportune time to realise its investment in BRC and apply the proceeds to other business and investment opportunities which are more likely to enhance shareholder value.

As at 31 December 2017, there were no outstanding bank borrowings and the Group's total bank balances and fixed deposits remained healthy at S$48.3 million as at 31 December 2017, compared to S$37.7 million as at 31 December 2016.

STRATEGIC DISPOSALS AND CAPITAL REDUCTION

Turning to broader issues, FY2017 was marked by several corporate developments that were targeted to re-position the Group for sustainable growth in the future. On 9 September 2017 the Group announced that it had entered into a

conditional agreement with a purchaser, Esteel Enterprise Pte. Ltd. to dispose off all 42,145,518 ordinary shares ("**BRC Shares**") held by the Company in the issued and paid-up share capital of BRC at the consideration of S$0.925 per BRC Share.

The purchase consideration was arrived at on a willing-buyer and willing-seller basis, after taking into account the historical financial performance of BRC and its subsidiaries, its business prospects, prevailing market share prices and the terms of offer.

In conjunction with the disposal of the BRC Shares, the Company undertook a capital reduction exercise in 2017 to reduce its issued and paid-up share capital from S$152.1 million to S$70.5 million. The capital reduction served to write-off the Company's accumulated losses to the amount of S$68.2 million and to facilitate a cash distribution of $13.4 million to shareholders on the basis of $0.105 for each ordinary share held by shareholders in the capital of the Company. On behalf of the Board, we would like to thank our valued shareholders for casting their vote of support to approve the strategic divestment and the proposed capital reduction and proposed cash distribution in the Extraordinary General Meeting held on 25 October 2017.

Meanwhile, on 4 October 2017, the Company announced that its associated company, POS-SEA Pte Ltd had initiated a capital reduction exercise to cancel 490,000 shares held by the Company and to return the US$490,000 share capital invested by the Company. Following the completion of the capital reduction in November 2017, POS-SEA Pte Ltd ceased to be an associated company of the Group.

OUR MARKETS AND CAPABILITIES

HG Metal is an established Company. Not only are we part of many local communities, we have also 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.

As with previous years, we have made significant progress in improving our organisation by building partnerships and networks across the globe for synergistic business opportunities to bolster growth. On the other hand, the simplification of operations automation and cost reduction have created benefits and enhance our customers' experience with HG Metal.

Today, HG Metal has one of the largest steel warehouse and processing facilities in Singapore. With these assets and capabilities, we believe we are better placed to differentiate ourselves from our competitors.

MESSAGE TO SHAREHOLDERS

LOOKING FORWARD

We expect growth available in our addressable markets will continue to be a challenge amidst the progressive recovering of the global and Singapore economies in 2018.

In 2017, we saw Singapore's GDP expanded by 3.6%, which was mainly fuelled by the manufacturing segment. This is in spite the fact that the construction sector reported a negative growth of 8.4% in 2017. Singapore's growth however is expected to decelerate in 2018 over the concerns that the trade-driven lift from electronics manufacturing might fizzle out. The potential weakness in the recovery of the construction, marine and offshore industries will continue to pose challenges to our steel business.

In the light of the afore-mentioned, the Group expects the operating environment for the steel industry to remain challenging given the prevailing sectoral weakness. The volatility in US Dollar and international steel prices, and intensifying local competition will continue to pose challenges to the businesses of the Group. Notwithstanding the challenges faced, the Group will remain focused in growing its core businesses and will position itself to take advantage of the recovery in demand whenever such opportunities arise.

Back by a strong balance sheet, the Group will continue to seek growth opportunities, locally and abroad in the new financial year. This includes focusing on markets and services where we have a competitive advantage, allocating capital where we see the ability to generate attractive risk-adjusted returns and investing where we see an opportunity to expand our market share.

APPRECIATION

The past few years have been a really tough period for the Group, and bottom line results can obscure the real underlying progress that is being made. We would therefore like to thank the Board, the management team and all our staff for the enormous efforts they are making to secure our recovery. We firmly believe that the current HG Metal has the right plan in place to deliver sustainable success, and a strategy which can adapt to any changes in the market. We, together with our management team view this as a core part of our ambition for 2018. Finally, we would also like to thank all our customers, business associates and shareholders for their staunch support. We look forward to journeying with you as we continue to deliver innovation, growth and value to shareholders.

TEO YI-DAR (ZHANG YIDA)
Chairman

FOO SEY LIANG
Executive Director

KEY FIGURES

REVENUE
S$162.6 million

NET LOSS
S$12.0 million

EARNINGS PER SHARE
(9.36) cents

NET ASSET VALUE PER SHARE
S$0.82

NET ASSET VALUE
S$104.2 million

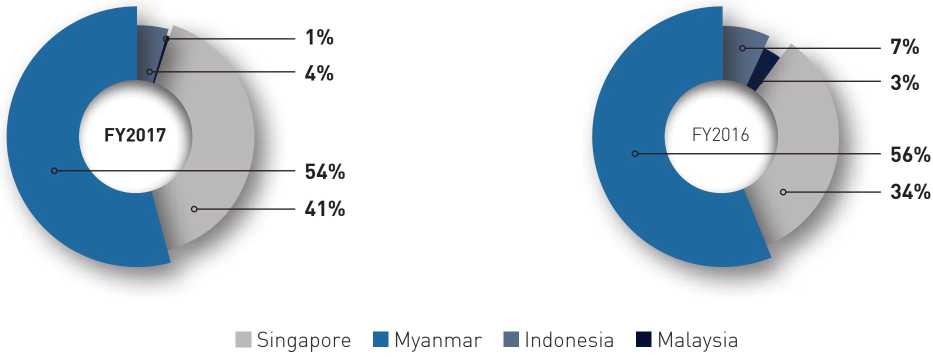
DEBT-TO-EQUITY
Nil

CASH AND BANK BALANCES
S$48.3 million

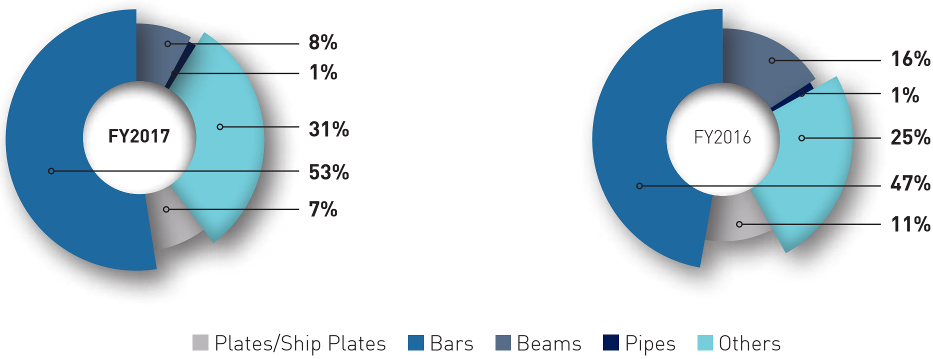
LIQUIDITY RATIO
5.77x

FINANCIAL HIGHLIGHTS

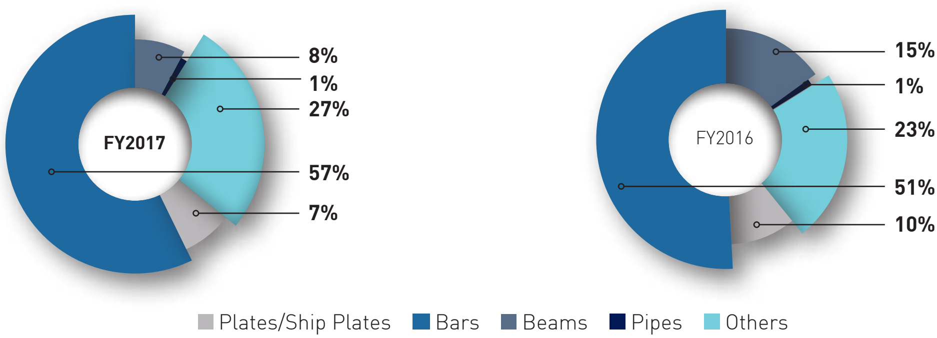
REVENUE BY REGION (%)



REVENUE BY PRODUCT (%)



SALES VOLUME BY PRODUCT (%)



OPERATING & FINANCIAL REVIEW

PERFORMANCE HIGHLIGHTS

From a strategic perspective, 2017 was a pivotal year for HG Metal Manufacturing Limited as we reposition the Group to serve and balance the myriad interests of our stakeholders in the longer term. We took a bold step in divesting our interest in investments in two associated companies, which enable us to return surplus capital to shareholders and to strengthen our financial position to focus on our core businesses. We continued to simplify and streamline the Group, which enabled us to focus on our key clients and chosen markets.

The challenging market conditions marked by rising mill prices for steel, weakness in demand especially from the construction, marine and oil & gas industries continued to prevail throughout FY2017. The Group sought to overcome these challenging circumstances by growing our business in providing value added services and expanding our export markets. Overall, operationally, our core businesses continued to grow their market positions and were in line with our expectations.

REVENUE AND GROSS PROFIT

During the year, the Group achieved revenue of S$162.6 million in FY2017 as compared to S$108.5 million in FY2016. This was mainly contributed by 12% increase in sales volume and 34% increase in average selling price in FY2017, which was in tandem with the increase in international steel prices.

Gross profit increased to S$9.7 million in FY2017 from S$6.0 million in FY2016. This was driven by higher revenue registered in FY2017 and slight improvement in gross profit margin for the current financial year.

OTHER OPERATING INCOME

Other operating income decreased 12% from S$9.9 million in FY2016 to S$8.7 million in FY2017. This was mainly due to lower warehousing and rental income, reduced gain from disposal of fixed assets and other miscellaneous income amounting to S$1.6 million. These reductions were partially offset by the fair value gain on forward currency contracts of S$0.4 million.

KEY EXPENSES

The Group's distribution expenses went up to S$0.6 million in FY2017 from S$0.2 million in FY2016. This was in tandem with the increase in sales volume. Administrative expenses increased by 6% from S$8.1 million in FY2016 to S$8.6 million in FY2017, which was mainly caused by an increase in headcount and staff costs.

Other operating expenses increased from S$9.0 million in FY2016 to S$21.2 million in FY2017. This is primarily due to the expenses incurred in relation to the following extraordinary items:

(i) On 9 September 2017, the Company announced that it had entered into a conditional agreement with Esteel Enterprise Pte Ltd. to dispose off all the 42,145,518 ordinary shares ("**BRC Shares**") held by its subsidiary, HG Metal Pte Ltd, in the issued and paid-up share capital of BRC Asia Limited ("**BRC**") at the consideration of S$0.925 per BRC Share. The sale of the BRC Shares was subsequently completed on 7 November 2017. As a result of this disposal, the Group recognised an impairment loss of S$10.0 million in FY2017 in respect of the remaining carrying value of its investment in BRC and the proceeds from the disposal of S$38.98 million.

(ii) In line with the disposal of BRC Shares, the currency translation reserve and fair value reserve of S$0.7 million previously recorded in other comprehensive income was reclassified to other operating expenses.

(iii) On 4 October 2017, the Company announced that its associated company, POS-SEA Pte Ltd had initiated a capital reduction exercise to cancel 490,000 shares held by the Company and to return the US$490,000 share capital invested by the Company. The Group recorded an impairment loss of S$0.1 million in respect of the carrying value of the investment in POS-SEA Pte Ltd and the proceeds from the capital reduction.

OPERATING & FINANCIAL REVIEW

The Group had made full repayment of certain bank loans in FY2016 which led to the decrease in finance expenses in FY2017 as compared to FY2016.

PROFITABLITY

Due mainly to the impairment loss for the disposal of its equity interest in an associated company, BRC and the decline in share of profit from associates of S$2.4 million, the Group reported a net loss after tax of S$12.0 million in FY2017 as compared to a net profit after tax of S$0.9 million in FY2016.

BALANCE SHEET

As at 31 December 2017, the Group's non-current assets decreased to S$12.5 million from S$64.8 million as at 31 December 2016. This was mainly due to the divestment of our investment in two associated companies, namely BRC Asia Limited and POS-SEA Pte Ltd.

The Group's current assets increased by S$23.3 million to S$110.4 million as at 31 December 2017, mainly due to the increase in inventory holding, trade and receivables as well fixed deposits pledged to banks.

As at 31 December 2017, inventory level stood at S$17.6 million as compared with S$14.2 million as at 31 December 2016, in line with our stock replenishment to support increase in business volume during the year.

Trade and other receivables were at S$44.3 million as at 31 December 2017 against S$34.8 million as at 31 December 2016, consistent with the increase in sales activities seen in FY2017.

The Company's fixed deposits are pledged to banks to secure banking facilities. Total fixed deposit with banks increased to S$19.5 million as at 31 December 2017 compared to S$7.0 million as at 31 December 2016.

The Group's current liabilities decreased slightly to S$16.1 million as at 31 December 2017 from S$18.0 million as at 31 December 2016. This was mainly due to the decrease in bank borrowings and derivative financial instruments of S$2.0 million and S$0.4 million respectively, offset by the increase in trade and other payables of S$0.5 million.

During the financial year, the Company initiated a capital reduction to reduce its issued and paid-up capital by S$81.6 million from S$152.1 million as at 31 December 2016 to S$70.5 million as at 31 December 2017. It involved the writing-off of the Company's accumulated loss to the extent of S$68.2 million and a return of surplus capital by way of cash distribution to shareholders of S$13.4 million. The cash distribution to shareholders was paid out from the proceeds from the sale of BRC Shares.

CASH POSITION

The net cash flows used in operating activities was S$13.6 million in FY2017 as compared to net cash flows used in operating activities of S$8.6 million in FY2016. This was mainly due to the increase in trade and other receivables and inventories of S$10.0 million and S$4.1 million respectively, which were offset by increase in trade and other payables of S$0.6 million.

On the other hand, net cash flows generated from investing activities for FY2017 was S$27.9 million, mainly derived from proceeds from disposal of shares in associates of S$39.7 million, after offsetting fixed deposit pledged with banks of S$12.5 million.

The net cash flows used in financing activities for FY2017 was S$16.4 million, primarily for cash distribution to shareholders of S$13.4 million, dividend payment of S$0.6 million and net repayment of bank borrowings of S$2.0 million.

The Group's cash and cash equivalents as at 31 December 2017 continued to be healthy at S$28.8 million against S$30.7 million as at 31 December 2016.

