



HG METAL MANUFACTURING LIMITED

**AR 2014**

YEAR OF  
CONSOLIDATION

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## VISION

To become a leading  
supplier of steel products  
in South East Asia

## CORPORATE PROFILE

### YEAR OF CONSOLIDATION

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

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

customised solutions for our strong clientele base of 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 2,000 varieties of steel products for a wide range of industries and applications. Armed with an extensive network of suppliers and solid sourcing capabilities, HG Metal offers customised solutions for our regional customer base along the entire supply chain.

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

## MISSION

To provide one-stop customised solutions while ensuring quality and enhancing value

## 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 2,000 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 8,000 tonnes.

### HG INDUSTRIAL STEEL & 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, Malaysia and Indonesia. We also serve countries such as Brunei, India, Sri Lanka, Thailand, Myanmar, 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, as well as industrial and services facilities located in Gelang Patah.

### 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 ensures that we achieve economies of

## OUR BUSINESS

scale, which enables 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.

We are committed to providing our clients with products of the highest quality. As part of our efforts to increase quality standards, we plan to invest in a supply chain system that allows the traceability of steel source and material composition. This will help to strengthen our credibility and reliability in the eyes of our clients, thereby enhancing customer loyalty.

### 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,

### YEAR OF CHANGE AND CONSOLIDATION

FY2014 was a year of change and consolidation for the Group. There is a change in the Board of Directors and Management. The Group has implemented a business rationalisation exercise to streamline its operations and to optimise cost, in view of the slowdown in the industry and the sharp falling of steel prices. To strengthen the balance sheet, there was a share placement during the year, with proceeds of S\$14.7 million.

### FINANCIAL PERFORMANCE

Revenue in FY2014 declined by 29% to S\$187.9 million, mainly due to lower sales volume and falling steel prices. Hence, there was a 30% decline in gross profit to S\$11.3 million. Overall, gross profit margin remained stable at approximately 6.0%.

A net loss after tax of S\$16.8 million was incurred in FY2014, mainly due to lower sales, reduced share of associate profits and our business rationalisation exercise with provision for inventory, provision for doubtful debts and impairment of fixed assets amounting to S\$15.4 million.

As at 31 December 2014, our cash and cash equivalents have improved significantly to S\$52.7 million from S\$16.1 million as at 31 December 2013. This was mainly attributable to the cost rationalization on inventory and the proceeds from the share placement. Inventory was significantly reduced to S\$28.1 million as at the end of FY2014 from S\$96.7 million as at the end of FY2013, so as to bring down carrying costs cum exposure and to convert inventory into cash.

### TRANSFORMATION

Now, the Group will change its business strategy from a general steel stockist to a one-stop steel solutions provider, assisting customers to source for specified steel products at competitive prices. HG Metal will further capitalize on its good reputation for its ability to offer cost-effective steel solutions to diversified industries, such as energy, marine, transportation and electronics.

We will continue to improve on our working capital management, including further bringing down our inventory level and accounts receivable.

### APPRECIATION

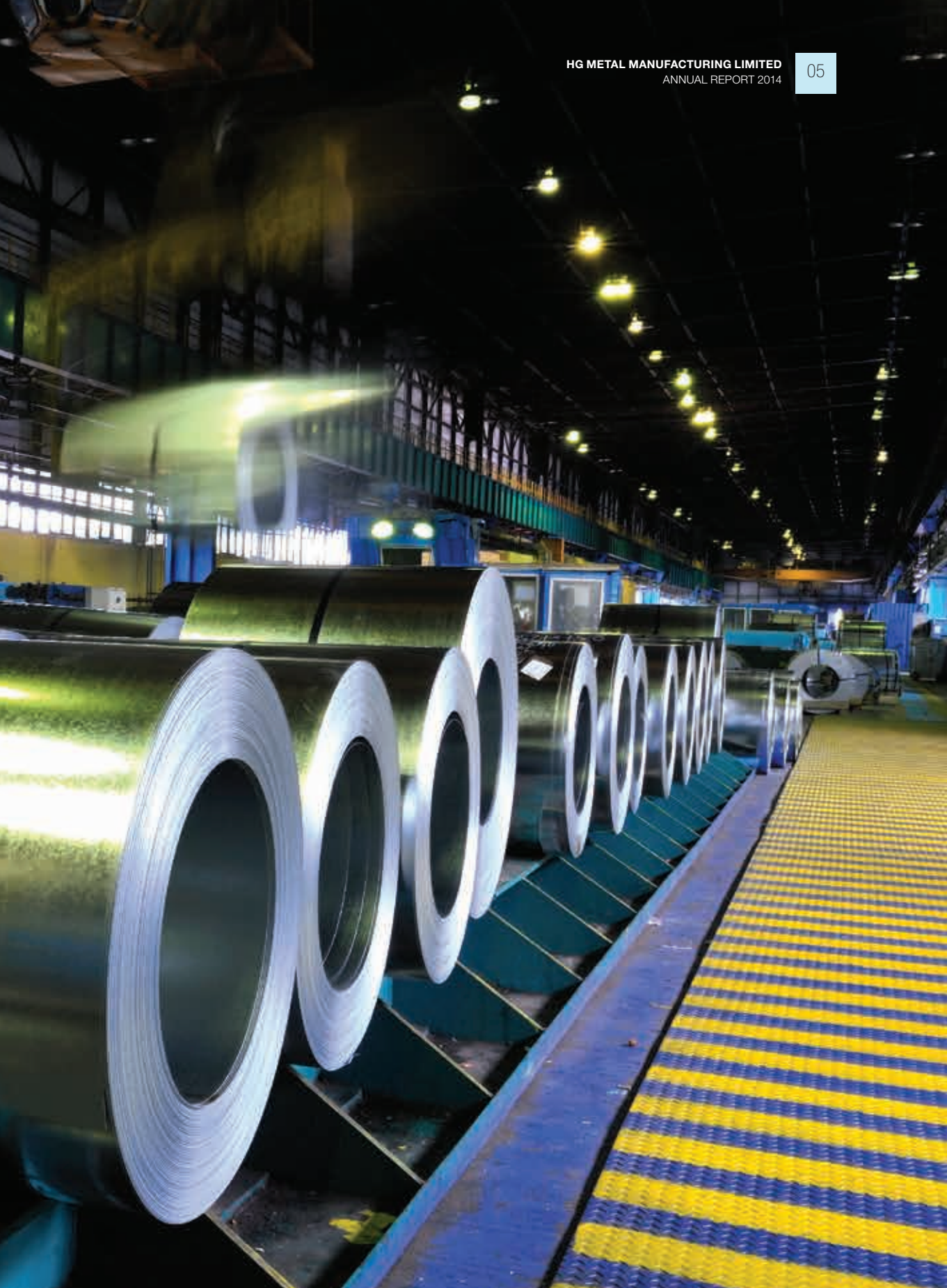
On behalf of the Board of Directors, we would like to take this opportunity to thank all our shareholders, business partners and staff for their continual support. The Group will spare no effort to seek new growth avenues and to enhance our shareholders' value.

### MR CHING CHIAT KWONG

Chairman

### MR FOO SEY LIANG

Executive Director



## KEY FIGURES

## REVENUE

S\$188.0 million

## NET LOSS

S\$16.8 million

## EARNINGS PER SHARE

(1.46) cents

NET ASSET VALUE  
PER SHARE

10.51 cents

## NET ASSET VALUE

S\$135.4 million

## DEBT-TO-EQUITY

0.09x

## CASH AND CASH EQUIVALENTS

S\$52.7 million

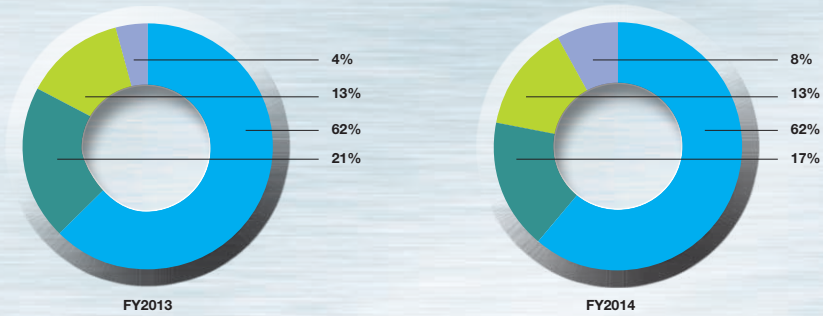
## LIQUIDITY RATIO

2.7x



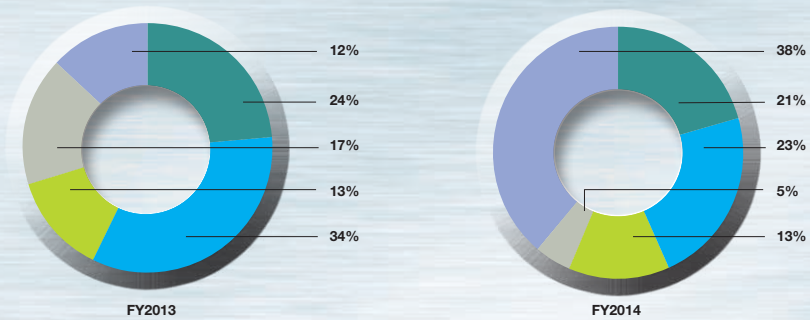
# FINANCIAL HIGHLIGHTS

REVENUE BY REGION (%)



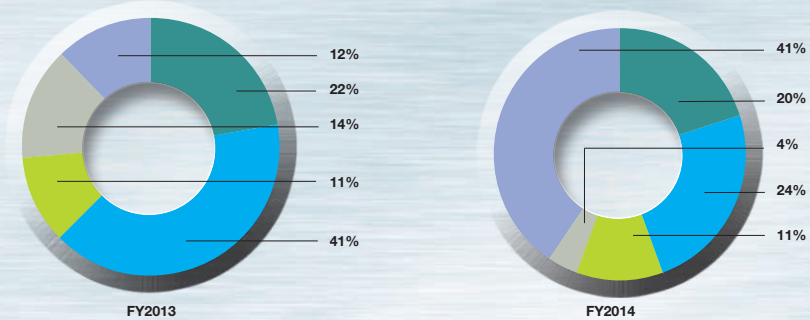
■ Singapore ■ Malaysia ■ Indonesia ■ Others

REVENUE BY PRODUCT (%)



■ Plates/Ship Plates ■ Bars ■ Beams ■ Pipes ■ Others

SALES VOLUME BY PRODUCT (%)



■ Plates/Ship Plates ■ Bars ■ Beams ■ Pipes ■ Others

## OPERATING & FINANCIAL REVIEW

### REVENUE AND GROSS PROFIT

In FY2014, the Group's revenue decreased by 29% to S\$187.9 million, from S\$266.0 million in FY2013 due to lower steel prices and a 23% reduction in sales volume. Our lower revenue was also due to a business rationalisation exercise implemented during the year where we progressively cleared slow-moving and obsolete stock at lower selling prices. Trading remained our largest business segment, contributing 84% of total revenue, while Manufacturing contributed 16%.

The Group's gross profit declined by 30% from S\$16.1 million in FY2013 to S\$11.3 million in FY2014. However, gross profit margin remained relatively stable at about 6.0%.

### OTHER OPERATING INCOME

Other operating income increased 12% from S\$5.0 million to S\$5.6 million in FY2014, mainly due to increased warehouse and storage rental income, as well as foreign exchange gains.

### KEY EXPENSES

Compared to revenue, distribution expenses in FY2014 declined by 36% to S\$1.7 million, from S\$2.7 million in FY2013. Lower headcount and a reduction in management fee had resulted in 9% decrease in administration expenses to S\$10.5 million, from S\$11.6 million last year.

Operating expenses increased from S\$10.7 million to S\$25.3 million in FY2014 due to the following provisions:

- i) Provision for inventory of S\$9.8 million – a step forward to shift the Group's business model from a general stockist to an asset-light steel solutions provider who help customers source for their steel requirements;
- ii) Provision for doubtful debts of S\$2.7 million. Legal actions have been taken to recover such debts; and
- iii) S\$1.7 million for impairment of fixed assets on the non-performing entities of the Group.

Finance costs were 51% lower at S\$0.9 million, down from S\$1.7 million in FY2013 due to substantial repayment of bank borrowings in the financial year.

### NET PROFIT AFTER TAX

As a result of lower sales revenue, provisions and reduced share of associate profit, a net loss after tax of S\$16.8 million was incurred in FY2014.

### BALANCE SHEET

As at 31 December 2014, inventory level stood at S\$28.0 million, down from S\$96.7 million a year ago, as a result of our ongoing efforts to clear inventories. Excluding the disposal proceeds from the sale and leaseback of the property at Jurong Port Road of S\$0.3 million (2013: S\$4.6 million), trade and receivables stood at S\$35.2 million as at 31 December 2014, as compared to S\$50.9 million as at 31 December 2013. This is in line with the lower revenue and the improved debt collection.

During the year, the Group paid down bank borrowings using internal generated funds. Accordingly, total bank borrowing decreased to S\$12.7 million as at 31 December 2014, from S\$62.1 million a year ago.

### CASH POSITION

In FY2014, net cash inflows generated from operating activities stood at S\$65.3 million, compared to net cash flows used in operating activities of S\$34.2 million in FY2013. This was mainly attributable to better management of working capital and lower inventory purchases. Net cash flows used in financing activities was S\$36.1 million versus S\$6.5 million in FY2013 because of substantial repayment of bank borrowings, offset by the S\$14.7 million proceeds from the issue of new shares in FY2014.

The Group's cash position improved significantly in FY2014. As at 31 December 2014, cash and cash equivalents rose to S\$52.7 million, up from S\$16.1 million as at 31 December 2013. The stronger cash position will provide the Group with financial resources to pursue future business opportunities.

## FIVE-YEAR FINANCIAL SUMMARY

	FY2014	FY2013	FP2012 <sup>1</sup>	FY2011	FY2010
<b>FOR THE YEAR (\$\$'m)</b>					
Revenue	<b>187.85</b>	266.05	405.36	238.84	203.07
Gross Profit/(Loss)	<b>11.26</b>	16.13	17.23	25.99	23.73
Profit/(Loss) Before Tax	<b>(16.93)</b>	3.20	5.49	16.17	(0.03)
Net Profit/(Loss) After Tax	<b>(16.75)</b>	3.26	5.34	16.27	0.33
Operating Cash Flow	<b>65.27</b>	(34.21)	(0.75)	(31.07)	11.56
Cash Flow from Investing	<b>7.60</b>	38.84	(14.26)	3.35	11.95
Free Cash Flow	<b>72.87</b>	4.63	(15.01)	(27.72)	23.51
<b>AT YEAR END (\$\$'m)</b>					
Total Assets	<b>181.93</b>	236.06	262.64	220.50	163.87
Total Liabilities	<b>46.53</b>	96.91	123.75	85.55	63.26
Shareholders' Funds	<b>134.84</b>	137.48	137.03	132.81	98.57
Cash and Cash Equivalents	<b>52.66</b>	16.12	18.52	9.85	5.11
Total Borrowing <sup>2</sup>	<b>12.71</b>	62.09	64.69	39.76	29.81
Gearing Ratio <sup>3</sup>	<b>-</b>	0.33	0.34	0.23	0.25
<b>PER SHARE DATA (Singapore Cents)</b>					
Basic Earnings Per Share	<b>(1.46)</b>	0.32	0.52	1.72	(0.32)
<b>SHAREHOLDER'S RETURN</b>					
ROE (%) (Net Profit/Shareholders' Fund)	<b>(12.42%)</b>	2.37%	3.89%	12.25%	0.33%
ROA (%) (Net Profit/Total Assets)	<b>(9.21%)</b>	1.38%	2.03%	7.38%	0.20%
Gross Dividend (Cents)	<b>nil</b>	0.10	0.30	0.60	nil
Share Price at End of Year (\$\$)	<b>0.071</b>	0.077	0.084	0.088	0.095

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

<sup>2</sup> Total Borrowing : Bank Borrowing (loan & bills payable).

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

# CORPORATE RESPONSIBILITY

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

## WORKPLACE SAFETY

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

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

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

We have attained the bizSAFE Level 3 certification awarded by the Workplace Safety & Health Council and we endeavour to continually maintain and enhance the safety conditions of our facilities.

## PRODUCT QUALITY

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

## OUR PEOPLE

Learning is a lifelong process and we value the importance of staff training and skills upgrading. By keeping our people up-to-date with the market, it helps to maintain and improve their productivity. We



see the need to invest in our people and nurture talent from within. We have in place a talent management programme that helps to groom our leaders of tomorrow.

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

## COMMUNITY RELATIONS

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

In FY2014, HG Metal donated to UOB Heartbeat Run/Walk 2014 hosted by National Council of Social Service, Jurong Central Residents/ Committee Fund Rising Dinner and an annual charity event organized by Thye Hua Kwan which aims to fund more than 70 programmes and help over 44,000 beneficiaries with the money raised. In additions, the Group also contributed to the Singapore Children's Society "Walk for Our Children 2014", Singapore Heart Foundation "National Heart Week/World Heart Day - Heart Fair 2014" and The Singapore Association for the Deaf "SADeaf Flag Day 2014".

## CORPORATE RESPONSIBILITY



### ENVIRONMENTAL EFFORTS

In FY2014, HG Metal donated to UOB Heartbeat Run/Walk 2014 hosted by National Council of Social Service, Jurong Central Residents/Committee Fund Rising Dinner and an annual charity event organized by Thye Hua Kwan which aims to fund more than 70 programmes and help over 44,000 beneficiaries with the money raised. In additions, the Group also contributed to the Singapore Children's Society "Walk for Our Children 2014", Singapore Heart Foundation "National Heart Week/World Heart Day – Heart Fair 2014" and The Singapore Association for the Deaf "SADeaf Flag Day 2014".

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.<sup>1</sup>

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

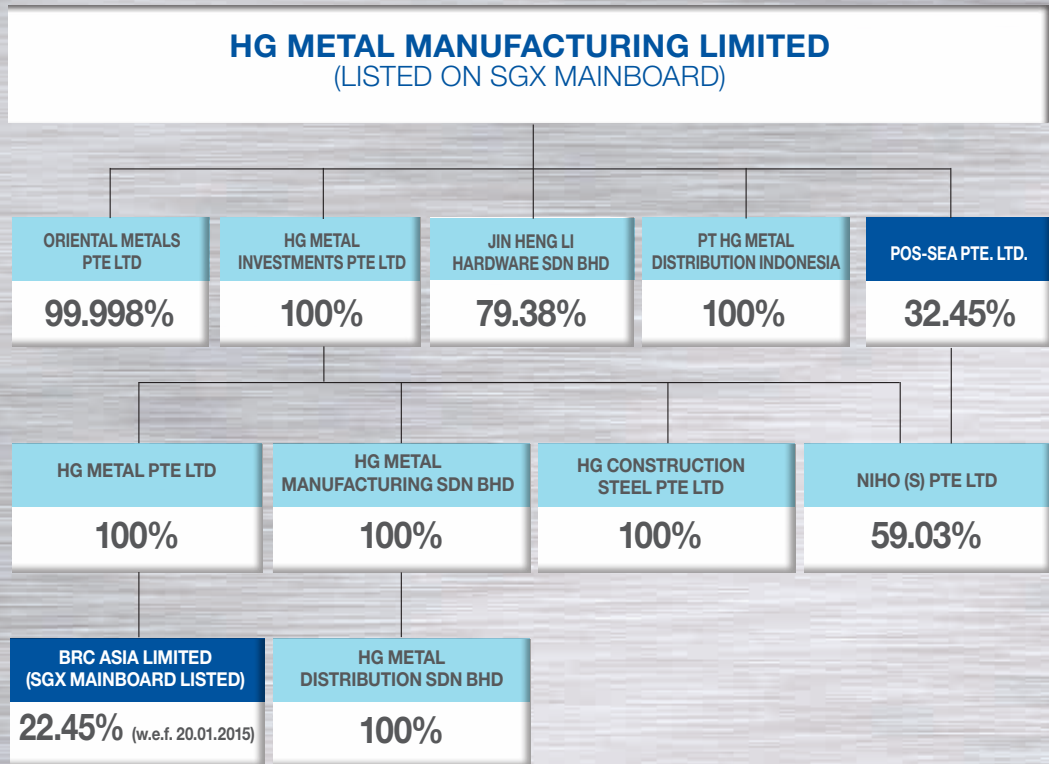
### INVESTOR RELATIONS

The ultimate goal of investor relations is to provide stakeholders with accurate information, so that they can make educated investment decisions.

