STEADFAST
IN STEEL

ANNUAL REPORT 2016

LEE METAL GROUP LTD

Lee Metal Group is standing firm and holding the fort despite the volatility of the economic climate in the last few years.

"Steadfast in Steel" illustrates the ability of the management to navigate through this business environment with insight and prudence.

With a strong foundation and enduring values, Lee Metal Group continues to push forward, committed to delivering value to her clients and shareholders.

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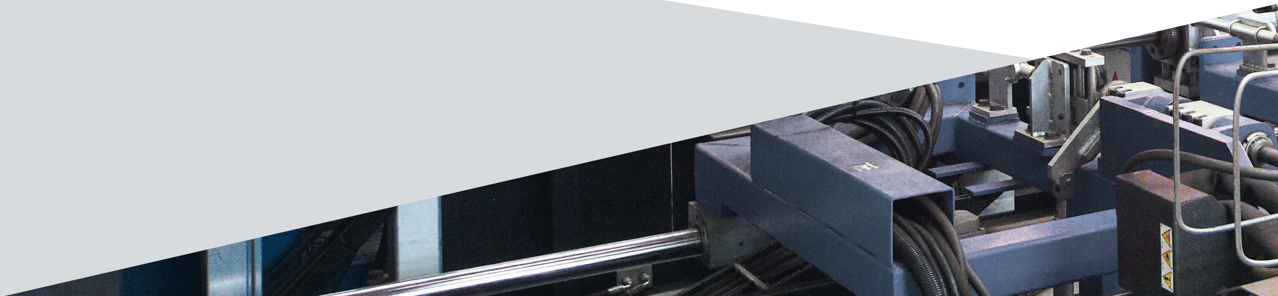


CORPORATE PROFILE

Lee Metal Group Ltd ("Lee Metal Group") is an established company in the niche steel market. Founded in 1982, Lee Metal Group is listed on the SGX Mainboard. The Group is primarily engaged in two core business segments. Its Steel Merchandising business supplies steel and steel-related products to overseas markets. Its Fabrication & Manufacturing business focuses on the supply of value-added reinforcement steel rebar and welded mesh to the local market. Lee Metal Group employs over 550 employees and has presence in Singapore and Malaysia.

The Group is constantly on the lookout for investment opportunities that can enhance its market share in the global and domestic markets. We will continue to be a solution provider delivering customised trade solutions to meet customers' needs and be a value add partner as well as a customer's preferred choice.

COMMITTED **TO DELIVER**

Lee Metal Group will continue to work hand-in-glove with our customers, ensuring that we execute and deliver quality solutions. Through innovation and productivity, we grow our competitive advantage as the trusted provider of steel solutions to the industry and add value to our stakeholders.


LEE WELDED MESH
WELDED MESH (S) PTE LTD TEL : 6861 8180 FAX : 6863 2380
TON. 2.5+2.5

LETTER TO SHAREHOLDERS

Dear Valued Shareholders,

The global economy witnessed yet another difficult year in 2016, marked by stagnant world trade, subdued investment and heightened uncertainty. Notwithstanding all this, world crude steel output for 2016 edged up slightly by 0.8% compared to 2015, with China as the world's top steel-producing country. China's economy grew by 6.7% in 2016, its slowest growth since 1990. Likewise, Singapore's economy experienced lackluster growth, expanding by 2.0% in 2016, comparable to the 1.9% in 2015. Dragged down by the feeble private sector construction demand, Singapore's construction sector grew by a sluggish 0.2%, down from the 3.9% growth in 2015.

2016 Performance

Against such a challenging industry backdrop, Lee Metal Group continued to buck the trend and maintained its profitability, delivering a credible financial scorecard for the financial year ended 31 December 2016 ("FY2016"). The Group's turnover was lower at $318.6 million in FY2016 compared to $445.4 million recorded in the preceding financial year ended 31 December 2015 ("FY2015"). The lower turnover was mainly attributable to decreased turnover from both business segments, and especially contributed by weaker steel prices and lower tonnage recorded in the Fabrication & Manufacturing business.

For the full year, the Group's gross profit margin was 22.0%, higher than 19.6% in FY2015. For FY2016, the Group generated a net profit attributable to equity holders of $13.3 million, a decrease of 14.7% from $15.6 million in FY2015.

Looking at the Group's performance record for the last 10 years (2007-2016), the Group has recorded a commendable cumulative revenue and net profit of approximately $8 billion and $225 million respectively. We are glad that our track record of delivering healthy profits for the last 10 years speaks volumes of our resilience and steadfastness and most importantly, our commitment to enhance long-term value and return to shareholders.

"Looking at the Group's performance record for the last 10 years (2007-2016), the Group has recorded a commendable cumulative revenue and net profit of approximately $8 billion and $225 million respectively."

The Group has a strong balance sheet. Our Net Asset Value per Ordinary Share as at 31 December 2016 increased to 38.96 cents from 38.09 cents as at 31 December 2015. Cash and cash equivalents stood at $97.8 million as at 31 December 2016, compared to $96.0 million as at 31 December 2015. Our debt to equity ratio (measured by total liabilities divided by total equity) improved further to 0.67 times as at 31 December 2016, from 0.86 times as at 31 December 2015.

Proposed Dividend

In FY2016, the Group continued to sustain shareholder value with shareholders receiving three interim one-tier tax exempt dividends amounting to 1.00 cent per ordinary share. It gives the directors much pleasure now to recommend a final dividend of 1.00 cent per ordinary share, subject to shareholders' approval at the forthcoming Annual General Meeting. Inclusive of the total interim dividend of 1.00 cent per ordinary share paid in 2016 and the recommended final dividend of 1.00 cent per ordinary share payable in 2017, the Group's total dividend pay-out will amount to $9.5 million.

Consolidating Our Business Model in FY2016

As mentioned in the last annual report, the Group had plans to wind down the Steel Merchandising business, given its high risks and low margins of this business segment, and the intense competition faced by regional steel mills from China's steel imports. The Group fulfilled all its existing contracts with its clients in FY2016.

Moving ahead, our business model continues to be Singapore-centric with core focus on the Fabrication and Manufacturing segment. During FY2016, in line with the decrease in tonnage delivered and weak steel prices, the Group reduced its manpower headcount while continuing to promote our value-added products and services to our clients. By adopting innovative practices and automation to enhance the productivity of the Fabrication & Manufacturing segment, we were able to deliver more value-added solutions faster to our customers.

LETTER TO SHAREHOLDERS (CONTINUED)

On the Horizon

Global Steel Demand Poised for Recovery
Owing to its massive infrastructure needs, China had significantly ramped up steel production for the past decade or longer. Consequently, global supply outweighs global demand, and the resulting low prices have hurt the steel industry in other parts of the world.

In 2017, global economic growth is expected to pick up slightly. In particular, growth in the U.S.A. and key ASEAN economies is expected to improve, even as growth in China continues to moderate. The Chinese government announced in G20 summit 2016 in Hangzhou that China will cut crude steel production capacity by 100 to 150 million tons by 2020. This cutback in China, coupled with recovery of other major markets including the U.S.A., may impact positively on steel prices, resulting in a positive global outlook for steel manufacturers in the next few years. Against this background, the World Steel Association has forecast that global steel demand will grow by 0.5% and will reach 1.51 billion metric tons in 2017.

Public Sector Fuels Local Steel Demand
For 2017, Singapore's Building and Construction Authority ("BCA") has projected total construction demand to be between $28 billion and $35 billion. The public-sector construction demand is estimated to grow to between $20 billion and $24 billion, while private-sector construction demand is likely to be between $8 billion and $11 billion.

The construction demand in 2017 should generate sustainable demand for our Fabrication & Manufacturing business. However, the construction sector still has to grapple with certain pressures including uncertainty and volatility from the overall environment, currency exchange rate, supply chain, customers' creditworthiness and heightened competition. Hence, the Group will remain vigilant and strive to mitigate these risks as we steer the business cautiously.

"Steadfast in Steel"

The operating environment has indeed been challenging. The Group has put in place certain strategies and initiatives, all with a view to ensuring that the Group

"Thus far, the Group has been successful in navigating safely through treacherous terrains. For more than 10 years, we have been steadfast in ensuring that we stay in the black consistently, and rewarding our faithful shareholders with good dividends. Thus, "Steadfast in Steel" fits the bill as the Annual Report cover tagline this year."

withstands the current market downturn. Thus far, the Group has been successful in navigating safely through treacherous terrains. For more than 10 years, we have been steadfast in ensuring that we stay in the black consistently, and rewarding our faithful shareholders with good dividends. Thus, "Steadfast in Steel" fits the bill as the Annual Report cover tagline this year.

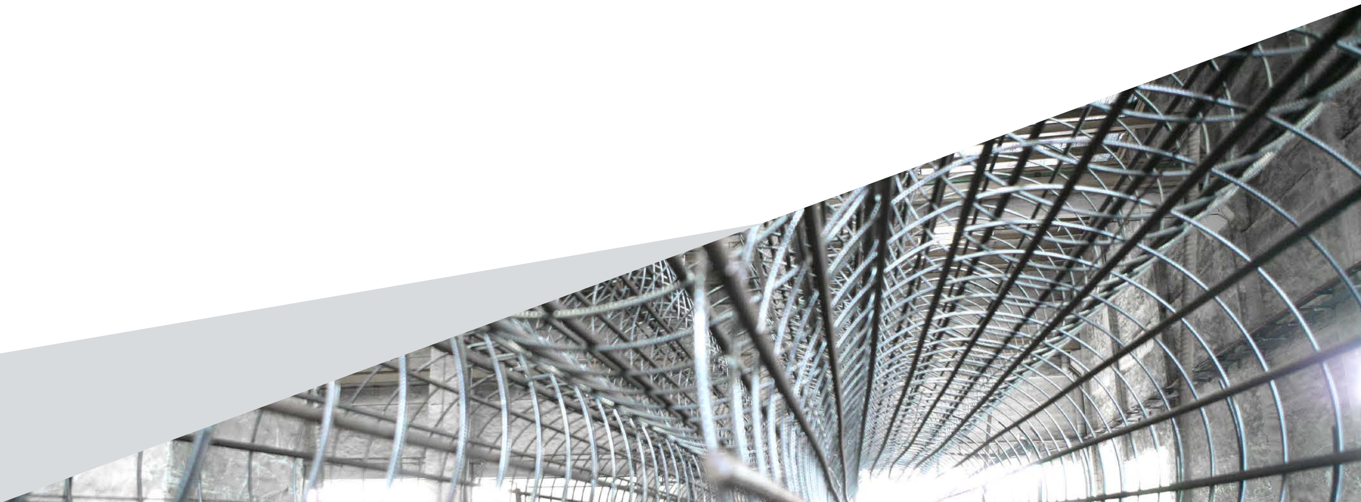
Moving ahead, we are mindful that the world economy will still face persistent economic headwinds, which will also affect Singapore and the region. However, we believe that the Group is well positioned to surmount the hurdles, and to seize the growth opportunities which may emerge during these trying times.

Acknowledgements

On behalf of the Board of Directors, we wish to express our thanks and appreciation to all our stakeholders – from shareholders, customers, business partners, bankers to our staff – for our commendable performance in FY2016. We are hopeful that with our steely will, our spirit of excellence, and our steadfastness to overcome difficulties, we will continue to show our resilience, and turn in an even more satisfactory performance in FY2017.