FIVE-YEAR FINANCIAL SUMMARY

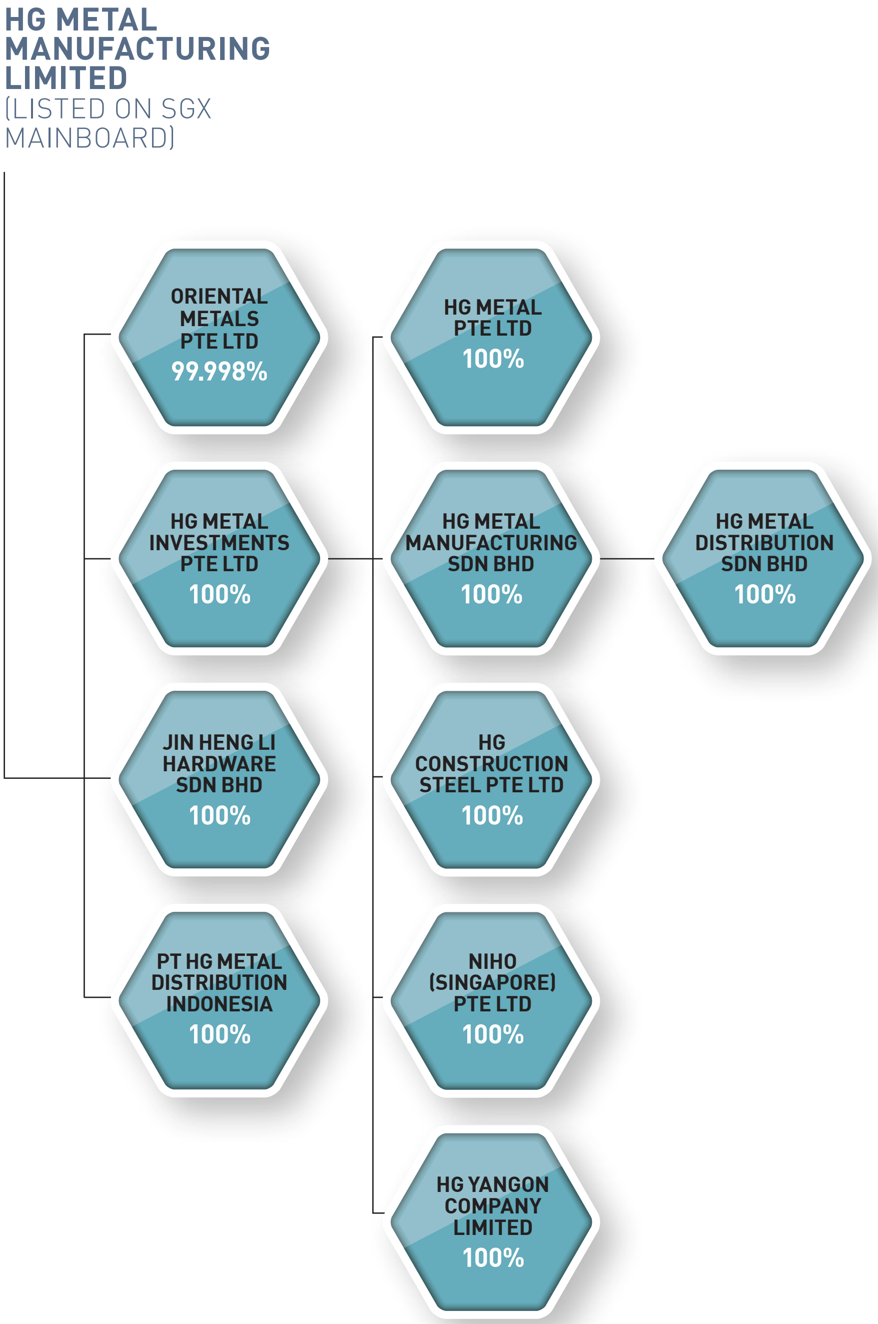
	FY2017	FY2016	FY2015	FY2014	FY2013
FOR THE YEAR (S$'m)					
Revenue	**162.62**	108.53	127.87	187.85	266.05
Gross Profit	**9.73**	6.04	5.02	11.26	16.13
(Loss)/profit Before Tax	**(11.95)**	0.90	(5.64)	(16.93)	3.20
Net (loss)/profit After Tax	**(11.96)**	0.91	(5.65)	(16.75)	3.26
(Loss)/profit attributable to owners of the Company (PATOC)	**(11.93)**	0.90	(5.46)	(16.09)	3.41
Operating Cash Flow	**(13.59)**	(8.58)	1.67	65.27	(34.21)
Cash Flow from Investing	**27.90**	(5.83)	2.49	7.60	38.84
Free Cash Flow	**14.31**	(14.41)	4.16	72.87	4.63
AT YEAR END (S$'m)					
Total Assets	**122.84**	151.82	152.54	181.93	236.06
Total Liabilities	**18.63**	22.12	23.20	46.53	96.91
Shareholders' Funds	**104.21**	129.43	129.07	134.84	137.48
Cash and Cash Equivalents	**28.85**	30.70	50.51	52.66	16.12
Total Borrowing[1]	**–**	1.96	6.82	12.71	62.09
Gearing Ratio[2]	**–**	–	–	–	0.33
PER SHARE DATA (Singapore Cents)					
Basic Earnings Per Share[3]	**(9.36)**	0.70	(4.25)	(14.56)	3.19
SHAREHOLDER'S RETURN					
ROE (%) (PATOC/Average Shareholders' Fund)	**(10.21%)**	0.69%	(4.13%)	(11.82%)	2.48%
ROA (%) (Net Profit/Total Assets)	**(9.74%)**	0.60%	(3.70%)	(9.21%)	1.38%
Gross Dividend (Cents)	**nil**	0.50	nil	nil	0.10
Share Price at End of Year (S$)	**0.395**	0.31	0.039	0.071	0.077

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

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

3 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 STRUCTURE



BOARD OF DIRECTORS

TEO YI-DAR (ZHANG YIDA)

FOO SEY LIANG

TEO YI-DAR (ZHANG YIDA)

NON-EXECUTIVE CHAIRMAN

Mr Teo Yi-Dar (Zhang Yida), a non-independent director, was first appointed to the Board as Non-Executive Director on 13 November 2014. He was re-designated as Non-Executive Chairman, as well as a member of Audit and Risk Committee, Nominating Committee and Remuneration Committee to the Board on 8 January 2018.

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 is currently a Private Equity investor, managing buy-outs and direct investments in Asian Companies in the chemical, engineering, manufacturing, industrial and technology sectors.

Mr Teo sits on the boards of various listed companies.

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 accredited as a 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 2017):
Listed companies:
Yangzijiang Shipbuilding (Holdings) Ltd.
China Yuanbang Property Holdings Limited
Smartflex Holdings Ltd
Denox Environmental & Technology Holdings Limited
Penyao Environmental Protection Co. Ltd.

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

Past Directorships held over the preceding three years

(from 01 January 2015 to 31 December 2017):
Net Pacific Financial Holdings Limited

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: 26 April 2017

Present Directorships

(on 31 December 2017):
Listed companies: Nil

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

Past Directorships held over the preceding three years

(from 01 January 2015 to 31 December 2017):
BRC Asia 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 and business consultancy.

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.

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 2017):
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 2015 to 31 December 2017): 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 Bayfront Law LLC 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: 26 April 2017

Present Directorships

(on 31 December 2017):
Listed companies:
IEV Holdings Limited
Kitchen Culture Holdings Ltd.
Arion Entertainment Singapore Limited (F.K.A Elektromotive Group Limited)
Artvision Technologies Ltd
Bayfront Law LLC

Other:
Genvest Pte Ltd

Past Directorships held over the preceding three years

(from 01 January 2015 to 31 December 2017):
Genesis Law Corporation

NG WENG SUI HARRY

KESAVAN NAIR

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

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

Foo Sey Liang
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
Teo Yi-Dar (Zhang Yida)

NOMINATING COMMITTEE

Kesavan Nair *(Chairman)*
Ng Weng Sui Harry
Teo Yi-Dar (Zhang Yida)

REMUNERATION COMMITTEE

Kesavan Nair *(Chairman)*
Ng Weng Sui Harry
Teo Yi-Dar (Zhang Yida)

COMPANY SECRETARIES

Wee Woon Hong
Srikanth Rayaprolu

REGISTERED OFFICE

15 Jurong Port Road
Singapore 619119
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

HG METAL MANUFACTURING LIMITED

Sustainability Report 2017

SUSTAINABILITY REPORT

OVERVIEW OF REPORT

For our first sustainability report, we use five key performance indicators which complement the over-arching sustainability strategy of our company – Product Quality, Corporate Governance, Occupational Health and Safety, Marketing and Labelling, and Education and Training.

In preparing this first report we consider the organization's activities, impacts, and interests of its internal stakeholders – namely our management and employees. We plan to extent this coverage to other stakeholders in future reports.

The reporting period is from 1 January 2017 to 31 December 2017.

REPORTING GUIDELINE AND METHODOLOGY

Our 2017 report aligns to the Singapore Exchange Listing Rules 711A and 711B for listed companies and adopts the internationally recognized Global Reporting Initiative (GRI) Standard in accordance to GRI Core reporting guidelines.

We follow the GRI Reporting Principles for defining report content and quality that enables our stakeholders to make sound and reasonable assessments of our organization, and to take appropriate actions for improvement in business policies and processes.

The GRI Content Index and references can be found on pages 31 and 32 of the Annual Report.

FEEDBACK

We welcome feedback from internal and external stakeholders to improve on our Sustainability Report. For queries and suggestions, please email to corporate@hgmetal.com.

SUSTAINABILITY STATEMENT

HG Metal Manufacturing Limited ("**HG Metal**") has implemented and practise sustainable measures in our operations and for our business for many years. Our commitment to environmental, social and governance matters has enabled us to uphold our reputation as an industry leader and kept our position as one of the largest and most trusted steel distributors and processors in this region.

As a steel distributor and processor, our first and foremost responsibility is to source and deliver products that match or exceed the expectations, quality and grade that is required by our customers. We fulfil this responsibility through stringent procurement procedures, quality control and assurance, precise labelling and timely delivery. We are certified ISO 9001:2008 Quality Management and have been achieving on-target results for our product quality objectives.

As an employer we have always put our people as our top priority. We invest in health and safety systems so that our people can work in safe and productive environment. As an endorsement of our efforts, we achieve the Ministry of Manpower (MOM) Workplace Safety and Health (WSH) Council BizSAFE award and the internationally recognized Occupational Health and Safety Assessment Series or OHSAS 18001 accreditation.

We believe value creation is reciprocal. When the Company creates value for its employees, the staff will contribute value back to the Company. Training and education are important aspects of our HR practice. All employees must have the relevant and updated skills and knowledge to perform in their roles and responsibilities. Doing well in their jobs and maximizing their potential lead to a motivated team that participates actively and positively in the company's direction, goals and success.

From the environmental aspect, our operations and processes adopt measures for energy conservation, water and waste reduction, air and noise pollution control, responsible material disposal and green spaces. HG Metal is certified ISO 14001:2004, a worldwide application of standards for an environmental management system that enables us to develop and implement our policy and objectives for environment compliance.

The steel business has gone through many economic cycles yet the demand for the metal continues to grow due to the development of new infrastructures and applications around the world, thus making steel a stable commodity in key value chains. While steel production depends mainly on extracted iron and carbon, steel's metallurgical properties make it possible for the metal to be recycled and reused indefinitely without any loss of quality and wastage.

Going forward, our Board and management team will continue with our sustainability efforts and to engage our stakeholders more actively to address any potential risks and opportunities arising from environmental, social or governance changes.

SUSTAINABILITY REPORT

ENGAGING STAKEHOLDERS

The stakeholder engagement is an inclusive approach in the process of sustainability reporting to identify, prioritize and address key material EESG (Economic, Environment, Social, and Governance) topics.

At HG Metal, we engage with our stakeholders through announcements and updates; two-way dialogues and forums; and focus group meetings. Our key stakeholder groups, engagements methods and topics addressed are as follows –

Key Stakeholders	Engagement Methods	Topics
Investors, Shareholders and Media	• Quarterly and Yearly results announcements • Annual General Meetings & Extraordinary General Meetings • Site visits • Bilateral communication • Investor mailbox • SGX announcements and press releases • Website	• Financial results • Key developments • Investor relations
Regulatory Bodies	• Forums and dialogues • Networking events • Seminars • Bilateral communication • Briefings and consultation	• Human capital development • Health, safety and compliance • Environmental and social impacts • Regulatory industry trend
Trade Associations	• Singapore Business Federation • BCI Asia Construction Information Pte Ltd • Building and Construction Authority • Singapore Structural Steel Society • Singapore National Employer Federation • Singapore – China Business Association • Singapore Chinese Chamber of Commerce & Industry • Singapore Metal Machinery • Singapore Iron Works Merchant	• Industry and business updates • Government policy impacts
Customers	• Customer visits • Two-way dialogues • Hotline • Website	• Service and quality • Product information and updates • Customer satisfaction
Business Partners (Suppliers, Distributors, Contractors)	• Trade fairs • Site visits and inspection • Website	• Business needs assessments • Company information • Product and service specifications
Employees	• Quarterly CEO conversation • Performance appraisals • Seminars and training, including on-boarding for new staff • Online in-house communication • Safety briefings	• Career development • Staff welfare • Health and safety • Teamwork • Inter-department collaboration

Specifically for our first sustainability reporting to derive the Materiality Assessment Matrix, we conducted an internal stakeholder engagement with representatives from Management, Finance, HR, Operations, HGCS (Production), Procurement, and Sales.

An initial presentation on the need for sustainability reporting was held to address any questions or concerns regarding the reporting requirement and process. Our internal stakeholders were then encouraged to discuss the potential material topics within their respective operational units and to identify the existing policies and performance systems being applied.

A subsequent stakeholder engagement was conducted with the objectives to gather inputs on EESG topics listed in GRI general disclosures and topic-specific standards using a Materiality Determination template. The resulting data is presented in the Materiality Assessment Matrix as shown below.

MATERIALITY ASSESSMENT MATRIX

Impact / Importance to Stakeholders	Not Important	Somewhat Important	Very Important
Very Important			Product Quality Anti-Corruption Ethics and Integrity Occupational Health and Safety Training & Education Marketing & Labelling
Somewhat Important	Energy Water Anti-Competitive Behaviour	Materials Stakeholder Engagement Procurement Practices Market Presence Customer Privacy Non-Discrimination Labour/Management Relations Diversity &Equal Opportunity	Customer Health & Safety Environmental Compliance Governance Structure Socioeconomic Compliance Employment Economic Performance
Not Important	Emissions • Supplier Environmental Assessment • Freedom of Association & Collective Bargaining • Effluents & Waste • Security Practices • Indirect Economic Impacts • Supplier Social Assessment • Biodiversity • Local Communities • Forced or Compulsory Labour • Human Rights Assessment • Rights of Indigenous People • Child Labour		

Impact / Importance to HG Metal

SUSTAINABILITY REPORT

MATERIALITY TOPICS

Focus	Impact on Stakeholders	Commitment and Targets
Product Quality	Product quality is our top priority that is applied throughout our entire chain of operations from sales, procurement, production and delivery to our customers.	• Achieve 98% on-time delivery as per customer schedule. • Achieve less than 2% reject or goods return from customer order. • Achieve 85% of customer satisfaction rating from each customer survey.
Corporate Governance – Anti-corruption – Ethics and Integrity	Our management and employees observe a strict code of conduct based on our current corporate governance policy including interested party transactions, whistle blowing, risk management and audit controls.	We are committed to comply with the Code of Corporate Governance so as to ensure greater transparency and to safeguard the interests of all stakeholders.
Occupational Health and Safety	All permanent employees, contract workers, and visitors are ensured of stringent safety guidelines. Operational staff in our warehouse and production facilities undergo skills training on safe handling of tools and machinery.	We will ensure awareness is created to all staff in regards to all relevant safety legal requirements and code of practices via tool box meetings and weekly and monthly safety meetings. We endeavour to minimise risks and hazards in all running projects using the Risk Management System.
Marketing and Labelling	Our product specifications and documentation to and from customers, suppliers, and operational staff are precise and detailed to ensure high product quality and standards.	Our products are recorded and tracked using HEAT numbers on mill test certificates. Upon client requirements, we will apply the appropriate product tests and accreditation such as SETSCO test reports and BCA compliant accreditation. Our product standards follow guidelines from European Standards (EN), American Society for Testing and Materials (ASTM) and Japanese Industrial Standards (JIS).
Education and Training	All staff are trained in their respective areas to perform their current jobs efficiently and effectively, as well as provided skills enhancement for their career development.	Comply with Ministry of Manpower Workplace Safety and Health training. Professional and vocational upgrade courses for all staff. Talent management programme for promising staff with leadership potential.