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

<sup>1</sup> <https://www.worldsteel.org/steel-by-topic/sustainablesteel/environmental/efficient-use.html>

## CORPORATE STRUCTURE



Associated company

## BOARD OF DIRECTORS



Standing from left: NG WENG SUI HARRY, KESAVAN NAIR, LOW SEE CHING, TEO YI-DAR  
Sitting from left: CHING CHIAT KWONG, FOO SEY LIANG

### CHING CHIAT KWONG NON-INDEPENDENCE AND NON EXECUTIVE CHAIRMAN

Ching Chiat Kwong was appointed as Non-Independence and Non-Executive Chairman to the Group on 1 May 2014. Mr Ching has extensive executive experience across sales, marketing, finance and operations throughout Asia, with considerable expertise in leading and managing private and listed companies.

Mr Ching has played an integral role in HG Metal Manufacturing Limited as an advisor. Currently Mr Ching is the Executive Chairman and CEO of Oxley Holding Limited which he founded and listed on the Singapore Exchange (SGX) in 2010. Oxley Holding has undergone a period of significant growth under the leadership of Mr Ching, evolving into a prominent Singapore property development company. Mr Ching possesses more than 15 years of property development industry experience.

Mr Ching graduated with a Bachelor of Arts degree and a Bachelor of Social Sciences (Hons) degree from the National University of Singapore in 1989 and 1990 respectively. As well as his business commitments, Mr Ching is an active supporter of programs that benefit the elderly and socially disadvantaged.

#### Further Information

Date of first appointment as a Director:

01 May 2014

Date of last re-election as a Director: Nil

#### Present Directorships

(on 31 December 2014):

Listed Companies:

Oxley Holding Limited

Artivision Technologies Ltd

BRC Asia Limited

NewSat Limited

China Media Corporation Group

Other:

Mr Ching also holds directorships in various non-listed companies

### Past Directorships held over the preceding three years

(from 01 January 2012 to 31 December 2014): Nil

### FOO SEY LIANG EXECUTIVE DIRECTOR

Mr Foo Sey Liang was appointed an Executive Director of the Group 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 also oversees the Group's operations business of which includes procurement, sales and marketing, trading operations. 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: Nil

# BOARD OF DIRECTORS

## Present Directorships

(on 31 December 2014):

Listed Companies: Nil

Other:

Flame Gold International Co. Limited

Unicos Tech Pte Ltd

Visworx Sdn Bhd

## Past Directorships held over the preceding three years

(from 01 January 2012 to 31 December 2014): Nil

## LOW SEE CHING

### NON-EXECUTIVE DIRECTOR

Mr Low was appointed a Non-Executive Director of the Group on 10 April 2014.

Mr Low is the Deputy CEO of Oxley Holdings Limited since Jan 2014 responsible for business development, as well as supporting the CEO in the formulation of corporate strategies and future direction of the Oxley Group. Mr Low is also Non-Executive Director of Hafary Holdings Limited. He joined Hafary Group in 2000 and rose through the ranks to Executive Director and CEO in 2005 before relinquishing his role in December 2013. He was responsible for the overall management, operations and charting of its corporate and strategic direction, including sales, marketing and procurement strategies.

Mr Low graduated with a Bachelor of Accountancy degree from the Nanyang Technological University, Singapore in 1999.

## Further Information

Date of first appointment as a Director:

10 April 2014

Date of last re-election as a Director: Nil

## Present Directorships

(on 31 December 2014):

Listed Companies:

Oxley Holding Limited

Hafary Holdings Limited

Other:

Mr Low also holds directorships in various non-listed companies.

## Past Directorships held over the preceding three years

(from 01 January 2012 to 31 December 2014): Nil

## TEO YI-DAR

### NON-EXECUTIVE DIRECTOR

Mr Teo was appointed a Non-Executive Director of the Group on 13 November 2014. Mr Teo is an Investment Director with SEAVI Advent Corporation Ltd, the Asian affiliate of Boston-based Advent International private equity group. Mr Teo manages direct investments in Asia, and focuses on the electronics, chemical, engineering and technology segments. Prior to joining SEAVI Advent, he was with Keppel Corporation Ltd., conducting business development activities for Keppel's offshore and marine businesses. Mr Teo started his career as an Engineer in SGS-Thomson Microelectronics.

Mr Teo holds two Masters' degrees; Master of Science Degree in Industrial and Systems Engineering (1998) and Master of Science Degree in Applied Finance (2000) from the National University of Singapore. Mr Teo graduated from the same university with a Bachelor of Electrical Engineering (Honours) in 1996. Mr Teo was awarded the Chartered Financial Analyst by the CFA Institute in 2001.

## Further Information

Date of first appointment as a Director:

13 November 2014

Date of last re-election as a Director: Nil

## Present Directorships

(on 31 December 2014):

Listed Companies:

Yangzijiang Shipbuilding (Holdings) Ltd.

China YuanBang Property Holdings Limited

Smartflex Holdings Ltd.

Net Pacific Financial Holdings Limited

Other:

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

## Past Directorships held over the preceding three years

(from 01 January 2012 to 31 December 2014):

Hainan Shuangcheng Pharmaceuticals Co., Ltd

Co., Ltd

Sin Heng Heavy Machinery Ltd

## NG WENG SUI HARRY

### INDEPENDENT DIRECTOR

Mr Harry Ng was appointed as an Independent Director of the Group on 10 April 2014. He is currently the Executive Director of HLM (International) Corporate Services Pte. Ltd., a company that provides corporate services, including business consultancy, corporate advisory, and accounting and secretarial services.

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

Mr Ng is also an Independent Director of a number of SGX-listed Company.

He is currently a Fellow Chartered Accountant of Singapore with the Institute of Singapore Chartered Accountants and a Fellow of the Association of Chartered Certified Accountants (UK). He 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: Nil

## Present Directorships

(on 31 December 2014):

Listed Companies:

Oxley Holding Limited

Q&M Dental Group (Singapore) Limited

Artivision Technologies Ltd

IEV Holdings Limited

Other:

HLM (International) Corporate Services Pte. Ltd. (Executive Director)



## BOARD OF DIRECTORS & SENIOR MANAGEMENT

### Past Directorships held over the preceding three years

(from 01 January 2012 to 31 December 2014): Nil

#### KESAVAN NAIR INDEPENDENT DIRECTOR

Mr. Kesavan Nair was appointed as an Independent Director of the Group on 17 April 2014. He is an Advocate and Solicitor with the firm of Genesis Law Corporation since 2008, practicing in the area of civil and criminal litigation and corporate law. Mr. Nair was previously a Partner with M.P.D. Nair & Co. (1992 to 2000), Harry Elias Partnership (2000 to 2003) and David Lim & Partners (2003 to 2008).

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

Mr. Nair graduated with a Bachelor of Laws (Honours) from The University College of Wales, Aberystwyth 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:  
16 April 2014

Date of last re-election as a Director: Nil

#### Present Directorships

(on 31 December 2014):

Listed Companies:  
IEV Holdings Limited  
Kitchen Culture Holdings Ltd.  
Elektromotive Group Limited

Other:

Genesis Law Corporation  
Genvest Pte Ltd

### Past Directorships held over the preceding three years

(from 01 January 2012 to 31 December 2014): Nil



From left to right: JACK TAN, SHARON TAY, JEFFREY LEONG

#### SHARON TAY FINANCIAL CONTROLLER

Ms Tay joined the Group in October 2013 and was appointed as Financial Controller of the Group on 30 Jan 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 organizations.

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 in the UK.

#### JACK TAN HEAD OF OPERATIONS

Mr Tan joined the Group on April 2014 and was appointed as Head of Operations on 30 January 2015. He is responsible of the operational planning and management, warehouse and logistic develop management, facilities management as well as implementing policies and maintain on Quality, Health, Safety and Environment.

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 in charge of safety and maintenance management, manpower management, purchasing, building construction project and corporate matters since year 2011. He had held various positions including Chief Operating Officer, General Manager and Manager with Union Steel Holding Limited from year 2001 to year 2009.

#### JEFFREY LEONG HEAD OF SALES

Mr Jeffrey Leong was appointed as Head of Sales of the Group on 30 January 2015. He is responsible of the sales and marketing of the flat and long products, strategising the Company's market position, developing new market opportunities, as well as formulating sales policies and procedures to improve efficiency and provide better customer service.

He was the founder of Niho (Singapore) Pte Ltd incorporated in 1997, joint as a subsidiary of the Group since year 2007, holding a position as General Manager and Executive Director in charge of it sales, operation and corporate responsibility. Prior to that, he was the Regional Marketing Manager of Nikkin Yamani Trading Pte Ltd as part of the group of Nippon Kinzuku Co., Ltd responsible for its sales in S.E. Asia.

# CORPORATE INFORMATION

## BOARD OF DIRECTORS

Ching Chiat Kwong  
*Non-Executive Chairman*

Foo Sey Liang  
*Executive Director*

Low See Ching  
*Non-Executive Director*

Teo Yi-dar  
*Non-Executive Director*

Ng Weng Sui Harry  
*Independent Director*

Kesavan Nair  
*Independent Director*

## AUDIT & RISK COMMITTEE

Ng Weng Sui Harry (Chairman)  
Kesavan Nair  
Low See Ching

## NOMINATING COMMITTEE

Kesavan Nair (Chairman)  
Ng Weng Sui Harry  
Low See Ching

## REMUNERATION COMMITTEE

Kesavan Nair (Chairman)  
Ng Weng Sui Harry  
Low See Ching

## COMPANY SECRETARY

Wee Woon Hong  
Lee Hock Heng

## 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 Certified Public Accountants Singapore

Partner-in-charge:  
Ho Shyan Yan  
(With effect from financial year ended  
30 September 2011)

## INTERNAL AUDITORS

Deloitte & Touche  
Enterprise Risk Services Pte Ltd

## PRINCIPAL BANKERS

United Overseas Bank Limited  
Oversea-Chinese Banking Corporation Limited

# CORPORATE GOVERNANCE

HG Metal Manufacturing Limited (the “Company”) is committed to complying with the revised Code of Corporate Governance 2012 (“Code”) so as to ensure greater transparency and to safeguard the interests of shareholders. This statement describes the Company’s corporate governance practices and activities with specific reference to the Code established by the Singapore Corporate Governance Committee and relevant sections of the Listing Manual issued by the 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 5 Non-Executive Directors. 2 of the 5 Non-Executive Directors are Independent 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 followings:

- (a) approving the Group’s corporate and strategic directions;
- (b) establishing goals for management and monitoring the achievement of these goals;
- (c) ensuring management leadership of high quality, effectiveness and integrity;
- (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;
- (g) reviewing financial performance and implementing financial policies which incorporate risk management, internal controls and reporting compliance; and
- (h) assuming responsibility for corporate governance.

### 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.

Formal board meetings will be held at least once every quarter to oversee the business affairs of the Group and approve any financial or business strategies or objectives. Where necessary, additional board meetings are held to deliberate on urgent substantive matters. Telephonic and video-conference attendance at board meetings is allowed under the Company’s Articles of Association. The Board also approves transactions through circular resolutions which are circulated to the Board together with all relevant information relating to the proposed transaction.

# CORPORATE GOVERNANCE

The agenda for meetings is prepared in consultation with the Chairman and Executive Director. The Agenda and submissions are circulated in advance of the scheduled meetings.

### 1.3 Directors' meeting held in the Financial Year ended 31 December 2014 ("FY2014")

The attendance of the directors at meetings for the financial year ended 31 December 2014 are as follows:

	Board of Directors		Audit & Risk Committee		Remuneration Committee		Nominating Committee	
	Held	Attend	Held	Attend	Held	Attend	Held	Attend
Ching Chiat Kwong <sup>(1)</sup>	4	3	–	–	–	–	–	–
Foo Sey Liang <sup>(2)</sup>	4	4	–	–	–	–	–	–
Teo Yi-Dar <sup>(3)</sup>	–	–	–	–	–	–	–	–
Ng Weng Sui Harry <sup>(2)</sup>	4	4	3	3	2	2	–	–
Kesavan Nair <sup>(4)</sup>	4	4	3	3	2	2	–	–
Low See Ching <sup>(2)</sup>	4	1	3	1	2	1	–	–
Ang Yew Lai <sup>(5)</sup>	4	3	–	–	–	–	–	–
Goh Kian Sin <sup>(6)</sup>	4	3	–	–	–	–	2	2
Tan Chan Too <sup>(7)</sup>	4	4	–	–	–	–	–	–
Yap Xi Ming <sup>(8)</sup>	4	4	3	3	1	1	2	2
Dr Tan Eng Liang <sup>(9)</sup>	4	4	3	3	1	1	2	2
Gui Kim Young @ Gui Kim Gan <sup>(10)</sup>	4	4	3	3	1	1	2	2
Chee Wai Pong <sup>(11)</sup>	4	4	3	3	1	1	2	2
Chee Teck Seng <sup>(12)</sup>	4	3	–	–	–	–	–	–

#### Notes:

<sup>(1)</sup> Appointed on 1 May 2014

<sup>(2)</sup> First appointed on 10 April 2014. Retired at the Annual General Meeting held on 23 April 2014 and re-appointed on 23 April 2014

<sup>(3)</sup> Appointed on 13 November 2014

<sup>(4)</sup> First appointed on 17 April 2014. Retired at the Annual General Meeting held on 23 April 2014 and re-appointed on 23 April 2014

<sup>(5)</sup> First appointed on 10 April 2014. Retired at the Annual General Meeting held on 23 April 2014 and re-appointed on 23 April 2014. Resigned on 12 February 2015

<sup>(6)</sup> Resigned on 16 June 2014

<sup>(7)</sup> Resigned on 31 May 2014

<sup>(8)</sup> Resigned on 10 April 2014

<sup>(9)</sup> Resigned on 10 April 2014

<sup>(10)</sup> Resigned on 15 April 2014

<sup>(11)</sup> Resigned on 10 April 2014

<sup>(12)</sup> Resigned on 23 April 2014

# CORPORATE GOVERNANCE

The directors were appointed based on their experience, stature 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 the reporting of attendances at Board meetings and/or Board committee meetings.

## **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 the following:

- 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 companies; and
- commitments to term loans and lines of credit from banks and financial institutions by the Company.

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 has set up a more formal procedure for the issue of the appointment letter setting out the directors' duties and obligations. Newly appointed directors shall also be briefed on the business and organisational structure of the Group and its strategic directions. The Company encourages directors to attend training courses organized by the Singapore Institute of Directors or other training institutions in connection with their duties. The directors are also provided with updates on the relevant new laws and regulations related to the Group's operating environment through e-mails and regular briefings.

# CORPORATE GOVERNANCE

## 1.6 Board Composition and Guidance

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

All directors exercise independent judgements 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 Board comprises members with diverse expertise and experience in the steel, finance and business industries.

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 DIRECTORS

Mr Ching Chiat Kwong (Non-Executive and Non-Independent Chairman)

Mr Low See Ching (Non-Executive Director)

Mr Teo Yi-Dar (Non-Executive Director)

### INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Kesavan Nair

Mr Ng Weng Sui Harry

The profiles of the Board are set out in pages 13-15 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, it should comprise at least one-third of non-executive independent 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 both nationally and internationally; 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 Articles of Association of the Company. Article 89 of the Articles of Association of the Company states that one third of the directors shall retire from office by rotation with the exception of the director holding office as Managing Director.

# CORPORATE GOVERNANCE

The 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 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 of issues that are brought before the Board. The NC is of the view that the Board comprises directors capable of exercising objective judgment on the corporate affairs of the Company independently of management and that no individual or small group of individuals dominate the Board's decision-making process.

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' Report.

## **1.7 Independent Members of the Board of Directors**

The Board has 2 independent directors, representing at least one-third of the Board: Mr Kesavan Nair and Mr Ng Weng Sui Harry. The criteria for independence are based on the definition given in the Code, which considers an independent 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.

## **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 Ching Chiat Kwong is the Non-Executive and Non-Independent Chairman, while Mr Foo Sey Liang is the Executive Director. Mr Foo Sey Liang assumes the role similar to that of a Chief Executive Officer and bears overall daily operational responsibility for the Group's business. Mr Ching Chiat Kwong and Mr Foo Sey Liang are not related to each other. There is a clear division of responsibilities between Mr Ching Chiat Kwong and Mr Foo Sey Liang, which ensures there is a balance of power and authority at the top of the Group.

The Non-Executive Chairman ensures that board meetings are held when necessary and sets the board meeting agenda (with the assistance of the company secretary 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.

# CORPORATE GOVERNANCE

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.

## 1.9 Board Membership

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

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

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

Mr Kesavan Nair (Chairman and Independent Director)  
Mr Ng Weng Sui Harry (Independent Director)  
Mr Low See Ching (Non-Executive Director)

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

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



# CORPORATE GOVERNANCE

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, good decision making track record, relevant experience and financial literacy. The NC will make a recommendation to the Board on the appointment. 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 Articles of Association provide 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.

Notwithstanding that some of the directors have multiple board representations, the Board is satisfied that each director is able to and has been adequately carrying out his duties as a director of the Company. As such, the Board does not propose to set the maximum number of listed company board representations which directors may hold until such need arises. The NC would continue to review from time to time the board representations of each director to ensure that the directors continue to meet the demands of the Group and are able to discharge their duties adequately.

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' Report sections of this annual report.

## **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 strategic direction and ensuring that the Group is ably led. The Board, through the delegation of its authority to the NC, will review the Board's composition annually to ensure that the Board has the appropriate mix of expertise and experience to lead the Group.

# CORPORATE GOVERNANCE

The NC assesses 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 NC has conducted a Board's performance evaluation as a whole in FY2014, participated by all directors. The 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. A presentation is made to the Directors at the board meeting on budgets, forecasts and variances from the budget disclosed.

All directors have separate and independent access to the advice and services of the company secretary. The company secretary and/or their representatives attends the Board and board committee meetings and assists the Chairman of the Board and board committee 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 senior management and the non-executive directors, facilitating orientation and assisting with professional development as 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 senior management.

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.

# CORPORATE GOVERNANCE

## 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 executives.

The RC comprises solely of non-executive directors, the majority of whom, including the Chairman, is independent. At the date of this report, the RC comprises the following members:-

Mr Kesavan Nair (Chairman and Independent Director)

Mr Ng Weng Sui Harry (Independent Director)

Mr Low See Ching (Non-Executive Director)

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

The RC is responsible for recommending to the Board a framework of remuneration for the directors and senior management which is submitted to the whole Board for endorsement. The RC reviews and approves recommendations on remuneration policies and packages for directors and senior management 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.

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 should take into account the Company's relative performance and the performance of the individual directors/senior management.