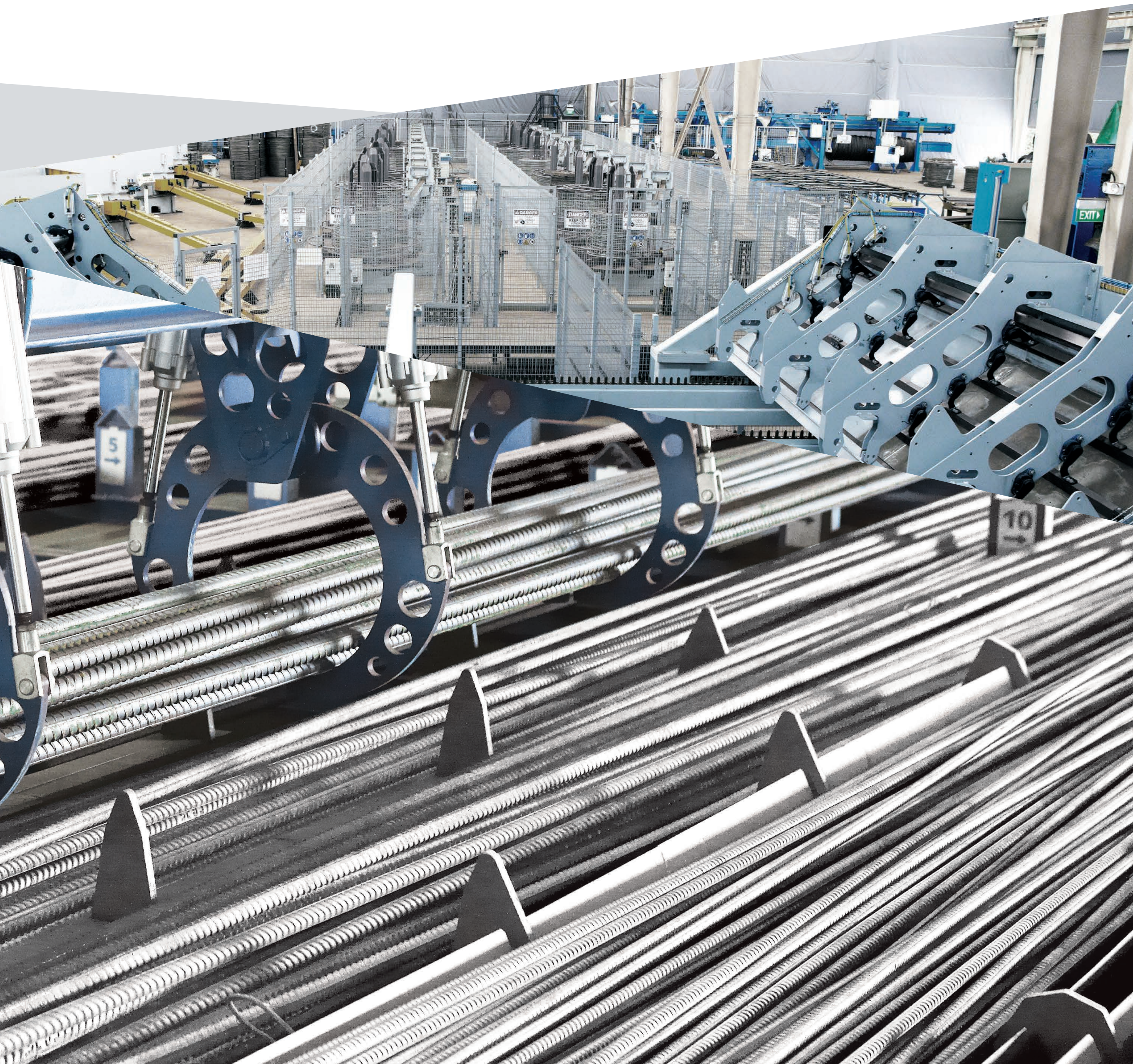
Lee Lin Poey
Executive Chairman

Lee Heng Thiam
Managing Director



SYNERGISED **FOR STRENGTH**

Lee Metal Group's ability to leverage on the synergy built over the years allow us to withstand the economic headwinds. We will continue to invest prudently in our human capital, new capabilities and processes to build on our strengths.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FINANCIAL HIGHLIGHTS

	2016	2015	2014	2013
Turnover ($'000)	318,597	445,443	519,270	635,854
Pretax Profit ($'000)	14,847	18,369	37,643	47,867
Net Profit ($'000)	13,312	15,573	33,100	40,150
Return on Average Equity (%)	7.28	8.69	19.60	27.61
Return on Average Assets (%)	4.13	4.25	8.12	10.20
Financial Position				
Total Assets ($'000)	308,601	335,898	396,550	418,847
Shareholders' equity ($'000)	184,880	180,735	177,673	160,092
Per Share Data				
Earnings Per Share (cents)	2.81	3.28	6.98	8.46
NTA Per Share (cents)	38.96	38.09	37.44	33.74
Gross Dividends Per Share (cents)	2.00	2.00	3.00	3.50
Segmental Turnover by Business Activities and Geographical Segments				
By Business Activities ($'000)				
Steel Merchandising	3,233	49,830	135,029	248,854
Fabrication & Manufacturing	315,364	395,613	384,241	387,000
Total	318,597	445,443	519,270	635,854
By Business Activities (%)				
Steel Merchandising	1	11	26	39
Fabrication & Manufacturing	99	89	74	61
Total	100	100	100	100
By Geographical Segments ($'000)				
Singapore	313,006	376,662	374,393	385,631
ASEAN	5,591	68,781	144,877	250,223
Australia	-	-	-	-
Others	-	-	-	-
Total	318,597	445,443	519,270	635,854
By Geographical Segments (%)				
Singapore	98	85	72	61
ASEAN	2	15	28	39
Australia	-	-	-	-
Others	-	-	-	-
Total	100	100	100	100

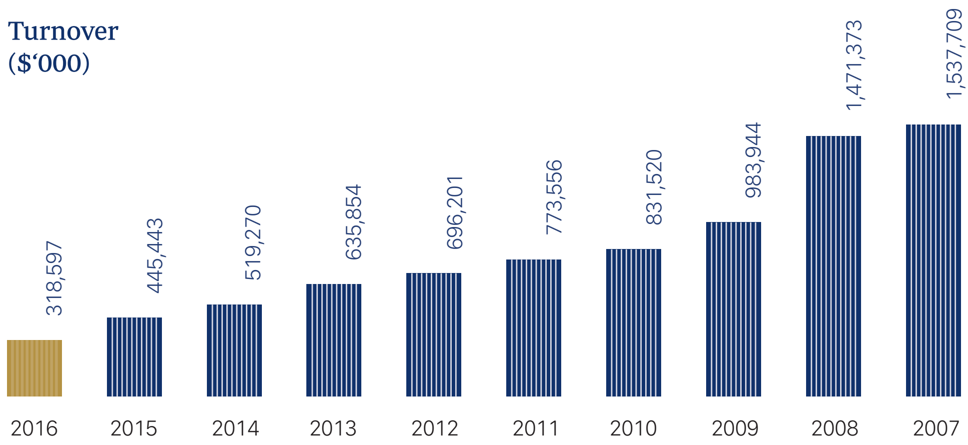
2012	2011	2010	2009	2008	2007
696,201	773,556	831,520	983,944	1,471,373	1,537,709
32,047	22,582	26,556	29,921	20,395	15,486
26,922	18,931	22,525	25,302	15,807	13,379
21.89	16.97	21.53	27.54	20.99	22.22
7.33	5.10	5.89	5.04	3.14	3.69
368,476	366,548	375,384	389,085	615,206	392,074
130,792	115,214	107,872	101,333	82,445	68,163
5.67	3.99	4.80	5.80	3.99	3.53
27.56	24.28	23.00	23.25	20.82	17.98
2.50	2.00	2.50	3.00	1.30	1.20
334,483	466,975	611,821	751,209	1,192,324	1,399,610*
361,718	306,581	219,699	232,735	279,049	138,099*
696,201	773,556	831,520	983,944	1,471,373	1,537,709
48	60	74	76	81	91
52	40	26	24	19	9
100	100	100	100	100	100
361,228	306,554	219,236	245,252	287,736	138,313
334,973	467,002	612,255	738,529	1,183,278	1,397,520
-	-	3	163	359	1,876
-	-	26	-	-	-
696,201	773,556	831,520	983,944	1,471,373	1,537,709
52	40	26	25	20	9
48	60	74	75	80	91
-	-	-	-	-	-
-	-	-	-	-	-
100	100	100	100	100	100

Notes – The earnings per share and NTA per share data were calculated based on weighted average number of shares in issue for years 2007 of 379,134,246 shares, 2008 of 396,000,000 shares, 2009 of 435,902,526 shares, 2010 of 469,014,611 shares and 2011 to 2016 for 474,551,093 shares.

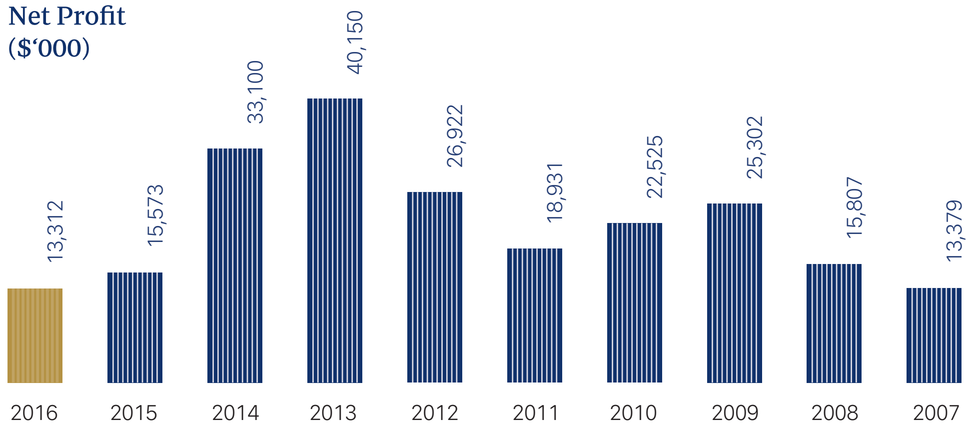
– * Prior years' Segmental Turnover by Business Activities have been restated for comparative purposes.