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 test certificates 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 necessary information.

SUSTAINABILITY REPORT

FOCUSING ON PRODUCT QUALITY

HG Metal has been awarded the ISO 9001:2008 certification for quality management system which is an affirmation of our ability to consistently provide products that meet our customers, statutory and regulatory requirements and satisfaction.

OUR QUALITY POLICY

HG Metal will earn customer loyalty by providing products, service and interactions of the highest quality that meet or exceed the regulatory requirements and expectations of our customers. Focusing on quality, service and interactions, we are committed to business excellence and continuous improvement by the following principles:

- Customer Focus - Ensure that our services are delivered in high quality and able to satisfy needs of our customer
- Commitment to Quality – Establish and maintain quality requirements for our products/services with minimum complaint.

OUR QUALITY OBJECTIVES

- To achieve 98% on-time delivery as per customer schedule.
- To achieve less than 2% reject or goods return from customer order.
- To achieve 85% of customer satisfaction rating from each customer survey.

In order to fulfil our quality objectives, we have in place a stringent and comprehensive quality control system that tracks the workflow from the arrival of stocks, throughout the processing of material and to the delivery of finished products for our customers.

MEETING CUSTOMER EXPECTATIONS

Our customers rely on us for their manufacturing and construction projects. All customer orders and specifications are kept confidential and secured.

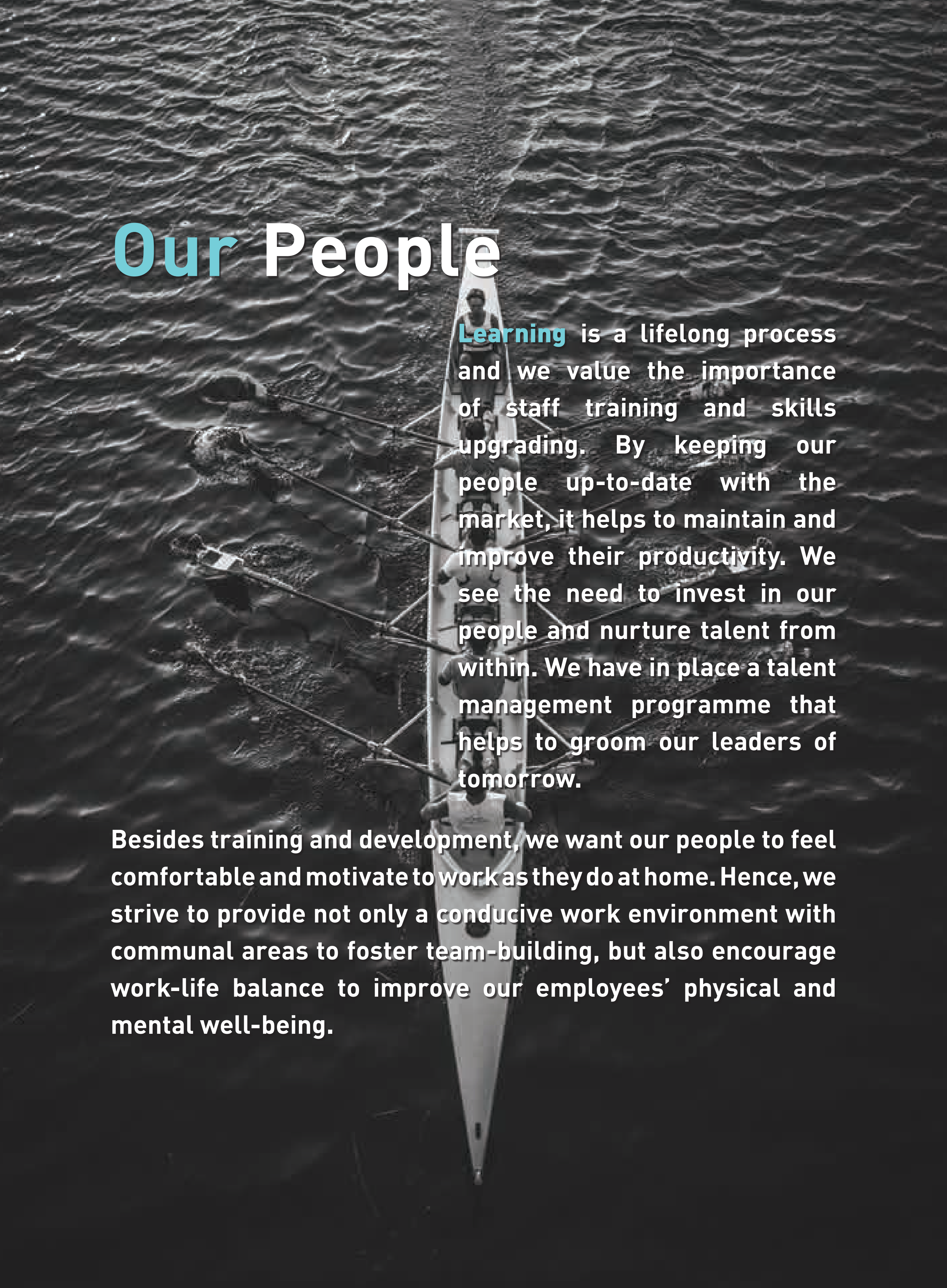
To meet the demands of our diversified customer base of over 1,500 from around the world, we practise responsible sourcing from our established global network of suppliers.

Our team of experienced business and operations staff are closely involved in the ordering, customization and delivery processes. Each customer order is professionally managed using strict internal work procedures tied to quality control and assurance systems. Every delivery to our customers must meet their stipulated requirements and pass our quality standards.

Product documentation is taken seriously as it determines both quality goods from suppliers and superior finished products for customers. We track every record from purchase and delivery orders to packing lists and HEAT numbers on mill test certificates. Upon client requirements, we will conduct additional product qualifications such as SETSCO testing and Building and Construction Authority (BCA) compliant accreditation. For validation of origins, grades and standards, we follow the guidelines from international standards organizations such as European Standards (EN), American Society for Testing and Materials (ASTM) and Japanese Industrial Standards (JIS).

Due to our commitment to quality and detailed documentation, we are able to enjoy high customer satisfaction and brand loyalty for many years.

JAS-ANZ



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.

SUSTAINABILITY REPORT

COMMITTING TO RESPONSIBLE EMPLOYMENT

With over 40 years in the steel business, HG Metal has committed to long-term employment and professional career development for our people.

EMPLOYEE BY GENDER

28.89% Woman

71.11% Male

EMPLOYEE BY AGE GROUP

28.89% Age 21-30

33.33% Age 31-40

18.52% Age 41-50

9.63% Age 51-60

9.63% Age 61 & above

Our HR policy aligns closely to the Tripartite Guidelines on Fair Employment Practices (TAFEP) that follows the principles of –

- Recruit and select employees on the basis of merit (such as skills, experience or ability to perform the job), and regardless of age, race, gender, religion, family status or disability.
- Treat employees fairly and with respect and implement progressive human resource management systems.
- Provide employees with equal opportunity to be considered for training and development based on their strengths and needs, to help them achieve their full potential.

EMPLOYEE BY NATIONALITY

44.44% Local

55.56% Foreigner

- Reward employees fairly based on their ability, performance, contribution and experience.
- Abide by labour laws and adopt Tripartite Guidelines which promote fair employment practices.

Our employment contracts adhere to the Singapore Employment Act and market practice on salaries, bonuses, working hours, leave, medical benefits, and terms of appointment and termination. In the event of any trade disputes, the Industrial Relations Act provides for the regulation of labour and management relations and the prevention and settlement of trade disputes by collective bargaining and conciliation and arbitration and for tripartite mediation of individual disputes.

Social security savings plan for all Singaporeans and Permanent Residents are covered under the Central Provident Fund (CPF) Scheme. The CPF contribution is computed based on a percentage of the employee's monthly salary and varies with the employee's age. Savings in the Ordinary Account earn a minimum risk-free interest guaranteed by the Government. CPF funds can be used for retirement, healthcare, home ownership, family protection and asset enhancement.

The Company provides Group Hospitalization and Surgical Insurance policy as well as Workmen Injury Compensation policy covering medical fees, loss of income and one-time compensation if certified permanent incapability as a result of work-related accident. Employees exposed to high noise levels are given annual hearing tests. Standard medical benefits include annual entitlement for outpatient treatment, health checks and dental care.

SAFEGUARDING OUR HUMAN CAPITAL

Due to the nature of our business involving steel and heavy equipment, it is of utmost importance that we ensure a safe and healthy environment for all employees as well as visitors to our facilities.

As a responsible organization, our Occupational Health and Safety (OHS) Policy complies with the legal safety requirements and code of practice in the Ministry of Manpower (MOM) Workplace Safety and Health (WSH) Act and the Singapore Civil Defence Force (SCDF) regulations.

Our Occupational Health and Safety Policy

1. Comply with all relevant safety stipulated legal requirements and code of practices.
2. To ensure effective use of Risk Management System so as to control and minimise inherent risks and hazards.

Our Occupational Health and Safety Objectives

1. To ensure awareness is created to all staff in regards to all relevant safety legal requirements and code of practices via tool box meetings and weekly and monthly safety meetings.
2. To minimise risks and hazards in all running projects using the Risk Management System.

Our commitment to OHS goes beyond policy statements. We participate in the WSH Council programme and are awarded the highest level bizSAFE STAR status. This recognition is based on our management's commitment to occupational health and safety through –

- Implementation of a Risk Management (RM) system covering risk assessment for every work activity and process
- Completion of a MOM-approved RM audit
- Development of a Workplace Safety and Health Management System (WSHMS) implementation plan

Exceeding standard OHS requirements, we embarked on an international standard OHS certification and achieved the globally recognized Occupational Health and Safety Assessment Series or OHSAS 18001 accreditation that covers a comprehensive range of health and safety practices –

- Hazard identification, risk assessment and determining controls (covering warehouse and processing facilities, equipment and machines, project environments, handling and transportation)
- Legal and statutory requirements (MOM WSH)
- Objectives and OHS program
- Resources, roles, responsibility, accountability and authority (Safety Committee involving management and department representatives)
- Competence, training and awareness (Safety handbook, WSH courses)
- Communication, participation and consultation (daily toolbox meetings and bi-weekly safety meetings)
- Operational control (SOP, safety guidelines)
- Emergency preparedness and response (first-aid AED & CPR Rescue kits, fire safety extinguishers and alarm system)
- Performance measuring, monitoring and improvement (audit, reports)

In 2017, there were no fatalities and accidents, resulting in zero Workplace Injury Rate (WIR) and Accident Frequency Rate (AFR). There were also no occupational diseases reported due to limited work involving exposed flames or chemicals. We conduct regular fumigation for dengue prevention and immediate corrective actions are taken in the event of potential mosquito breeding.

SUSTAINABILITY REPORT

Health and safety is very much a part of our company-wide culture. Safety measures are taken for all machinery, equipment, plant, articles or processes used at the workplace. We ensure that all equipment and machines are in good working condition and undergo regular inspections and certification tests. Our employees are provided with sufficient instruction, training and supervision so that they can work safely.

INVESTING IN OUR PEOPLE

We believe in keeping our people relevant and motivated through continuous learning. Throughout the year, our staff attend courses and seminars for professional enhancement, market update, personal development and networking.

In addition, we invest in a talent management programme to groom promising individuals in their career advancement and to cultivate future leadership internally.

With our warehouse storing 200,000 tonnes of steel and processing facility handling over 80,000 tonnes of metal monthly, all staff must be fully aware of our safety rules and regulations through handbooks and from courses such as –

- Metalworking Safety Orientation
- Occupational First Aid Course WSH (First-Aid) Regulations
- Apply Workplace Safety and Health in Construction Sites (Construction Safety Orientation)

Employees handling workshop tools, equipment and machines are trained and certified in approved Ministry of Manpower (MOM) courses for –

- Work-at-Height for Worker WSH Regulations
- Lorry Crane Operator WSH
- Mobile Elevating Work Platform WSH Regulations
- Forklift Driver's Training for Factories
- Lifting Supervisor Safety WSH

The Company promotes innovation and productivity through skills upgrade in both classroom and on-the-job training. As the business environment is constantly changing and remains competitive, it is essential that we combine the best industry practice with in-house expertise to meet our customers' demands for high quality products.

Environment 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. 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.

SUSTAINABILITY REPORT

CARING FOR OUR ENVIRONMENT

As a major player in the steel business here, we take environmental issues seriously and are certified ISO 14001:2004 for environmental management. This sets a framework to minimize negative impact on the environment; comply with applicable laws, regulations, and other environmentally oriented requirements; and maintain the efforts of environmentally-friendly and compliant operations.

Our Environmental Management System Policy

We are committed to continual improvements in its environmental performances and prevention of pollution through establishment of Environmental Management System.

- We strive to implement good Environmental Management System via creating environmental awareness among all employees and provide training in relevant environmental aspects of all activities and services
- We shall comply with regulatory authorities and with applicable environmental legislation and regulations at all times via government websites.

Our Environmental Management System Objectives

- We strive to conduct at least one Environmental Management System training (internal or external) per annum for maintaining good Environmental Management System.
- To update latest EMS requirements via
  a. Nea.gov.sg
  b. Mom.gov.sg
  c. Ecitizen.gov.sg; on a quarterly basis

The company's main environmental effort is in minimizing steel offcuts as a result of customization and processing from deformed steel to finished products. When required, these offcuts or remnant steel can be reused in fabrication for other products. As much as possible, we utilize the steel to its maximum. In the event of confirmed damage, defect or wastage, we will send these scraps for recycling. Our monthly scrap tonnage is on target at less than 3% of production volume.

With respect to other environmental impacts, we maintain our energy and water consumption, waste and effluents output, and air pollution level relatively low. Employees are encourage to practise conservation and optimisation of resources, for example in trip planning of deliveries. Such practices contribute to positive impacts to the environment and cost savings for the company.

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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 3 Non-Executive Directors. 2 of the 3 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 2017 ("FY2017")*

The attendance of the Directors at meetings for FY2017 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]	6	5	4	3	1	1	1	1
Teo Yi-Dar (Zhang Yida)[2]	6	6	–	–	–	–	–	–
Foo Sey Liang	6	6	–	–	–	–	–	–
Ng Weng Sui Harry	6	6	4	4	1	1	1	1
Kesavan Nair	6	5	4	4	1	1	1	1

Notes:
1. Mr Tan Keng Boon resigned as Non-Independent and Non-Executive Chairman with effect from 13 September 2017 and ceased to be a member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee.
2. Mr Teo Yi-Dar (Zhang Yida) was re-designated as Non-Executive Chairman as well as a member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee with effect from 8 January 2018.

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.

CORPORATE GOVERNANCE

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.

CORPORATE GOVERNANCE

The Company encourages Directors to attend training courses organized by the Singapore Institute of Directors ("**SID**") 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 at the ARC meeting by the Company Secretaries and the external auditor each year. During FY2017, some Directors attended seminars on sustainability and compliance.

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 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 (Executive Director)

NON-EXECUTIVE AND NON-INDEPENDENT DIRECTOR
Mr Teo Yi-Dar (Zhang Yida) (Non-Executive Chairman)

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

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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.