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.

The Directors' fees to be paid for any one year are submitted for shareholders' approval at the AGM.

# CORPORATE GOVERNANCE

## 2.2 *Level and Mix of Remuneration*

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

### *Disclosure on Remuneration*

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

The remuneration packages of the executive directors 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 directors' contracts of service to ensure that the terms of such clauses are not onerous to the Company. The executive directors' 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 performance.

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 should be appropriate to the level of contribution, taking into account factors such as effort and time spent, and responsibilities of the directors. Non-executive directors should not be over-compensated to the extent that their independence may be compromised.

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. The ESOS will, subject to the approval of the shareholders, be renewed at the forthcoming Annual General Meeting of the Company.

No options were granted under the ESOS for the financial year ended 31 December 2014.

# CORPORATE GOVERNANCE

The remuneration of the directors from the Company for the financial year ended 31 December 2014 is as follows:-

Directors	Base Salary	Bonus	Director Fees	Allowances and Others	TOTAL
<b>Directors who receive below S\$250,000</b>					
Ching Chiat Kwong <sup>(1)</sup>	–	–	100.00%	–	100.00%
Foo Sey Liang <sup>(2)</sup>	100.00%	–	–	–	100.00%
Teo Yi-Dar <sup>(3)</sup>	–	–	100.00%	–	100.00%
Ng Weng Sui Harry <sup>(2)</sup>	–	–	100.00%	–	100.00%
Kesavan Nair <sup>(4)</sup>	–	–	100.00%	–	100.00%
Low See Ching <sup>(2)</sup>	–	–	100.00%	–	100.00%
Ang Yew Lai <sup>(5)</sup>	100.00%	–	–	–	100.00%
Goh Kian Sin <sup>(6)</sup>	91.64%	–	–	8.36%	100.00%
Tan Chan Too <sup>(7)</sup>	93.56%	–	–	6.44%	100.00%
Yap Xi Ming <sup>(8)</sup>	–	–	100.00%	–	100.00%
Dr Tan Eng Liang <sup>(9)</sup>	–	–	100.00%	–	100.00%
Gui Kim Young @ Gui Kim Gan <sup>(10)</sup>	–	–	100.00%	–	100.00%
Chee Wai Pong <sup>(11)</sup>	–	–	100.00%	–	100.00%
Chee Teck Seng <sup>(12)</sup>	–	–	100.00%	–	100.00%

**Notes:**

- (1) Appointed on 1 May 2014  
(2) First appointed on 10 April 2014. Retired at the Annual General Meeting held on 23 April 2014 and re-appointed on 23 April 2014  
(3) Appointed on 13 November 2014  
(4) First appointed on 17 April 2014. Retired at the Annual General Meeting held on 23 April 2014 and re-appointed on 23 April 2014  
(5) First appointed on 10 April 2014. Retired at the Annual General Meeting held on 23 April 2014 and re-appointed on 23 April 2014. Resigned on 12 February 2015  
(6) Resigned on 16 June 2014  
(7) Resigned on 31 May 2014  
(8) Resigned on 10 April 2014  
(9) Resigned on 10 April 2014  
(10) Resigned on 15 April 2014  
(11) Resigned on 10 April 2014  
(12) Resigned on 23 April 2014

The board is of the view that full disclosure of the specific remuneration of each individual director is not in the best interests of the Company, taking into account the sensitive nature of the subject, the competitive business environment the Group operates in.

## CORPORATE GOVERNANCE

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	8,000
ARC chairmanship	6,000
NC chairmanship	4,000
RC chairmanship	4,000
ARC membership	3,000
NC membership	2,000
RC membership	2,000

### 2.3 Remuneration of Employees Related to Directors

There is no employee who is related to a director or the Chief Executive Officer whose remuneration exceeds S\$50,000 in the Group's employment for financial year ended 31 December 2014.

### 2.4 Remuneration of Senior Management

A breakdown of the remuneration of senior management for financial year ended 31 December 2014 set out below:

Name of Executive Officers	Base Salary %	Bonus %	Allowances and Others %	TOTAL %
<b>Executive Officers who receive below S\$250,000</b>				
Sharon Tay Hong Kiang	92.09%	7.91%	-	100.00%
Jack Tan Leong Chye <sup>(1)</sup>	87.02%	7.52%	5.46%	100.00%
Jeffrey Leong Kar Yew <sup>(2)</sup>	84.76%	7.71%	7.53%	100.00%
Ho Vui Soon <sup>(3)</sup>	96.33%	0.00%	3.67%	100.00%
Foo Chih Yuen <sup>(4)</sup>	97.11%	0.00%	2.89%	100.00%

<sup>(1)</sup> Joined on 10 April 2014

<sup>(2)</sup> Appointed on 01 February 2014

<sup>(3)</sup> Resigned on 30 June 2014

<sup>(4)</sup> Resigned on 31 May 2014

For the financial year ended 31 December 2014, the total remuneration paid to the top five key management personnel was S\$534,919.

# CORPORATE GOVERNANCE

## 3 ACCOUNTABILITY AND AUDIT

### Accountability

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

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

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

### 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:

- 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 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 management letter recommendation by external auditors (noted during the course of the statutory audit) have been implemented by the management; and
- ensure the Board is in a position to comment on the adequacy of the internal controls of the Group.

# CORPORATE GOVERNANCE

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 as at 31 December 2014.

The Board has received assurance from the Executive Director and the Financial Controller (a) that the financial records have been properly maintained and the financial statements for the financial year ended 31 December 2014 give a true and fair view of the Company's operations and finances; and (b) of the effectiveness of the Company's risk management and internal control systems.

## 3.2 *Audit & Risk Committee*

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

The ARC comprises 3 members, all of whom including the Chairman are non-executive and independent directors. The ARC's members are:-

Mr Ng Weng Sui Harry (Chairman and Independent Director)  
Mr Kesavan Nair (Independent Director)  
Mr Low See Ching (Independent Director)

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

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

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

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

- reviewing the audit plans of the external and internal auditors;
- reviewing the external and internal auditors' reports;
- reviewing the co-operation given by the Company's officers to the external and internal auditors;
- reviewing the adequacy of the internal audit function;



## CORPORATE GOVERNANCE

- evaluating the effectiveness of the Group's system of internal controls, including financial, 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; and
- 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.
- 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.

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 the executive 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. Based on the information provided to the ARC, nothing has come to the ARC's attention that the system of internal controls and risk management is inadequate.

# CORPORATE GOVERNANCE

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 Company's 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 the financial year ended 31 December 2014 are as follows:-

Audit fees: S\$224,000

Non-audit fees: Nil

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

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

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

### **3.3 Whistle-Blowing Policy**

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

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

# CORPORATE GOVERNANCE

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 will maintain 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 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 audit function reports functionally to the Chairman of the ARC and administratively to the Executive Director. The ARC ensures 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 reports;
- the relationship with the external auditors; and
- the independence of the areas reviewed.

# CORPORATE GOVERNANCE

## 4 SHAREHOLDER RIGHTS AND RESPONSIBILITIES

### *SHAREHOLDER RIGHTS*

#### *COMMUNICATION WITH SHAREHOLDERS*

#### *CONDUCT OF SHAREHOLDER MEETINGS*

**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 investors 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. 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.

Regular media and analyst briefings are organized to enable a better appreciation of the Group's performance and developments. The Company holds investor briefings, inviting the media and analysts, after the release of the full year financial results.

# CORPORATE GOVERNANCE

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 Articles allow a shareholder to appoint up to 2 proxies to attend a shareholder's meeting on his behalf. 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.

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.

## 5 DEALINGS IN SECURITIES

In accordance with Rule 1207(19) of the Listing Manual issued by SGX-ST, the Company notifies all employees 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.

The Company has also issued a policy on insider trading to all employees which sets out the principles of relevant laws relating to insider trading which are applicable at all times. 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 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 be prejudicial to the interests of the shareholders.

## CORPORATE GOVERNANCE

Disclosure according to Rule 907 of the SGX-ST Listing Manual in respect of interested person transactions for financial year ended 31 December 2014 is stated in the table below:

Name of Interested persons	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)*	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)*
	YTD 2014 S\$'000	YTD 2014 S\$'000
<b>Chye Hin Hardware Pte Ltd</b> Sales	-	598
<b>Oriental Sheet Piling Pte Ltd</b> Purchase	-	842
<b>Oriental Sheet Piling Sdn Bhd</b> Sales	-	154
<b>Arcelor International Steel Trading (Shanghai) Co. Ltd</b> Purchases	-	1,190
<b>Oriental SP Steelwork Sdn Bhd</b> Processing Cost	372	-
<b>Esun International Pte Ltd</b> Sales of Scrip materials	266	-
<b>Himetal Pte Ltd</b> Sales	310	-

# CORPORATE GOVERNANCE

## 7 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 interest of the Executive Director, directors or controlling shareholder subsisting at the end of the financial year ended 31 December 2014 or have been entered into since the end of the previous financial year.

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

The Group, with more than 30 years of knowledge and expertise gained in this line of business, is able to make appropriate adjustments to its supplier choice, timing of purchase and shipment, contracting arrangement with its customers to address price fluctuation risk.

### ***Credit risk of its customers***

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

## CORPORATE GOVERNANCE

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

In addition, the Group is not dependant on any single customer or any single country. The Group has more than 1500 customers. Hence, the Group is not exposed to significant credit risk posed by any single customer.

### ***Foreign exchange exposure***

The purchases of the Group are mainly denominated in US\$ and its sales are mainly denominated in S\$. As a result, the Group is exposed to fluctuations in foreign exchange rates. For FY2014, approximately 88% of its total purchases were made in US\$, whilst approximately 72% and 20% of its total sales were denominated in S\$ and US\$ respectively. Hence, the Group may be exposed to a significant fluctuation of the US\$.

The Group monitors the US\$ exchange rates closely and will enter into forward contracts on case to case basis to reduce 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' REPORT

The directors present their report 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 2014.

## Directors

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

Ching Chiat Kwong	(appointed on 1 May 2014)
Foo Sey Liang <sup>(1)</sup>	(appointed on 10 April 2014)
Low See Ching <sup>(1)</sup>	(appointed on 10 April 2014)
Ng Weng Sui Harry <sup>(1)</sup>	(appointed on 10 April 2014)
Kesavan Nair <sup>(2)</sup>	(appointed on 17 April 2014)
Teo Yi-Dar (Zhang Yida)	(appointed on 13 November 2014)

(1) First appointed on 10 April 2014. Retired at the Annual General Meeting held on 23 April 2014 and re-appointed on 23 April 2014.

(2) First appointed on 17 April 2014. Retired at the Annual General Meeting held on 23 April 2014 and re-appointed on 23 April 2014.

## Arrangements to enable directors to acquire shares or debentures

Except as described 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 in or debentures of the Company or any other body corporate.

## 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:

	Shareholdings registered in the name of directors		Shareholdings in which directors are deemed to have an interest	
	At the beginning of financial year or date of appointment	At the end of financial year	At the beginning of financial year or date of appointment	At the end of financial year
	Number of ordinary shares			
<b>Company</b>				
<b>HG Metal Manufacturing Limited</b>				
Ching Chiat Kwong	–	–	284,050,000	284,050,000
Ng Weng Sui Harry	–	100,000	–	–

# DIRECTORS' REPORT

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2015.

Except as disclosed in this report, 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 date of appointment if later, or at the end of the financial year.

## **Directors' contractual benefits**

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

## **Share options**

There were no share options granted by the Company during the financial year.

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.

## **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

# DIRECTORS' REPORT

- Reviewed the nature and extent of non-audit services provided by the external auditor to satisfy itself that such services do not prejudice the independence and objectivity of 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

There are no non-audit services provided by the external auditor to the Group. The ARC has also conducted a review of interested person transactions.

The ARC convened six meetings during the financial year. The ARC has also met with internal and external auditor, 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.

## **Auditor**

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors,

Foo Sey Liang  
Director

Teo Yi-Dar (Zhang Yida)  
Director

Singapore  
31 March 2015

## STATEMENT BY DIRECTORS

We, Foo Sey Liang and Teo Yi-Dar (Zhang Yida), being two of the directors of HG Metal Manufacturing Limited, do hereby state that, in the opinion of the directors:

- (a) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group and the 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.

On behalf of the board of directors,

Foo Sey Liang  
Director

Teo Yi-Dar (Zhang Yida)  
Director

Singapore  
31 March 2015

# INDEPENDENT AUDITOR'S REPORT

to the members of HG Metal Manufacturing Limited

## **Report on the financial statements**

We have audited the accompanying financial statements of HG Metal Manufacturing Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 46 to 128, which comprise the balance sheets of the Group and the Company as at 31 December 2014, 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 a summary of significant accounting policies and other explanatory information.

## ***Management's responsibility 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 Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

## ***Auditor's responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# INDEPENDENT AUDITOR'S REPORT

to the members of HG Metal Manufacturing Limited

## ***Opinion***

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

## **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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP  
Public Accountants and  
Chartered Accountants  
Singapore

31 March 2015

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the financial year ended 31 December 2014

	Note	2014 \$'000	2013 \$'000
Revenue	4	187,850	266,046
Cost of sales		(176,595)	(249,917)
Gross profit		11,255	16,129
Other operating income	5	5,562	4,977
Selling and distribution costs		(1,721)	(2,706)
Administrative expenses		(10,477)	(11,552)
Other operating expenses	7	(25,308)	(10,747)
Finance costs	6	(851)	(1,727)
Share of associate profits		4,606	8,830
(Loss)/profit before income tax	7	(16,934)	3,204
Income tax credit	8	183	55
Net (loss)/profit for the year		(16,751)	3,259
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		61	58
Share of other comprehensive income of associates		(103)	167
Other comprehensive income for the year, net of tax		(42)	225
Total comprehensive income for the year		(16,793)	3,484
(Loss)/profit attributable to:			
Owners of the Company		(16,090)	3,410
Non-controlling interests		(661)	(151)
		(16,751)	3,259
Total comprehensive income attributable to:			
Owners of the Company		(16,132)	3,659
Non-controlling interests		(661)	(175)
		(16,793)	3,484
Earnings per share:			
Basic (cents)	9	(1.46)	0.32
Diluted (cents)	9	(1.46)	0.32

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



# BALANCE SHEETS

as at 31 December 2014

	Note	Group		Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Non-current assets</b>					
Property, plant and equipment	10	15,652	18,277	8,215	8,457
Intangible assets	11	79	340	75	326
Investment in subsidiaries	12	–	–	13,147	13,488
Investment in associates	13	49,488	48,628	68	713
Deferred tax assets	16	12	–	–	–
		<u>65,231</u>	<u>67,245</u>	<u>21,505</u>	<u>22,984</u>
<b>Current assets</b>					
Investment held for trading	14	110	53	–	–
Derivative financial instruments	15	–	44	–	34
Inventories	17	28,058	96,705	25,645	79,015
Trade and other receivables	18	35,549	55,495	49,906	85,597
Income tax recoverable		135	115	–	–
Prepaid expenses		184	281	145	154
Cash and cash equivalents	19	52,661	16,123	45,222	8,754
		<u>116,697</u>	<u>168,816</u>	<u>120,918</u>	<u>173,554</u>
<b>Current liabilities</b>					
Trade and other payables	20	25,471	24,913	29,643	30,848
Finance lease payables	21	44	66	–	–
Bank borrowings	22	5,857	51,052	5,857	44,860
Deferred income	23	1,429	1,429	1,429	1,429
Provision for income tax		13	77	–	–
		<u>32,814</u>	<u>77,537</u>	<u>36,929</u>	<u>77,137</u>
<b>Net current assets</b>					
		<u>83,883</u>	<u>91,279</u>	<u>83,989</u>	<u>96,417</u>
<b>Non-current liabilities</b>					
Finance lease payables	21	23	65	–	–
Bank borrowings	22	6,855	11,035	6,855	11,035
Deferred tax liabilities	16	–	9	–	–
Deferred income	23	5,833	7,262	5,833	7,262
Provision for reinstatement costs	24	1,000	1,000	700	700
		<u>13,711</u>	<u>19,371</u>	<u>13,388</u>	<u>18,997</u>
		<u>135,403</u>	<u>139,153</u>	<u>92,106</u>	<u>100,404</u>
<b>Equity attributable to owners of the Company</b>					
Share capital	25	152,052	137,314	152,052	137,314
Treasury shares	26	(1,885)	(1,885)	(1,885)	(1,885)
Other reserves	27	1,931	2,150	2,527	2,527
Accumulated losses		(17,259)	(100)	(60,588)	(37,552)
		<u>134,839</u>	<u>137,479</u>	<u>92,106</u>	<u>100,404</u>
<b>Non-controlling interests</b>					
		<u>564</u>	<u>1,674</u>	<u>–</u>	<u>–</u>
<b>Total equity</b>		<u>135,403</u>	<u>139,153</u>	<u>92,106</u>	<u>100,404</u>

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 2014

Group	Note	Attributable to owners of the Company							Equity attributable to owners of the Company, total \$'000	Non-controlling interests \$'000	Total \$'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			
Opening balance at 1 January 2014		137,314	(1,885)	2,527	(4)	-	(373)	(100)	137,479	1,674	139,153
Loss for the year		-	-	-	-	-	-	(16,090)	(16,090)	(661)	(16,751)
Other comprehensive income		-	-	-	-	-	61	-	61	-	61
Foreign currency translation		-	-	-	-	-	-	-	-	-	-
Share of other comprehensive income of associates		-	-	-	-	-	(103)	-	(103)	-	(103)
Other comprehensive income for the year, net of tax		-	-	-	-	-	(42)	-	(42)	-	(42)
Total comprehensive income for the year		-	-	-	-	-	(42)	(16,090)	(16,132)	(661)	(16,793)
Contributions by and distributions to owners		-	-	-	-	-	-	-	-	-	-
Issuance of ordinary shares	25	14,738	-	-	-	-	-	-	14,738	-	14,738
Dividends on ordinary shares	31	-	-	-	-	-	-	(1,069)	(1,069)	-	(1,069)
Total contributions by and distributions to owners		14,738	-	-	-	-	-	(1,069)	13,669	-	13,669
Change in ownership interest in subsidiary		-	-	-	-	-	-	-	-	(449)	(449)
Acquisition of non-controlling interests	12	-	-	-	-	-	-	-	-	(449)	(449)
Premium paid on acquisition of non-controlling interests	12	-	-	-	-	(177)	-	-	(177)	-	(177)
Total changes in ownership interest in subsidiary		-	-	-	-	(177)	-	-	(177)	(449)	(626)
Total transactions with owners in their capacity as owners		14,738	-	-	-	(177)	-	(1,069)	13,492	(449)	13,043
Closing balance at 31 December 2014		152,052	(1,885)	2,527	(4)	(177)	(415)	(17,529)	134,839	564	135,403

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 2014

		Attributable to owners of the Company						Equity attributable to owners of the Company, controlling interests		Total equity
Note	Share capital	Treasury shares	Capital reserve	Fair value reserve	Foreign currency translation reserve	Accumulated losses	Company, total	Non-interests	\$'000	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
<b>Group</b>										
Opening balance at 1 January 2013	137,314	(1,885)	2,527	(4)	(622)	(302)	137,028	1,861	138,889	
Profit for the year	-	-	-	-	-	3,410	3,410	(151)	3,259	
Other comprehensive income										
Foreign currency translation	-	-	-	-	82	-	82	(24)	58	
Share of other comprehensive income of associates	-	-	-	-	167	-	167	-	167	
Other comprehensive income for the year, net of tax	-	-	-	-	249	-	249	(24)	225	
Total comprehensive income for the year	-	-	-	-	249	3,410	3,659	(175)	3,484	
Contributions by and distributions to owners										
Dividends on ordinary shares	-	-	-	-	-	(3,208)	(3,208)	(12)	(3,220)	
Total transactions with owners in their capacity as owners	-	-	-	-	-	(3,208)	(3,208)	(12)	(3,220)	
Closing balance at 31 December 2013	137,314	(1,885)	2,527	(4)	(373)	(100)	137,479	1,674	139,153	