FINANCIAL HIGHLIGHTS

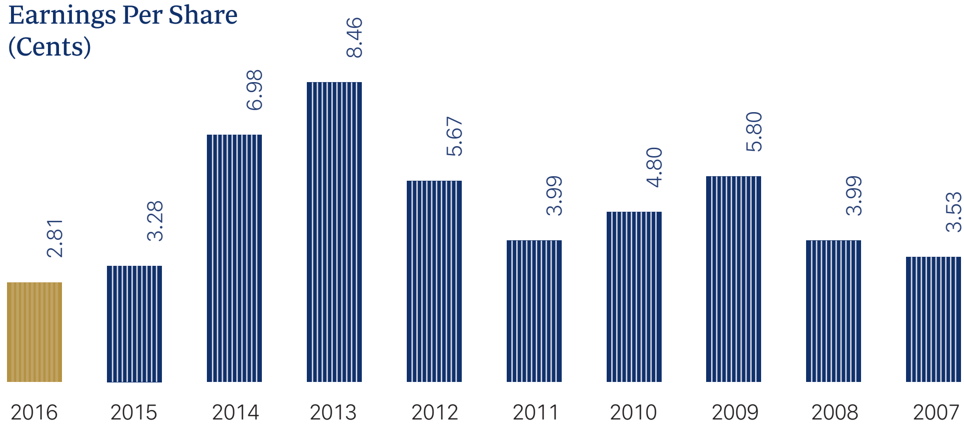
Turnover ($'000)



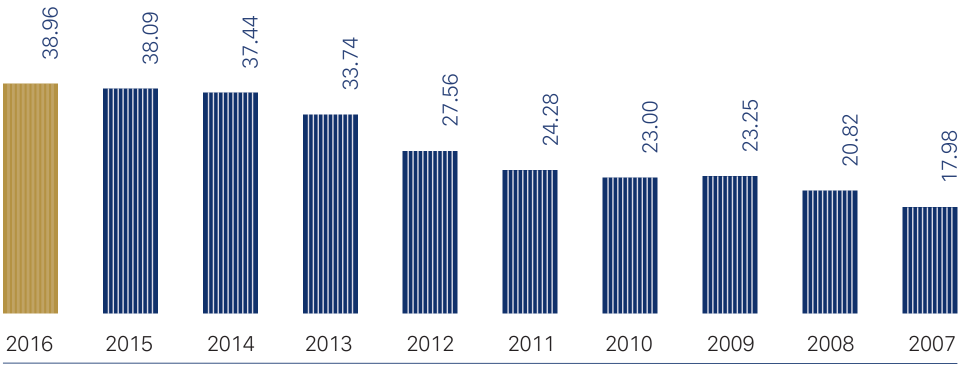
Net Profit ($'000)



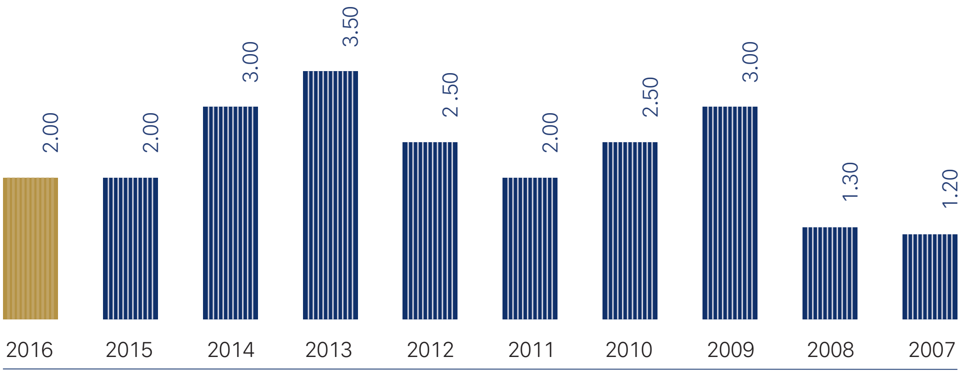
Earnings Per Share (Cents)



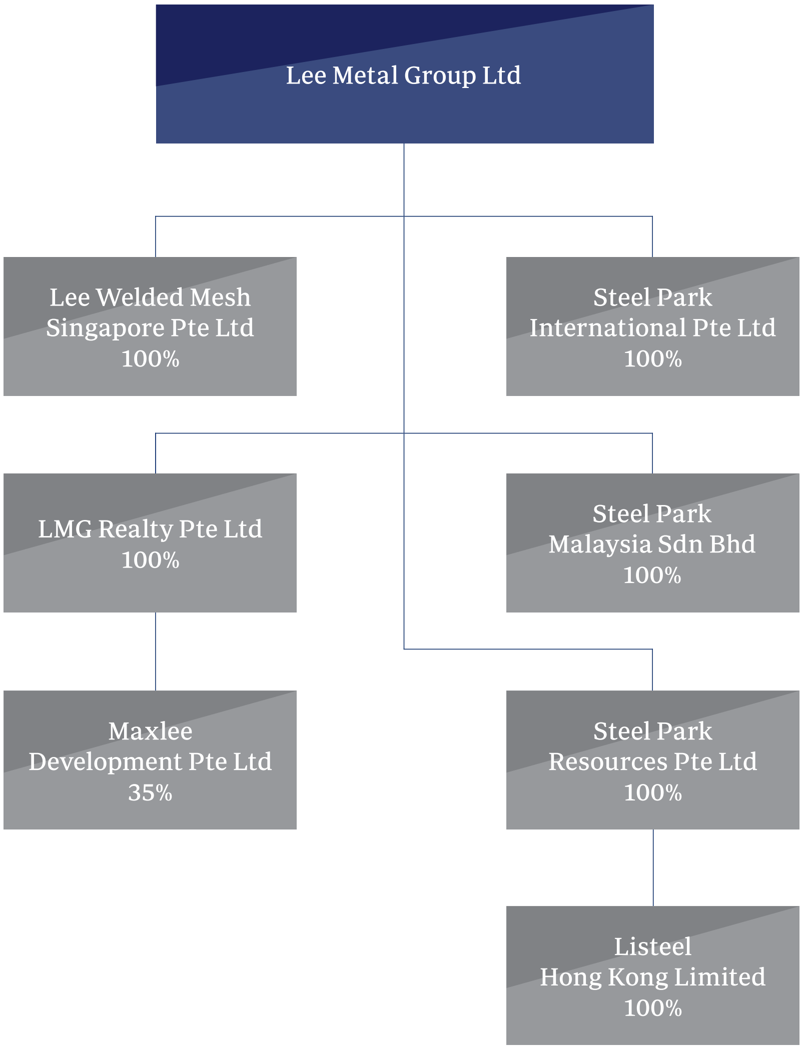
Net Tangible Assets Per Share (Cents)



Gross Dividends Per Share (Cents)



GROUP STRUCTURE



CORPORATE DIRECTORY

Directors

Executive Chairman
Lee Lin Poey

Managing Director
Lee Heng Thiam

Non-Executive, Independent Directors
Foo Meng Kee
Ms Lee Kim Lian, Juliana
Kewee Kho

Company Secretary
Ms Foo Soon Soo

Auditor

Ernst & Young LLP
One Raffles Quay,
North Tower, Level 18
Singapore 048583

Partner-in-charge
Philip Ng Weng Kwai
(Since financial year ended 31 December 2013)

Registered Office

No. 7 Tuas Avenue 16
Singapore 638934
T 65 6862 2467
F 65 6862 1664
Co. Reg. No. 198205439C

Principal Bankers

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

Registrar and Share Transfer Office

KCK CorpServe Pte. Ltd.
333 North Bridge Road
#08-00 KH Kea Building
Singapore 188721

FINANCIAL REPORT AND

CORPORATE GOVERNANCE

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DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Lee Metal Group Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position, income statement, statement of comprehensive income and statement of changes in equity of the Company for the financial year ended 31 December 2016.

Opinion of the directors

In the opinion of the directors,

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

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

Directors

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

Lee Lin Poey	(Executive Chairman)
Lee Heng Thiam	(Managing Director)
Foo Meng Kee	
Lee Kim Lian, Juliana	
Kewee Kho	

Arrangements to enable directors to acquire shares and 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 or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT
(CONTINUED)

Directors' interests in shares and debentures

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

	Direct interest			Deemed interest		
	At 1 January 2016	At 31 December 2016	At 21 January 2017	At 1 January 2016	At 31 December 2016	At 21 January 2017
Lee Metal Group Ltd						
Ordinary shares						
Lee Lin Poey	83,888,608	83,888,608	83,888,608	–	–	–
Lee Heng Thiam	46,597,471	46,597,471	46,597,471	–	–	–
Foo Meng Kee	1,200,000	1,200,000	1,200,000	–	–	–

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 or at the end of the financial year.

Audit committee

The audit committee performed the functions specified in Section 201B(5) of the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Statement of Corporate Governance. The audit committee comprises three members, all of whom are non-executive and independent directors. The members of the audit committee are:

Foo Meng Kee	Chairman and Independent Director
Lee Kim Lian, Juliana	Independent Director
Kewee Kho	Independent Director

DIRECTORS' STATEMENT
(CONTINUED)

Auditor

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

On behalf of the Board of Directors,

Lee Lin Poey
Director

Lee Heng Thiam
Director

Singapore
23 March 2017

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Independent auditor's report to the members of Lee Metal Group Ltd

Report on the audit of the financial statements

Opinion

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

In our opinion, the accompanying consolidated financial statements of the Group, the statement of financial position, income statement, statement of comprehensive income and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and financial performance and changes in equity of the Company for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing (SSAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority (ACRA) Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Impairment of trade receivables

Trade receivable balances were significant to the Group as they represent 19% of the total assets of the consolidated balance sheet. As the Group mainly sells to companies in the construction industry, unfavourable changes in the market condition of the construction industry affects the recoverability of trade receivables of the Group. In addition, trade receivables impairment assessment requires significant management judgment to evaluate the indicators of impairment and determine whether receivables are impaired. Where the trade receivables are assessed to be impaired, management needs to estimate the amount of allowance for doubtful receivables. Consequently, we determined that this is a key audit matter.

The collectability of trade receivables is a key element of the Group's working capital management, which is managed on an ongoing basis by the management. The Group has internal mechanisms to monitor and manage the Group's credit exposures by ensuring that credit sales are extended to customers with appropriate credit history.

We assessed the Group's processes and controls for monitoring and identifying trade receivables with collection risks. We reviewed aged and major receivable balances for collectability by obtaining evidence of subsequent receipts after year-end and reviewing customers' past payment history. We reviewed management's justification and on the adequacy of the amount of impairment made and assumptions used to calculate the trade receivables impairment amount, notably through analyses of trade receivables ageing trends, assessment of significant individual amounts that have been long overdue and reviewing correspondences with customers on expected settlement dates. We also assessed the adequacy of the Group's disclosures on the trade receivables and the related risks such as liquidity risk and credit risk in Notes 36 (b) and 36 (d) of the financial statements.

INDEPENDENT AUDITOR'S REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Provision for onerous contracts

As at 31 December 2016, the Group recognised provisions for onerous contracts amounting to $14.3 million. Provisions for onerous contracts are influenced by the market prices for steel, the length of contracts period and volume which the Group has committed as at year end and the date when the Group's customers draw down the products under those contracts. Significant management judgment is required to estimate the amount of provisions for onerous contract. Therefore, we considered this significant to our audit.

We assessed the Group's process for the identification of onerous contracts and tested the completeness of this identification against open sales order and current year sales as well as through analysis of the underlying contracts in place. We evaluated management's assessment for the mismatches in contracted price and volume between the Group's committed supply contracts and sales contracts and the unavoidable costs in meeting the obligations under these contracts. We have checked the mathematical accuracy of management computation of the provision for onerous contracts. We have also assessed the adequacy of the Group's disclosures on provision for onerous contracts in Note 25 of the financial statements.