As the Chairman of the Board is not an Independent Non-Executive Director, the Company has complied and ensured that at least half of the Board comprises Independent Non-Executive Directors.

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 FY2017.

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.

CORPORATE GOVERNANCE

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.

1.7 *Independent Members of the Board of Directors*

The Board has 2 Independent Non-Executive Directors, representing at least half 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 2017, 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 Teo Yi-Dar (Zhang Yida) is the 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 Teo Yi-Dar (Zhang Yida) and Mr Foo Sey Liang are not related to each other. There is a clear division of responsibilities between Mr Teo Yi-Dar (Zhang Yida) 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.

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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.

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 other Directors.

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, Independent Non-Executive Director)
Mr Ng Weng Sui Harry (Member, Independent Non-Executive Director)
Mr Teo Yi-Dar (Zhang Yida) (Member, Non-Executive Chairman)

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;

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- 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;
- 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.

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.

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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 FY2017.

The NC has conducted a Board's performance evaluation as a whole in FY2017 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.

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

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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, Independent Non-Executive Director)

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

Mr Teo Yi-Dar (Zhang Yida) (Member, Non-Executive Chairman)

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

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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.

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 FY2017. 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.

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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.

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.

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For FY2017, the Executive Director and key management personnel have met the relevant performance conditions.

The remuneration of the Directors from the Company for FY2017 is as follows:–

Directors	Base Salary (%)	Bonus (%)	Director Fees (%)	Allowances and Others (%)	TOTAL (%)
Tan Keng Boon[1]	–	–	100	–	100
Teo Yi-Dar (Zhang Yida)[2]	–	–	100	–	100
Foo Sey Liang	87.68	12.32	–	–	100
Ng Weng Sui Harry	–	–	100	–	100
Kesavan Nair	–	–	100	–	100

Notes:

1. Mr Tan Keng Boon resigned as Non-Independent and Non-Executive Chairman with effect from 13 September 2017 and ceased to be a member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee.
2. Mr Teo Yi-Dar (Zhang Yida) was re-designated as Non-Executive Chairman with effect from 8 January 2018, as well as a member of the Audit and Risk Committee, Nominating Committee and Remuneration Committee.

The Board believes that it is for the benefit of the Company and the Group that the remuneration of 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

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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 FY2017.

2.4 Remuneration of Key Management Personnel

A breakdown of the remuneration of key management personnel for FY2017 set out below:

Name of Executive Officers	Base Salary[1] (%)	Bonus[1] (%)	Allowances and Others (%)	TOTAL (%)
Executive Officers who receive below S$250,000				
Sharon Tay Hong Kiang	84.17	15.83	–	100
Jack Tan Leong Chye	81.77	14.74	3.49	100
Royston Johns	83.92	13.27	2.81	100

Note:

1. The salary and bonus amounts shown are inclusive at Central Provident Fund Contribution.

The total remuneration paid to the top three key management personnel during FY2017 was S$541,436.

As at 31 December 2017, 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.

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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;
- 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 2017.

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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 FY2017 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 who are Non-Executive Director, the majority of whom, including the Chairman are independent. The ARC's members are:–

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

Mr Kesavan Nair (Member, Independent Non-Executive Director)

Mr Teo Yi-Dar (Zhang Yida) (Member, Non-Executive Chairman)

None of the ARC members were previous partners or directors of the Company's existing auditing firm within the previous 12 months and none of the ARC members hold any financial interest in the Company's existing external auditing firm.

At least 2 members of the ARC (including the ARC Chairman), namely Mr Ng Weng Sui Harry and Mr Teo Yi-Dar (Zhang Yida) have recent and relevant accounting or related financial management expertise or experience. The Board is of the view that the members of ARC have the necessary expertise to discharge their duties and responsibilities.

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.

CORPORATE GOVERNANCE

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.

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.

CORPORATE GOVERNANCE

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 FY2017 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 material impact on the Group's financial statements.

CORPORATE GOVERNANCE

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.

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.

CORPORATE GOVERNANCE

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.

CORPORATE GOVERNANCE

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 Singapore Companies Act, 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.

CORPORATE GOVERNANCE

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.

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 Shares**") 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.

CORPORATE GOVERNANCE

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 FY2017 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 FY2017 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.

CORPORATE GOVERNANCE

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.

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$. As a result, the Group is exposed to fluctuations in foreign exchange rates. For FY2017, approximately 87% of its total purchases were made in US$, whilst approximately 41% and 59% 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 to subject to approval from the Board before implementation.

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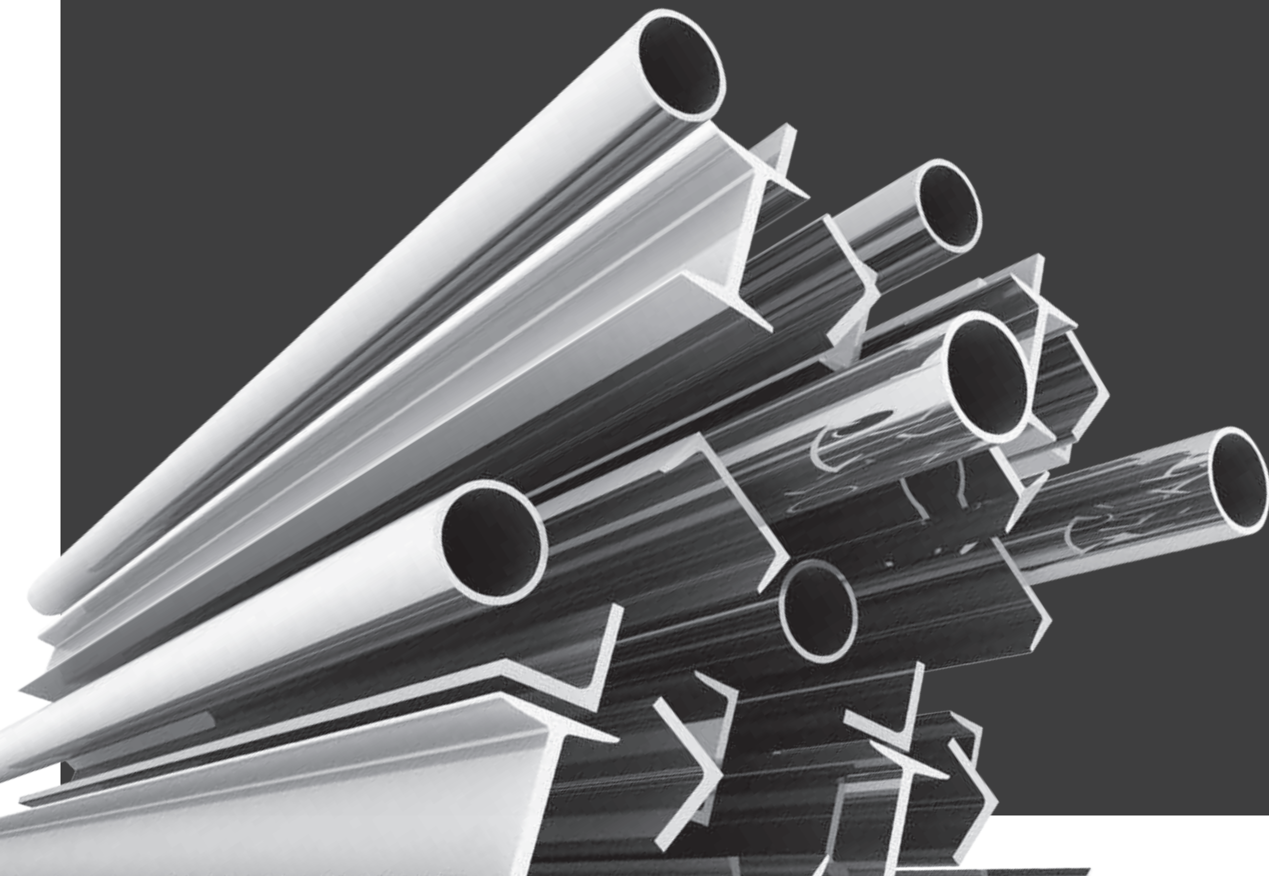

DIRECTORS' STATEMENT

The directors 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 2017.

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 2017 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:

Teo Yi-Dar (Zhang Yida) – Chairman
Foo Sey Liang
Ng Weng Sui Harry
Kesavan Nair

In accordance with Regulation 88 and 89 of the Company's Constitution, Teo Yi-Dar (Zhang Yida), Ng Weng Sui Harry 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	At the end of financial year	At the beginning of financial year	At the end of financial year
Ordinary shares of the Company				
Teo Yi-Dar (Zhang Yida)	70,000	–	–	–
Foo Sey Liang	–	–	28,405,000	28,405,000
Ng Weng Sui Harry	10,000	10,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2018.

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 four 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

AUDITOR

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

On behalf of the board of directors,

Teo Yi-Dar (Zhang Yida)
Director

Foo Sey Liang
Director

Singapore
29 March 2018

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 2017, the statements of changes in equity of the Group and the Company and the 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 2017 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.

INDEPENDENT AUDITOR'S REPORT
to the members of HG Metal Manufacturing Limited

Key audit matters (continued)

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.

Impairment assessment of trade receivables

As at 31 December 2017, the Group's trade receivable balances amounted to $42,401,000, representing 38% of the total current assets of the consolidated balance sheet as of 31 December 2017. During the current financial year, write back of allowance for doubtful debts recognised in the profit and loss amounted to $120,000.

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. Factors that 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. Since significant management judgement is required in the assessment of trade receivable collectability, we determined that this is a key audit matter.

Our audit procedures included, amongst others, obtaining an understanding of the Group's processes and controls relating to the monitoring of trade receivables and review of credit risks of customers. We obtained, on a sample basis, trade receivable confirmations and evidence of receipts from the customers subsequent to balance sheet date. We evaluated the assumptions and estimates used by management to determine the trade receivables impairment amount through testing of the accuracy of the trade receivables ageing, analysing of ageing profile of the trade receivables to identify credit risks, reviewing historical payment patterns and correspondence with customers on expected settlement dates. In addition, we checked the adequacy of the disclosures on the trade receivables, and the related credit and liquidity risks in Notes 15 Trade and other receivables and Note 32 Financial risk management respectively.

Carrying amount of inventories

The carrying amount of the Group's inventory of $17,581,000 as at 31 December 2017 was significant to the Group as it represented 16% of the Group's total current assets. Significant management judgement is required in estimating the net realisable value of inventories as the net realisable value is dependent on fluctuations in market prices and demand for steel. As such, we determined that this is a key audit matter.

INDEPENDENT AUDITOR'S REPORT

to the members of HG Metal Manufacturing Limited

Key audit matters (continued)

Carrying amount of inventories (continued)

Our audit procedures included, amongst others, attending inventory counts at selected inventory locations to observe the physical conditions of the inventories on sample basis. We evaluated the appropriateness of the process, methods and assumptions used by management in estimating the net realisable value of inventories. In particular, we 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 sales patterns subsequent to financial year end. In addition, we checked the adequacy of the Group's disclosure on inventories in Note 14 Inventories.

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.

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.

INDEPENDENT AUDITOR'S REPORT
to the members of HG Metal Manufacturing Limited

Auditor's responsibilities for the audit of the financial statements

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

As part of an audit in accordance with SSAs, we exercise professional 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.

- 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.

INDEPENDENT AUDITOR'S REPORT

to the members of HG Metal Manufacturing Limited

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

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.

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

29 March 2018

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Revenue	4	**162,618**	108,529
Cost of sales		**(152,884)**	(102,491)
Gross profit		**9,734**	6,038
Other operating income	5	**8,712**	9,888
Selling and distribution costs		**(616)**	(220)
Administrative expenses		**(8,611)**	(8,095)
Other operating expenses		**(21,157)**	(9,006)
Finance costs	6	**(18)**	(95)
Share of associates' results		**3**	2,386
(Loss)/profit before income tax	7	**(11,953)**	896
Income tax (expense)/credit	8	**(11)**	10
Net (loss)/profit for the year		**(11,964)**	906
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		**54**	(43)
Share of other comprehensive income of associates		**(71)**	(192)
Reclassification of currency translation reserve to profit or loss		**740**	–
Reclassification of fair value reserve to profit or loss		**4**	–
Other comprehensive income for the year, net of tax		**727**	(235)
Total comprehensive income for the year		**(11,237)**	671
(Loss)/profit attributable to:			
Owners of the Company		**(11,931)**	896
Non-controlling interests		**(33)**	10
		(11,964)	906
Total comprehensive income attributable to:			
Owners of the Company		**(11,201)**	666
Non-controlling interests		**(36)**	5
		(11,237)	671
Earnings per share:			
Basic (cents)	9	**(9.36)**	0.70
Diluted (cents)	9	**(9.36)**	0.70

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

BALANCE SHEETS
As at 31 December 2017

	Note	Group 2017 $'000	Group 2016 $'000	Company 2017 $'000	Company 2016 $'000
Assets					
Non-current assets					
Property, plant and equipment	10	**12,426**	13,864	**8,725**	9,421
Intangible assets	11	**58**	65	**52**	61
Investment in subsidiaries	12	**–**	–	**13,102**	13,147
Investment in associates	13	**–**	50,855	**–**	505
		12,484	64,784	**21,879**	23,134
Current assets					
Derivative financial instruments	18	**15**	–	**15**	–
Inventories	14	**17,581**	14,217	**15,469**	12,269
Trade and other receivables	15	**44,283**	34,758	**46,936**	49,142
Prepaid expenses		**129**	316	**58**	263
Fixed deposits pledged with banks	16	**19,500**	7,038	**19,500**	7,038
Cash and cash equivalent	16	**28,846**	30,704	**17,854**	20,027
		110,354	87,033	**99,832**	88,739
Total assets		**122,838**	151,817	**121,711**	111,873
Equity and liabilities					
Current liabilities					
Trade and other payables	17	**14,493**	13,957	**49,439**	23,493
Finance lease payables	19	**141**	239	**141**	239
Bank borrowings	20	**–**	1,963	**–**	1,963
Deferred income	21	**1,429**	1,429	**1,429**	1,429
Provision for income tax		**15**	13	**–**	–
Derivative financial instruments	18	**–**	403	**–**	403
		16,078	18,004	**51,009**	27,527
Net current assets		**94,276**	69,029	**48,823**	61,212
Non-current liabilities					
Finance lease payables	19	**–**	139	**–**	139
Deferred income	21	**1,548**	2,976	**1,548**	2,976
Provision for reinstatement costs	22	**1,000**	1,000	**700**	700
		2,548	4,115	**2,248**	3,815
Total liabilities		**18,626**	22,119	**53,257**	31,342
Net assets		**104,212**	129,698	**68,454**	80,531

BALANCE SHEETS
As at 31 December 2017

	Note	Group		Company	
		2017	**2016**	**2017**	**2016**
		$'000	**$'000**	**$'000**	**$'000**
Equity attributable to owners of the Company					
Share capital	23	**70,496**	152,052	**70,496**	152,052
Treasury shares	24	**(2,215)**	(2,215)	**(2,215)**	(2,215)
Other reserves	25	**2,139**	1,410	**2,527**	2,527
Accumulated profits/(losses)		**33,791**	(21,818)	**(2,354)**	(71,833)
		104,211	129,429	**68,454**	80,531
Non-controlling interests		**1**	269	**–**	–
Total equity		**104,212**	129,698	**68,454**	80,531
Total equity and liabilities		**122,838**	151,817	**121,711**	111,873