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 2014

	Note	Attributable to owners of the Company				Total equity \$'000
		Share capital	Treasury shares	Capital reserve	Accumulated losses	
		\$'000	\$'000	\$'000	\$'000	
<b>Company</b>						
Opening balance at						
1 January 2014		137,314	(1,885)	2,527	(37,552)	100,404
Loss for the year, representing total comprehensive income for the year		-	-	-	(21,967)	(21,967)
<u>Contributions by and distributions to owners</u>						
Issuance of ordinary shares	25	14,738	-	-	-	14,738
Dividends on ordinary shares	31	-	-	-	(1,069)	(1,069)
Total transactions with owners in their capacity as owners		14,738	-	-	(1,069)	13,669
Closing balance at						
31 December 2014		152,052	(1,885)	2,527	(60,588)	92,106
Opening balance at						
1 January 2013		137,314	(1,885)	2,527	(32,860)	105,096
Loss for the year, representing total comprehensive income for the year		-	-	-	(1,484)	(1,484)
<u>Contributions by and distributions to owners</u>						
Dividends on ordinary shares	31	-	-	-	(3,208)	(3,208)
Total transactions with owners in their capacity as owners		-	-	-	(3,208)	(3,208)
Closing balance at						
31 December 2013		137,314	(1,885)	2,527	(37,552)	100,404

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 2014

	Note	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
(Loss)/profit before income tax		(16,934)	3,204
<i>Adjustments for:</i>			
Bad debts written off	7	237	35
Other receivables written off	7	368	–
Dividend income	5	–	(5)
Depreciation of property, plant and equipment	10	2,466	2,277
Amortisation of intangible assets	11	40	77
Recognition of deferred income	5	(1,429)	(1,309)
Gain on disposal of property, plant and equipment	5	(135)	(34)
Loss on disposal of intangible assets	7	69	–
Inventories lost-in-transit	7	–	14
Write off of property, plant and equipment	7	76	–
Impairment of property, plant and equipment	7	1,659	–
Write off of inventories	7	638	–
Impairment of inventories, net	5,7	9,783	15
Write back of accruals for rectification work	5	–	(690)
Allowance for impairment of receivables, net	5,7	2,669	311
Fair value loss/(gain) on derivatives	5,7	45	(34)
Fair value (gain)/loss on investment held for trading	5,7	(57)	23
Finance cost	6	851	1,727
Interest income	5	(45)	(152)
Share of associate results		(4,606)	(8,830)
Unrealised foreign exchange loss/(gain), net		232	(204)
<b>Operating cash flows before changes in working capital</b>		(4,073)	(3,575)
<i>Working capital changes:</i>			
Inventories		57,171	(10,802)
Trade and other receivables		12,555	2,916
Trade and other payables		428	(21,022)
<b>Cash generated from/(used in) operations</b>		66,081	(32,483)
Interest received		45	152
Interest paid		(851)	(1,727)
Income tax paid		–	(154)
<b>Net cash flows generated from/(used in) operating activities</b>		65,275	(34,212)
<b>Cash flows from investing activities</b>			
Dividend income received from investments and associates		3,643	3,227
Decrease in fixed deposit pledged with banks		–	642
Purchase of property, plant and equipment	A	(986)	(4,140)
Proceeds from disposal of property, plant and equipment	B	4,789	39,156
Purchase of intangible assets		(10)	(36)
Proceeds from disposal of intangible assets		161	–
<b>Net cash flows generated from investing activities</b>		7,597	38,849

# CONSOLIDATED CASH FLOW STATEMENT

for the financial year ended 31 December 2014

	Note	2014 \$'000	2013 \$'000
<b>Cash flows from financing activities</b>			
Acquisition of non-controlling interests	12	(390)	–
Proceeds from bank borrowings		38,641	188,643
Repayment of bank borrowings		(87,909)	(191,051)
Proceeds from issue of ordinary shares in the Company	25	14,738	–
Dividends paid on ordinary shares of the Company		(1,069)	(3,208)
Dividends paid to minority shareholders of a subsidiary		–	(12)
Repayment of finance lease payables		(84)	(279)
Amount due from shareholders of a subsidiary		–	(604)
<b>Net cash flows used in financing activities</b>		<b>(36,073)</b>	<b>(6,511)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>36,799</b>	<b>(1,874)</b>
Effects of exchange rate changes on cash and cash equivalents		(261)	130
Cash and cash equivalents at beginning of financial year		16,123	17,867
<b>Cash and cash equivalents at end of financial year</b>	19	<b>52,661</b>	<b>16,123</b>

## Note A. Purchase of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$1,955,000 (2013: \$3,691,000). The additions were by way of cash payments of \$850,000 (2013: \$3,253,000), assets acquired by means of finance lease of Nil (2013: \$32,000), assets transferred from inventories of \$1,055,000 (2013: \$270,000) for the purpose of deriving rental income and an amount payable to other creditors of \$50,000 (2013: \$136,000).

Cash outflow for the year also include payments in respect of the purchase of property, plant and equipment in the prior years of \$136,000 (2013: \$887,000).

## Note B. Disposal of property, plant and equipment

During the financial year, the Group received proceeds of \$489,000 (2013: \$756,000) from property, plant and equipment disposed in the current year.

Cash inflow for the year also includes the balance of proceeds of \$4,300,000 (2013: \$38,400,000) from property, plant and equipment disposed in the previous years.

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 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 (“SGX-ST”).

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 set out in Note 12 to 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.

### 2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 19 Defined Benefit Plans: Employees Contributions	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 Share Based Payment	1 July 2014
(b) Amendments to FRS 103 Business Combinations	1 July 2014
(c) Amendments to FRS 108 Operating Segments	1 July 2014
(d) Amendments to FRS 24 Related Party Disclosures	1 July 2014
(e) Amendments to FRS 16, Property, Plant and Equipment and FRS 38 Intangible Assets	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 Business Combinations	1 July 2014
(b) Amendments to FRS 113 Fair Value Measurement	1 July 2014
Amendments to FRS 27: Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 Non-current Assets Held for Sale and Discontinued Operations	1 January 2016
(b) Amendments to FRS 107 Financial Instruments: Disclosures	1 January 2016
(c) Amendments to FRS 19 Employee Benefits	1 January 2016
Amendments to FRS 110 & FRS 28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to FRS 1: Disclosure Initiative	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception	1 January 2016
FRS 115 Revenue from Contracts with Customers	1 January 2017
FRS 109 Financial Instruments	1 January 2018



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.3 *Standards issued but not yet effective (cont'd)*

With the exception of FRS 115, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application.

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 Basis of consolidation and business combinations (cont'd)

#### (a) Basis of consolidation (cont'd)

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

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

#### (b) Business combination

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.4 *Basis of consolidation and business combinations (cont'd)*

#### (b) *Business combination (cont'd)*

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

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

### 2.5 *Transactions with non-controlling interests*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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.

### 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 measured at cost less accumulated depreciation and any accumulated impairment losses.

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.7 *Property, plant and equipment (cont'd)*

Depreciation of an asset begins when it is available for use and 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.

### 2.8 *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 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.8 *Intangible assets (cont'd)*

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 5 years.

#### (b) *Club membership*

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

### 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.9 *Impairment of non-financial assets (cont'd)*

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.

### 2.10 *Subsidiaries*

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

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

### 2.11 *Associates*

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

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

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

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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.11 Associates (cont'd)

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

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

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

### 2.12 Financial Instruments

#### (a) Financial assets

##### **Initial recognition and measurement**

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

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

##### **Subsequent measurement**

The subsequent measurement of financial assets depends on their classification as follows:

#### (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.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.12 Financial Instruments (cont'd)

#### (a) Financial assets (cont'd)

##### **Subsequent measurement (cont'd)**

#### (i) Financial assets at fair value through profit or loss (cont'd)

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.

#### (iii) Available-for-sale financial assets

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for-sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.12 *Financial Instruments (cont'd)*

#### (a) *Financial assets (cont'd)*

##### **Subsequent measurement (cont'd)**

#### (iii) Available-for-sale financial assets (cont'd)

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

##### **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**

The measurement of financial liabilities depends on their classification as follows:

#### (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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.12 Financial Instruments (cont'd)

(b) *Financial liabilities (cont'd)*

**Subsequent measurement (cont'd)**

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

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

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

(ii) Financial liabilities at amortised cost

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

**De-recognition**

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expired. 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.

(a) *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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.13 Impairment of financial assets (cont'd)

#### (a) *Financial assets carried at amortised cost (cont'd)*

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.

#### (b) *Available-for-sale financial assets*

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 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 amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

### 2.15 Inventories

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

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

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

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

### 2.16 Provisions

#### *General*

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.16 Provisions (cont'd)

#### *Provision for reinstatement costs*

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

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

### 2.17 Financial guarantees

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

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

### 2.18 Borrowing costs

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

### 2.19 Employee benefits

#### *Defined contribution plans*

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.19 *Employee benefits (cont'd)*

#### *Employee leave entitlement*

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

### 2.20 *Leases*

#### (a) *As lessee*

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

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

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

#### (b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.21.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.21 Revenue recognition

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

Revenue from engineering services is recognised when services are rendered.

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

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

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

### 2.22 Taxes

#### (a) Current income tax

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

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



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.22 Taxes (cont'd)

#### (b) *Deferred tax*

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.22 Taxes (cont'd)

#### (b) Deferred tax (cont'd)

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

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

#### (c) Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

### 2.23 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

### 2.24 Share capital and share issue expenses

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

### 2.25 Treasury shares

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

### 2.26 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
  - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
  - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

## 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. However, 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D)

### *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period 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) Impairment of investment in associates and subsidiaries*

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

Based on the directors' assessment of 5 years dividend inflow, there is no requirement to provide for any allowance for impairment in value of investment in "BRC Asia Limited" as recoverable amount exceed the carrying value of investment. If the discount rate that is used to extrapolate the cash flows of recoverable amount had changed 2% higher/lower, with all other variables held constant, the recoverable amount would exceed the carrying value of investment by \$6,796,000 and \$22,897,000 respectively.

The Group's carrying amount of investment in associates at the balance sheet date are disclosed in Note 13 of the financial statements.

#### *(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 2014

## 3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONT'D)

### *Key sources of estimation uncertainty (cont'd)*

#### *(b) Inventories and related allowance (cont'd)*

During the year, the Group changed its business strategy from a general stockist carrying a wide range of steel products to a steel solution provider focusing on meeting customers' steel requirements. Consequently, the Group wrote down inventories by \$9,783,000 arising from the business rationalisation exercise, attempt to convert slow moving inventories to cash and mitigate the impact of the decline in steel prices.

The carrying amount of inventories for the Group at the balance sheet date is disclosed in Note 17 to the financial statements.

## 4. REVENUE

Revenue of the Group and of the Company 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.

	<b>Group</b>	
	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>
Sale of goods	159,657	242,093
Provision of services	28,193	23,953
	<b>187,850</b>	<b>266,046</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 5. OTHER OPERATING INCOME

	Group	
	2014 \$'000	2013 \$'000
Allowance for doubtful trade receivables no longer required, now written back	45	21
Bad debts recovered	1	–
Write back of allowance for stock obsolescence	–	24
Write back of accruals for rectification work (Note 20)	–	690
Claims and compensation received	261	121
Fair value gain on investment held for trading	57	–
Fair value gain on derivatives		
– forward currency contracts	–	34
Dividend income	–	5
Gain on disposal of property, plant and equipment	135	34
Commission income	–	80
Interest income		
– fixed deposits	15	38
– current accounts with banks	30	90
– money market deposits	–	24
Operating lease income	2,329	1,722
Foreign exchange gain, net	224	–
Warehouse and handling fee income	728	389
Recognition of deferred income (Note 23)	1,429	1,309
Sundry income	308	396
	5,562	4,977

## 6. FINANCE COSTS

	Group	
	2014 \$'000	2013 \$'000
Interest expense		
– bankers' acceptance	18	115
– bridging loans	–	13
– finance lease	6	20
– term loans	287	253
– trust receipts	487	1,079
– late payment	24	208
	822	1,688
Other finance costs		
– invoice financing	29	39
	851	1,727

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 7. (LOSS)/PROFIT BEFORE INCOME TAX

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

	Group	
	2014	2013
	\$'000	\$'000
Depreciation of property, plant and equipment recognised as an expense in cost of sales	611	787
Inventories recognised as an expense in cost of sales (Note 17)	165,048	241,710
Operating lease expenses recognised as an expense in cost of sales	139	357
Audit fees paid/payable to:		
– Auditors of the Company	224	213
– Other auditors	21	33
Non-audit fees paid/payable to:		
– Auditors of the Company	–	4
– Other auditors	–	–
Directors fees payable to:		
– Directors of the Company	210	232
– Directors of a subsidiary	–	9
Staff cost (including directors)		
– Salaries, bonuses and allowances	7,246	8,633
– Employer's contributions to defined contribution plan	480	810
– Other staff welfare expenses	288	463
Legal and professional fees	416	286
Consultancy fees	1	–
<i>Included in other operating expenses:</i>		
Foreign exchange loss, net	–	1,399
Depreciation of property, plant and equipment	1,855	1,490
Amortisation of intangible assets	40	77
Loss on disposal of intangible assets	69	–
Property, plant and equipment written off	76	–
Impairment of property, plant and equipment	1,659	–
Write down of inventories to net realisable value	9,783	39
Write off of inventories	638	–
Inventories lost in transit	–	14
Allowance made for doubtful trade receivables	2,714	332
Bad debts written off	237	35
Operating lease expenses	6,334	6,038
Fair value loss on investment held for trading	–	23
Fair value loss on forward currency contracts	45	–
Other receivables written off	368	–

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 8. INCOME TAX CREDIT

### *Major components of income taxes*

The major components of income taxes for the years ended 31 December 2014 and 2013 are:

	Group	
	2014 \$'000	2013 \$'000
Current income tax		
– Current financial year	4	123
– Over provision in respect of prior periods	(166)	–
	(162)	123
Deferred tax		
– Over provision in respect of prior periods	(21)	(178)
	(21)	(178)
Total income tax credit recognised in profit or loss	(183)	(55)

The reconciliation between tax credit and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 is as follows:

	Group	
	2014 \$'000	2013 \$'000
(Loss)/profit before income tax	(16,934)	3,204
Tax at the domestic rates applicable to profits in the countries where the Group operates	(3,226)	467
Tax effect of:		
– expenses not deductible for tax purposes	602	552
– income not subject to tax	(278)	(248)
Over provision in respect of prior periods	(187)	(178)
Tax exemption and tax relief	(38)	(81)
Enhanced tax deduction	–	(1)
Deferred tax assets not recognised	3,904	942
Benefits from previously unrecognised tax losses	(156)	(24)
Share of associate profits	(783)	(1,501)
Others	(21)	17
	(183)	(55)

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 2014

## 8. INCOME TAX CREDIT (CONT'D)

*The tax effects of expenses that are not deductible for income tax purposes include the following:*

	Group	
	2014	2013
	\$'000	\$'000
Depreciation of property, plant and equipment	343	289
Amortisation of intangible assets	5	13
Upkeep of motor vehicles	6	54
Impairment of property, plant and equipment	204	–
Interest expense	10	–

*The tax effects of income that is not subject to tax include the following:*

	Group	
	2014	2013
	\$'000	\$'000
Fair value gain on derivatives	–	6
Gain on disposal of property, plant and equipment	23	6
Recognition of deferred income	243	223

## 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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 9. EARNINGS PER SHARE (CONT'D)

These profit and share data are presented in the table below:

	Group	
	2014 \$'000	2013 \$'000
(Loss)/profit for the year attributable to owners of the Company	(16,090)	3,410
	<b>No. of shares '000</b>	<b>No. of shares '000</b>
Weighted average number of ordinary shares for basic earnings per share computation and diluted earnings per share computation *	1,104,854	1,069,254

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

There are no dilutive potential ordinary shares during the year.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 10. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land \$'000	Buildings \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Furniture and fittings \$'000	Office equipment \$'000	Renovation \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
<b>Cost</b>										
At 1 January 2013	235	313	16,203	10,155	814	592	943	2,779	880	32,914
Additions	-	-	-	714	58	54	11	462	2,392	3,691
Disposals/write off	-	-	-	(371)	-	(2)	-	(840)	-	(1,213)
Reclassifications	-	1,389	-	-	-	-	-	-	(1,389)	-
Exchange differences	(5)	(45)	-	(17)	1	1	-	(7)	7	(65)
At 31 December 2013	230	1,657	16,203	10,481	873	645	954	2,394	1,890	35,327
Additions	-	-	-	1,156	17	65	151	20	546	1,955
Disposals/write off	-	-	-	(551)	(72)	(49)	(206)	(654)	-	(1,532)
Reclassifications	-	-	-	2,186	-	-	-	-	(2,186)	-
Exchange differences	(4)	(18)	-	(5)	-	-	-	(8)	-	(35)
At 31 December 2014	226	1,639	16,203	13,267	818	661	899	1,752	250	35,715
<b>Accumulated depreciation and impairment loss</b>										
At 1 January 2013	-	18	8,073	4,301	282	286	536	1,781	-	15,277
Charge for the year	-	63	916	640	78	87	110	383	-	2,277
Disposals/write off	-	-	-	(89)	-	-	-	(402)	-	(491)
Exchange differences	-	(2)	-	(3)	-	-	-	(8)	-	(13)
At 31 December 2013	-	79	8,989	4,849	360	373	646	1,754	-	17,050
Charge for the year	-	74	916	1,026	68	79	95	208	-	2,466
Disposals/write off	-	-	-	(403)	(36)	(14)	(191)	(459)	-	(1,103)
Impairment loss	-	380	-	1,014	15	-	-	-	250	1,659
Exchange differences	-	-	-	(3)	-	-	-	(6)	-	(9)
At 31 December 2014	-	533	9,905	6,483	407	438	550	1,497	250	20,063
<b>Net carrying amount</b>										
At 31 December 2014	226	1,106	6,298	6,784	411	223	349	255	-	15,652
At 31 December 2013	230	1,578	7,214	5,632	513	272	308	640	1,890	18,277

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Company	Leasehold buildings \$'000	Plant and machinery \$'000	Furniture and fittings \$'000	Office equipment \$'000	Renovation \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
<b>Cost</b>								
At 1 January 2013	9,372	3,163	525	355	636	2,005	–	16,056
Additions	–	272	56	25	11	425	250	1,039
Disposal/write off	–	(356)	–	(25)	–	(581)	–	(962)
At 31 December 2013	9,372	3,079	581	355	647	1,849	250	16,133
Additions	–	1,055	13	58	151	20	–	1,297
Disposal/write off	–	–	–	–	–	(618)	–	(618)
At 31 December 2014	9,372	4,134	594	413	798	1,251	250	16,812
<b>Accumulated depreciation and impairment loss</b>								
At 1 January 2013	4,143	674	132	121	302	1,281	–	6,653
Charge for the year	474	331	50	54	75	272	–	1,256
Disposal/write off	–	(29)	–	(3)	–	(201)	–	(233)
At 31 December 2013	4,617	976	182	172	377	1,352	–	7,676
Charge for the year	474	328	50	55	73	145	–	1,125
Disposal/write off	–	–	–	–	–	(454)	–	(454)
Impairment loss	–	–	–	–	–	–	250	250
At 31 December 2014	5,091	1,304	232	227	450	1,043	250	8,597
<b>Net carrying amount</b>								
At 31 December 2014	4,281	2,830	362	186	348	208	–	8,215
At 31 December 2013	4,755	2,103	399	183	270	497	250	8,457

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 10. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

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

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Plant and machinery	30	109	–	–
Motor vehicles	45	399	–	297
	75	508	–	297

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 22) were as follows:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Leasehold properties	6,298	7,214	4,281	4,755

### **Impairment of assets**

During the year, the Group carried out a review of the recoverable amount of assets, in particular, production equipment of certain subsidiaries that had ceased production activities. An impairment loss of \$1,659,000 (2013: Nil), representing the write-down of these assets to their recoverable amount was recognised in "Other expenses" (Note 7) line item of profit or loss for the year ended 31 December 2014.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 11. INTANGIBLE ASSETS

	Computer software \$'000	Club membership \$'000	Total \$'000
<b>Group</b>			
<b>Cost</b>			
At 1 January 2013	945	230	1,175
Additions	36	–	36
At 31 December 2013 and 1 January 2014	981	230	1,211
Additions	10	–	10
Disposals	–	(230)	(230)
At 31 December 2014	991	–	991
<b>Accumulated amortisation</b>			
At 1 January 2013	794	–	794
Charge for the year	77	–	77
At 31 December 2013 and 1 January 2014	871	–	871
Charge for the year	40	–	40
Exchange differences	1	–	1
At 31 December 2014	912	–	912
<b>Net carrying amount</b>			
At 31 December 2014	79	–	79
At 31 December 2013	110	230	340
<b>Company</b>			
<b>Cost</b>			
At 1 January 2013	879	230	1,109
Additions	29	–	29
At 31 December 2013 and 1 January 2014	908	230	1,138
Additions	8	–	8
Disposal	–	(230)	(230)
At 31 December 2014	916	–	916
<b>Accumulated amortisation</b>			
At 1 January 2013	748	–	748
Charge for the year	64	–	64
At 31 December 2013 and 1 January 2014	812	–	812
Charge for the year	29	–	29
At 31 December 2014	841	–	841
<b>Net carrying amount</b>			
At 31 December 2014	75	–	75
At 31 December 2013	96	230	326

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 11. INTANGIBLE ASSETS (CONT'D)

### Computer software

Computer software of the Group and the Company is determined to have finite useful lives and is amortised on a straight-line basis over 3 to 5 years with remaining useful lives of 1 to 5 years (2013: 1 to 5 years).