Information Other than the Financial Statements and Auditor's Report Thereon

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

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

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

INDEPENDENT AUDITOR'S REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

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

INDEPENDENT AUDITOR'S REPORT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditor have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Philip Ng Weng Kwai.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
23 March 2017

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Group		Company	
	Note	2016 $	2015 $	2016 $	2015 $
Turnover	4	**318,596,788**	445,442,912	**–**	–
Other operating income	5	**675,687**	489,043	**10,029,403**	8,837,801
Changes in inventories of finished goods and work-in-progress, raw materials and consumables used and finished goods purchased		**(248,429,435)**	(357,951,497)	**–**	–
Employee benefits expense	6	**(21,718,838)**	(24,539,699)	**(271,257)**	(270,000)
Depreciation and amortisation expense		**(10,763,833)**	(11,877,732)	**(164,843)**	(406,606)
Insurance, freight and transportation		**(3,700,652)**	(5,458,980)	**–**	–
Rental and utilities		**(6,428,367)**	(8,768,673)	**(214,107)**	(211,131)
Repair and maintenance		**(3,316,316)**	(4,611,654)	**(18,763)**	(22,041)
Other operating expenses	7	**(8,845,684)**	(11,664,965)	**(573,170)**	(448,644)
Finance expenses	8	**(1,537,202)**	(2,983,537)	**–**	–
Finance income	9	**215,292**	479,856	**46,747**	311,078
Share of results of associate		**99,061**	(186,460)	**–**	–
Profit before tax	10	**14,846,501**	18,368,614	**8,834,010**	7,790,457
Income tax expense	11	**(1,534,551)**	(2,795,389)	**(53,591)**	(169,345)
Profit for the year attributable to owners of the Company		**13,311,950**	15,573,225	**8,780,419**	7,621,112
Earnings per share, basic and diluted	12	**2.81 cents**	3.28 cents		

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Profit for the year		**13,311,950**	15,573,225	**8,780,419**	7,621,112
Other comprehensive income:					
Item that may be reclassified subsequently to profit or loss					
- Foreign currency translation	31	**323,355**	1,725,497	**–**	–
Other comprehensive income for the year, net of tax		**323,355**	1,725,497	**–**	–
Total comprehensive income for the year		**13,635,305**	17,298,722	**8,780,419**	7,621,112
Total comprehensive income for the year attributable to owners of the Company		**13,635,305**	17,298,722	**8,780,419**	7,621,112

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

	Note	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
ASSETS					
Non-current assets					
Property, plant and equipment	13	**53,749,722**	61,851,198	**3,975,670**	4,130,224
Investment property	14	**1,918,105**	1,961,209	**–**	–
Investment in subsidiaries	15	**–**	–	**20,380,818**	20,490,124
Investment in associate	16	**1,745,354**	1,646,293	**–**	–
Club memberships	17	**440,489**	611,746	**126,525**	245,639
Deferred tax assets	29	**693,187**	73,172	**–**	–
		58,546,857	66,143,618	**24,483,013**	24,865,987
Current assets					
Asset held for sale	18	**14,424,017**	12,842,809	**–**	–
Inventories	19	**79,175,857**	89,438,363	**–**	–
Trade receivables	20	**57,128,988**	68,862,037	**–**	–
Other receivables and deposits	20	**250,385**	506,020	**8,010**	11,870
Prepayments		**635,038**	1,133,341	**4,079**	4,079
Forward currency contracts	26	**600,000**	514,531	**–**	–
Due from subsidiaries (non-trade)	20	**–**	–	**18,509,486**	9,360
Cash and bank balances	21	**69,081,274**	68,677,854	**1,271,588**	2,841,402
Fixed deposits	21	**28,758,329**	27,779,634	**8,500,032**	26,011,807
		250,053,888	269,754,589	**28,293,195**	28,878,518
Total assets		**308,600,745**	335,898,207	**52,776,208**	53,744,505

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016
(CONTINUED)

	Note	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
EQUITY AND LIABILITIES					
Current liabilities					
Trade payables	22	**4,382,636**	25,855,597	**23,277**	25,292
Bills payable to banks (secured)	23	**77,310,718**	73,767,362	**–**	–
Other payables and accruals	24	**9,853,983**	9,913,031	**283,266**	410,574
Advance payment from customers		**354,150**	347,336	**–**	–
Provision for onerous contracts	25	**14,287,092**	7,499,092	**–**	–
Hire purchase creditors	27	**4,801,789**	5,421,401	**–**	–
Bank term loans (secured)	28	**2,708,333**	3,370,000	**–**	–
Income tax payable		**5,231,046**	5,958,304	**315,575**	472,180
		118,929,747	132,132,123	**622,118**	908,046
Net current assets		**131,124,141**	137,622,466	**27,671,077**	27,970,472
Non-current liabilities					
Hire purchase creditors	27	**4,513,733**	9,293,003	**–**	–
Bank term loans (secured)	28	**–**	13,488,333	**–**	–
Deferred tax liabilities	29	**277,757**	249,522	**277,757**	249,522
		4,791,490	23,030,858	**277,757**	249,522
Total liabilities		**123,721,237**	155,162,981	**899,875**	1,157,568
Net assets		**184,879,508**	180,735,226	**51,876,333**	52,586,937
Equity attributable to owners of the Company					
Share capital	30	**46,472,892**	46,472,892	**46,472,892**	46,472,892
Retained earnings		**142,612,208**	138,791,281	**5,403,441**	6,114,045
Foreign currency translation reserve	31	**(4,205,592)**	(4,528,947)	**–**	–
Total equity		**184,879,508**	180,735,226	**51,876,333**	52,586,937
Total equity and liabilities		**308,600,745**	335,898,207	**52,776,208**	53,744,505

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

		Attributable to owners of the Company			
	Note	**Share capital (Note 30) $**	**Foreign currency translation reserve (Note 31) $**	**Retained earnings $**	**Total equity $**
Group					
Balance at 1 January 2015		46,472,892	(6,254,444)	137,454,590	177,673,038
Profit for the year		–	–	15,573,225	15,573,225
Other comprehensive income for the year		–	1,725,497	–	1,725,497
Total comprehensive income for the year, net of tax		–	1,725,497	15,573,225	17,298,722
Distributions to owners:					
Dividends on ordinary shares	32	–	–	(14,236,534)	(14,236,534)
Balance at 31 December 2015 and 1 January 2016		46,472,892	(4,528,947)	138,791,281	180,735,226
Profit for the year		–	–	13,311,950	13,311,950
Other comprehensive income for the year		–	323,355	–	323,355
Total comprehensive income for the year, net of tax		–	323,355	13,311,950	13,635,305
Distributions to owners:					
Dividends on ordinary shares	32	–	–	(9,491,023)	(9,491,023)
Balance at 31 December 2016		**46,472,892**	**(4,205,592)**	**142,612,208**	**184,879,508**

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

(CONTINUED)

		Attributable to owners of the Company		
	Note	Share capital (Note 30) $	Retained earnings $	Total equity $
Company				
Balance at 1 January 2015		46,472,892	12,729,467	59,202,359
Profit for the year		–	7,621,112	7,621,112
Total comprehensive income for the year, net of tax		–	7,621,112	7,621,112
Distributions to owners:				
Dividends on ordinary shares	32	–	(14,236,534)	(14,236,534)
Balance at 31 December 2015 and 1 January 2016		46,472,892	6,114,045	52,586,937
Profit for the year		–	8,780,419	8,780,419
Total comprehensive income for the year, net of tax		–	8,780,419	8,780,419
Distributions to owners:				
Dividends on ordinary shares	32	–	(9,491,023)	(9,491,023)
Balance at 31 December 2016		46,472,892	5,403,441	51,876,333

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	2016 $	2015 $
Operating activities			
Profit before tax		**14,846,501**	18,368,614
Adjustments for:			
Amortisation of club memberships	17	**62,432**	63,037
Depreciation of property, plant and equipment	13	**10,658,297**	11,771,591
Depreciation of investment property	14	**43,104**	43,104
Property, plant and equipment written off	7	**222,960**	7,619
Loss/(gain) on disposal of property, plant and equipment	5, 7	**36,865**	(119,161)
Gain on disposal of club memberships		**(41,175)**	–
Interest expense	8	**1,537,202**	2,983,537
Interest income	9	**(215,292)**	(479,856)
Fair value (gain)/loss on forward exchange contracts, net	10	**(85,469)**	81,208
Foreign currency translation adjustments		**296,521**	1,071,512
Share of results of associate		**(99,061)**	186,460
Provision for onerous contracts	10	**6,788,000**	854,000
Bad debt written off	7	**6,429**	174,197
Impairment loss of trade receivables	7	**1,142,765**	–
Bad debt recovered	5	**(19,958)**	(4,475)
Operating cash flows before changes in working capital		**35,180,121**	35,001,387
Decrease in:			
Inventories		**10,262,506**	50,178,181
Trade receivables		**10,603,813**	16,134,389
Other receivables and deposits		**255,635**	131,472
Prepayments		**498,303**	5,316,725
(Decrease) in:			
Trade payables		**(21,472,961)**	(17,378,577)
Other payables and accruals		**(52,234)**	(9,617,728)
Cash flows from operations		**35,275,183**	79,765,849
Interest paid		**(1,537,202)**	(2,983,537)
Interest received		**215,292**	479,856
Income taxes paid		**(2,853,619)**	(3,135,092)
Net cash flows from operating activities		**31,099,654**	74,127,076

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

	Note	2016 $	2015 $
Investing activities			
Proceeds from disposal of property, plant and equipment		**8,971**	338,808
Dividend received from an associate		**–**	10,150,000
Purchase of asset held for sale		**(1,581,208)**	(3,082,809)
Purchase of property, plant and equipment	13	**(2,812,486)**	(19,860,232)
Proceeds from disposal of club memberships		**150,000**	–
Acquisition of club membership		**–**	(95,399)
Loans repaid by associate		**–**	10,783,557
Net cash flows used in investing activities		**(4,234,723)**	(1,766,075)
Financing activities			
Decrease/(increase) in fixed deposits – pledged		**450,227**	(227)
Increase/(decrease) in bills payable to banks		**3,543,356**	(43,490,796)
Repayment of bank term loans		**(14,150,000)**	(3,370,000)
Repayment of hire purchase, net		**(5,421,352)**	(4,478,779)
Dividends paid on ordinary shares	32	**(9,491,023)**	(14,236,534)
Net cash flows used in financing activities		**(25,068,792)**	(65,576,336)
Net increase in cash and cash equivalents		**1,796,139**	6,784,665
Effect of exchange rate changes on cash and cash equivalents		**36,203**	625,820
Cash and cash equivalents at beginning of year		**96,007,261**	88,596,776
Cash and cash equivalents at end of year	21	**97,839,603**	96,007,261

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. Corporate information

Lee Metal Group Ltd (the "Company") is a limited liability company domiciled and 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 No. 7 Tuas Avenue 16, Singapore 638934.

The principal activities of the Company are those of steel merchandising (including international trading of steel and related products), fabrication, metal recycling, property development, construction and management. The principal activities of its subsidiaries are disclosed in Note 15 of the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the statement of financial position, income statement, statement of comprehensive income 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 $), except when otherwise indicated.