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 2017

		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)/ profits $'000	Equity attributable to owners of the Company, total $'000	Non-controlling interests $'000	Total equity $'000
Group											
Opening balance at 1 January 2017		152,052	(2,215)	2,527	(4)	(211)	(902)	(21,818)	129,429	269	129,698
Loss for the year		-	-	-	-	-	-	(11,931)	(11,931)	(33)	(11,964)
Other comprehensive income											
Foreign currency translation		-	-	-	-	-	57	-	57	(3)	54
Share of other comprehensive income of associates		-	-	-	-	-	(71)	-	(71)	-	(71)
Reclassification of currency translation reserve to profit or loss		-	-	-	-	-	740	-	740	-	740
Reclassification of fair value reserve to profit or loss		-	-	-	4	-	-	-	4	-	4
Other comprehensive income for the year, net of tax		-	-	-	4	-	726	-	730	(3)	727
Total comprehensive income for the year		-	-	-	4	-	726	(11,931)	(11,201)	(36)	(11,237)
Contributions by and distributions to owners											
Dividends on ordinary shares	29	-	-	-	-	-	-	(637)	(637)	-	(637)
Capital reduction	23	(81,556)	-	-	-	-	-	68,177	(13,379)	-	(13,379)
Total contributions by and distributions to owners		(81,556)	-	-	-	-	-	67,540	(14,016)	-	(14,016)
Change in ownership interest in subsidiary											
Acquisition of non-controlling interest	12	-	-	-	-	-	-	-	-	(232)	(232)
Premium paid on acquisition of non-controlling interest	12	-	-	-	-	(1)	-	-	(1)	-	(1)
Total change in ownership interest in subsidiary		-	-	-	-	(1)	-	-	(1)	(232)	(233)
Total transaction with owners in their capacity as owners		(81,556)	-	-	-	(1)	-	67,540	(14,017)	(232)	(14,249)
Closing balance at 31 December 2017		70,496	(2,215)	2,527	-	(212)	(176)	33,791	104,211	1	104,212

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2017

	Note	Attributable to owners of the Company								Non-controlling interests $'000	Total equity $'000
		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		
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	24	–	(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

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 2017

	Note	Attributable to owners of the Company				
		Share capital $'000	Treasury shares $'000	Capital reserve $'000	Accumulated losses $'000	Total equity $'000
Company						
Opening balance at 1 January 2017		**152,052**	**(2,215)**	**2,527**	**(71,833)**	**80,531**
Profit for the year, representing total comprehensive income for the year		**–**	**–**	**–**	**1,939**	**1,939**
Contributions by and distributions to owners						
Dividends on ordinary shares	29	**–**	**–**	**–**	**(637)**	**(637)**
Capital reduction	23	**(81,556)**	**–**	**–**	**68,177**	**(13,379)**
Total transactions with owners in their capacity as owners		**(81,556)**	**–**	**–**	**67,540**	**(14,016)**
Closing balance at 31 December 2017		**70,496**	**(2,215)**	**2,527**	**(2,354)**	**68,454**
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)
Contributions by and distributions to owners						
Purchase of treasury shares	24	–	(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

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 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
(Loss)/profit before income tax		**(11,953)**	896
Adjustments for:			
Bad debts (recovered)/written off, net	5, 7	**(41)**	6
Depreciation of property, plant and equipment	10	**2,566**	2,539
Amortisation of intangible assets	11	**11**	29
Recognition of deferred income	5	**(1,429)**	(1,429)
Gain on disposal of property, plant and equipment	5	**(20)**	(326)
Property, plant and equipment written off	7	**–**	33
Impairment of property, plant and equipment	7	**125**	22
Write back of allowance for stock obsolescence	5	**(243)**	(227)
Impairment on investment in associates	7	**10,148**	–
(Reversal of allowance)/allowance for impairment of trade and other receivables, net	5, 7	**(120)**	29
Fair value (gain)/loss on derivatives	5, 7	**(418)**	344
Finance costs	6	**18**	95
Interest income	5	**(168)**	(272)
Share of associates' results		**(3)**	(2,386)
Unrealised foreign exchange loss/(gain), net		**1,208**	(51)
Operating cash flows before changes in working capital		**(319)**	(698)
Working capital changes:			
Inventories		**(4,057)**	(10,202)
Trade and other receivables		**(9,986)**	(3,029)
Trade and other payables		**632**	5,104
Cash used in operations		**(13,730)**	(8,825)
Interest received		**168**	272
Interest paid		**(18)**	(95)
Income tax (paid)/refund		**(9)**	71
Net cash flows used in operating activities		**(13,589)**	(8,577)
Cash flows from investing activities			
Dividend income received from investment in associates		**1,011**	843
Fixed deposit pledged with banks		**(12,462)**	(7,038)
Proceeds from disposal of shares in associates		**39,650**	–
Purchase of property, plant and equipment	A	**(345)**	(358)
Proceeds from disposal of property, plant and equipment	B	**43**	722
Purchase of intangible assets	C	**(2)**	(2)
Net cash flows generated from/(used in) investing activities		**27,895**	(5,833)

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2017

	Note	2017 $'000	2016 $'000
Cash flows from financing activities			
Acquisition of non-controlling interests	12	**(233)**	–
Cash distribution arising from capital reduction to shareholders	23	**(13,379)**	–
Dividends paid on ordinary shares of the Company	29	**(637)**	–
Proceeds from bank borrowings		**15,955**	3,654
Repayment of bank borrowings		**(17,898)**	(8,528)
Purchase of treasury shares	24	**–**	(309)
Repayment of finance lease payables		**(237)**	(246)
Net cash flows used in financing activities		**(16,429)**	(5,429)
Net decrease in cash and cash equivalents		**(2,123)**	(19,839)
Effects of exchange rate changes on cash and cash equivalents		**265**	29
Cash and cash equivalents at beginning of financial year		**30,704**	50,514
Cash and cash equivalents at end of financial year	16	**28,846**	30,704

Reconciliation of liabilities arising from financing activities

	2016 $'000	Cash flows $'000	Non-cash changes Foreign exchange movement $'000	Non-cash changes Other $'000	2017 $'000
Bank borrowings					
– Current	1,963	(1,943)	(20)		**–**
Finance lease payable					
– Current	239	(237)	–	139	**141**
– Non-current	139	–	–	(139)	**–**
Total	2,341	(2,180)	(20)	–	**141**

The 'Other' column relates to reclassification of non-current portion of finance lease payable due to passage of time.

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 2017

Note A: Purchase of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $1,281,000 (2016: $1,951,000). The additions were by way of cash payments of $345,000 (2016: $358,000) and transfer of assets from inventories amounting to $936,000 (2016: $1,593,000) respectively.

Note B: Disposal of property, plant and equipment

During the financial year, the Group received proceeds of $43,000 (2016: $722,000) from disposal of property plant and equipment. An amount of $2,000 (2016: $Nil) remained payable by the purchaser.

Note C: Purchase of Intangible assets

During the financial year, the Group acquired intangible assets with an aggregate cost of $4,000 (2016: $2,000). An amount of $2,000 (2016: $Nil) remained payable to the seller.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

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.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). On transition to the SFRS(I), the Group expects to elect the option to deem cumulative translation differences for foreign operations to be zero on 1 January 2017, and accordingly, the gain or loss that will be recognised on a subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before 1 January 2017. The Group expects to reclassify an amount of $902,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

Other than the impact on adoption of the SFRS(I) 15 and SFRS(I) 9, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15 and SFRS(I) 9 will be similar to the impact on adoption of FRS 115 and FRS 109 as disclosed in Note 2.3.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except that 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 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

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
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 109: Prepayment Features with Negative Compensation	1 January 2019
Amendments to FRS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
Improvements to FRSs (March 2018):	
– Amendments to FRS 103 Business Combinations	1 January 2019
– Amendments to FRS 111 Joint Arrangements	1 January 2019
– Amendments to FRS 12 Income Taxes	1 January 2019
– Amendments to FRS 23 Borrowing Costs	1 January 2019
Amendments to FRS 110 and FRS 28 Sales or Contribution of Assets between an Investor and its Associate and Joint Venture	Date to be determined
INT FRS 122 Foreign Currency Transactions and Advance Consideration	1 January 2018
INT FRS 123 Uncertainty over Income Tax Treatments	1 January 2019

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Standards issued but not yet effective (continued)

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. 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 is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018. 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. 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 2017

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, and is effective for annual periods beginning on or after 1 January 2018. 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 plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

Impairment

FRS 109 requires the Group and the Company to record expected credit losses on all of its loans, trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group does not expect any significant adjustments on adoption of FRS 109.

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 exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Basis of consolidation and business combinations (continued)

(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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (continued)

(b) Club membership

Club membership was acquired separately and is stated at cost.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (continued)

(a) Financial assets (continued)

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.12 Financial instruments (continued)

(b) *Financial liabilities (continued)*

Subsequent measurement (continued)

(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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Impairment of financial assets (continued)

Financial assets carried at amortised cost (continued)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue recognition (continued)

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.

(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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Taxes (continued)

(b) Deferred tax (continued)

– 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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Taxes (continued)

(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 28, 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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

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 2017 is $42,401,000 (2016: $32,797,000). For 2017, a 5% increase/(decrease) in the allowance for doubtful debts estimated by the management would result in an increase/(decrease) of $120,000 in the Group's loss before tax. For 2016, a 5% increase/(decrease) in the allowance for doubtful debts estimated by the management would result in a decrease/(increase) of $125,000 in the Group's profit before tax.

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

Key sources of estimation uncertainty (continued)

(b) Inventories and related allowance (continued)

The carrying amount of the inventories as at 31 December 2017 is $17,581,000 (2016: $14,217,000). For 2017, a 5% increase/(decrease) in the allowance for stock obsolescence estimated by the management would result in an increase/(decrease) of $4,000 in the Group's loss before tax. For 2016, a 5% increase/(decrease) in the allowance for stock obsolescence estimated by the management would result in a decrease/(increase) of $41,000 in the Group's profit before tax.

(c) 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 $12,426,000 (2016: $13,864,000). For 2017, a 5% increase/(decrease) in the impairment estimated by the management would result in an increase/(decrease) of $6,000 in the Group's loss before tax. For 2016, a 5% increase/(decrease) in the impairment estimated by the management would result in a decrease/(increase) of $1,000 in the Group's profit before tax.

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	
	2017	**2016**
	$'000	**$'000**
Sale of goods	**127,510**	97,796
Provision of services	**35,108**	10,733
	162,618	108,529

5. OTHER OPERATING INCOME

	Group	
	2017	2016
	$'000	$'000
Allowance for doubtful trade and other receivables no longer required, now written back	**120**	46
Bad debts recovered	**41**	1
Write back of allowance for stock obsolescence	**243**	227
Discount received	**7**	3
Claims and compensation received	**131**	15
Fair value gain on forward currency contracts	**418**	–
Gain on disposal of property, plant and equipment	**20**	326
Interest income		
– fixed deposits	**151**	266
– current accounts with banks	**17**	6
Operating lease income	**1,596**	1,931
Foreign exchange gain, net	**–**	551
Warehouse and handling fee income	**4,113**	4,666
Recognition of deferred income (Note 21)	**1,429**	1,429
Electricity charges income	**197**	244
PIC cash payout	**54**	57
Wage credit scheme income	**29**	72
Sundry income	**146**	48
	8,712	9,888

6. FINANCE COSTS

	Group	
	2017	2016
	$'000	$'000
Interest expense		
– finance lease	**11**	11
– term loans	**–**	80
– trust receipts	**7**	4
	18	95

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

7. (LOSS)/PROFIT BEFORE INCOME TAX

(Loss)/profit before income tax is arrived at after charging the following:

	Group	
	2017	**2016**
	$'000	**$'000**
Depreciation of property, plant and equipment recognised as an expense in cost of sales	**945**	918
Inventories recognised as an expense in cost of sales (Note 14)	**147,656**	98,572
Audit fees paid/payable to:		
– Auditors of the Company	**165**	165
– Other auditors	**6**	7
Directors fees payable to:		
– Directors of the Company	**178**	209
Staff cost (including directors)		
– Salaries, bonuses and allowances	**5,828**	4,842
– Employer's contributions to defined contribution plan	**501**	462
– Other staff welfare expenses	**196**	210
Legal and professional fees	**269**	325
Included in other operating expenses:		
Foreign exchange loss, net	**2,067**	–
Depreciation of property, plant and equipment	**1,621**	1,621
Amortisation of intangible assets	**11**	29
Property, plant and equipment written off	**–**	33
Impairment of property, plant and equipment	**125**	22
Allowance for impairment of trade and other receivables	**–**	75
Bad debts written off	**–**	7
Operating lease expenses	**5,838**	6,028
Fair value loss on forward currency contracts	**–**	344
Impairment on investment in associates	**10,148**	–

8. INCOME TAX EXPENSE/(CREDIT)

Major components of income taxes

The major components of income taxes for the years ended 31 December 2017 and 2016 are:

	Group	
	2017 $'000	2016 $'000
Current income tax		
– Current financial year	**9**	–
– Under/(over) provision in respect of prior periods	**2**	(10)
	11	(10)
Deferred tax		
– Under provision in respect of prior periods	**–**	–
	–	–
Total income tax expense/(credit) recognised in profit or loss	**11**	(10)

The reconciliation between tax expense/(credit) and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2017 and 2016 is as follows:

	Group	
	2017 $'000	2016 $'000
(Loss)/profit before income tax	**(11,953)**	896
Tax at the domestic rates applicable to profits in the countries where the Group operates	**(2,051)**	124
Tax effect of:		
– expenses not deductible for tax purposes	**2,816**	540
– income not subject to tax	**(623)**	(348)
Under/(over) provision in respect of prior periods	**2**	(10)
Enhanced tax deductions	**(21)**	(29)
Deferred tax assets not recognised	**190**	244
Benefits from previously unrecognised tax losses	**(302)**	(126)
Share of associates' results	**–**	(405)
	11	(10)

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 2017

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

At the balance sheet date, the Group has tax losses of approximately $102,896,000 (2016: $103,555,000) 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

In 2016, there were 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 29).

9. EARNINGS PER SHARE

Basic earnings per share are calculated by dividing the Group's (loss)/profit 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 (loss)/profit 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 (loss)/profit and share data are presented in the table below:

	Group	
	2017 $'000	**2016 $'000**
(Loss)/profit for the year attributable to owners of the Company	**(11,931)**	896

	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*	**127,417**	127,437

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions for the year ended 31 December 2016.