## 12. INVESTMENT IN SUBSIDIARIES

	Company	
	2014 \$'000	2013 \$'000
Unquoted equity shares, at cost	14,114	13,488
Impairment losses	(967)	–
	13,147	13,488

During the year, the Company recognised impairment loss of \$967,000 (2013: Nil) on PT HG Metal Distribution Indonesia as the subsidiary is making losses and there is a shortfall in the cost of investment compared to its net tangible asset value (“NTA”). The Company has impaired the cost of investment up to the subsidiary’s NTA as the subsidiary became dormant since July 2014.

### (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	
			2014 %	2013 %
<b>Held by the Company</b>				
Jin Heng Li Hardware Sdn Bhd <sup>(2)</sup>	Dormant since May 2013	Malaysia	79.38	59.23
Oriental Metals Pte Ltd <sup>(1)</sup>	Trading and manufacturing of steel products and provisions of engineering services	Singapore	99.99	99.99
HG Metal Investments Pte Ltd <sup>(1)</sup>	Investment holding	Singapore	100.00	100.00
PT HG Metal Distribution Indonesia <sup>(3)</sup>	Dormant since July 2014	Indonesia	100.00	100.00

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D)

### (a) Composition of the Group (cont'd)

Name of subsidiaries	Principal activities	Country of incorporation/ business	Proportion of ownership interest	
			2014 %	2013 %
<b>Held by HG Metal Investments Pte Ltd</b>				
Niho (Singapore) Pte Ltd <sup>(1)</sup>	Dormant since September 2014	Singapore	59.03	59.03
HG Construction Steel Pte Ltd <sup>(1)</sup>	Supply of steel material to the construction industry and rental of metal plates	Singapore	100.00	100.00
HG Metal Manufacturing Sdn Bhd <sup>(2)</sup>	Trading and manufacturing of steel products	Malaysia	100.00	100.00
HG Metal Pte Ltd <sup>(1)</sup>	Investment holding	Singapore	100.00	100.00
<b>Held by HG Metal Manufacturing Sdn Bhd</b>				
HG Metal Distribution Sdn Bhd <sup>(2)</sup>	Trading and manufacturing of steel products	Malaysia	100.00	100.00

<sup>(1)</sup> Audited by Ernst & Young LLP, Singapore.

<sup>(2)</sup> Audited by RSM Robert, Teo, Kuan & Co., Malaysia.

<sup>(3)</sup> Not required to be audited under the laws of the country of incorporation.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(loss) allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period	Dividends paid to NCI
			\$'000	\$'000	\$'000
<b>31 December 2014:</b>					
Niho (Singapore) Pte Ltd	Singapore	40.97%	(382)	83	-
Jin Heng Li Hardware Sdn Bhd	Malaysia	20.62%	(279)	452	-
<b>31 December 2013:</b>					
Niho (Singapore) Pte Ltd	Singapore	40.97%	(60)	465	-
Jin Heng Li Hardware Sdn Bhd	Malaysia	40.77%	(91)	1,180	12

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

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

#### Summarised balance sheets

	Niho (Singapore) Pte Ltd		Jin Heng Li Hardware Sdn Bhd	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Current				
Assets	872	2,553	2,752	3,941
Liabilities	(918)	(1,881)	(1,129)	(1,651)
Net current assets	(46)	672	1,623	2,290
Non-current				
Assets	216	431	581	662
Liabilities	-	-	(15)	(48)
Net non-current assets	216	431	566	614
Net assets	170	1,103	2,189	2,904

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D)

### (c) Summarised financial information about subsidiaries with material NCI (cont'd)

Summarised statement of comprehensive income

	Niho (Singapore) Pte Ltd		Jin Heng Li Hardware Sdn Bhd	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Revenue	2,448	4,685	-	6,437
Loss before Income tax	(933)	(140)	(736)	(243)
Income tax credit/ (expenses)	-	-	65	12
Loss after tax - continuing operations	(933)	(140)	(671)	(231)
Other comprehensive income	-	-	-	-
Total comprehensive income	(933)	(140)	(671)	(231)

Other summarised information

Net cashflows from operations	1,037	385	1,466	1,817
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### (d) Acquisition of ownership interest in subsidiary

On 4 August 2014, the Company acquired an additional 20.15% equity interest in Jin Heng Li Hardware Sdn Bhd ("JHL") from its non-controlling interests for a cash consideration of \$626,000. As a result of this acquisition, the Company's ownership interest in JHL increased to 79.38% from 59.23%.

The carrying value of the net assets of JHL at 4 August 2014 was \$2,230,000 and the carrying value of the additional interest acquired was \$449,000. The difference of \$177,000 between the consideration and the carrying value of the additional interest acquired has been recognised as "Premium paid on acquisition of non-controlling interests" within equity.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 12. INVESTMENT IN SUBSIDIARIES (CONT'D)

### (d) Acquisition of ownership interest in subsidiary (cont'd)

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:

	<b>\$'000</b>
Consideration paid for acquisition of non-controlling interests	626
Decrease in equity attributable to non-controlling interests	(449)
Decrease in equity attributable owners of the company	<u>177</u>

In the consolidated cash flow statement, the acquisition of non-controlling interests was determined as follows:

	<b>\$'000</b>
Consideration paid	626
Set off against amount receivable from shareholders (Note 18)	(236)
	<u>390</u>

## 13. INVESTMENT IN ASSOCIATES

The investments in associates are summarised below:

	<b>Group</b>		<b>Company</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
POS-SEA Pte Ltd	60	1,124	68	713
BRC Asia Limited ("BRC")	49,428	47,504	-	-
	<u>49,488</u>	<u>48,628</u>	<u>68</u>	<u>713</u>
Fair value of investment in an associate for which there is published price quotation (BRC)	36,667	42,146	-	-

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 13. INVESTMENT IN ASSOCIATES (CONT'D)

Name of associates	Principal activities	Country of incorporation/ business	Proportion of ownership interest	
			2014 %	2013 %
<b>Held by the Company</b>				
POS-SEA Pte Ltd <sup>(1)</sup>	Commission agent for procurement of steel products and materials	Singapore	32.45	32.45
<b>Held by HG Metal Pte Ltd</b>				
BRC Asia Limited <sup>(2)</sup>	Prefabrication and trading of steel reinforcement products and manufacture and sale of wire mesh fences	Singapore	22.46	23.58

<sup>(1)</sup> Audited by Lee Seng Chan & Co, Singapore.

<sup>(2)</sup> Audited by Ernst & Young LLP, Singapore.

During the year, the Company recognised an impairment loss of \$645,000 (2013: Nil) on its investment in associate (POS-SEA Pte Ltd) where its share of losses exceeds the Group's interest in this associate.

Dividends of \$3,582,000 (2013: \$3,160,000) and \$61,000 (2013: \$62,000) were received from BRC Asia Limited and POS-SEA Pte Ltd respectively.

### Dilution of interest in BRC Asia Limited ("BRC")

During the financial year, BRC allotted and issued 44,493,000 (2013: \$38,406,000) new ordinary shares in the adoption of the BRC Share Option Scheme 2011 and grant of share options to the executive directors and confirmed employees. As a result, the Group's equity interest in BRC decreased from 23.58% to 22.46% (2013: from 24.61% to 23.58%) and the financial effect of the dilution of interest was approximately \$194,000 (2013: \$322,000).

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 13. INVESTMENT IN ASSOCIATES (CONT'D)

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

	BRC Asia Limited		POS-SEA Pte Ltd	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Currents	199,900	182,691	51,764	13,563
Non-current assets excluding goodwill	85,062	73,732	364	265
Goodwill	10,907	10,907	–	–
<b>Total assets</b>	<b>295,869</b>	<b>267,330</b>	<b>52,128</b>	<b>13,828</b>
Current liabilities	(91,473)	(92,523)	(51,916)	(10,422)
Non-current liabilities	(22,430)	(8,569)	(2)	(2)
<b>Total liabilities</b>	<b>(113,903)</b>	<b>(101,092)</b>	<b>(51,918)</b>	<b>(10,424)</b>
<b>Net assets</b>	<b>181,966</b>	<b>166,238</b>	<b>210</b>	<b>3,404</b>
Net assets excluding goodwill	171,059	155,331	210	3,404
Proportion of the Group's ownership	22.46%	23.58%	32.45%	32.45%
Group's share of net assets	38,420	36,627	68	1,105
Goodwill on acquisition	10,907	10,907	–	–
Other adjustments	101	(30)	(8)	19
<b>Carrying amount of the investment</b>	<b>49,428</b>	<b>47,504</b>	<b>60</b>	<b>1,124</b>

### Summarised statement of comprehensive income

	BRC Asia Limited		POS-SEA Pte Ltd	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Revenue	399,581	413,154	242,068	140,126
Profit/(loss) after tax from continuing operations	24,639	36,135	(3,025)	736
Other comprehensive income	(451)	707	–	–
<b>Total comprehensive income</b>	<b>24,188</b>	<b>36,842</b>	<b>(3,025)</b>	<b>736</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 14. INVESTMENT HELD FOR TRADING

	Group	
	2014 \$'000	2013 \$'000
Equity instruments (quoted)	110	53

## 15. DERIVATIVE FINANCIAL INSTRUMENTS

	Contract/ Notional Amount \$'000	2014 \$'000		Contract/ Notional Amount \$'000	2013 \$'000	
		Assets	Liabilities		Assets	Liabilities
<b>Group</b>						
Forward currency contracts	–	–	–	8,455	44	–
<b>Company</b>						
Forward currency contracts	–	–	–	6,631	34	–

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 prior reporting year.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 16. DEFERRED TAX

Deferred income tax relates to the following:

	Group			
	Consolidated balance sheet		Consolidated statement of comprehensive income	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Deferred tax liabilities:</b>				
Differences in depreciation for tax purposes	-	9	(9)	(178)
	-	9		
<b>Deferred tax assets:</b>				
Provisions	12	-	(12)	-
	12	-		
Deferred income tax credit			(21)	(178)

At the balance sheet date, the Group has tax losses of approximately \$101,510,000 (2013: \$82,280,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

### Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 31).

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 17. INVENTORIES

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trading inventories (at cost or net realisable value)	26,343	90,760	25,645	79,015
Finished goods (at cost)	–	99	–	–
Work-in-progress (at cost)	263	275	–	–
Raw materials (at cost or net realisable value)	1,452	5,571	–	–
	<b>28,058</b>	<b>96,705</b>	<b>25,645</b>	<b>79,015</b>

	Group	
	2014 \$'000	2013 \$'000
Inventories recognised as expense in cost of sales (Note 7)	165,048	241,710
Write-down of inventories to net realisable value recognised in other operating expenses	9,783	39
Write off of inventories	638	–

During the year, the Group changed its business strategy from a general stockist carrying a wide range of steel products to a steel solution provider focusing on meeting customers' steel requirements. Consequently, the Group wrote down inventories by \$9,783,000 arising from the business rationalisation exercise, attempt to convert slow moving inventories to cash and mitigate the impact of the decline in steel prices.



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Financial assets</b>				
<b>Trade receivables</b>				
Third parties	36,466	46,627	24,155	33,135
Amounts due from subsidiaries	–	–	12,182	22,221
Amounts due from related parties	78	1,684	78	1,547
Allowance for doubtful receivables	(3,099)	(447)	(2,144)	(313)
	<u>33,445</u>	<u>47,864</u>	<u>34,271</u>	<u>56,590</u>
<b>Other receivables</b>				
Third parties	742	5,060	484	4,751
Advance to suppliers for purchase of inventories	1	90	–	71
Rental, utilities and other deposits	1,356	1,792	1,344	1,669
Amounts due from subsidiaries	–	–	21,101	24,285
Amounts due from related parties	3	85	3	55
Amounts due from shareholders of a subsidiary	–*	604	–	–
Allowances for doubtful receivables from subsidiaries	–	–	(7,297)	(1,824)
	<u>2,102</u>	<u>7,631</u>	<u>15,635</u>	<u>29,007</u>
Total financial assets	<u>35,547</u>	<u>55,495</u>	<u>49,906</u>	<u>85,597</u>
<b>Non-financial assets</b>				
GST receivable	2	–	–	–
	<u>35,549</u>	<u>55,495</u>	<u>49,906</u>	<u>85,597</u>

Other receivables (third parties) include an amount of \$300,000 (2013: \$4,600,000) receivable from the sale of the Company's leasehold buildings.

\* Through a revised agreement in 2014 with the shareholders of the subsidiary, Jin Heng Li Hardware Sdn Bhd ("JHL"), the amount receivable was \$236,000. Accordingly, the Group wrote off the balance of \$368,000.

The amount receivable of \$236,000 was settled through set off with the consideration for the acquisition of ownership interest in JHL (Note 12).

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 18. TRADE AND OTHER RECEIVABLES (CONT'D)

### *Receivables that are past due but not impaired*

The Group has trade receivables amounting to \$8,808,000 (2013: \$24,236,000) 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	
	2014 \$'000	2013 \$'000
Trade receivables past due:		
– Less than 30 days	4,415	14,444
– 30 – 60 days	2,521	6,297
– 61 – 90 days	838	1,564
– 91 – 120 days	270	1,249
– More than 120 days	764	682
	8,808	24,236

### *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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<u>Trade receivables</u>				
Trade receivables - nominal amounts	3,099	447	2,144	313
Less: Allowance for impairment	(3,099)	(447)	(2,144)	(313)
	–	–	–	–
Movement in allowance accounts:				
Balance at 1 January	447	3,524	313	3,423
Charge for the year	2,714	332	1,836	50
Written back	(45)	(21)	–	(1)
Bad debts written off against allowance	(7)	(3,387)	(5)	(3,387)
Exchange differences	(10)	(1)	–	228
Balance at 31 December	3,099	447	2,144	313

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 18. TRADE AND OTHER RECEIVABLES (CONT'D)

	Company	
	2014	2013
	\$'000	\$'000
<u>Due from subsidiaries (non-trade)</u>		
Subsidiaries – nominal amounts	8,479	1,824
Less: Allowance for impairment	(7,297)	(1,824)
	<u>1,182</u>	<u>–</u>
Movement in allowance accounts:		
Balance at 1 January	1,824	1,824
Charge for the year	5,473	–
Balance at 31 December	<u>7,297</u>	<u>1,824</u>

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 and one of the subsidiaries that is loss-making and has ceased operations during the year. These receivables are not secured by any collateral or credit enhancements.

Trade receivables, including amounts due from subsidiaries and related parties, are non-interest bearing and are generally on 30 to 120 days credit terms.

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

Trade receivables denominated in foreign currencies at 31 December 2014 and 2013 are as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
United States Dollar	11,167	2,911	14,329	10,601

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 19. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Cash and bank balances	52,661	15,421	45,222	8,754
Fixed deposits with banks	–	702	–	–
	52,661	16,123	45,222	8,754

Fixed deposits bear weighted average effective interest rate of Nil (2013: 3.12%) per annum and for tenures ranging from 1 to 12 months (2013: 1 to 12 months).

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

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
United States Dollar	7,385	1,377	7,013	1,103
Indonesian Rupiah	1	555	–	–
Malaysian Ringgit	1,466	134	1,466	134

## 20. TRADE AND OTHER PAYABLES

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Financial liabilities</b>				
<b>Trade payables</b>				
Third parties	20,603	16,157	14,877	13,336
Amounts due to subsidiaries	–	–	8,831	12,077
Amounts due to related parties	–	630	–	15
Amounts due to associates	8	530	8	530
	20,611	17,317	23,716	25,958

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 20. TRADE AND OTHER PAYABLES (CONT'D)

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Other payables</b>				
Deposits from customers	1,321	2,231	717	568
Accrued operating expenses	1,616	1,865	1,260	1,406
Other payables	801	1,438	401	980
Amounts due to subsidiaries	–	–	2,565	259
Amounts due to related parties	1	407	1	57
	3,739	5,941	4,944	3,270
Total financial liabilities	24,350	23,258	28,660	29,228
<b>Non-financial liability</b>				
GST payable	1,121	1,655	983	1,620
	25,471	24,913	29,643	30,848

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

The non-trade amounts, including amounts due to subsidiaries and related parties and are unsecured, interest-free and repayable on demand.

Deposits from customers are trade related, unsecured and settled upon the fulfilment of the contractual obligations. Accrued operating expenses include rectification work of Nil (2013: \$135,000) required on the leasehold buildings pursuant to the sale and leaseback of 15 Jurong Port Road.

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

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
United States Dollar	12,683	14,628	12,681	11,711

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 21. 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
<b>Group</b>			
<b>2014</b>			
Within one financial year	46	(2)	44
After one financial year but less than five financial years	24	(1)	23
	70	(3)	67
<b>2013</b>			
Within one financial year	71	(5)	66
After one financial year but less than five financial years	69	(4)	65
	140	(9)	131

As at 31 December 2014 and 31 December 2013, the Company has no obligations under finance leases.