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

2.2 *Changes in accounting policies*

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

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 110 & FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined**
Amendments to FRS 7: Disclosure Initiative	1 January 2017
Amendments to FRS 12: Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017
Improvement to FRSs issued in December 2016	
FRS 101 First-time Adoption of Financial Reporting Standards: Deletion of short-term exemptions for first-time adopters	1 January 2017
FRS 112 Disclosure of Interests in Other Entities: Clarification of the scope of the Standard	1 January 2017
FRS 28 Investments in Associates and Joint Ventures: Measuring an associate or joint venture at fair value	1 January 2017
FRS 115 Revenue from Contracts with Customers	1 January 2018
FRS 109 Financial Instruments	1 January 2018
Amendments to FRS 40: Transfers of Investment Property	1 January 2018
INT FRS 122: Foreign Currency Transactions and Advance Consideration	1 January 2018
FRS 116 Leases	1 January 2019

** The mandatory effective date of this Amendment had been revised from 1 January 2016 to a date to be determined by the ASC in December 2015 via Amendments to Effective Date of Amendments to FRS 110 and FRS 28

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

FRS 115 *Revenue from Contracts with Customers*

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

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

FRS 115 *Revenue from Contracts with Customers (cont'd)*

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

During 2016, the Group performed a preliminary assessment of FRS 115 which is subject to changes arising from a more detailed ongoing analysis. The Group is in a business of providing sale of manufactured reinforcing mesh, other manufactured mesh and fabricated reinforcing bars and trading of steel and metal materials and/or products. The Group expects the following impact upon adoption of FRS 115:

<u>Variable consideration</u>

The selling price for certain sales contracts with customers is not fixed at the point of contract. The selling price is adjusted to the published index for the month when the goods are delivered. Currently, the Group recognises revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of returns and allowance, trade discounts and volume rebates. If revenue cannot be reliably measured, the Group defers revenue recognition until the uncertainty is resolved. Such provisions give rise to variable consideration under FRS 115, and will be required to be estimated at contract inception. FRS 115 requires the estimated variable consideration to be constrained to prevent over-recognition of revenue. The Group continues to assess individual contracts to determine the estimated variable consideration and related constraint. The Group expects that application of the constraint may result in more revenue being deferred than is under current FRS.

The Group plans to adopt the new standard on the required effective date.

FRS 109 *Financial Instruments*

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

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

FRS 109 *Financial Instruments (cont'd)*

FRS 109 requires the Group to record expected credit losses on all of its debt securities, loans and trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record lifetime expected losses on all trade receivables. Upon application of the expected credit loss model, the Group expects a significant impact on its equity due to unsecured nature of its loans and receivables, but it will need to perform a more detailed analysis which considers all reasonable and supportable information, including forward-looking elements to determine the extent of impact.

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

FRS 116 *Leases*

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

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

2.4 ***Basis of consolidation***

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

2.4 ***Basis of consolidation (cont'd)***

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

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

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

2.5 ***Foreign currency***

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

(a) *Transactions and balances*

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

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

(b) Consolidated financial statements

For consolidation purpose, 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 exchange rates prevailing at the date of the transactions. 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.

2.6 ***Property, plant and equipment***

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

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

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

Leasehold properties	Over the remaining period of lease ranging from 10 years to 27 years
Leasehold improvement	5 to 10 years
Plant and machinery	5 to 10 years
Furniture and fittings	5 years
Office equipment	5 to 10 years
Computers	3 to 5 years
Motor vehicles	5 to 10 years

Assets under construction 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

2.6 ***Property, plant and equipment (cont'd)***

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.

Fully depreciated assets are retained in the accounts until they are no longer in use.

2.7 ***Investment property***

Investment property is a property that is either owned by the Group or leased under a finance lease that is held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

Investment property is initially measured at cost, including transaction costs and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses.

Investment property held by the Group is a leasehold property with remaining lease term of 46 years. Depreciation on leasehold property is computed using the straight-line method to allocate their depreciable amount over the remaining lease term.

The carrying value of investment property is 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.

Investment property is subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Investment property is derecognised when either it has been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to or from investment property only when there is a change in use. When cost model is adopted, transfers between property do not change the carrying amount of the property transferred and the cost of the property remain unchanged for measurement or disclosure purposes.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

2.8 *Intangible assets – club memberships*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired is their fair values as at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The useful lives of intangible assets are assessed as finite.

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. The amortisation expense on intangible assets with finite useful lives is recognised in profit or loss in the expense category consistent with the function of the intangible asset.

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.

Club memberships were acquired separately and is amortised on a straight-line basis over its finite useful life of between 22 to 25 years.

2.9 *Impairment of non-financial assets*

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

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

Impairment losses 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

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

When the Group's share of losses in 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 associate are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

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.

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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

2.12 ***Financial instruments (cont'd)***

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

De-recognition

A financial asset is derecognised when 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.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(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 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

2.12 ***Financial instruments (cont'd)***

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

(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.

<u>De-recognition</u>

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

2.13 ***Impairment of financial assets***

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

Financial assets carried at amortised cost

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

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

Financial assets carried at amortised cost (cont'd)

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

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

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

2.14 ***Cash and cash equivalents***

Cash and cash equivalents comprise cash at bank and on hand, margin deposits, and short-term deposits that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.15 ***Asset held for sale***

Asset held for sale is property acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Asset held for sale is held as inventories and is measured at the lower of cost and net realisable value.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when incurred.

Net realisable value of asset held for sale is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of asset held for sale recognised in profit or loss on disposal are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

2.16 ***Inventories***

Inventories are stated at the lower of cost and net realisable value. Cost includes materials, all direct expenditure and an attributable portion of overheads, determined on a weighted average basis. Certain items of inventories are accounted for using specific identification of costs.

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.

2.17 ***Provisions***

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 in the profit or loss as a finance cost.

2.18 ***Financial guarantee***

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

2.19 ***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.

2.20 ***Employee benefits***

(a) *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.

(b) *Employee leave entitlement*

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

(c) *Termination benefit*

Termination benefits are employee benefits provided in exchange for the termination of an employee's employment as a result of either an entity's decision to terminate an employee's employment before the normal retirement date or an employee's decision to accept an offer of benefits in exchange for the termination of employment.

A liability and expense for a termination benefits is recognised at the earlier of when the entity can no longer withdraw the offer of those benefits and when the entity recognises related restructuring costs. Initial recognition and subsequent changes to termination benefits are measured in accordance with the nature of the employment benefits, short-term employee benefits, or other long-term employee benefits.

2.21 ***Leases***

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

2.21 ***Leases (cont'd)***

(a) *As lessee*

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

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

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

(b) *As lessor*

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(d).

2.22 ***Revenue***

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.

(a) *Sale of goods*

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

2.22 ***Revenue (cont'd)***

(b) *Interest income*

Interest income is recognised using the effective interest method.

(c) *Dividend income*

Dividend income is recognised when the Company's right to receive payment is established.

(d) *Rental income*

Rental income arising on leasehold properties and investment property is accounted for on a straight-line basis over the lease terms.

2.23 ***Taxes***

(a) *Current income tax*

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

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

(b) *Deferred tax*

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

Deferred tax liabilities are recognised for all temporary differences.

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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

2.23 ***Taxes (cont'd)***

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

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

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

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

(c) *Sales tax*

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

– Where the sales tax incurred in 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.

2.24 ***Segment reporting***

For management purposes, the Group is organised into operating segments based on their products 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 38, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

2.25 ***Share capital and share issuance expenses***

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

2.26 ***Related parties***

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others).

(ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member).

(iii) both entities are joint ventures of the same third party.

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity.

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company.

(vi) the entity is controlled or jointly controlled by a person identified in (a).

(vii) a person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

2. Summary of significant accounting policies (cont'd)

2.27 ***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.

3. Significant accounting judgments and estimates

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

3.1 ***Judgments made in applying accounting policies***

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

3. Significant accounting judgments and estimates (cont'd)

3.1 ***Judgments made in applying accounting policies (cont'd)***

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency.

3.2 ***Key sources of estimation uncertainty***

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each 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) *Useful lives of property, plant and equipment*

The cost of property, plant and equipment is depreciated on a straight-line basis over its estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 30 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's and the Company's property, plant and equipment at the end of the reporting period is disclosed in Note 13.

(b) *Impairment of loans and receivables*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

3. Significant accounting judgments and estimates (cont'd)

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

(b) *Impairment of loans and receivables (cont'd)*

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 20 of the financial statements.

(c) *Provision for onerous contracts*

The Group recognises a provision for onerous contracts when the unavoidable costs of meeting the obligations under existing purchase and sales contracts exceed the economic benefits to be received under them. In determining the amount of the provision, assumptions and estimates are made in relation to selling price, costs of completion and costs necessary to make the sale. The carrying amount of the Group's provision for onerous contracts at the end of the reporting period is disclosed in Note 25.

(d) *Estimation of net realisable value for asset held for sale*

Asset held for sale is stated at the lower of cost and net realisable value (NRV).

NRV in respect of asset held for sale under development is assessed with reference to market prices at the reporting date for similar completed property less estimated costs to complete construction and less an estimate of the time value of money to the date of completion. The carrying amount of the asset held for sale stated at cost as at 31 December 2016 was $14,424,017 (2015: $12,842,809).

(e) *Income taxes*

The Group has exposure to income taxes in various jurisdictions. Significant judgment is required in determining the provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the year in which such determination is made. The carrying amounts of the Group's income tax payable, deferred tax liabilities and deferred tax assets at the end of the reporting period were $5,231,046 (2015: $5,958,304), $277,757 (2015: $249,522) and $693,187 (2015: $73,172) respectively. The carrying amounts of the Company's income tax payable and deferred tax liabilities at the end of the reporting period were $315,575 (2015: $472,180) and $277,757 (2015: $249,522) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

4. Turnover

	Group	
	2016	2015
	$	$
Steel merchandising	**3,232,530**	49,830,030
Fabrication and manufacturing	**315,364,258**	395,612,882
	318,596,788	445,442,912

5. Other operating income

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Rental income	**140,515**	140,515	**1,836,000**	1,836,000
Bad debts recovered	**19,958**	4,475	**–**	–
Dividend income from subsidiaries	**–**	–	**8,000,000**	7,000,000
Gain on disposal of property, plant and equipment, net	**–**	119,161	**–**	–
Net gain in foreign exchange	**–**	–	**–**	1,801
Commission income	**–**	16,044	**–**	–
Proceeds from insurance claim	**152,229**	–	**152,229**	–
Other miscellaneous income	**362,985**	208,848	**41,174**	–
	675,687	489,043	**10,029,403**	8,837,801

6. Employee benefits expense

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Salaries, wages and bonuses	**15,617,171**	17,926,358	**–**	–
Central Provident Fund contributions	**929,187**	928,716	**–**	–
Directors' fees	**270,000**	270,000	**270,000**	270,000
Foreign workers levy	**3,529,359**	3,914,759	**–**	–
Others	**1,373,121**	1,499,866	**1,257**	–
	21,718,838	24,539,699	**271,257**	270,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

7. Other operating expenses

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Bank charges	**91,213**	139,514	**275**	190
Commission	**468,099**	521,185	**–**	–
Donations	**74,250**	172,803	**200**	10,000
Entertainment	**134,502**	300,484	**1,445**	45,066
Bad debt written off	**6,429**	174,197	**–**	–
Net loss/(gain) in foreign exchange	**18,553**	3,057,383	**(693)**	–
Insurance	**1,277,389**	1,253,991	**17,180**	15,780
Printing and stationery	**341,624**	516,073	**22,064**	22,631
Professional fees	**397,937**	498,780	**153,784**	122,719
Property, plant and equipment written off	**222,960**	7,619	**–**	–
Property tax	**372,931**	322,794	**147,059**	118,024
Tools and consumables	**1,497,367**	1,371,412	**–**	–
Workers' dormitories and related costs	**1,329,881**	1,664,088	**–**	–
Telephone and fax	**149,554**	156,436	**3,496**	3,517
Travelling	**588,064**	676,362	**480**	491
Impairment loss of trade receivables	**1,142,765**	–	**–**	–
Loss on disposal of property, plant and equipment, net	**36,865**	–	**–**	–
Impairment loss on investment in subsidiaries (Note 15)	**–**	–	**109,306**	–
Other miscellaneous expenses	**695,301**	831,844	**118,574**	110,226
	8,845,684	11,664,965	**573,170**	448,644