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For the financial year ended 31 December 2017

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	Total $'000
Group									
Cost									
At 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 and 1 January 2017	**193**	**257**	**16,203**	**13,476**	**834**	**775**	**1,054**	**2,399**	**35,191**
Additions	**–**	**–**	**–**	**1,100**	**2**	**36**	**–**	**143**	**1,281**
Disposals/write off	**–**	**–**	**–**	**(101)**	**–**	**–**	**–**	**–**	**(101)**
Exchange differences	**4**	**4**	**–**	**(1)**	**(1)**	**(1)**	**(3)**	**(4)**	**(2)**
At 31 December 2017	**197**	**261**	**16,203**	**14,474**	**835**	**810**	**1,051**	**2,538**	**36,369**
Accumulated depreciation and impairment loss									
At 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 and 1 January 2017	**–**	**34**	**11,733**	**6,373**	**525**	**543**	**752**	**1,367**	**21,327**
Charge for the year	**–**	**5**	**915**	**1,101**	**58**	**73**	**97**	**317**	**2,566**
Disposals/write off	**–**	**–**	**–**	**(76)**	**–**	**–**	**–**	**–**	**(76)**
Impairment loss	**–**	**–**	**–**	**122**	**–**	**3**	**–**	**–**	**125**
Exchange differences	**–**	**2**	**–**	**–**	**–**	**–**	**–**	**(1)**	**1**
At 31 December 2017	**–**	**41**	**12,648**	**7,520**	**583**	**619**	**849**	**1,683**	**23,943**
Net carrying amount									
At 31 December 2017	**197**	**220**	**3,555**	**6,954**	**252**	**191**	**202**	**855**	**12,426**
At 31 December 2016	193	223	4,470	7,103	309	232	302	1,032	13,864

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For the financial year ended 31 December 2017

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	Total $'000
Company							
Cost							
At 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 and 1 January 2017	**9,372**	**6,901**	**614**	**540**	**912**	**2,154**	**20,493**
Additions	**–**	**937**	**2**	**26**	**–**	**143**	**1,108**
Disposals/write off	**–**	**(10)**	**–**	**–**	**–**	**–**	**(10)**
At 31 December 2017	**9,372**	**7,828**	**616**	**566**	**912**	**2,297**	**21,591**
Accumulated depreciation and impairment loss							
At 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 and 1 January 2017	**6,039**	**2,443**	**335**	**330**	**651**	**1,274**	**11,072**
Charge for the year	**474**	**699**	**51**	**68**	**95**	**287**	**1,674**
Disposals/write off	**–**	**(1)**	**–**	**–**	**–**	**–**	**(1)**
Impairment loss	**–**	**121**	**–**	**–**	**–**	**–**	**121**
At 31 December 2017	**6,513**	**3,262**	**386**	**398**	**746**	**1,561**	**12,866**
Net carrying amount							
At 31 December 2017	**2,859**	**4,566**	**230**	**168**	**166**	**736**	**8,725**
At 31 December 2016	3,333	4,458	279	210	261	880	9,421

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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Motor vehicles	**488**	678	**488**	678
	488	678	**488**	678

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 20) were as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Leasehold properties	**3,555**	4,470	**2,859**	3,333

Impairment of assets

Property, plant and equipment are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

During the year, the Group carried out a review of recoverable amount of its assets and set aside an impairment loss of $125,000 (2016: $22,000) for assets identified as obsolete, representing the write-down of assets to their recoverable amount. This impairment loss was recognised in "Other operating expenses" (Note 7) line item of profit or loss for the year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

11. INTANGIBLE ASSETS

	Computer software $'000	Club membership $'000	Total $'000
Group			
Cost			
At 1 January 2016	983	48	1,031
Additions	2	–	2
At 31 December 2016 and 1 January 2017	**985**	**48**	**1,033**
Additions	**4**	**–**	**4**
Write off	**(1)**	**–**	**(1)**
At 31 December 2017	**988**	**48**	**1,036**
Accumulated amortisation			
At 1 January 2016	939	–	939
Amortisation	29	–	29
At 31 December 2016 and 1 January 2017	**968**	**–**	**968**
Amortisation	**11**	**–**	**11**
Write off	**(1)**	**–**	**(1)**
At 31 December 2017	**978**	**–**	**978**
Net carrying amount			
At 31 December 2017	**10**	**48**	**58**
At 31 December 2016	17	48	65

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

11. INTANGIBLE ASSETS (CONTINUED)

	Computer software $'000	Club membership $'000	Total $'000
Company			
Cost			
At 1 January 2016	916	–	916
Additions	–	48	48
Disposals	(9)	–	(9)
At 31 December 2016 and 1 January 2017 and 31 December 2017	**907**	**48**	**955**
Accumulated amortisation			
At 1 January 2016	866	–	866
Amortisation	28	–	28
At 31 December 2016 and 1 January 2017	**894**	**–**	**894**
Amortisation	**9**	**–**	**9**
At 31 December 2017	**903**	**–**	**903**
Net carrying amount			
At 31 December 2017	**4**	**48**	**52**
At 31 December 2016	13	48	61

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2017	**2016**
	$'000	**$'000**
Unquoted equity shares, at cost	**14,346**	14,114
Impairment losses	**(1,244)**	(967)
	13,102	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 2017 %	Proportion of ownership interest 2016 %
Held by the Company				
Jin Heng Li Hardware Sdn Bhd[2]	Dormant	Malaysia	**100.0**	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

12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Composition of the Group (continued)

Name of subsidiaries	Principal activities	Country of incorporation/ business	Proportion of ownership interest 2017 %	2016 %
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]	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.

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

Name of subsidiaries	Principal place of business	Proportion of ownership interest held by NCI	(Loss)/gain allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000	Dividends paid to NCI $'000
31 December 2017:					
Jin Heng Li Hardware Sdn Bhd	Malaysia	**0.00%**	**(3)**	**–**	**–**
31 December 2016:					
Jin Heng Li Hardware Sdn Bhd	Malaysia	20.62%	10	244	–

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(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

	2016 $'000
	Jin Heng Li Hardware Sdn Bhd
Current	
Assets	1,372
Liabilities	(633)
Net current assets	739
Non-current	
Assets	415
Liabilities	–
Net non-current assets	415
Net assets	1,154

Summarised statement of comprehensive income

	2016 $'000
	Jin Heng Li Hardware Sdn Bhd
Revenue	–
Profit before income tax	39
Income tax credit	10
Profit after tax – continuing operations	49
Other comprehensive income	–
Total comprehensive income	49

Other summarised information

Net cash flows from operations	20

12. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) Acquisition of ownership interest in subsidiary

Jin Heng Li Hardware Sdn Bhd ("JHL")

On 30 August 2017, the Company acquired an additional 20.62% equity interest in JHL from its non-controlling interests for a cash consideration of $233,000. As a result of this acquisition, JHL became a wholly-owned subsidiary of the Company.

The carrying amount of the non-controlling interest in JHL at 30 August 2017 was $232,000. The difference of $1,000 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 JHL on the equity attributable to owners of the Company:

	$'000
Consideration paid for acquisition of non-controlling interests	233
Decrease in equity attributable to non-controlling interests	(232)
Premium paid on acquisition of non-controlling interests	1

13. INVESTMENT IN ASSOCIATES

The investments in associates are summarised below:

	BRC Asia Limited $'000	POS-SEA Pte Ltd $'000	Total $'000
Group			
At 1 January 2016	49,028	476	49,504
Add:			
– share of results	2,064	322	2,386
Less:			
– share of other comprehensive income	(192)	–	(192)
– dividends received	(843)	–	(843)
At 31 December 2016 and 1 January 2017	50,057	798	50,855
Add:			
– share of results	3	–	3
– costs of disposal	22	–	22
Less:			
- share of other comprehensive income	(71)	–	(71)
- dividends received	(1,011)	–	(1,011)
- impairment	(10,015)	(133)	(10,148)
- disposals	(38,985)	(665)	(39,650)
At 31 December 2017	–	–	–

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

13. INVESTMENT IN ASSOCIATES (CONTINUED)

	POS-SEA Pte Ltd $'000
Company	
At 1 January 2016, 31 December 2016, 1 January 2017	505
– disposals	(505)
At 31 December 2017	–

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Fair value of investment in an associate for which there is published price quotation (BRC)	–	21,916	–	–

Name of associates	Principal activities	Country of incorporation/ business	Proportion of ownership interest 2017 %	2016 %
Held by the Company				
POS-SEA Pte Ltd[1]	Commission agent for procurement of steel products and materials	Singapore	**0.00**	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	**0.00**	22.42

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

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

13. INVESTMENT IN ASSOCIATES (CONTINUED)

Dividends of $1,011,000 (2016: $843,000) were received from BRC Asia Limited during the year.

(i) On 9 September 2017, the Company announced that it had entered into a conditional agreement with Esteel Enterprise Pte. Ltd. to dispose of all the 42,145,518 ordinary shares held by its subsidiary, HG Metal Pte Ltd, in the issued and paid-up share capital of BRC Asia Limited ("BRC") at the consideration of $0.925 per BRC Share. The disposal was duly approved by the Company's shareholders at the extraordinary general meeting held on 25 October 2017 and was completed on 7 November 2017. Pursuant to the disposal, BRC ceased to be an associated company of the Group.

In view of the disposal, the Group recognised a loss of $10.0 million in FY2017 in respect of the remaining carrying value of its investment in BRC and the proceeds from the disposal of $38.98 million. The currency translation reserve and fair value reserve of $0.7 million previously recorded in other comprehensive income were reclassified to profit or loss.

(ii) On 4 October 2017, the Company announced that its associated company, POS-SEA Pte Ltd had initiated a capital reduction exercise to cancel 490,000 shares held by the Company and to return the US$490,000 share capital invested by the Company. The capital reduction was completed on 13 November 2017 and POS-SEA Pte Ltd had since then ceased to be an associated company of the Group. The Group recognised a loss of $0.1 million during FY2017 in respect of the carrying value of the investment in POS-SEA and the proceeds from the capital reduction.

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 2016 $'000	POS-SEA Pte Ltd 2016 $'000
Currents	142,489	29,781
Non-current assets excluding goodwill	96,074	678
Goodwill	10,907	–
Total assets	249,470	30,459
Current liabilities	(45,269)	(27,831)
Non-current liabilities	(20,165)	–
Total liabilities	(65,434)	(27,831)
Net assets	184,036	2,628

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

13. INVESTMENT IN ASSOCIATES (CONTINUED)

	BRC Asia Limited 2016 $'000	POS-SEA Pte Ltd 2016 $'000
Net assets excluding goodwill	173,129	2,628
Proportion of the Group's ownership	22.42%	32.45%
Group's share of net assets	38,816	853
Goodwill on acquisition	10,907	–
Other adjustments	334	(55)
Carrying amount of the investment	50,057	798

Summarised statement of comprehensive income

	BRC Asia Limited 2016 $'000	POS-SEA Pte Ltd 2016 $'000
Revenue	337,590	217,732
Profit after tax from continuing operations	9,205	992
Other comprehensive income	(858)	–
Total comprehensive income	8,347	992

14. INVENTORIES

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trading inventories	**15,442**	12,228	**15,469**	12,269
Finished goods	**328**	10	**–**	–
Work-in-progress	**345**	253	**–**	–
Raw materials	**1,466**	1,726	**–**	–
Inventories (at lower of cost or net realisable value)	**17,581**	14,217	**15,469**	12,269

	Group	
	2017 $'000	2016 $'000
Inventories recognised as expense in cost of sales (Note 7)	**147,656**	98,572
Write back of allowance for stock obsolescence	**(243)**	(227)

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Financial assets				
Trade receivables				
Third parties	**44,793**	35,296	**34,353**	30,895
Amounts due from subsidiaries	**–**	–	**15,492**	7,589
Allowances for doubtful receivables from third parties	**(2,392)**	(2,499)	**(2,025)**	(2,135)
Allowances for doubtful receivables from subsidiaries	**–**	–	**(2,514)**	(2,514)
	42,401	32,797	**45,306**	33,835
Other receivables				
Third parties	**483**	798	**218**	462
Rental, utilities and other deposits	**1,203**	1,232	**1,068**	1,066
Amounts due from subsidiaries	**–**	–	**749**	15,610
Allowances for doubtful receivables from third parties (non-trade)	**(61)**	(78)	**–**	(7)
Allowances for doubtful receivables from subsidiaries (non-trade)	**–**	–	**(656)**	(1,824)
	1,625	1,952	**1,379**	15,307
	44,026	34,749	**46,685**	49,142
Non-financial assets				
Advance to suppliers for purchase of inventories	**257**	9	**251**	–
	44,283	34,758	**46,936**	49,142

In 2016, other receivables (third parties) include an amount of $300,000 receivable from the sale of the Company's leasehold buildings.

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For the financial year ended 31 December 2017

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $13,972,000 (2016: $3,851,000) 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	
	2017 $'000	2016 $'000
Trade receivables past due:		
– Less than 30 days	**10,920**	3,121
– 30 – 60 days	**1,903**	673
– 61 – 90 days	**701**	51
– 91 – 120 days	**323**	6
– More than 120 days	**125**	–
	13,972	3,851

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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Trade receivables				
Trade receivables – nominal amounts	**2,392**	2,499	**2,025**	2,135
Less: Allowance for impairment	**(2,392)**	(2,499)	**(2,025)**	(2,135)
	–	–	**–**	–
Movement in allowance accounts:				
Balance at 1 January	**2,499**	3,083	**2,135**	2,134
Charge for the year	**–**	50	**–**	48
Written back	**(110)**	(46)	**(109)**	–
Bad debts written off against allowance	**(1)**	(584)	**(1)**	(47)
Exchange differences	**4**	(4)	**–**	–
Balance at 31 December	**2,392**	2,499	**2,025**	2,135

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables that are impaired (continued)

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	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Non-trade receivables				
Non-trade receivables – nominal amounts	**61**	78	**–**	7
Less: Allowance for impairment	**(61)**	(78)	**–**	(7)
	–	–	**–**	–
Movement in allowance accounts:				
Balance at 1 January	**78**	53	**7**	–
Charge for the year	**–**	25	**–**	7
Written back	**(10)**	–	**–**	–
Bad debts written off against allowance	**(7)**	–	**(7)**	–
Balance at 31 December	**61**	78	**–**	7

	Company	
	2017	2016
	$'000	$'000
Due from subsidiaries (Trade)		
Subsidiaries – nominal amounts	**15,492**	7,589
Less: Allowance for impairment	**(2,514)**	(2,514)
	12,978	5,075
Movement in allowance accounts:		
Balance at 1 January	**2,514**	2,514
Charge for the year	**–**	–
Balance at 31 December	**2,514**	2,514

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

15. TRADE AND OTHER RECEIVABLES (CONTINUED)

Receivables that are impaired (continued)

	Company	
	2017	**2016**
	$'000	**$'000**
Due from subsidiaries (non-trade)		
Subsidiaries – nominal amounts	**656**	1,824
Less: Allowance for impairment	**(656)**	(1,824)
	–	–
Movement in allowance accounts:		
Balance at 1 January	**1,824**	1,824
Charge for the year	**656**	–
Write back	**(1,824)**	–
Balance at 31 December	**656**	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, 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, repayable in cash on demand.

Trade receivables denominated in foreign currencies at 31 December 2017 and 2016 are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	**22,011**	18,676	**20,930**	18,676

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	**23,586**	18,515	**17,828**	14,013
Fixed deposits with banks	**5,260**	12,189	**26**	6,014
Cash and cash equivalents	**28,846**	30,704	**17,854**	20,027
Fixed deposits pledged with banks	**19,500**	7,038	**19,500**	7,038
Bank balances and fixed deposits	**48,346**	37,742	**37,354**	27,065

Fixed deposits earn weighted average effective interest rate of 1.45% (2016: 0.89%) per annum and for tenures ranging from 1 to 12 months (2016: 2 to 6 months).

The purpose of the pledged fixed deposits is to secure credit facilities with the banks as disclosed in Note 20.