Lease terms range from one to four years (2013: one to five years) with options to purchase at the end of the lease term. Interest is payable at average effective interest rates of 3.00% to 3.30% (2013: 3.00% to 3.30%) per annum.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 22. BANK BORROWINGS

		Group		Company	
		2014	2013	2014	2013
		\$'000	\$'000	\$'000	\$'000
<b>Current</b>					
Secured					
– Term loans	SGD	4,089	3,892	4,089	3,892
– Trust receipts	SGD	–	30,298	–	30,298
– Trust receipts	USD	1,768	10,670	1,768	10,670
– Bankers acceptance	MYR	–	849	–	–
		5,857	45,709	5,857	44,860
Unsecured					
– Trust receipts	SGD	–	412	–	–
– Trust receipts	USD	–	4,618	–	–
– Invoice financing	SGD	–	302	–	–
– Invoice financing	USD	–	11	–	–
		–	5,343	–	–
Total current borrowings		5,857	51,052	5,857	44,860
<b>Non-current</b>					
Secured					
– Term loans	SGD	6,855	11,035	6,855	11,035
Total non-current borrowings		6,855	11,035	6,855	11,035

### Secured

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

- (i) legal mortgage over leasehold properties (Note 10) of the Group and of the Company with net carrying amount of \$6,298,000 (2013: \$7,214,000) and \$4,281,000(2013: \$4,755,000) respectively as at 31 December 2014; and
- (ii) fixed and floating charge over inventories, receivables and bank balance of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 22. BANK BORROWINGS (CONT'D)

### Unsecured

As at the balance sheet date, unsecured bank borrowings amounting to Nil (2013: \$5,343,000) of certain subsidiaries are supported by corporate guarantees given by the Company.

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

	Maturity	Interest rates per annum	
		2014	2013
Term loans	2017	2.19%	2.19%
Bankers acceptance	–	–	4.77% – 4.80%
Trust receipts	2015	2.35%	2.26% – 3.01%

The loans include the following financial covenants:

- the Group and Company to maintain a Tangible Net Worth not less than \$110 million and \$80 million respectively
- the Group and Company to maintain a current ratio not less than 1 time.
- the Company to maintain a ratio of total liabilities to tangible net worth not exceeding 2 times.
- the Company to maintain a ratio of total bank borrowings to total tangible net worth not exceeding 1.5 times.

## 23. 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 year lease period commencing February 2013. Deferred income is classified as follows:

	Group and Company	
	2014	2013
	\$'000	\$'000
Current	1,429	1,429
Non-current	5,833	7,262
	7,262	8,691



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 24. PROVISION FOR REINSTATEMENT COSTS

	Group		Company	
	2014	2013	2014	2013
	\$'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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
At 1 January	1,000	1,000	700	700
At 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 (2013: 2020).

## 25. SHARE CAPITAL

	Group and Company			
	2014		2013	
	No. of shares	\$'000	No. of shares	\$'000
<i>Issued and fully-paid:</i>				
Ordinary shares				
At beginning of the year	1,092,522	137,314	1,092,522	137,314
Issue from share placement	213,600	14,738	-	-
At end of the year	1,306,122	152,052	1,092,522	137,314

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.

### Issue from share placement

In October 2014, a total of 213,600,000 new ordinary shares were issued by the Company at S\$0.069 per share to SEAVI Advent Investments Ltd (133,500,000 shares) and Rise Capital Ventures Ltd (80,100,000 shares). The net proceeds of approximately S\$14.7 million have not been utilised by the Company.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 26. TREASURY SHARES

	Group and Company			
	2014		2013	
	No. of shares '000	\$'000	No. of shares '000	\$'000
<i>Issued and fully-paid:</i>				
Ordinary shares				
At beginning of the year	23,268	1,885	23,268	1,885
Acquired during the financial year	–	–	–	–
At end of the year	23,268	1,855	23,268	1,885

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

## 27. OTHER RESERVES

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Capital reserve (a)	2,527	2,527	2,527	2,527
Foreign currency translation reserve (b)	(415)	(373)	–	–
Fair value reserve (c)	(4)	(4)	–	–
Premium paid on acquisition of non-controlling interest (d)	(177)	–	–	–
	1,931	2,150	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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 27. OTHER RESERVES (CONT'D)

(a) *Capital reserve (cont'd)*

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.

(c) *Fair value reserve*

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 28. SIGNIFICANT TRANSACTIONS WITH RELATED COMPANIES AND RELATED PARTIES

In addition to the 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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b><i>With subsidiaries</i></b>				
Sales	–	–	15,878	29,347
Purchases	–	–	10,656	20,175
Rental income	–	–	127	190
Management fee income	–	–	–	4
Dividend income	–	–	17	–
Interest Income	–	–	26	42
Other income	–	–	–	11
Other expense	–	–	–	53
Sale of plant and equipment	–	–	–	22
<b><i>With associates</i></b>				
Purchases	258	2,863	258	2,863
<b><i>With companies related to directors of the Company</i></b>				
Sales	1,407	4,168	963	3,855
Purchases	2,046	5,904	2,042	5,861
Commission and other income	109	389	26	117
Management fee	–	354	–	120
Processing fee	376	979	–	–
Other charges	141	198	66	34

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 28. SIGNIFICANT TRANSACTIONS WITH RELATED COMPANIES AND RELATED PARTIES (CONT'D)

### 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	
	2014	2013
	\$'000	\$'000
<b>Directors of the Company</b>		
Salaries and other short-term employee benefits	819	1,208
Employer's contributions to defined contribution plan	17	19
<b>Key management personnel</b>		
Salaries and other short-term employee benefits	612	736
Employer's contributions to defined contribution plan	35	17
	1,483	1,980

## 29. 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 operating lease commitments for rental payable in subsequent accounting periods as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Future minimum lease payments				
Within one financial year	5,931	5,988	5,466	5,519
After one financial year but within five financial years	23,654	23,387	22,249	21,647
After five financial years	3,048	8,662	3,048	8,281
	32,633	38,037	30,763	35,447

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.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 29. COMMITMENTS AND CONTINGENT LIABILITIES (CONT'D)

*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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Within one financial year	4,095	1,617	1,546	996
After one financial year but within five financial years	2,822	324	1,202	253
	6,917	1,941	2,748	1,249

### **Capital commitments**

As at the balance sheet date, the Group and the Company had the following capital commitments contracted but not provided for in the financial statements:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Plant and machinery	–	250	–	250

### **Contingent liabilities**

#### Guarantees

Intra-group financial guarantees comprise corporate guarantees granted by the Company to banks in respect of banking facilities amounting to \$13,404,000 (2013: \$32,986,000) to secure banking facilities provided to certain subsidiaries. The financial guarantees will expire when the loans have been paid and discharged and/or when the banking facilities are no longer available to the subsidiaries.

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 29. COMMITMENTS AND CONTINGENT LIABILITIES (CONT'D)

### *Contingent liabilities (cont'd)*

The amount of credit facilities utilised by the subsidiary companies as at the balance sheet date amounted to Nil (2013: \$6,192,000).

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 2014 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.

## 30. SEGMENT INFORMATION

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

- (i) The trading segment is a supplier of steel products and includes the holding of investments in subsidiaries.
- (ii) The manufacturing segment produces steel products and provides related engineering services.

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

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

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 30. SEGMENT INFORMATION (CONT'D)

	Trading \$'000	Manu- facturing \$'000	Adjustment/ elimination \$'000	Group \$'000
<b>Financial year ended 31 December 2014</b>				
<b>REVENUE</b>				
Sales to external customers	158,072	29,778	–	187,850
Inter-segment sales (Note A)	16,105	10,656	(26,761)	–
Total	174,177	40,434	(26,761)	187,850
<b>RESULTS</b>				
(Loss)/profit from operations (Note C)	(24,855)	(2,737)	6,858	(20,734)
Interest expense	(763)	(114)	26	(851)
Interest income	70	1	(26)	45
Share of associate results	(1,003)	5,609	–	4,606
Segment (loss)/profit	(26,551)	2,759	6,858	(16,934)
Income tax credit				183
Loss for the year				(16,751)
<b>OTHER INFORMATION</b>				
Debit/(Credit):				
Investment in associates	60	49,428	–	49,488
Additions to non-current assets (Note B)	1,315	650	–	1,965
Depreciation and amortisation of assets	1,389	1,117	–	2,506
Recognition of deferred income	(1,429)	–	–	(1,429)
Impairment of property, plant and equipment	896	763	–	1,659
Write down/write off of inventories	8,919	1,502	–	10,421
Fair value loss on derivatives	35	10	–	45
<b>ASSETS AND LIABILITIES</b>				
Segment assets (Note A)	191,556	31,816	(41,591)	181,781
Income tax recoverable				135
Deferred tax assets				12
Total assets				181,928
Segment liabilities (Note A)	88,326	16,330	(58,144)	46,512
Tax payable				13
Total liabilities				46,525



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 30. SEGMENT INFORMATION (CONT'D)

	Trading \$'000	Manu- facturing \$'000	Adjustment/ elimination \$'000	Group \$'000
<b>Financial year ended 31 December 2013</b>				
<b>REVENUE</b>				
Sales to external customers	228,733	37,313	–	266,046
Inter-segment sales (Note A)	32,346	20,957	(53,303)	–
Total	261,079	58,270	(53,303)	266,046
<b>RESULTS</b>				
Profit/(loss) from operations (Note C)	526	(960)	(3,617)	(4,051)
Interest expense	(1,535)	(234)	42	(1,727)
Interest income	193	1	(42)	152
Share of associate results	249	8,581	–	8,830
Segment (loss)/profit	(567)	7,388	(3,617)	3,204
Income tax credit				55
Profit for the year				3,259
<b>OTHER INFORMATION</b>				
Debit/(Credit):				
Investment in associates	1,124	47,504	–	48,628
Additions to non-current assets (Note B)	1,898	1,911	(82)	3,727
Depreciation and amortisation of assets	1,571	1,025	(242)	2,354
Recognition of deferred income	(1,309)	–	–	(1,309)
Write down of inventories	39	–	–	39
Fair value gain from derivatives	(12)	(22)	–	(34)
<b>ASSETS AND LIABILITIES</b>				
Segment assets (Note A)	268,513	37,460	(70,027)	235,946
Income tax recoverable				115
Total assets				236,061
Segment liabilities (Note A)	153,405	19,239	(75,822)	96,822
Tax payable				77
Deferred tax liabilities				9
Total liabilities				96,908

### Notes:

- (A) Segment assets and liabilities include balances with companies in the Group. Inter-segment sales, assets and liabilities are eliminated on consolidation.
- (B) Additions to non-current assets consist of additions to property, plant and equipment and intangible assets.
- (C) Other non-cash expenses consist of inventories written-down, provisions, and impairment of financial assets as presented in the respective notes to the financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 30. SEGMENT INFORMATION (CONT'D)

### *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	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Singapore	115,668	164,191	14,073	15,967
Malaysia	31,278	54,273	1,658	2,579
Indonesia	25,387	35,752	–	71
Others	15,517	11,830	–	–
	187,850	266,046	15,731	18,617

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 (2013: one) major customer amounted to \$19,727,000 (2013: \$24,035,000), arising from sales of the trading segment.

## 31. DIVIDENDS

	Group and Company	
	2014	2013
	\$'000	\$'000
<b>Dividends paid during the financial year:</b>		
– Final exempt (one-tier) dividend for 2013: 0.10 cents (2013: 0.30 cents interim exempt one tier dividend for 2011) per share	1,069	3,208
<b>Proposed but not recognised as a liability as at 31 December:</b>		
– Nil 2014 (2013: 0.10 cents final exempt one-tier dividend for 2013) per share	–	1,069

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 32. FINANCIAL INSTRUMENTS

### *Classification of financial instruments*

	Fair value through profit and loss \$'000	Loans and receivables \$'000	Liabilities at amortised cost \$'000
<b>Group</b>			
<b>31 December 2014</b>			
<b>Assets</b>			
Investment held for trading	110	–	–
Trade and other receivables (Note 18)	–	35,547	–
Cash and cash equivalents	–	52,661	–
<b>Total</b>	<b>110</b>	<b>88,208</b>	<b>–</b>
<b>Liabilities</b>			
Trade and other payables (Note 20)	–	–	24,350
Finance lease payables	–	–	67
Bank borrowings	–	–	12,712
<b>Total</b>	<b>–</b>	<b>–</b>	<b>37,129</b>
<b>31 December 2013</b>			
<b>Assets</b>			
Derivative financial instruments	44	–	–
Investment held for trading	53	–	–
Trade and other receivables (Note 18)	–	55,495	–
Cash and cash equivalents	–	16,123	–
<b>Total</b>	<b>97</b>	<b>71,618</b>	<b>–</b>
<b>Liabilities</b>			
Trade and other payables (Note 20)	–	–	23,258
Finance lease payables	–	–	131
Bank borrowings	–	–	62,087
<b>Total</b>	<b>–</b>	<b>–</b>	<b>85,476</b>

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 32. FINANCIAL INSTRUMENTS (CONT'D)

	Fair value through profit and loss \$'000	Loans and receivables \$'000	Liabilities at amortised cost \$'000
<b>Company</b>			
<b>31 December 2014</b>			
<b>Assets</b>			
Trade and other receivables (Note 18)	–	49,906	–
Cash and bank balances	–	45,222	–
Total	–	95,128	–
<b>Liabilities</b>			
Trade and other payables (Note 20)	–	–	28,660
Bank borrowings	–	–	12,712
Total	–	–	41,372
<b>31 December 2013</b>			
<b>Assets</b>			
Derivative financial instruments	34	–	–
Trade and other receivables (Note 18)	–	85,597	–
Cash and bank balances	–	8,754	–
Total	34	94,351	–
<b>Liabilities</b>			
Trade and other payables (Note 20)	–	–	29,228
Bank borrowings	–	–	55,895
Total	–	–	85,123

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 33. FAIR VALUE OF ASSETS AND LIABILITIES

### Fair value hierarchy

The Group categorises 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 than 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:

	<b>Quoted prices in active markets for identical instruments (Level 1)</b>	<b>Group 2014 \$'000 Significant observable inputs other than quoted prices (Level 2)</b>	<b>Total</b>
<b>Recurring fair value measurements</b>			
<b>Assets</b>			
<b>Financial assets:</b>			
Investment held for trading			
– Equity instruments (quoted)	110	–	110
As at 31 December 2014	110	–	110

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 33. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### Fair value hierarchy (cont'd)

#### (a) Assets and liabilities measured at fair value (cont'd)

	Quoted prices in active markets for identical instruments (Level 1)	Group 2013 \$'000 Significant observable inputs other than quoted prices (Level 2)	Total
<b>Recurring fair value measurements</b>			
<b>Assets</b>			
<b>Financial assets:</b>			
Investment held for trading			
– Equity instruments (quoted)	53	–	53
Derivative financial instruments			
– Forward currency contracts	–	44	44
As at 31 December 2013	53	44	97

#### (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 2014 and 2013 but for which fair value is disclosed:

	Quoted prices in active markets for identical assets (Level 1)	Group 2014 \$'000 Significant unobservable inputs (Level 3)	Carrying amount
<b>Assets</b>			
Investment in associate (BRC)	36,667	–	49,428
<b>Liabilities</b>			
Obligations under finance leases	–	63	67
Bank borrowings	–	12,229	12,712

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 33. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### Fair value hierarchy (cont'd)

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

	Quoted prices in active markets for identical assets (Level 1)	Group 2013 \$'000 Significant unobservable inputs (Level 3)	Carrying amount
<b>Assets</b>			
Investment in associate (BRC)	42,146	–	47,504
<b>Liabilities</b>			
Obligations under finance leases	–	124	131
Bank borrowings	–	60,110	62,087

#### Determination of fair value

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

#### (c) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	Carrying amount		Fair value	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>Group</b>				
<b>Financial Assets:</b>				
Investment in associate (POS-SEA Pte Ltd)	60	1,124	*	*
<b>Financial liabilities:</b>				
Obligations under finance leases	67	131	63	124
Bank borrowings	12,712	62,087	12,229	60,110

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 33. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

### Fair value hierarchy (cont'd)

(c) **Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (cont'd)**

\* Investment in equity securities carried at cost

Fair value information has not been disclosed for the Group's investments 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.

## 34. 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, foreign currency risk and market price 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, investment held for trading 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 2014

## 34. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) *Credit risk (cont'd)*

### 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.
- a nominal amount of \$13,404,000 (2013: \$32,986,000) relating to corporate guarantees provided by the Company to banks on its subsidiaries' borrowings and other banking facilities.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 34. FINANCIAL RISK MANAGEMENT (CONT'D)

### (a) Credit risk (cont'd)

#### Credit risk concentration profile

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	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<b>By country:</b>				
– Singapore	17,307	28,814	19,962	30,063
– Malaysia	6,347	14,991	4,518	20,931
– Indonesia	440	3,776	440	5,313
– Myanmar	9,135	–	9,135	–
– Others	216	283	216	283
	<b>33,445</b>	<b>47,864</b>	<b>34,271</b>	<b>56,590</b>
<b>By industry sectors:</b>				
– Trading	22,996	34,553	21,152	42,215
– Construction	7,226	8,281	9,921	9,554
– Shipping	2,129	3,246	2,129	3,246
– Others	1,094	1,784	1,069	1,575
	<b>33,445</b>	<b>47,864</b>	<b>34,271</b>	<b>56,590</b>

At the end of the reporting year/period, approximately:

- 31% (2013: 17%) of the Group's trade receivables were due from 3 (2013: 5) major customers who are located in Singapore, Indonesia and Myanmar (2013: Singapore and Indonesia).
- 0% (2013: 4%) of the Group's trade receivables were due from related parties.

#### *Financial assets that are neither past due nor impaired*

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

#### *Financial assets that are either past due or impaired*

Information regarding financial assets that are either past due or impaired is disclosed in Note 18 (Trade and other receivables).

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 34. FINANCIAL RISK MANAGEMENT (CONT'D)

### (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.

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
<b>Group</b>			
<b>As at 31 December 2014</b>			
<b>Financial assets:</b>			
Investment held for trading	110	–	110
Trade and other receivables	35,547	–	35,547
Cash and cash equivalents	52,661	–	52,661
Total undiscounted financial assets	88,318	–	88,318
<b>Financial liabilities:</b>			
Trade and other payables	24,350	–	24,350
Finance lease payables	46	24	70
Bank borrowings	5,990	7,110	13,100
Total undiscounted financial liabilities	30,386	7,134	37,520
Total net undiscounted financial assets/(liabilities)	57,932	(7,134)	50,798

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 34. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) *Liquidity risk (cont'd)*

	Within one year \$'000	Two to five years \$'000	Total \$'000
<b>Group</b>			
<b>As at 31 December 2013</b>			
<b>Financial assets:</b>			
Derivatives	44	–	44
Investment held for trading	53	–	53
Trade and other receivables	55,495	–	55,495
Cash and cash equivalents	16,123	–	16,123
Total undiscounted financial assets	71,715	–	71,715
<b>Financial liabilities:</b>			
Trade and other payables	23,258	–	23,258
Finance lease payables	71	69	140
Bank borrowings	51,707	11,679	63,386
Total undiscounted financial liabilities	75,036	11,748	86,784
Total net undiscounted financial liabilities	(3,321)	(11,748)	(15,069)

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 34. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) *Liquidity risk (cont'd)*

	Within one year \$'000	Two to five years \$'000	Total \$'000
<b>Company</b>			
<b>As at 31 December 2014</b>			
<b>Financial assets:</b>			
Trade and other receivables	49,906	–	49,906
Cash and bank balances	45,222	–	45,222
Total undiscounted financial assets	95,128	–	95,128
<b>Financial liabilities:</b>			
Trade and other payables	28,660	–	28,660
Bank borrowings	5,990	7,110	13,100
Total undiscounted financial liabilities	34,650	7,110	41,760
Total net undiscounted financial assets/(liabilities)	60,478	(7,110)	53,368
<b>As at 31 December 2013</b>			
<b>Financial assets:</b>			
Derivatives	34	–	34
Trade and other receivables	85,597	–	85,597
Cash and bank balances	8,754	–	8,754
Total undiscounted financial assets	94,385	–	94,385
<b>Financial liabilities:</b>			
Trade and other payables	29,228	–	29,228
Bank borrowings	45,332	11,679	57,011
Total undiscounted financial liabilities	74,560	11,679	86,239
Total net undiscounted financial assets/(liabilities)	19,825	(11,679)	8,146

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 34. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) *Liquidity risk (cont'd)*

The table below shows the contractual expiry by maturity of the Group and Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	Within one year \$'000	Two to five years \$'000	Total \$'000
<b>Group</b>			
<b>As at 31 December 2014</b>			
Financial guarantees	1,768	–	1,768
<b>As at 31 December 2013</b>			
Financial guarantees	73,954	–	73,954
<b>Company</b>			
<b>As at 31 December 2014</b>			
Financial guarantees	1,768	–	1,768
<b>As at 31 December 2013</b>			
Financial guarantees	40,968	–	40,968

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 34. FINANCIAL RISK MANAGEMENT (CONT'D)

### (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 (2013: 50) basis points lower/higher with all other variables held constant, the Group's income and equity would have been approximately \$64,000 (2013: \$307,000) 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 \$64,000 (2013: \$279,000).