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

8. Finance expenses

	Group	
	2016	2015
	$	$
Interest expense on:		
- hire purchase creditors	**257,990**	302,003
- bills payable to banks	**1,160,158**	2,478,087
- bank term loans	**207,485**	269,270
	1,625,633	3,049,360
Less: interest expense capitalised in:		
- asset held for sale (Note 18)	**(88,431)**	(65,823)
Total finance expenses	**1,537,202**	2,983,537

9. Finance income

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Interest income from:				
- fixed deposits	**135,603**	146,937	**46,747**	81,459
- loans to associate	**–**	250,381	**–**	–
- due from subsidiaries (non-trade)	**–**	–	**–**	229,619
- due from third party	**79,689**	82,538	**–**	–
	215,292	479,856	**46,747**	311,078

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

10. Profit before tax

The following items have been included in arriving at profit before tax:

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Amortisation of club memberships (Note 17)	**62,432**	63,037	**10,289**	13,001
Audit fees:				
- Auditors of the Company	**215,000**	223,000	**100,000**	85,000
- Other auditors	**21,000**	43,761	**–**	–
Non-audit fees:				
- Auditors of the Company	**70,011**	40,069	**43,000**	13,000
Depreciation of property, plant and equipment (Note 13)	**10,658,297**	11,771,591	**154,554**	393,605
Depreciation of investment property (Note 14)	**43,104**	43,104	**–**	–
Fair value (gain)/loss on forward exchange contracts, net	**(85,469)**	81,208	**–**	–
Operating lease expenses	**5,214,904**	6,505,692	**196,107**	193,131
Professional fee paid to a firm in which a director is a member	**3,234**	53,315	**–**	1,250
Provision for onerous contracts (Note 25)	**6,788,000**	854,000	**–**	–

11. Income tax expense

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Current income tax				
- current income taxation	**3,151,419**	2,801,589	**167,156**	201,184
- over provision in respect of previous years	**(1,025,088)**	–	**(141,800)**	–
Deferred tax (Note 29)				
- origination and reversal of temporary differences	**(591,780)**	(6,200)	**28,235**	(31,839)
	1,534,551	2,795,389	**53,591**	169,345

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

11. Income tax expense (cont'd)

A Singapore subsidiary is entitled to the Productivity and Innovation Credit ("PIC") Scheme introduced by the Singapore Government in 2010 and enjoys 250% tax deduction for spending on automation equipment. In 2011, the PIC tax deduction was increased to 400% by the Government. The PIC scheme is effective from year of assessment 2011 to year of assessment 2018.

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2016 and 2015 are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Profit before tax	**14,846,501**	18,368,614	**8,834,010**	7,790,457
Tax at statutory rate of 17%	**2,523,905**	3,122,664	**1,501,782**	1,324,378
Adjustments:				
Non-deductible expenses	**548,359**	204,115	**101,365**	71,888
Income not subject to taxation	**(46,067)**	(1,474)	**(1,360,000)**	(1,190,000)
Effect of partial tax exemption	**(66,118)**	(66,549)	**(25,925)**	(25,925)
Effect of tax relief	**(119,411)**	(430,485)	**(20,000)**	(20,000)
Over provision in respect of previous years	**(1,025,088)**	–	**(141,800)**	–
Deferred tax assets not recognised	**211,237**	288,305	**–**	–
Benefits from previously unrecognised tax credits	**(481,318)**	(363,426)	**–**	–
Share of results of associate	**(16,840)**	31,698	**–**	–
Others	**5,892**	10,541	**(1,831)**	9,004
Income tax expense recognised in profit or loss	**1,534,551**	2,795,389	**53,591**	169,345

12. Earnings per share

Basic earnings per share is calculated by dividing the profit for the year attributable to owners of the Company of $13,311,950 (2015: $15,573,225) by the weighted average number of ordinary shares outstanding during the financial year of 474,551,093 shares (2015: 474,551,093 shares).

Diluted earnings per share are the same as basic earnings per share as there are no dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONTINUED)

13. Property, plant and equipment

Group	Leasehold properties and improvement $	Plant and machinery $	Furniture and fittings $	Office equipment and computers $	Motor vehicles $	Construction in progress $	Total $
Cost:							
At 1 January 2015	29,112,668	45,725,713	1,585,124	2,593,847	6,411,110	367,233	85,795,695
Additions	80,168	16,838,401	274,122	348,009	1,508,747	5,183,620	24,233,067
Disposals	–	(1,358,569)	–	(9,100)	(110,800)	–	(1,478,469)
Written off	(99,503)	(214,651)	–	(623,661)	–	(3,424)	(941,239)
Transfer	–	294,744	–	–	–	(294,744)	–
Exchange differences	–	–	3,788	23,876	129,324	–	156,988
At 31 December 2015 and 1 January 2016	29,093,333	61,285,638	1,863,034	2,332,971	7,938,381	5,252,685	107,766,042
Additions	49,249	833,376	–	413,807	64,511	1,520,684	2,881,627
Disposals	–	–	–	–	(319,175)	–	(319,175)
Written off	–	(545,347)	(812)	(223,606)	(513,497)	–	(1,283,262)
Transfer	6,464,677	124,527	–	–	–	(6,589,204)	–
Exchange differences	–	–	4,589	26,365	111,052	–	142,006
At 31 December 2016	35,607,259	61,698,194	1,866,811	2,549,537	7,281,272	184,165	109,187,238
Accumulated depreciation:							
At 1 January 2015	8,453,945	22,230,587	978,361	1,945,583	2,598,396	–	36,206,872
Depreciation charge for the year	1,810,520	8,656,558	227,789	395,253	681,471	–	11,771,591
Disposals	–	(1,153,832)	–	(6,082)	(98,908)	–	(1,258,822)
Written off	(95,308)	(214,651)	–	(623,661)	–	–	(933,620)
Exchange differences	–	–	4,620	22,027	102,176	–	128,823
At 31 December 2015 and 1 January 2016	10,169,157	29,518,662	1,210,770	1,733,120	3,283,135	–	45,914,844
Depreciation charge for the year	2,167,954	7,184,987	188,867	396,940	719,549	–	10,658,297
Disposals	–	–	–	–	(226,667)	–	(226,667)
Written off	–	(542,120)	(812)	(222,500)	(294,870)	–	(1,060,302)
Exchange differences	–	–	5,682	30,095	115,567	–	151,344
At 31 December 2016	12,337,111	36,161,529	1,404,507	1,937,655	3,596,714	–	55,437,516
Net carrying amount:							
At 31 December 2015	18,924,176	31,766,976	652,264	599,851	4,655,246	5,252,685	61,851,198
At 31 December 2016	23,270,148	25,536,665	462,304	611,882	3,684,558	184,165	53,749,722

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

13. Property, plant and equipment (cont'd)

Company	**Leasehold properties and improvement** $	**Furniture and fittings** $	**Office equipment and computers** $	**Total** $
Cost:				
At 1 January 2015	10,144,161	382,860	74,831	10,601,852
Additions	8,868	–	–	8,868
Written off	–	–	(785)	(785)
At 31 December 2015, 1 January 2016 and 31 December 2016	10,153,029	382,860	74,046	10,609,935
Accumulated depreciation:				
At 1 January 2015	5,637,870	382,860	66,161	6,086,891
Depreciation charge for the year	389,425	–	4,180	393,605
Written off	–	–	(785)	(785)
At 31 December 2015 and 1 January 2016	6,027,295	382,860	69,556	6,479,711
Depreciation charge for the year	152,335	–	2,219	154,554
At 31 December 2016	6,179,630	382,860	71,775	6,634,265
Net carrying amount:				
At 31 December 2015	4,125,734	–	4,490	4,130,224
At 31 December 2016	3,973,399	–	2,271	3,975,670

Construction in progress

The Group's construction in progress relate to expenditure for office equipment and computers of $184,165 (2015: leasehold properties and improvement of $5,128,159 and plant and machinery of $124,526) incurred in the course of construction.

Assets held under finance leases

During the financial year, the Group acquired plant and machinery of $22,470 (2015: plant and machinery of $4,372,835) by means of finance leases. The cash outflow on acquisition of property, plant and equipment amounted to $2,812,486 (2015: $19,860,232).

The carrying amount of motor vehicles and plant and machinery held under finance leases at the end of the reporting period were $833,609 and $13,151,800 (2015: $981,994 and $15,499,441) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

13. Property, plant and equipment (cont'd)

Assets pledged as security

The Group's leasehold properties with carrying amounts of $17,044,695 (2015: $13,125,482) are mortgaged to secure bank loans (Note 28).

Change in estimated useful life

During the financial year, the Group conducted an operational efficiency review on its production lines. The Group revised the estimated useful lives of certain automation machines from 5 to 10 years, after refurbishments that will enable these automation machines to remain in production for an additional five years. The revision in estimate has been applied on a prospective basis from 1 January 2016. The effect of the above revision on depreciation charge in current and future periods are as follows:

	2016 $'000	2017 $'000	2018 $'000	Later $'000
(Decrease)/increase in depreciation expense	(2,780)	(1,607)	(257)	4,644

14. Investment property

	Group $
Statement of financial position:	
Cost:	
At 1 January 2015, 31 December 2015, 1 January 2016 and 31 December 2016	2,054,600
Accumulated depreciation:	
At 1 January 2015	50,287
Depreciation charge for the year	43,104
At 31 December 2015 and 1 January 2016	93,391
Depreciation charge for the year	43,104
At 31 December 2016	136,495
Net carrying amount:	
At 31 December 2015	1,961,209
At 31 December 2016	1,918,105

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

14. Investment property (cont'd)

	Group 2016 $	Group 2015 $
Income statement:		
Rental income from investment property:		
- Minimum lease payments	**140,515**	140,515
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	**70,571**	91,638

The Group has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Properties pledged as security

Investment property amounting to $Nil (2015: $1,961,209) are mortgaged to secure bank loans (Note 28).

The investment property held by the Group as at 31 December 2016 is as follows:

Description and location	Existing use	Tenure	Unexpired lease term
Factory unit, 3791 Jalan Bukit Merah^	Industrial	Leasehold	46 years

^ Independently valued by Knight Frank Pte Ltd at $2,000,000 in December 2016 (2015: $2,200,000). The valuation was carried out based on direct comparison approach in which current market conditions and other relevant factors were considered.

15. Investment in subsidiaries

	Company 2016 $	Company 2015 $
Unquoted equity shares, at cost	**21,990,124**	21,990,124
Less: Impairment losses	**(1,609,306)**	(1,500,000)
	20,380,818	20,490,124

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

15. Investment in subsidiaries (cont'd)

During the current financial year, management performed an impairment assessment for the investment in Steel Park Malaysia Sdn. Bhd as the cost of investment of this subsidiary exceeds the carrying amounts of the investee's assets. An impairment loss of $109,306 was recognised for the year ended 31 December 2016 to write down this subsidiary to its recoverable amount.