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	**6,335**	2,103	**5,474**	2,066
Malaysian Ringgit	**52**	52	**52**	52

NOTES TO THE FINANCIAL STATEMENTS

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17. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
Financial liabilities				
Trade payables				
Third parties	**10,044**	10,337	**8,927**	9,654
Amounts due to subsidiaries	**–**	–	**–**	14
Amounts due to related parties	**–**	50	**–**	–
Amounts due to associates	**–**	4	**–**	4
	10,044	10,391	**8,927**	9,672
Other payables				
Deposits from customers	**894**	1,137	**582**	625
Accrued operating expenses	**1,585**	1,453	**1,169**	1,210
Other payables	**1,035**	468	**614**	320
Amounts due to subsidiaries	**–**	–	**37,327**	11,200
	3,514	3,058	**39,692**	13,355
Total financial liabilities	**13,558**	13,449	**48,619**	23,027
Non-financial liability				
GST payable	**935**	508	**820**	466
	14,493	13,957	**49,439**	23,493

Trade payables including amounts due to subsidiaries, related parties 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
United States Dollar	**1,198**	486	**1,197**	484

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18. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/ Notional Amount $'000	2017 $'000		Contract/ Notional Amount $'000	2016 $'000	
		Assets	Liabilities		Assets	Liabilities
Group and Company						
Forward currency contracts	**12,663**	**15**	**–**	19,155	–	403

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.

The Group does not apply hedge accounting.

19. 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			
2017			
Within one financial year	**148**	**(7)**	**141**
2016			
Within one financial year	250	(11)	239
After one financial year but less than five financial years	145	(6)	139
	395	(17)	378

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19. FINANCE LEASE PAYABLES (CONTINUED)

	Minimum lease payments $'000	Future finance charges $'000	Present value of lease payments $'000
Company			
2017			
Within one financial year	**148**	**(7)**	**141**
2016			
Within one financial year	250	(11)	239
After one financial year but less than five financial years	145	(6)	139
	395	(17)	378

Lease terms are for three years (2016: 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% (2016: 2.60% to 5.66%) per annum.

20. BANK BORROWINGS

		Group		Company	
		2017 $'000	2016 $'000	2017 $'000	2016 $'000
Current					
Secured					
– Trust receipts	USD	–	1,963	–	1,963
		–	1,963	–	1,963
Total current borrowings		–	1,963	–	1,963

20. BANK BORROWINGS (CONTINUED)

Secured

The secured portions of the bank borrowings of the Group and the Company as at 31 December 2016 were 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 and $3,333,000 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 borrowings.

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

	Interest rates per annum	
	2017	**2016**
Trust receipts	**1.27% – 1.45%**	1.94% – 2.55%

21. 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	
	2017	**2016**
	$'000	**$'000**
Current	**1,429**	1,429
Non-current	**1,548**	2,976
	2,977	4,405

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22. PROVISION FOR REINSTATEMENT COSTS

	Group		Company	
	2017	2016	2017	2016
	$'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	
	2017	2016	2017	2016
	$'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 (2016: 2020).

23. SHARE CAPITAL

	Group and Company			
	2017		2016	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully-paid:				
Ordinary shares				
At beginning of the year	**130,611**	**152,052**	1,306,122	152,052
Capital reduction	**–**	**(81,556)**	–	–
Before share consolidation	**	**	1,306,122	152,052
At end of the year	**130,611**	**70,496**	130,611*	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.

** Not applicable.

23. SHARE CAPITAL (CONTINUED)

During the year, the Company undertook a capital reduction exercise which involved writing-off part of the accumulated losses of the Company as at 31 December 2016 to the extent of $68.2 million and a cash distribution of $13.4 million to its shareholders on the basis of $0.105 per ordinary share in the capital of the Company. The capital reduction exercise did not result in any change in the number of issued shares of the Company.

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.

24. TREASURY SHARES

	Group and Company			
	2017		2016	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully-paid:				
Ordinary shares				
At beginning of the year	**3,193**	**2,215**	23,797	1,906
Acquired during the financial year	**–**	**–**	8,139	309
Before share consolidation	**	**	31,936	2,215
At end of the year	**3,193**	**2,215**	3,193*	2,215

* 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.

** Not Applicable.

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

In 2016, the Company acquired 8,139,000 shares in the Company for a total consideration of $309,000 by way of market acquisition and this has been presented as a component within shareholders' equity.

There were no such acquisition in the current financial year.

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25. OTHER RESERVES

	Group		Company	
	2017	2016	2017	2016
	$'000	$'000	$'000	$'000
Capital reserve (a)	**2,527**	2,527	**2,527**	2,527
Foreign currency translation reserve (b)	**(176)**	(902)	**–**	–
Fair value reserve (c)	**–**	(4)	**–**	–
Premium paid on acquisition of non-controlling interest (d)	**(212)**	(211)	**–**	–
	2,139	1,410	**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.

25. 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 of $1,000 (2016: $34,000) between the consideration and the carrying value of the additional interest in subsidiary acquired without a change in control.

26. 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	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
With subsidiaries				
Sales	**–**	–	**26,846**	11,386
Purchases	**–**	–	**3**	144
Rental income	**–**	–	**428**	456
Dividend income	**–**	–	**4,293**	–
Other income	**–**	–	**241**	61
With associate				
Sales	**11**	9	**–**	2
Purchases	**4,507**	3,273	**3,087**	2,683
Other charges	**–**	18	**–**	18
With companies related to directors of the Company				
Sales	**78**	–	**2,163**	–
Purchases	**3,489**	–	**–**	–
Other charges	**2**	3	**2**	3

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26. 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	
	2017	**2016**
	$'000	**$'000**
Directors of the Company		
Salaries and other short-term employee benefits	**348**	362
Employer's contributions to defined contribution plan	**19**	21
Key management personnel (non-directors)		
Salaries and other short-term employee benefits	**510**	486
Employer's contributions to defined contribution plan	**40**	41
	917	910

27. 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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Future minimum lease payments				
Within one financial year	**10,323**	5,967	**9,822**	5,464
After one financial year but within five financial years	**3,632**	13,370	**3,396**	12,629
After five financial years	**880**	1,599	**880**	1,599
	14,835	20,936	**14,098**	19,692

27. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Operating lease commitments (continued)

The Group and the Company as lessee (continued)

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.

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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Within one financial year	**3,897**	4,714	**3,235**	2,289
After one financial year but within five financial years	**1,073**	2,040	**1,483**	804
	4,970	6,754	**4,718**	3,093

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 $2,510,000 (2016: $1,630,000) 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

27. COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Contingent liabilities (continued)

Guarantees (continued)

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.

The fair values of the financial guarantee contracts have not been recognised on the balance sheet at 31 December 2017 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.

28. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three 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.

(iii) Others include those which do not fall in trading and manufacturing segment.

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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

28. SEGMENT INFORMATION (CONTINUED)

	Trading $'000	Manufacturing $'000	Others $'000	Adjustment/ elimination $'000	Group $'000
Financial year ended 31 December 2017					
REVENUE					
Sales to external customers	118,224	44,394	–	–	162,618
Inter-segment sales (Note A)	26,846	3	–	(26,849)	–
Total	145,070	44,397	–	(26,849)	162,618
RESULTS					
Other income	5,651	148	2,504	(1,849)	6,454
Dividend income	4,293	–	34,748	(39,041)	–
Gain on disposal of associates	160	–	15,054	(15,214)	–
Recognition of deferred income	1,429	–	–	–	1,429
Fair value gain from derivatives	418	–	–	–	418
Write back impairment of inventories	243	–	–	–	243
Interest income	96	–	72	–	168
Impairment on investment of associates	–	–	–	(10,148)	(10,148)
Interest expense	(18)	–	–	–	(18)
Share of associates' results	–	3	–	–	3
Depreciation and amortisation of assets	(1,682)	(424)	(471)	–	(2,577)
Impairment of property, plant and equipment	(121)	–	(4)	–	(125)
Segment (loss)/profit	1,939	1,338	52,430	(67,660)	(11,953)
Income tax expense					(11)
Loss for the year					(11,964)
ASSETS AND LIABILITIES					
Additions to non-current assets (Note B)	1,108	175	2	–	1,285
Segment assets (Note A)	121,711	19,498	49,359	(67,730)	122,838
Segment liabilities (Note A)	53,256	17,403	2,300	(54,348)	18,611
Tax payable					15
Total liabilities					18,626

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

28. SEGMENT INFORMATION (CONTINUED)

	Trading $'000	Manufacturing $'000	Others $'000	Adjustment/ elimination $'000	Group $'000
Financial year ended 31 December 2016					
REVENUE					
Sales to external customers	91,861	16,557	111	–	108,529
Inter-segment sales (Note A)	11,386	144	–	(11,530)	–
Total	103,247	16,701	111	(11,530)	108,529
RESULTS					
Other income	4,832	82	3,641	(595)	7,960
Dividend income	–	–	843	(843)	–
Recognition of deferred income	1,429	–	–	–	1,429
Interest income	189	–	83	–	272
Write back impairment of inventories	210	17	–	–	227
Fair value loss from derivatives	(344)	–	–	–	(344)
Interest expense	(95)	–	–	–	(95)
Share of associates' results	323	2,063	–	–	2,386
Depreciation and amortisation of assets	(1,682)	(408)	(478)	–	(2,568)
Impairment of property, plant and equipment	–	(22)	–	–	(22)
Segment (loss)/profit	(3,319)	2,391	2,270	(446)	896
Income tax credit					10
Profit for the year					906
ASSETS AND LIABILITIES					
Investment in associates	798	50,057	–	–	50,855
Additions to non-current assets (Note B)	1,783	169	1	–	1,953
Segment assets (Note A)	111,874	9,430	55,576	(25,063)	151,817
Segment liabilities (Note A)	31,342	8,671	22,966	(40,873)	22,106
Tax payable					13
Total liabilities					22,119

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

28. 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.

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	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
Myanmar	**88,476**	61,101	**108**	130
Singapore	**66,893**	36,572	**11,956**	13,355
Malaysia	**846**	3,501	**420**	444
Indonesia	**6,386**	7,203	**–**	–
Others	**17**	152	**–**	–
	162,618	108,529	**12,484**	13,929

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 $88,476,000 (2016: $61,101,000), arising from sales of the trading segment.

29. DIVIDENDS

	Group and Company	
	2017	**2016**
	$'000	**$'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 2017: NIL (2016: 0.5) cents per share	**–**	637

During the year, dividends paid out amounted to $637,000.

NOTES TO THE FINANCIAL STATEMENTS

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30. 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 2017			
Assets			
Trade and other receivables (Note 15)	**–**	**44,026**	**–**
Bank balances and fixed deposits (Note 16)	**–**	**48,346**	**–**
Derivative financial instruments (Note 18)	**15**	**–**	**–**
Total	**15**	**92,372**	**–**
Liabilities			
Trade and other payables (Note 17)	**–**	**–**	**13,558**
Finance lease payables (Note 19)	**–**	**–**	**141**
Total	**–**	**–**	**13,699**
31 December 2016			
Assets			
Trade and other receivables (Note 15)	–	34,749	–
Bank balances and fixed deposits (Note 16)	–	37,742	–
Total	–	72,491	–
Liabilities			
Derivative financial instruments (Note 18)	403	–	–
Trade and other payables (Note 17)	–	–	13,449
Finance lease payables (Note 19)	–	–	378
Bank borrowings (Note 20)	–	–	1,963
Total	403	–	15,790

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For the financial year ended 31 December 2017

30. 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 2017			
Assets			
Trade and other receivables (Note 15)	**–**	**46,685**	**–**
Bank balances and fixed deposits (Note 16)	**–**	**37,354**	**–**
Derivative financial instruments (Note 18)	**15**	**–**	**–**
Total	**15**	**84,039**	**–**
Liabilities			
Trade and other payables (Note 17)	**–**	**–**	**48,619**
Finance lease payables (Note 19)	**–**	**–**	**141**
Total	**–**	**–**	**48,760**
31 December 2016			
Assets			
Trade and other receivables (Note 15)	–	49,142	–
Bank balances and fixed deposits (Note 16)	–	27,065	–
Total	–	76,207	–
Liabilities			
Derivative financial instruments (Note 18)	403	–	–
Trade and other payables (Note 17)	–	–	23,027
Finance lease payables (Note 19)	–	–	378
Bank borrowings (Note 20)	–	–	1,963
Total	403	–	25,368

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31. 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		
	2017 $'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			
Assets			
Financial assets:			
Derivative financial instruments			
– Forward currency contracts	–	15	15
As at 31 December 2017	–	15	15

31. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

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

	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)

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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31. 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 2017 and 2016 but for which fair value is disclosed:

	Group 2017 $'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)	–	–	–	–
Investment in associate (POS-SEA Pte Ltd)	–	–	–	–
Liabilities				
Obligations under finance leases	–	139	139	141

	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

31. 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.

32. 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.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

32. 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 $2,510,000 (2016: $1,630,000) 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	
	2017 $'000	**2016 $'000**	**2017 $'000**	**2016 $'000**
By country:				
– Myanmar	**25,566**	24,169	**25,566**	24,169
– Singapore	**15,788**	7,787	**18,843**	8,825
– Malaysia	**177**	82	**93**	82
– Indonesia	**866**	759	**801**	759
– Others	**4**	–	**3**	–
	42,401	32,797	**45,306**	33,835

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) *Credit risk (continued)*

Credit risk concentration profiles (continued)

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$'000	**$'000**	**$'000**	**$'000**
By industry sectors:				
– Trading	**27,410**	24,640	**27,410**	24,640
– Construction	**11,778**	4,820	**14,683**	5,858
– Others	**3,213**	3,337	**3,213**	3,337
	42,401	32,797	**45,306**	33,835

At the end of the reporting period, approximately:

– 71% (2016: 56%) of the Group's trade receivables were due from 3 (2016: 3) major customers who are located in Singapore, Indonesia and Myanmar (2016: Singapore, Indonesia and Myanmar).

– None of the Group's trade receivables was 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 15 (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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) *Liquidity risk (continued)*

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 2017			
Financial assets:			
Trade and other receivables	**44,026**	**–**	**44,026**
Derivative financial instruments	**15**	**–**	**15**
Bank balances and fixed deposits	**48,346**	**–**	**48,346**
Total undiscounted financial assets	**92,387**	**–**	**92,387**
Financial liabilities:			
Trade and other payables	**13,558**	**–**	**13,558**
Finance lease payables	**148**	**–**	**148**
Total undiscounted financial liabilities	**13,706**	**–**	**13,706**
Total net undiscounted financial assets	**78,681**	**–**	**78,681**
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	1,965	–	1,965
Total undiscounted financial liabilities	16,067	145	16,212
Total net undiscounted financial assets/(liabilities)	56,424	(145)	56,279

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (continued)

	Within one year $'000	Two to five years $'000	Total $'000
Company			
As at 31 December 2017			
Financial assets:			
Trade and other receivables	**46,685**	**–**	**46,685**
Derivative financial instruments	**15**	**–**	**15**
Bank balances and fixed deposits	**37,354**	**–**	**37,354**
Total undiscounted financial assets	**84,054**	**–**	**84,054**
Financial liabilities:			
Trade and other payables	**48,619**	**–**	**48,619**
Finance lease payables	**148**	**–**	**148**
Total undiscounted financial liabilities	**48,767**	**–**	**48,767**
Total net undiscounted financial assets	**35,287**	**–**	**35,287**
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	1,965	–	1,965
Total undiscounted financial liabilities	25,645	145	25,790
Total net undiscounted financial assets/(liabilities)	50,562	(145)	50,417

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2017

32. 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 (2016: 50) basis points lower/higher with all other variables held constant, the Group's income and equity would have been approximately $124,000 (2016: $86,000) 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 $98,000 (2016: $55,000).