### (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"), Malaysian Ringgit ("MYR") and Indonesia Rupiah ("IDR").

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

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 34. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) *Foreign currency risk (cont'd)*

### Sensitivity analysis for foreign currency risk

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

			<b>Increase/(decrease)</b>	
			<b>Profit before tax</b>	
			<b>2014</b>	<b>2013</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>Group</b>				
USD/SGD	-	strengthened 2% (2013: 2%)	315	2
	-	weakened 2% (2013: 2%)	(315)	(2)
SGD/MYR	-	strengthened 2% (2013: 2%)	119	-
	-	weakened 2% (2013: 2%)	(119)	-
USD/MYR	-	strengthened 2% (2013: 2%)	98	(159)
	-	weakened 2% (2013: 2%)	(98)	159
IDR/USD	-	strengthened 2% (2013: 2%)	-	(11)
	-	weakened 2% (2013: 2%)	-	11
MYR/SGD	-	strengthened 2% (2013: 2%)	29	3
	-	weakened 2% (2013: 2%)	(29)	(3)
			<b>Increase/(decrease)</b>	
			<b>Profit before tax</b>	
			<b>2014</b>	<b>2013</b>
			<b>\$'000</b>	<b>\$'000</b>
<b>Company</b>				
USD/SGD	-	strengthened 2% (2013: 2%)	283	-
	-	weakened 2% (2013: 2%)	(283)	-



# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 34. FINANCIAL RISK MANAGEMENT (CONT'D)

(e) *Market price risk*

Market price risk is the risk that fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. These instruments are quoted on the SGX-ST in Singapore and are classified as held for trading.

Sensitivity analysis for equity price risk

At the balance sheet date, if the STI had been 2% (2013: 2%) higher/lower with all other variables held constant, this would have given rise to higher/lower fair value gains in held for trading equity instruments and the Group's profit before tax would have been \$2,200 higher/lower (2013: \$1,060).

## 35. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital management is to ensure that it maintains strong credit worthiness and healthy capital ratios in order to support its business and maximise shareholder value.

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 2014 and 31 December 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to keep the gearing ratio below 70%. The Group includes within net debt, loans and borrowings and finance lease payables less cash and cash equivalents. Capital includes equity attributable to the owners of the Company.

# NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2014

## 35. CAPITAL MANAGEMENT (CONT'D)

	2014	2013
	\$'000	\$'000
Finance lease payables	67	131
Bank borrowings	12,712	62,087
Less:		
Cash and cash equivalents	(52,661)	(16,123)
Net (cash)/debt	(39,882)	46,095
Equity attributable to owners of the Company	134,839	137,479
Capital and net debt	94,957	183,574
Gearing ratio	–	25%

## 36. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 25 March 2015, a subsidiary, HG Metal Investments Pte Ltd incorporated a wholly-owned subsidiary, HG Yangon Company Limited (“HGY”) in Myanmar with a paid up capital of US\$100,000. HGY will principally be engaged in the business of trading and distribution in steel products.

## 37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 31 March 2015.

## APPENDIX DATED 8 APRIL 2015

This Appendix is circulated to shareholders of HG Metal Manufacturing Limited (the “**Company**”) together with the Company’s 2014 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 Orchid Room, 15 Jurong Port Road, Singapore 619119 on Thursday, 23 April 2015 at 10.00 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 2014 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 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 (the "**Share Purchase Mandate**").
- 1.2 The purpose of this Appendix, to be circulated to Shareholders together with the Company's 2014 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 23 April 2015. Details of the Share Purchase Mandate, including the rationale for and the benefits to the Company, are set out in paragraph 5 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 its issued Shares of the Company ("**Shares**") on the terms of the Share Purchase Mandate at the Extraordinary General Meeting of the Company held on 12 January 2012. Particulars of the Share Purchase Mandate were set out in the circular to Shareholders dated 21 December 2011.

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 23 April 2015. 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 is sought to be renewed remain unchanged.

### 2.2 Rationale for Share Purchase Mandate.

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

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

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

## APPENDIX

- (b) The Share Purchase Mandate is an expedient, effective and cost-efficient way for the Company to return surplus cash/funds over and above its ordinary capital requirements, if any, which is in excess of the financial and investment needs of the Company to its Shareholders. In addition, the Share Purchase Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company's share capital structure, cash reserves and its dividend policy.
- (c) The Share Purchase Mandate will provide the Company the flexibility to undertake share purchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.
- (d) The Share Purchase Mandate will help buffer short-term share price volatility and offset the effects of short-term share price speculation, thereby boosting Shareholders' confidence.

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

### 2.3 Issued Shares as at the Latest Practicable Date

As at 13 March 2015 ("**Latest Practicable Date**"), the total number of issued Shares of the Company (excluding treasury shares) is 1,282,853,962 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, 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 1,282,853,962 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 38,485,618 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 76C of the Companies Act permits the Company to purchase or acquire up to 10% of its Shares, the Directors, after taking into consideration take-over implication 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 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 23 April 2015, at which the Share Purchase Mandate is approved, up to:

- (a) the date on which the next AGM is held or required by law to be held;
- (b) the date on which the purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate are carried out to the full extent mandated; or
- (c) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

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

## **2.4.3 Manner of Purchases or Acquisitions of Shares**

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

- (a) on-market purchases ("**Market Purchase**"), transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or
- (b) off-market purchases ("**Off-Market Purchase**") effected pursuant to an equal access scheme in accordance with Section 76C of the Companies Act.

The Directors may impose such terms and conditions which are not inconsistent with the Share Purchase Mandate, the Listing Rules 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:

## APPENDIX

- (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 the Listing Rule 885, 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 Share purchases by the Company that will arise under the 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 Share.



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## 2.4.4 *Maximum Purchase Price*

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

- (a) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price (as defined hereinafter),

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

For the above purposes:

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

## 2.5 **Status of Purchased Shares**

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

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## 2.6 Treasury Shares

Under the Companies Act, as amended by the Companies Amendment Act 2005, 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, as amended by the Companies Amendment Act 2005, are summarised below:

### 2.6.1 *Maximum Holdings*

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

### 2.6.2 *Voting and Other Rights*

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

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

### 2.6.3 *Disposal and Cancellation*

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

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

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## 2.7 Reporting Requirements

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

The Company shall notify the Registrar within 30 days of a purchase of Shares by the Company on the SGX-ST or otherwise. Such notification shall include details of the purchases including the date of the purchases, the total number of Shares purchased by the Company, the number of Shares cancelled and the number of Shares held as treasury shares, the Company's issued ordinary share capital as at the date of the Shareholders' resolution approving the purchase of the Shares 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.

The Listing Rule 886 specify 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;

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- (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 Articles 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, as amended by the Companies Amendment Act 2005, 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.

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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 2014 are based on the assumptions set out below:

- (a) based on 1,282,853,962 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 38,485,618 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 38,485,618 Shares at the Maximum Price of S\$0.058 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 38,485,618 Shares (excluding related expenses) is approximately S\$2,239,000; and
- (c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires the 38,485,618 Shares at the Maximum Price of S\$0.066 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 38,485,618 Shares (excluding related expenses) is approximately S\$2,559,000.

**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 2015, and (iii) the Company had purchased or acquired the 38,485,618 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 38,485,618 Shares by the Company pursuant to the Share Purchase Mandate:

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- (i) by way of purchases made entirely out of capital and held as treasury shares; and
- (ii) by way of purchases made entirely out of capital and cancelled, or as summarised for ease of reference in the following table:

	<b>Purchased out of:</b>	<b>Type of purchase</b>	<b>Held as Treasury Shares or Cancelled</b>	<b>Maximum Price per Share (S\$)</b>
1(A)	Capital	Market Purchase	Held as treasury shares	0.058
1(B)	Capital	Off-Market Purchase	Held as treasury shares	0.066
2(A)	Capital	Market Purchase	Cancelled	0.058
2(B)	Capital	Off-Market Purchase	Cancelled	0.066

on the audited financial statements of the Group for the financial year ended 31 December 2014, are set out below:

**(1) Purchases made entirely out of capital and held as treasury shares**

## (A) Market Purchases

	<b>Group Before Share Purchase</b>	<b>Group After Share Purchase</b>	<b>Company Before Share Purchase</b>	<b>Company After Share Purchase</b>
	S\$'000	S\$'000	S\$'000	S\$'000
<b>As at 31 December 2014</b>				
Share capital	152,052	152,052	152,052	152,052
Capital and other reserves	1,931	1,931	2,527	2,527
Retained earnings	(17,259)	(17,259)	(60,588)	(60,588)
	136,724	136,724	93,991	93,991
Treasury shares	(1,885)	(4,124)	(1,885)	(4,124)
Shareholders' funds	134,839	132,600	92,106	89,867
Net tangible assets	134,760	132,521	92,031	89,792
Minority interests	564	564	–	–
Current assets	116,697	114,458	120,918	118,679
Current liabilities	32,814	32,814	36,929	36,929
Working capital	83,883	81,644	83,989	81,750
Number of issued Shares	1,282,853,962	1,244,368,344	1,282,853,962	1,244,368,344
Weighted average number of Shares	1,104,853,962	1,066,368,344	1,104,853,962	1,066,368,344
<b>Financial ratios</b>				
Net tangible assets/Share (S\$)	0.11	0.11	0.07	0.07
Current ratio (times)	3.56	3.49	3.27	3.21
Earnings per Share (cents)	(1.46)	(1.51)	(1.99)	(2.06)

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(B) Off-Market Purchases

	<b>Group Before Share Purchase</b>	<b>Group After Share Purchase</b>	<b>Company Before Share Purchase</b>	<b>Company After Share Purchase</b>
	S\$'000	S\$'000	S\$'000	S\$'000
<b>As at 31 December 2014</b>				
Share capital	152,052	152,052	152,052	152,052
Capital and other reserves	1,931	1,931	2,527	2,527
Retained earnings	(17,259)	(17,259)	(60,588)	(60,588)
	136,724	136,724	93,991	93,991
Treasury shares	(1,885)	(4,444)	(1,885)	(4,444)
Shareholders' funds	134,839	132,280	92,106	89,547
Net tangible assets	134,760	132,201	92,031	89,472
Minority interests	564	564	–	–
Current assets	116,697	114,138	120,918	118,359
Current liabilities	32,814	32,814	36,929	36,929
Working capital	83,883	81,324	83,989	81,430
Number of issued Shares	1,282,853,962	1,244,368,344	1,282,853,962	1,244,368,344
Weighted average number of Shares	1,104,853,962	1,066,368,344	1,104,853,962	1,066,368,344
<b>Financial ratios</b>				
Net tangible assets/Share (S\$)	0.11	0.11	0.07	0.07
Current ratio (times)	3.56	3.48	3.27	3.21
Earnings per Share (cents)	(1.46)	(1.51)	(1.99)	(2.06)

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**(2) Purchases made entirely out of capital and cancelled**

## (A) Market Purchases

	<b>Group Before Share Purchase S\$'000</b>	<b>Group After Share Purchase S\$'000</b>	<b>Company Before Share Purchase S\$'000</b>	<b>Company After Share Purchase S\$'000</b>
<b>As at 31 December 2014</b>				
Share capital	150,167	147,928	150,167	147,928
Capital and other reserves	1,931	1,931	2,527	2,527
Retained earnings	(17,259)	(17,259)	(60,588)	(60,588)
Shareholders' funds	134,839	132,660	92,106	89,867
Net tangible assets	134,760	132,521	92,031	89,792
Minority interests	564	564	–	–
Current assets	116,697	114,458	120,918	118,679
Current liabilities	32,814	32,814	36,929	36,929
Working capital	83,883	81,644	83,989	81,750
Number of issued Shares	1,282,853,962	1,244,368,344	1,282,853,962	1,244,368,344
Weighted average number of Shares	1,104,853,962	1,066,368,344	1,104,853,962	1,066,368,344
<b>Financial ratios</b>				
Net tangible assets/Share (S\$)	0.11	0.11	0.07	0.07
Current ratio (times)	3.56	3.49	3.27	3.21
Earnings per Share (cents)	(1.46)	(1.51)	(1.99)	(2.06)



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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
<b>As at 31 December 2014</b>				
Share capital	150,167	147,608	150,167	147,608
Capital and other reserves	1,931	1,931	2,527	2,527
Retained earnings	(17,259)	(17,259)	(60,588)	(60,588)
Shareholders' funds	134,839	132,280	92,106	89,547
Net tangible assets	134,760	132,201	92,031	89,472
Minority interests	564	564	-	-
Current assets	116,697	114,138	120,918	118,359
Current liabilities	32,814	32,814	36,929	36,929
Working capital	83,883	81,324	83,989	81,430
Number of issued Shares	1,282,853,962	1,244,368,344	1,282,853,962	1,244,368,344
Weighted average number of Shares	1,104,853,962	1,066,368,344	1,104,853,962	1,066,368,344
<b>Financial ratios</b>				
Net tangible assets/Share (S\$)	0.11	0.11	0.07	0.07
Current ratio (times)	3.56	3.48	3.27	3.21
Earnings per Share (cents)	(1.46)	(1.51)	(1.99)	(2.06)

**Shareholders should note that the financial effects set out above are purely for illustrative purposes only based on the abovementioned assumptions. Although the proposed Share Purchase Mandate would authorise the Company to purchase or acquire up to three per cent. (3%) of the total number of issued Shares (excluding treasury shares) as determined in accordance with the applicable provisions of the Companies Act, the Company may not necessarily purchase or be able to purchase the entire three per cent. (3%) of the total number of its issued Shares (excluding treasury shares). In addition, the Company may cancel all or part of the Shares purchased or hold all or part of the Shares purchased in treasury.**

**Shareholders who are in doubt as to their tax positions or any tax implications in their respective jurisdictions should consult their own professional advisers.**

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## 2.10 Take-over Implications

Appendix 2 of the Take-over Code contains the Share Buy-Back Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below.

### 2.10.1 Obligation to make a Take-over Offer

If, as a result of any purchase or acquisition by the Company of the Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. Consequently, a Shareholder or a group of Shareholders acting in concert with a Director could obtain or consolidate effective control of the Company and become obliged to make an offer under Rule 14 of the Take-over Code.

### 2.10.2 Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of the company.

Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert, namely:

- (a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, any company whose associated companies include any of the above companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above companies for the purchase of voting rights;
- (b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;
- (c) a company with any of its pension funds and employee share schemes;
- (d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

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- (e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total ten per cent. (10%) or more of the client's equity share capital;
- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (h) an individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions, companies controlled by any of the above persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above companies for the purchase of voting rights.

For this purpose, ownership or control of at least twenty per cent. (20%) but not more than fifty per cent. (50%) of the voting rights of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders, including Directors and persons acting in concert with them respectively, will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

### **2.10.3 Effect of Rule 14 and Appendix 2**

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring Shares:

- (a) the voting rights of such Directors and their concert parties would increase to thirty per cent. (30%) or more; or
- (b) in the event that such Directors and their concert parties hold between thirty per cent. and fifty per cent. (50%) of the Company's voting rights, if the voting rights of such Directors and their concert parties would increase by more than one per cent. (1%) in any period of six (6) months.

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Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares:

- (i) the voting rights of such Shareholder would increase to thirty per cent. (30%) or more; or
- (ii) if such Shareholder holds between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder would increase by more than one per cent. (1%) in any period of six (6) months.

Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

**2.10.4** Based on the shareholdings of the Directors in the Company as at the Latest Practicable Date, none of the Directors will become obligated to make a mandatory offer by reason only of the buy back of 3% Shares by the Company pursuant to the Share Purchase Mandate.

The Directors are not aware of any Shareholder or group of Shareholders acting in concert who may become obligated to make a mandatory offer in the event that the Directors exercise the power to repurchase Shares pursuant to the Share Purchase Mandate.

**Shareholders who are in doubt as to their obligations, if any, to make a mandatory takeover offer under the Take-over Code as a result of any purchase or acquisition of Shares by the Company should consult the SIC and/or their professional advisers at the earliest opportunity.**

### 2.11 Taxation

**Shareholders who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax in a jurisdiction other than Singapore should consult their own professional advisors.**

### 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:

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- (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 689,270,746 Shares, representing 53.73 per cent. (53.73%) 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 650,785,128 Shares, representing 52.30 per cent. (52.30%) of the reduced total number of issued Shares (excluding treasury shares). Accordingly, the Company is of the view that there is a sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full three per cent. (3%) limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

In undertaking any purchases or acquisitions of Shares through Market Purchases, the Directors will use their best efforts to ensure that, notwithstanding such purchases, a sufficient float in the hands of the public will be maintained so that the purchases or acquisitions of the Shares will not adversely affect the listing status of the Shares on the SGX-ST, cause market illiquidity or adversely affect the orderly trading of the Shares.

### **2.13 Previous Share Purchases**

The Company has not purchased any Shares during the 12-month period preceding the Latest Practicable Date.

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## 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	(%) <sup>(1)</sup>	Number of Shares	(%) <sup>(1)</sup>
Ching Chiat Kwong	–	–	–	–
Foo Sey Liang	–	–	284,050,000 <sup>(2)</sup>	22.14
Low See Ching	–	–	–	–
Teo Yi-Dar	–	–	133,500,000 <sup>(3)</sup>	10.4
Ng Weng Sui Harry	100,000	0.01	–	–
Kesavan Nair	–	–	–	–

### Notes:

- (1) Based on total issued and paid-up ordinary share capital (excluding treasury shares) comprising 1,282,853,962 Shares as at the Latest Practicable Date.
- (2) Mr Foo Sey Liang is deemed to be interested in the 284,050,000 Shares held by Flame Gold International Limited, by virtue of Section 7 of the Companies Act ("Act").
- (3) Mr Teo Yi-Dar is deemed to be interested in the 133,500,000 Shares held by Seavi Advent Investments Ltd by virtue of Section 7 of the Act. SEAVI Advent Investments Ltd ("SEAVI") is an investment holding company incorporated in the British Virgin Islands. SEAVI is beneficially owned by SEAVI Advent Equity VI (Cayman) L.P. and Ocean Private Equity III Fund Limited (collectively known as the "SEAVI Advent Funds"). The SEAVI Advent Funds are private equity funds managed by SEAVI Advent Corporation Limited.