(a) ***Composition of the Company***

The Company held the following subsidiaries as at 31 December:

	Name	Principal place of business	Principal activities	Proportion of ownership interest 2016 %	2015 %
	Held by the Company				
(2)	Steel Park Resources Pte Ltd	Singapore	Under members' voluntary liquidation	**100**	100
(1)	Lee Welded Mesh Singapore Pte Ltd	Singapore	Manufacture of reinforcing mesh and any other manufactured mesh and the processing of fabricated reinforcing bars	**100**	100
(1)	Steel Park International Pte Ltd	Singapore	Inactive	**100**	100
(3)	Steel Park Malaysia Sdn. Bhd.	Malaysia	Trading business of steel, metal and related materials	**100**	100
(1)	LMG Realty Pte. Ltd.	Singapore	Property development, construction and management	**100**	100

(1) Audited by Ernst & Young LLP, Singapore.
(2) Not material to the Group and not required to be disclosed under SGX Listing Rule 717.
(3) Audited by member firm of EY Global in the respective country.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

15. Investment in subsidiaries (cont'd)

(a) ***Composition of the Company (cont'd)***

	Name	Principal place of business	Principal activities	Proportion of ownership interest 2016 %	2015 %
	Held through subsidiary				
#	Listeel Hong Kong Limited	Hong Kong	Inactive	**100**	100

\# Not required to be audited under the laws of incorporation of Hong Kong

The Group does not have subsidiaries with material non-controlling interest.

16. Investment in associate

The Group's material investment in associate are summarised below:

	Group 2016 $	2015 $
MaxLee Development Pte. Ltd.	**1,745,354**	1,646,293

	Name	Country of incorporation	Principal activities	Proportion of ownership interest 2016 %	2015 %
	Held through subsidiary				
(1)	MaxLee Development Pte. Ltd.	Singapore	Property development	**35**	35

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

16. Investment in associate (cont'd)

The summarised financial information in respect of the associate, MaxLee Development 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:

Summarised balance sheet

	Group	
	2016	**2015**
	$'000	**$'000**
Current assets	**5,078**	12,560
Total assets	**5,078**	12,560
Current liabilities	**(92)**	(7,856)
Total liabilities	**(92)**	(7,856)
Net assets	**4,986**	4,704
Proportion of the Group's ownership	**35%**	35%
Group's share of net assets	**1,745**	1,646
Carrying amount of the investment	**1,745**	1,646

Summarised statement of comprehensive income

	2016	**2015**
	$'000	**$'000**
Revenue	**2,259**	1,659
Profit/(loss), net of tax, representing total comprehensive income for the year	**283**	(533)
Proportion of the Group's ownership	**35%**	35%
Group's share of profits/(loss)	**99**	(187)

The associate's total comprehensive income is represented by its profit. Dividends amounting to $10,150,000 were received from the associate during the previous year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

17. Club memberships

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Cost:				
At 1 January	**886,385**	790,986	**385,950**	354,150
Additions	**–**	95,399	**–**	31,800
Disposals	**(143,800)**	–	**(143,800)**	–
At 31 December	**742,585**	886,385	**242,150**	385,950
Accumulated amortisation:				
At 1 January	**274,639**	211,602	**140,311**	127,310
Amortisation	**62,432**	63,037	**10,289**	13,001
Disposals	**(34,975)**	–	**(34,975)**	–
At 31 December	**302,096**	274,639	**115,625**	140,311
Net carrying amount:				
At 31 December	**440,489**	611,746	**126,525**	245,639

Club memberships with finite useful lives have remaining amortisation periods of 10 to 14 years (2015: 6 to 18 years).

Amortisation of club memberships is included in "Depreciation and amortisation expense" in profit or loss.

18. Asset held for sale under development

	Group	
	2016	**2015**
	$	**$**
Leasehold land	**12,200,000**	12,200,000
Development costs	**2,224,017**	642,809
At 31 December	**14,424,017**	12,842,809

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

18. Asset held for sale under development (cont'd)

During the financial year, borrowing costs of $88,431 (2015: $65,823), arising from borrowings obtained specifically for the asset held for sale were capitalised under "Development costs". The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.46%, which is the effective interest rate of the specific borrowing.

In 2016, the leasehold land under development is no longer pledged as security for a bank loan (Note 28).

19. Inventories

	Group	
	2016	**2015**
	$	**$**
Statement of financial position:		
Finished goods (at cost)	**715,884**	3,383,800
Work-in-progress (at cost)	**369,904**	1,077,476
Raw materials (at cost)	**78,068,463**	60,315,915
Goods-in-transit (at cost)	**21,606**	24,661,172
Total inventories at lower of cost and net realisable value	**79,175,857**	89,438,363
Income statement:		
Inventories recognised as an expense in changes in inventories of finished goods and work-in-progress, raw materials and consumables used and finished goods purchased	**248,429,435**	357,951,497

Inventories amounting to $79,175,857 (2015: $86,877,375) have been pledged as security for trade financing facilities granted to the Group as disclosed in Note 23.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

20. Trade and other receivables

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Trade receivables	**57,128,988**	68,862,037	**–**	–
Deposits	**161,615**	444,236	**8,010**	11,870
Other receivables	**88,770**	61,784	**–**	–
Other receivables and deposits	**250,385**	506,020	**8,010**	11,870
Due from subsidiaries (non-trade)	–	**–**	**18,509,486**	9,360
Add:				
Cash and bank balances (Note 21)	**69,081,274**	68,677,854	**1,271,588**	2,841,402
Fixed deposits (Note 21)	**28,758,329**	27,779,634	**8,500,032**	26,011,807
	155,218,976	165,825,545	**28,289,116**	28,874,439
Less: Sales tax receivables	**–**	(2,390)	**–**	–
Total loans and receivables	**155,218,976**	165,823,155	**28,289,116**	28,874,439

Trade receivables

Trade receivables are non-interest bearing and generally on 7 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables amounting to $8,350,287 (2015: $21,176,482) have been pledged as securities for trade financing facilities granted to the Group (Note 23).

Related party balances

The amounts due from subsidiaries of $18,509,486 (2015: $9,360) are unsecured, non-interest bearing, repayable upon demand and is to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

20. Trade and other receivables (cont'd)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $20,415,901 (2015: $33,432,480) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the reporting period is as follows:

	Group	
	2016	**2015**
	$	**$**
Trade receivables past due but not impaired:		
Lesser than 30 days	**12,800,432**	21,134,743
30 to 60 days	**3,753,474**	5,801,521
61 to 90 days	**3,249,441**	3,456,107
More than 90 days	**612,554**	3,040,109
	20,415,901	33,432,480

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follow:

	Group	
	2016	**2015**
	$	**$**
Trade receivables – nominal amounts	**1,142,765**	–
Less: Allowance for impairment	**(1,142,765)**	–
	–	–
Movement in allowance accounts:		
At 1 January	**–**	–
Charge for the year	**1,142,765**	–
At 31 December	**1,142,765**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

20. Trade and other receivables (cont'd)

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

	Group	
	2016	**2015**
	$	**$**
United States Dollars	**442**	2,390
Malaysian Ringgit	**127,106**	5,168,724
Euro	**2,223**	7,032

Receivables that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are due from creditworthy debtors with good payment record with the Group.

21. Cash and cash equivalents

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Cash at bank and on hand	**69,081,274**	68,677,854	**1,271,588**	2,841,402
Fixed deposits	**28,758,329**	27,779,634	**8,500,032**	26,011,807
	97,839,603	96,457,488	**9,771,620**	28,853,209
Less: Fixed deposits – pledged	**–**	(450,227)	**–**	–
	97,839,603	96,007,261	**9,771,620**	28,853,209

Fixed deposits of $Nil (2015: $450,227) are pledged to banks to secure credit facilities for subsidiaries and may not be withdrawn without the banks' prior approval.

Fixed deposits at the end of the reporting period have maturity ranging from 7 - 30 days (2015: 4 - 21 days) from the end of the financial year and earn an average interest rate of 0.521% (2015: 1.365%) per annum.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

21. Cash and cash equivalents (cont'd)

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Cash at bank and on hand:				
United States Dollars	**23,449,414**	15,387,981	**30,664**	29,956
Malaysian Ringgit	**312,185**	1,255,745	**–**	–
Australian Dollars	**8,430**	8,335	**2,583**	2,554

22. Trade payables

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Trade payables	**4,382,636**	25,855,597	**23,277**	25,292
Add:				
Bills payable to banks (secured) (Note 23)	**77,310,718**	73,767,362	**–**	–
Other payables and accruals (Note 24)	**9,853,983**	9,913,031	**283,266**	410,574
Hire purchase creditors (current and non-current) (Note 27)	**9,315,522**	14,714,404	**–**	–
Bank term loans (secured) (current and non-current) (Note 28)	**2,708,333**	16,858,333	**–**	–
	103,571,192	141,108,727	**306,543**	435,866
Less: Sales tax payables	**(865,328)**	(1,110,578)	**(23,277)**	–
Total financial liabilities carried at amortised cost	**102,705,864**	139,998,149	**283,266**	435,866

Trade payables are non-interest bearing and are normally settled on 30 day terms.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

22. Trade payables (cont'd)

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

	Group	
	2016	**2015**
	$	**$**
Malaysian Ringgit	**16,728**	281,288
United States Dollars	**–**	1,568,708

23. Bills payable to banks (secured)

Bills payable to banks are secured by the following:

(a) corporate guarantees given by Company and certain subsidiaries to the banks;

(b) letters of negative pledges on the assets of the Company and certain subsidiaries, with the exception of property, plant and equipment under hire purchase arrangements as disclosed in Note 27; and

(c) a deed of charge and assignment of inventories and floating charge over trade receivables.

The effective interest rates for the bills payable ranged from 1.67% to 2.12% (2015: 2.06% to 2.84%) per annum.

24. Other payables and accruals

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Other payables	**4,242,264**	3,925,083	**11,016**	10,095
Accrued operating expenses	**5,611,719**	5,987,948	**272,250**	400,479
	9,853,983	9,913,031	**283,266**	410,574

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

25. Provision for onerous contracts

Movement in provision for onerous contracts is as follows:

	Group 2016 $	Group 2015 $
At 1 January	**7,499,092**	6,645,092
Arose during the financial year (Note 10)	**6,788,000**	854,000
At 31 December	**14,287,092**	7,499,092

Provision for onerous contracts is made when the unavoidable costs of meeting the obligations under existing purchase and sales contracts exceed the economic benefits expected to be received under them.

Movement in provision for onerous contracts is included in "changes in inventories of finished goods and work-in-progress, raw materials and consumables used and finished goods purchased" in profit or loss.

26. Forward currency contracts

Forward currency contracts included in the statements of financial position as at 31 December are as follows:

	Group 2016 $	Group 2015 $
Forward currency contracts - assets	**600,000**	514,531
Total financial assets at fair value through profit or loss classified as held for trading	**600,000**	514,531

As at 31 December, the Group has the following outstanding forward currency contracts to hedge foreign currency risk arising from the Group's purchases denominated in foreign currencies for which firm commitments existed at the end of the reporting period, extending to June 2017 (2015: April 2016):

	2016		2015	
	Contract/ Notional amount $	Assets $	Contract/ Notional amount $	Assets $
Forward currency contracts	**66,948,915**	**600,000**	65,328,927	514,531

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

27. Hire purchase creditors

	Minimum lease payments $	Interest $	Present value of payments $
Group			
2016			
Within one year	**4,952,681**	**(150,892)**	**4,801,789**
After one year but not more than five years	**4,627,879**	**(114,146)**	**4,513,733**
	9,580,560	**(265,038)**	**9,315,522**
2015			
Within one year	5,582,669	(161,268)	5,421,401
After one year but not more than five years	9,507,778	(214,775)	9,293,003
	15,090,447	(376,043)	14,714,404

Lease terms range from 2 to 5 years with options to purchase the assets at the end of the lease term. Lease terms do not contain restrictions concerning dividends, additional debt or further leasing. The effective interest rate for the leases ranged from 1.75% to 5.10% (2015: 1.75% to 4.37%) per annum.