(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.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's (loss)/profit 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2017

32. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Foreign currency risk (continued)

Sensitivity analysis for foreign currency risk (continued)

		Increase/(decrease) (Loss)/profit before tax 2017 $'000	Increase/(decrease) (Loss)/profit before tax 2016 $'000
Group			
USD/SGD	– strengthened 2% (2016: 2%)	543	406
	– weakened 2% (2016: 2%)	(543)	(406)

		Increase/(decrease) (Loss)/profit before tax 2017 $'000	Increase/(decrease) (Loss)/profit before tax 2016 $'000
Company			
USD/SGD	– strengthened 2% (2016: 2%)	504	415
	– weakened 2% (2016: 2%)	(504)	(415)

33. 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 2017 and 31 December 2016.

34. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 29 March 2018.

APPENDIX

APPENDIX DATED 11 APRIL 2018

This Appendix is circulated to Shareholders of HG Metal Manufacturing Limited (the "**Company**") together with the Company's 2017 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 2018 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 2017 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 26 April 2017 (the "**Share Purchase Mandate**").

1.2 The purpose of this Appendix, to be circulated to Shareholders together with the Company's 2017 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 2018. 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 26 April 2017. Particulars of the Share Purchase Mandate were set out in the Appendix to the 2016 Annual Report to Shareholders dated 11 April 2017.

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 2018. 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.

APPENDIX

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.

(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 29 March 2018 ("**Latest Practicable Date**"), the total number of issued Shares of the Company (excluding treasury shares) is 127,417,735 Shares.

APPENDIX

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 (Chapter 50 of Singapore) (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 2018, 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.

APPENDIX

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;

(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.

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.

APPENDIX

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.

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.

APPENDIX

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.

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 2017 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$0.405 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$1,548,000; 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$0.463 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$1,770,000.

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 2017, 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	0.405
1(B)	Capital	Off-Market Purchase	Held as treasury shares	0.463
2(A)	Capital	Market Purchase	Cancelled	0.405
2(B)	Capital	Off-Market Purchase	Cancelled	0.463

on the unaudited financial statements of the Group for the financial year ended 31 December 2017, 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 2017				
Share capital	70,496	70,496	70,496	70,496
Capital and other reserves	2,139	2,139	2,527	2,527
Retained earnings	33,791	33,791	(2,354)	(2,354)
	106,426	106,426	70,669	70,669
Treasury share	(2,215)	(3,763)	(2,215)	(3,763)
Shareholders' funds	104,211	102,663	68,454	66,906
Net tangible assets	104,153	102,605	68,402	66,854
Minority interests	1	1	–	–
Current assets	110,354	108,806	99,832	98,284
Current liabilities	16,078	16,078	51,009	51,009
Working capital	94,276	92,728	48,823	47,275
Number of issued Shares	127,417,735	123,595,203	127,417,735	123,595,203
Weighted average number of Shares	127,417,735	123,595,203	127,417,735	123,595,203
Financial ratios				
Net tangible assets/ Share (S$)[1]	0.82	0.83	0.54	0.54
Current ratio (times)[2]	6.86	6.77	1.96	1.93
Earnings per Share (cents)[3]	(9.36)	(9.65)	1.52	1.57

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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 2017				
Share capital	70,496	70,496	70,496	70,496
Capital and other reserves	2,139	2,139	2,527	2,527
Retained earnings	33,791	33,791	(2,354)	(2,354)
	106,426	106,426	70,669	70,669
Treasury shares	(2,215)	(3,985)	(2,215)	(3,985)
Shareholders' funds	104,211	102,441	68,454	66,684
Net tangible assets	104,153	102,383	68,402	66,632
Minority interests	1	1	–	–
Current assets	110,354	108,584	99,832	98,062
Current liabilities	16,078	16,078	51,009	51,009
Working capital	94,276	92,506	48,823	47,053
Number of issued Shares	127,417,735	123,595,203	127,417,735	123,595,203
Weighted average number of Shares	127,417,735	123,595,203	127,417,735	123,595,203
Financial ratios				
Net tangible assets/ Share (S$)[1]	0.82	0.83	0.54	0.54
Current ratio (times)[2]	6.86	6.75	1.96	1.92
Earnings per Share (cents)[3]	(9.36)	(9.65)	1.52	1.57

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 2017				
Share capital	68,281	66,733	68,281	66,733
Capital and other reserves	2,139	2,139	2,527	2,527
Retained earnings	33,791	33,791	(2,354)	(2,354)
Shareholders' funds	104,211	102,663	68,454	66,906
Net tangible assets	104,153	102,605	68,402	66,854
Minority interests	1	1	–	–
Current assets	110,354	108,806	99,832	98,284
Current liabilities	16,078	16,078	51,009	51,009
Working capital	94,276	92,728	48,823	47,275
Number of issued Shares	127,417,735	123,595,203	127,417,735	123,595,203
Weighted average number of Shares	127,417,735	123,595,203	127,417,735	123,595,203
Financial ratios				
Net tangible assets/ Share (S$)[1]	0.82	0.83	0.54	0.54
Current ratio (times)[2]	6.86	6.77	1.96	1.93
Earnings per Share (cents)[3]	(9.36)	(9.65)	1.52	1.57

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 2017				
Share capital	68,281	66,511	68,281	66,511
Capital and other reserves	2,139	2,139	2,527	2,527
Retained earnings	33,791	33,791	(2,354)	(2,354)
Shareholders' funds	104,211	102,441	68,454	66,684
Net tangible assets	104,153	102,383	68,402	66,632
Minority interests	1	1	–	–
Current assets	110,354	108,584	99,832	98,062
Current liabilities	16,078	16,078	51,009	51,009
Working capital	94,276	92,506	48,823	47,053
Number of issued Shares	127,417,735	123,595,203	127,417,735	123,595,203
Weighted average number of Shares	127,417,735	123,595,203	127,417,735	123,595,203
Financial ratios				
Net tangible assets/ Share (S$)[1]	0.82	0.83	0.54	0.54
Current ratio (times)[2]	6.86	6.75	1.96	1.92
Earnings per Share (cents)[3]	(9.36)	(9.65)	1.52	1.57

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.

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;

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(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.

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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. (30%) 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.

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.

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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.

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 68,103,115 Shares, representing approximately 53.45% 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 64,280,583 Shares, representing approximately 52.01% 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

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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]
Foo Sey Liang	–	–	28,405,000[2]	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 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.

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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]**
Flame Gold International Limited	28,405,000	22.29	–	–	28,405,000	22.29
Foo Sey Liang	–	–	28,405,000[2]	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[3]	6.29	8,010,000	6.29
Regroup Holdings Pte. Ltd.	8,608,657	6.76	–	–	8,608,657	6.76
Yap Xi Ming	571,000	0.45	8,918,612[4]	7.00	9,489,612	7.45
Tan Kim Seng	400,008	0.31	8,608,657[5]	6.76	9,008,665	7.07
Aye Ko Ko	6,500,000	5.10	–	–	6,500,000	5.10
Tan Nah	6,500,000	5.10	–	–	6,500,000	5.10

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 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.

(3) 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 Companies Act.

(4) Yap Xi Ming holds approximately 33.33% in the share capital of Regroup Holdings Pte. Ltd. ("**Regroup**") and is therefore deemed interested in the 8,608,657 Shares held by Regroup by virtue of Section 7 of the Companies Act. He is also deemed to be interested in 3,655 Shares held by CIMB Securities (S) Pte Ltd and 306,300 Shares held by UOB Kay Hian Pte Ltd as his nominee.

(5) Tan Kim Seng holds approximately 25% in the share capital of Regroup and is therefore deemed interested in the 8,608,657 Shares held by Regroup by virtue of Section 7 of the Companies Act.

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.

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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 2018. 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 2017; 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 2018

Number of Shares	–	127,417,735 (excluding treasury shares)
Treasury Shares	–	3,193,630
Subsidiary Holdings Held	–	Nil
Class of Shares	–	Ordinary Shares
Voting Rights	–	On a show of hands: 1 vote
	–	On a poll: 1 vote for each ordinary share

% of the aggregate number of treasury shares and subsidiary holdings held against the total number of issued shares in issue (excluding treasury shares and subsidiary holdings) – 2.51%

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	461	9.92	21,142	0.02
100 – 1,000	710	15.28	462,765	0.35
1,001 – 10,000	2,680	57.66	11,265,139	8.63
10,001 – 1,000,000	782	16.82	37,226,366	28.50
1,000,001 and above	15	0.32	81,635,953	62.50
	4,648	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 2018, the percentage of shareholdings held in the hands of the public was approximately 53.45% and Rule 723 of the Listing Manual is complied with.

SHAREHOLDINGS STATISTICS
as at 15 March 2018

TOP 20 SHAREHOLDERS LIST

S/No	Name of Shareholder	Number of Shares	%*
1	UOB Kay Hian Pte Ltd	38,009,957	29.83
2	Rise Capital Ventures Limited	8,010,000	6.29
3	Aye Ko Ko	6,500,000	5.10
4	Tan Nah	6,500,000	5.10
5	Daiwa Capital Markets Singapore Limited	3,638,800	2.86
6	Citibank Nominees Singapore Pte Ltd	2,282,115	1.79
7	DBS Nominees Pte Ltd	2,276,139	1.79
8	OCBC Securities Private Ltd	2,075,024	1.63
9	Sia Ling Sing	1,840,000	1.44
10	Ng Joo Yow	1,798,700	1.41
11	Phillip Securities Pte Ltd	1,546,544	1.21
12	CGS-CIMB Securities (S) Pte Ltd	1,483,719	1.16
13	Ang Gim Teck	1,349,700	1.06
14	Maybank Kim Eng Securities Pte Ltd	1,131,625	0.89
15	Raffles Nominees (Pte) Ltd	925,022	0.73
16	Goh Guan Siong (Wu Yuanxiang)	888,800	0.70
17	Ang Gim Thian	859,100	0.67
18	ABN Amro Clearing Bank N.V.	824,700	0.65
19	Chua Sze Bok	800,000	0.63
20	Ong King Sin	732,000	0.57
		83,471,945	65.51

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 15 March 2018 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 2018

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Direct Interest No. of Shares	Direct Interest Percentage (%)[1]	Deemed Interest No. of Shares	Deemed Interest Percentage (%)[1]
Flame Gold International Limited	28,405,000	22.29	–	–
Foo Sey Liang	–	–	28,405,000[2]	22.29
Rise Capital Ventures Ltd	8,010,000	6.29	–	–
Aung Tin Htut	–	–	8,010,000[3]	6.29
Regroup Holdings Pte. Ltd.	8,608,657	6.76	–	–
Yap Xi Ming	571,000	0.45	8,918,612[4]	7.00
Tan Kim Seng	400,008	0.31	8,608,657[5]	6.76
Aye Ko Ko	6,500,000	5.10	–	–
Tan Nah	6,500,000	5.10	–	–

Notes:

(1) Based on total issued and paid-up ordinary share capital (excluding treasury shares and subsidiary holdings) comprising 127,417,735 Shares as at 15 March 2018.

(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 Companies Act, Cap 50.

(3) 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 Companies Act, Cap 50.

(4) Yap Xi Ming holds approximately 33.33% in the share capital of Regroup Pte. Ltd. ("**Regroup**") and is therefore deemed interested in the 8,608,657 Shares held by Regroup by virtue of Section 7 of the Companies Act, Cap 50. He is also deemed to be interested in the 3,655 shares held by CGS-CIMB Securities (S) Pte Ltd as his nominee and he is also deemed to be interested in 306,300 shares held by UOB Kay Hian Pte. Ltd. as his nominee.

(5) Tan Kim Seng holds approximately 25% in the share capital of Regroup and is therefore deemed interested in the 8,608,657 Shares held by Regroup by virtue of Section 7 of the Companies Act, Cap 50.

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 Thursday, 26 April 2018 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 2017 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to the Company's Constitution:

   Mr Teo Yi-Dar (Zhang Yida) (Regulation 89) *[See explanatory note (i)]* **(Resolution 2)**
   Mr Ng Weng Sui Harry (Regulation 89) *[See explanatory note (i)]* **(Resolution 3)**

3. To approve the payment of Directors' fees of S$178,173 for the financial year ended 31 December 2017 (previous financial year: S$209,118). **(Resolution 4)**

4. 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 5)**

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

SPECIAL BUSINESS

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

6. **Authority to issue shares in the capital of the Company pursuant to Section 161 of the Companies Act, 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 SGX-ST, the Directors of the Company be authorised and empowered to:

   (a) (i) allot and issue shares in the capital of the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

NOTICE OF ANNUAL GENERAL MEETING

(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 at their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors of the Company while this Resolution was in force,

(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 and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares 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 and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

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

NOTICE OF ANNUAL GENERAL MEETING

(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 bonus issue, consolidation or subdivision of shares;

(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 6)**

7. **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;

NOTICE OF ANNUAL GENERAL MEETING

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**");

(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

NOTICE OF ANNUAL GENERAL MEETING

"**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,

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 7)**

By Order of the Board

Wee Woon Hong
Srikanth Rayaprolu
Company Secretaries
Singapore
11 April 2018

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Teo Yi-Dar (Zhang Yida) will, upon re-election as a Director of the Company, remain as a 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 Teo Yi-Dar (Zhang Yida) can be found in the Annual Report 2017.

Mr Ng Weng Sui Harry will, upon re-election as a Director of the Company, remain as a Chairman of the Audit & Risk Committee and member each of Nominating Committee and Remuneration 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 Ng Weng Sui Harry can be found in the Annual Report 2017.

(ii) The Ordinary Resolution 6 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 and subsidiary holdings), of which up to 20% may be issued other than on a pro-rata basis to shareholders.

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 and subsidiary holdings) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of 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 7 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 2017 Annual Report of the Company.

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote at the Annual General Meeting ("**AGM**"). Where such member appoints more than one proxy, the proportion of his shareholding to be represented by each proxy shall be specified in the instrument of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than one proxy, the number of Shares in relation to which each proxy has been appointed shall be specified in the instrument of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

2. A proxy needs not be a member of the Company.

3. The instrument appointing a proxy or proxies, duly executed, 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 AGM.

NOTICE OF ANNUAL GENERAL MEETING

4. The instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer 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 appointed 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)

ANNUAL GENERAL MEETING
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 ("**AGM**") of the Company to be held at Orchid Room, 15 Jurong Port Road, Singapore 619119 on 26 April 2018 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 AGM as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the AGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

All resolutions put to the vote at the AGM 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 2017		
2	Re-election of Mr Teo Yi-Dar (Zhang Yida) as a Director		
3	Re-election of Mr Ng Weng Sui Harry as a Director		
4	Approval of Directors' fees amounting to S$178,173/-		
5	Re-appointment of Ernst & Young LLP as Auditors		
6	Authority to issue shares and convertible securities pursuant to Section 161 of the Companies Act, Chapter 50.		
7	Renewal of the Share Purchase Mandate		

Dated this __________ day of ________________ 2018

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. If the member has shares entered against his name in the Depository Register, he should insert that number of shares. If the member has shares registered in his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by the member.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote at the AGM. Where such member appoints more than one proxy, the proportion of his shareholding to be represented by each proxy shall be specified in this instrument of proxy. If the proportion of his shareholding is not specified, the first named proxy shall be deemed to represent 100% of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in this instrument of proxy.

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

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy or proxies, duly executed, 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 holding the AGM. The appointment of a proxy or proxies shall not preclude a member from attending and voting in person at the AGM. If a member attends the AGM in person, the appointment of a proxy or proxies shall be deemed to be revoked, and the Company reserves the right to refuse to admit such proxy or proxies to the AGM.

5. This instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.

6. Where this 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.

7. 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.

8. 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 2018.

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