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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	(%) <sup>(1)</sup>	Number of Shares	(%) <sup>(1)</sup>	Number of Shares	(%) <sup>(1)</sup>
Flame Gold International Limited	284,050,000	22.14	–	–	284,050,000	22.14
Foo Sey Liang	–	–	284,050,000 <sup>(2)</sup>	22.14	284,050,000	22.14
SEAVI Advent Investments Ltd	–	–	133,500,000 <sup>(3)</sup>	10.4	133,500,000	10.4
Teo Yi-Dar	–	–	133,500,000 <sup>(4)</sup>	10.4	133,500,000	10.4
Rise Capital Ventures Ltd	80,100,000	6.24	–	–	80,100,000	6.24
Aung Tin Htut	–	–	80,100,000 <sup>(5)</sup>	6.24	80,100,000	6.24
Chye Hin Hardware Pte. Ltd.	86,086,574	6.71	–	–	86,086,574	6.71
Yap Xi Ming	5,746,554	0.45	86,086,574 <sup>(6)</sup>	6.71	91,833,128	7.16
Tan Kim Seng	4,000,088	0.31	86,086,574 <sup>(7)</sup>	6.71	90,086,662	7.02

**Notes:**

- (1) Based on total issued and paid-up ordinary share capital (excluding treasury shares) comprising 1,282,853,962 Shares as at the Latest Practicable Date.
- (2) Mr Foo Sey Liang is deemed to be interested in the 284,050,000 Shares held by Flame Gold International Limited, by virtue of Section 7 of the Act.
- (3) SEAVI Advent Investments Ltd (“SEAVI”) is an investment holding company incorporated in the British Virgin Islands. SEAVI is beneficially owned by SEAVI Advent Equity VI (Cayman) L.P. and Ocean Private Equity III Fund Limited (collectively known as the “SEAVI Advent Funds”). The SEAVI Advent Funds are private equity funds managed by SEAVI Advent Corporation Limited.
- (4) Mr Teo Yi-Dar is deemed to be interested in the 133,500,000 Shares held by Seavi Advent Investments Ltd by virtue of Section 7 of the Act. SEAVI Advent Investments Ltd (“SEAVI”) is an investment holding company incorporated in the British Virgin Islands. SEAVI is beneficially owned by SEAVI Advent Equity VI (Cayman) L.P. and Ocean Private Equity III Fund Limited (collectively known as the “SEAVI Advent Funds”). The SEAVI Advent Funds are private equity funds managed by SEAVI Advent Corporation Limited.
- (5) Aung Tin Htut is deemed to be interested in the 80,100,000 shares in the capital of the Company which Rise Capital Ventures Ltd has an interest in, by virtue of Section 7 of the Act.
- (6) Yap Xi Ming holds approximately 33.33% in the share capital of Chye Hin Hardware Pte. Ltd. (“Chye Hin”) and is therefore deemed interested in the 86,086,574 Shares held by Chye Hin by virtue of Section 7 of the Act.
- (7) Tan Kim Seng holds approximately 25% in the share capital of Chye Hin and is therefore deemed interested in the 86,086,574 Shares held by Chye Hin by virtue of Section 7 of the Act.

# APPENDIX

## 4. DIRECTORS' RECOMMENDATION

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. Accordingly, the Directors recommend that Shareholders vote in favour of the ordinary resolution relating to the renewal of the Share Purchase Mandate.

## 5. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 15 Jurong Port Road, Singapore 619119 not later than 10.00 a.m. on 21 April 2014. 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 2014;
- (b) the Memorandum and Articles of Association 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 13 March 2015

Number of Shares	-	1,282,853,962 (excluding treasury shares)
Class of Shares	-	Ordinary Shares
Voting Rights	-	On a show of hands: 1 vote
	-	On a poll: 1 vote for each ordinary share

## ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	47	0.85	1,049	0.00
100 – 1,000	397	7.16	221,932	0.02
1,001 – 10,000	821	14.82	5,750,350	0.44
10,001 – 1,000,000	4,210	75.98	371,195,905	28.42
1,000,001 and above	66	1.19	928,952,726	71.12
	5,541	100.00	1,306,121,962	100.00

## Shareholding Held in Hands of Public

As at 13 March 2015, the percentage of shareholdings held in the hands of the public was approximately 53.73% and Rule 723 of the Listing Manual is complied with.

## TOP 20 SHAREHOLDERS LIST

S/No	Name of Shareholder	Number of Shares	%*
1	UOB Kay Hian Pte Ltd	305,076,346	23.78
2	DBS Vickers Securities (S) Pte Ltd	136,651,352	10.65
3	Chye Hin Hardware Pte Ltd	86,086,574	6.71
4	Rise Capital Ventures Limited	80,100,000	6.24
5	Daiwa Capital Markets Singapore Limited	36,388,000	2.84
6	OCBC Securities Private Ltd	30,406,877	2.37
7	Maybank Kim Eng Securities Pte Ltd	21,215,413	1.65
8	Sia Ling Sing	19,407,333	1.51
9	Chong Thim Pheng	15,788,566	1.23
10	United Overseas Bank Nominees Pte Ltd	10,242,719	0.80
11	Citibank Nominees Singapore Pte Ltd	9,408,166	0.73
12	DBS Nominees Pte Ltd	9,052,810	0.71
13	Tan Hock Lye	8,799,279	0.69
14	CIMB Securities (S) Pte Ltd	8,689,411	0.68
15	Phillip Securities Pte Ltd	8,440,876	0.66
16	HSBC (Singapore) Nominees Pte Ltd	7,026,666	0.55
17	Tan Wai See	6,550,000	0.51
18	Yap Xi Ming	5,710,000	0.45
19	Tan Lay Choon	5,558,697	0.43
20	Estate Of Tian Chye Heng, Deceased	5,366,509	0.42
		815,965,594	63.61

\* The percentage of shareholdings was computed based on the issued share capital of the Company as at 13 March 2015 of 1,282,853,962 shares (which excludes 23,268,000 shares which are held as treasury shares representing approximately 1.81% of the total number of issued shares excluding treasury shares).

# SHAREHOLDINGS STATISTICS

as at 13 March 2015

Name of Substantial Shareholder	Direct Interest		Deemed Interest	
	Number of Shares	(%) <sup>(1)</sup>	Number of Shares	(%) <sup>(1)</sup>
Flame Gold International Limited	284,050,000	22.14	–	–
Foo Sey Liang	–	–	284,050,000 <sup>(2)</sup>	22.14
SEAVI Advent Investments Ltd	–	–	133,500,000 <sup>(3)</sup>	10.40
Teo Yi-Dar	–	–	133,500,000 <sup>(4)</sup>	10.40
Rise Capital Ventures Ltd	80,100,000	6.24	–	–
Aung Tin Htut	–	–	80,100,000 <sup>(5)</sup>	6.24
Chye Hin Hardware Pte. Ltd.	86,086,574	6.71	–	–
Yap Xi Ming	5,746,554	0.45	86,086,574 <sup>(6)</sup>	6.71
Tan Kim Seng	4,000,088	0.31	86,086,574 <sup>(7)</sup>	6.71

## Notes:

- (1) Based on total issued and paid-up ordinary share capital (excluding treasury shares) comprising 1,282,853,962 Shares as at the Latest Practicable Date.
- (2) Mr Foo Sey Liang is deemed to be interested in the 284,050,000 Shares held by Flame Gold International Limited, by virtue of Section 7 of the Act.
- (3) SEAVI Advent Investments Ltd ("SEAVI") is an investment holding company incorporated in the British Virgin Islands. SEAVI is beneficially owned by SEAVI Advent Equity VI (Cayman) L.P. and Ocean Private Equity III Fund Limited (collectively known as the "SEAVI Advent Funds"). The SEAVI Advent Funds are private equity funds managed by SEAVI Advent Corporation Limited.
- (4) Mr Teo Yi-Dar is deemed to be interested in the 133,500,000 Shares held by Seavi Advent Investments Ltd by virtue of Section 7 of the Act. SEAVI Advent Investments Ltd ("SEAVI") is an investment holding company incorporated in the British Virgin Islands. SEAVI is beneficially owned by SEAVI Advent Equity VI (Cayman) L.P. and Ocean Private Equity III Fund Limited (collectively known as the "SEAVI Advent Funds"). The SEAVI Advent Funds are private equity funds managed by SEAVI Advent Corporation Limited.
- (5) Aung Tin Htut is deemed to be interested in the 80,100,000 shares in the capital of the Company which Rise Capital Ventures Ltd has an interest in, by virtue of Section 7 of the Act.
- (6) Yap Xi Ming holds approximately 33.33% in the share capital of Chye Hin Hardware Pte. Ltd. ("Chye Hin") and is therefore deemed interested in the 86,086,574 Shares held by Chye Hin by virtue of Section 7 of the Act.
- (7) Tan Kim Seng holds approximately 25% in the share capital of Chye Hin and is therefore deemed interested in the 86,086,574 Shares held by Chye Hin by virtue of Section 7 of the Act.

# NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of HG Metal Manufacturing Limited (“**the Company**”) will be held at Orchid Room, 15 Jurong Port Road, Singapore 619119 on Thursday, 23 April 2015 at 10.00 a.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company and the Group for the financial year ended 31 December 2014 together with the Auditors’ Report thereon. **(Resolution 1)**
  
2. To re-elect the following Directors of the Company retiring pursuant to Article 88 of the Articles of Association of the Company:
 

Mr Ching Chiat Kwong	<b>(Resolution 2)</b>
Mr Foo Sey Liang	<b>(Resolution 3)</b>
Mr Teo Yi-Dar	<b>(Resolution 4)</b>
Mr Ng Weng Sui Harry [See explanatory note (i)]	<b>(Resolution 5)</b>
Mr Kesavan Nair [See explanatory note (ii)]	<b>(Resolution 6)</b>
Mr Low See Ching [See explanatory note (iii)]	<b>(Resolution 7)</b>
  
3. To approve the payment of Directors’ fees of S\$209,811 for the financial year ended 31 December 2014 (previous financial year: S\$253,802). **(Resolution 8)**
  
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 9)**
  
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

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

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 Singapore Exchange Securities Trading Limited, the Directors of the Company be authorised and empowered to:

- (a)
  - (i) issue shares in the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
  
  - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

## NOTICE OF ANNUAL GENERAL MEETING

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance 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) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraphs (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
- (a) new shares arising from the conversion or exercise of the Instruments or any convertible securities;
  - (b) new shares arising from exercising share options or vesting of share awards outstanding and subsisting at the time of the passing of this Resolution; and
  - (c) any subsequent consolidation or subdivision of shares;
- (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 Articles of Association of the Company; and

# NOTICE OF ANNUAL GENERAL MEETING

- (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 (iv)]

**(Resolution 10)**

## 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;

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

## NOTICE OF ANNUAL GENERAL MEETING

- (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Purchase Mandate are carried out to the full extent mandated,

whichever is the earlier;

- (c) in this Ordinary Resolution:

**“Maximum Limit”** means that number of issued Shares representing three per cent. (3%) of the total number of issued Shares (excluding treasury shares) as at the date of the passing of this Ordinary Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total number of issued Shares shall be taken to be the total number of Shares as altered (excluding any treasury shares that may be held by the Company from time to time);

**“Relevant Period”** means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Ordinary Resolution; and

**“Maximum Price”**, in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price; and
- (ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price,

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

# NOTICE OF ANNUAL GENERAL MEETING

- (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 (v)]

**(Resolution 11)**

8. **Authority to allot and issue shares under the HG Metal Employee Share Option Scheme**

That the Directors of the Company be and are hereby authorized to offer and grant Options in accordance with the rules of the Employee Share Option Scheme and pursuant to Section 161 of the Companies Act (Chapter 50 of Singapore), and to deliver existing Shares (including treasury shares, if any) and allot and issue from time to time such number of new Shares as may be required to be transferred or allotted and issued pursuant to the exercise of the Options under the Employee Share Option Scheme.

[See Explanatory Note (vi)]

**(Resolution 12)**

By Order of the Board

Wee Woon Hong  
Lee Hock Heng  
Company Secretaries  
Singapore  
8 April 2015

# NOTICE OF ANNUAL GENERAL MEETING

## Explanatory Notes:

- (i) 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 the Nominating Committee and the Remuneration Committee and will be considered independent.
- (ii) Mr Kesavan Nair will, upon re-election as a Director of the Company, remain as Chairman each of the Nominating Committee and Remuneration Committee and a member of the Audit & Risk Committee and will be considered independent.
- (iii) Mr Low See Ching will, upon re-election as a Director of the Company, remain as member each of the Audit & Risk Committee, Nominating Committee and Remuneration Committee.
- (iv) The Ordinary Resolution 10 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares), of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares in the capital of the Company will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of the Instruments or any convertible securities, the exercise of share options or the vesting of share awards outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent consolidation or subdivision of shares.

- (v) The Ordinary Resolution 11 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 2014 Annual Report of the Company.
- (vi) The Ordinary Resolution 12 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 offer and grant options in accordance with the rules of the Employee Share Option Scheme and pursuant to Section 161 of the Companies Act (Chapter 50 of Singapore) and to issue shares from time to time as may be required pursuant to the exercise of the Options under the HG Metal Employee Share Option Scheme.

## \*Notes

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at not less than forty-eight (48) hours before the time appointed for holding the Meeting.

## Personal data privacy:

"Personal data" in this proxy form has the same meaning as "personal data" in the Personal Data Protection Act 2012 ("PDPA"), which includes your and your proxy's and/or representative's name, address and NRIC/Passport No. By submitting 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 and its proxy(ies)'s or representative'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, 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 express 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, (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) 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. Your and your proxy and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share register and/or other agents or bodies for any of the Purposes, and retained for such period as may be necessary for the Company's verification and record purposes.



# HG METAL MANUFACTURING LIMITED

Company Registration No. 198802660D

(Incorporated In The Republic of Singapore)

## IMPORTANT:

1. For investors who have used their CPF monies to buy HG Metal Manufacturing Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

## PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, \_\_\_\_\_

of \_\_\_\_\_

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			

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at Orchid Room, 15 Jurong Port Road, Singapore 619119 on 23 April 2015 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

**(Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.)**

No.	Resolutions relating to:	For	Against
1	Directors' Report and Audited Accounts for the financial year ended 31 December 2014		
2	Re-election of Mr Ching Chiat Kwong as a Director		
3	Re-election of Mr Foo Sey Liang as a Director		
4	Re-election of Mr Teo Yi-Dar as a Director		
5	Re-election of Mr Ng Weng Sui Harry as a Director		
6	Re-election of Mr Kesavan Nair as a Director		
7	Re-election of Mr Low See Ching as a Director		
8	Approval of Directors' fees amounting to S\$209,811/-		
9	Re-appointment of Ernst & Young LLP as Auditors		
10	Authority to issue shares and convertible securities pursuant to Section 161 of the Companies Act, Chapter 50.		
11	Renewal of the Share Purchase Mandate		
12	Authority to allot and issue shares under the HG Metal Employee Share Option Scheme		

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2015

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

\_\_\_\_\_  
Signature of Shareholder(s) or,  
Common Seal of Corporate Shareholder

\* Delete where inapplicable

**Notes:**

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/ her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 15 Jurong Port Road, Singapore 619119 not less than 48 hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
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.

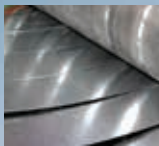
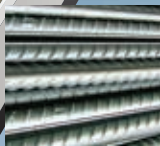
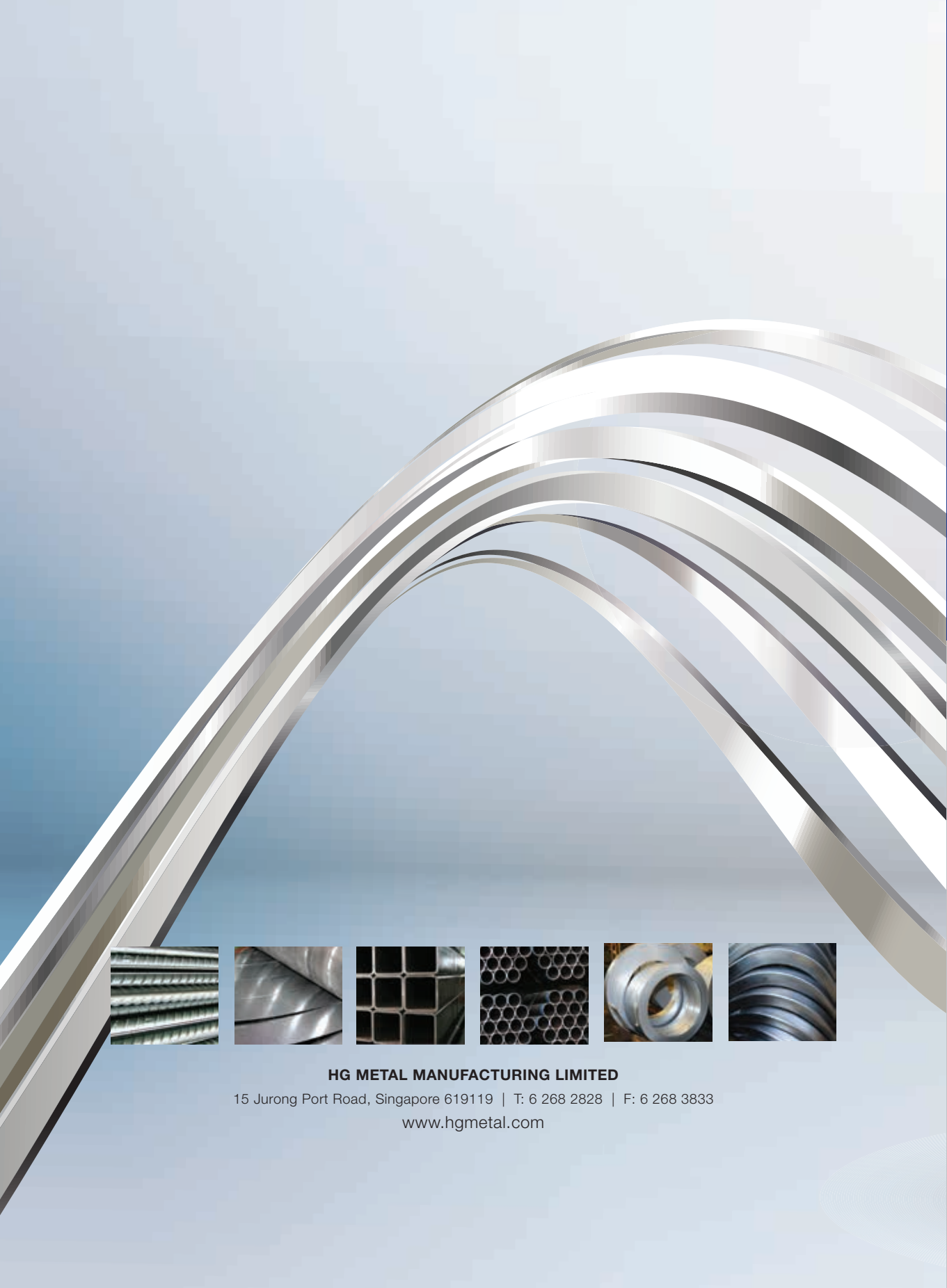
**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible, or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 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 8 April 2015.





**HG METAL MANUFACTURING LIMITED**

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