28. Bank term loans (secured)

Details of secured bank term loans are as follows:

	Group	
	2016 $	2015 $
Due within one year	**2,708,333**	3,370,000
Due after one year but not more than five years	**–**	13,488,333
	2,708,333	16,858,333

As at 31 December 2016, the Group had one bank loans (2015: three bank loans).

The above term loan is interest bearing at 2.37% (2015: 2.49% to 2.64%) per annum and are repayable in December 2017 (2015: December 2017, September 2018 and October 2018 respectively). This loan is secured by mortgage over certain leasehold properties (2015: secured by mortgage over certain leasehold properties and asset held for sale).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

29. Deferred tax

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Balance at beginning of year	**176,350**	182,550	**249,522**	281,361
Movement in temporary differences during the year	**(592,927)**	(6,692)	**28,235**	(31,839)
Exchange difference	**1,147**	492	**–**	–
Balance at end of year	**(415,430)**	176,350	**277,757**	249,522

Deferred income tax as at 31 December relates to the following:

	Group 2016 $	Group 2015 $	Company 2016 $	Company 2015 $
Deferred tax liabilities				
Excess of net book value over tax written down value of property, plant and equipment	**1,965,807**	1,188,848	**277,757**	249,522
Deferred tax assets				
Provisions	**(2,381,237)**	(1,012,498)	**–**	–
Presented as:				
Deferred tax liabilities	**277,757**	249,522	**277,757**	249,522
Deferred tax assets	**(693,187)**	(73,172)	**–**	–

Unrecognised tax losses

At the end of the reporting period, the Group has tax losses of approximately $3,091,000 (2015: $1,848,000) that are available for offset against future taxable profits of a subsidiary 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 authority and compliance with certain provisions of the tax legislation of the country in which the subsidiary operates.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

30. Share capital

	Group and Company	
	2016	2015
	$	$
Issued and fully paid ordinary shares		
At 1 January and 31 December		
474,551,093 (2015: 474,551,093) ordinary shares	**46,472,892**	46,472,892

The holders of ordinary 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.

31. Foreign currency translation reserve

The foreign currency translation reserve represents 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.

32. Dividends

	Group and Company	
	2016	2015
	$	$
Declared and paid during the financial year:		
Dividends on ordinary shares:		
Final exempt (one-tier) dividend for 2015 and 2014 - 1.0 cents per share	**4,745,511**	4,745,511
Special exempt (one-tier) dividend for 2014 - 1.0 cents per share	**–**	4,745,511
Interim exempt (one-tier) dividend for 2016 and 2015 - 1.0 cent per share	**4,745,512**	4,745,512
	9,491,023	14,236,534
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at Annual General Meeting:		
- Final exempt (one-tier) dividend for 2016: 1.0 cent (2015: 1.0 cent) per ordinary share	4,745,511	4,745,511

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

33. Related party transactions

(a) *Sale and purchase of goods and services*

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Other operating expenses				
Professional fee paid to a firm in which a director is a member	**3,234**	53,315	**–**	1,250
Rental income received from a subsidiary	**–**	–	**1,836,000**	1,836,000
Financial income				
Interest income from:				
- *Associate*	**–**	250,381	**–**	–
- Subsidiaries	**–**	–	**–**	229,619

(b) *Compensation of key management personnel*

	Group	
	2016	2015
	$	$
Short-term employee benefits	**4,185,839**	4,964,205
Central Provident Fund contributions	**151,911**	121,950
Directors' fees	**270,000**	270,000
Total compensation paid to key management personnel	**4,607,750**	5,356,155
Comprise amounts paid/payable to:		
- Directors of the Company	**2,910,753**	3,527,809
- Other key management personnel	**1,696,997**	1,828,346
	4,607,750	5,356,155

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

33. Related party transactions (cont'd)

(c) ***Compensation of close family members of key management personnel***

	Group	
	2016	**2015**
	$	**$**
Remuneration paid to close family members of key management personnel	**146,155**	273,013

34. Commitments and contingencies

(a) ***Corporate guarantees***

The Company has provided corporate guarantees amounting to $395,000,000 (2015: $492,000,000) to certain banks for bank facilities granted to subsidiaries. As at 31 December 2016, $151,472,096 (2015: $197,151,649) of the bank facilities have been utilised.

(b) ***Operating lease commitments – as lessee***

The Group and the Company have entered into non-cancellable operating lease agreements for office, factory and warehousing facilities. These leases have an average tenure of between one month and thirteen years. Lease terms do not contain restrictions on the Group's and the Company's activities concerning dividends, additional debt or further leasing.

Future minimum rental receivable under non-cancellable operating leases at the end of the reporting period are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Future minimum lease payments				
- not later than 1 year	**4,000,346**	4,102,665	**214,988**	203,780
- 1 year to 5 years	**4,080,689**	3,059,952	**984,879**	933,535
- after 5 years	**4,954,809**	5,826,729	**1,392,583**	1,659,511
	13,035,844	12,989,346	**2,592,450**	2,796,826

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

34. Commitments and contingencies (cont'd)

(c) ***Operating lease commitments – as lessor***

The Group has entered into commercial property lease for its investment property. This lease has a remaining lease term of 3 years (2015: 4 years).

Future minimum rental receivable under operating leases at the end of the reporting period are as follows:

	Group	
	2016	**2015**
	$	**$**
Future minimum lease payments		
- not later than 1 year	**140,515**	140,515
- 1 year to 5 years	**175,644**	316,159
	316,159	456,674

(d) ***Capital commitments***

Capital expenditure contracted for as at the end of the reporting period as are follows:

Capital commitments in respect of property, plant and equipment	**214,577**	4,844,947

35. Fair value of assets and liabilities

A. ***Fair value hierarchy***

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

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

35. Fair value of assets and liabilities (cont'd)

B. *Assets and liabilities measured at fair value*

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

	Note	Quoted prices in active markets for identical instruments (Level 1) $	Significant observable inputs other than quoted prices (Level 2) $	Significant unobservable inputs (Level 3) $	Total $
Group					
2016					
Assets measured at fair value					
Financial assets:					
Forward currency contracts	26	**–**	**600,000**	**–**	**600,000**
2015					
Assets measured at fair value					
Financial assets:					
Forward currency contracts	26	–	514,531	–	514,531

C. *Level 2 fair value measurements*

Forward currency contracts

The fair value of forward currency contracts is determined by reference to current forward currency contracts with similar maturity profile.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

35. Fair value of assets and liabilities (cont'd)

D. ***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 but for which fair value is disclosed:

		Fair value measurements at the end of the reporting period using			
	Note	Quoted prices in active markets for identical instruments (Level 1) $	Significant observable inputs other than quoted prices (Level 2) $	Significant unobservable inputs (Level 3) $	Total $
Group					
2016					
Assets:					
Investment property	14	**–**	**–**	**1,918,105**	**1,918,105**
2015					
Assets:					
Investment property	14	–	–	1,961,209	1,961,209

Fair values of investment property are based on independent valuations performed. Details are disclosed in Note 14.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

35. Fair value of assets and liabilities (cont'd)

E. ***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:

	Group		Company	
	Carrying amount	Fair value	Carrying amount	Fair value
	$	$	$	$
2016				
Financial liabilities				
Hire purchase creditors (non-current)	**(4,513,733)**	**(4,300,022)**	**–**	**–**
2015				
Financial liabilities				
Hire purchase creditors (non-current)	(9,293,003)	(8,857,227)	–	–

Methods and assumptions used to determine fair value

There has been no change to the methods and assumptions used to determine fair value of financial instruments other than those whose carrying amounts reasonably approximate their fair values as mentioned earlier. The methods and assumptions are as follows:

Financial assets and liabilities	Methods and assumptions
• Hire purchase creditors (non-current)	Fair value has been determined using discounted estimated cash flows. Where repayment terms are not fixed, future cash flows are projected based on management's best estimates. The discount rates used are the current market instrumental lending rates for similar types of lending, borrowing and leasing arrangements.

F. ***Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value***

Management has determined that the carrying amounts of trade receivables, other receivables and deposits, due from subsidiaries (non-trade), cash and bank balances, fixed deposits, trade payables, bills payable to banks (secured), other payables and accruals, bank term loans (secured) and current hire purchase creditors based on their notional amounts, reasonably approximate their fair values because these are mostly short term in nature or they are repriced frequently.

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(CONTINUED)

36. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include interest rate risk, liquidity risk, foreign currency risk and credit risk. The Board of Directors reviews and agrees policies and procedures for the management of these risks. The risk management function is assessed and evaluated by an Executive Committee.

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

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

(a) *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 their loans and borrowings.

Interest rate risk is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which the net interest expense could be affected by adverse movements in interest rates. The Group's policy is to obtain the most favourable interest rates available.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rates had been 50 (2015: 50) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $302,881 (2015: $387,802) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings.

(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 the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is to maintain sufficient liquid financial assets and have an adequate amount of committed credit facilities.

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(CONTINUED)

36. Financial risk management objectives and policies (cont'd)

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

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the reporting period based on contractual undiscounted payments.

	1 year or less $'000	1 to 5 years $'000	Total $'000
Group			
2016			
Financial liabilities			
Trade payables	**(3,518)**	**–**	**(3,518)**
Bills payable to bank (secured)	**(77,388)**	**–**	**(77,388)**
Other payables and accruals	**(9,854)**	**–**	**(9,854)**
Hire purchase creditors	**(4,952)**	**(4,628)**	**(9,580)**
Bank term loans (secured)	**(2,732)**	**–**	**(2,732)**
Total undiscounted financial liabilities	**(98,444)**	**(4,628)**	**(103,072)**
2015			
Financial liabilities			
Trade payables	(24,745)	–	(24,745)
Bills payable to bank (secured)	(73,904)	–	(73,904)
Other payables and accruals	(9,913)	–	(9,913)
Hire purchase creditors	(5,583)	(9,508)	(15,091)
Bank term loans (secured)	(3,474)	(13,542)	(17,016)
Total undiscounted financial liabilities	(117,619)	(23,050)	(140,669)

	1 year of less	
	2016 $'000	2015 $'000
Company		
Financial liabilities		
Trade payables	**–**	(25)
Other payables and accruals	**(283)**	(411)
Total undiscounted financial liabilities	**(283)**	(436)

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(CONTINUED)

36. Financial risk management objectives and policies (cont'd)

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

The contractual expiry of the Group's and Company's financial guarantee matures within one year. This is based on the earliest period in which the guarantee could be called. The maximum amount of the guarantee contracts are disclosed in Note 34(a).

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

	1 year or less $'000	1 to 5 years $'000	Total $'000
Company:			
2016			
Financial guarantee	**146,958**	**4,514**	**151,472**
2015			
Financial guarantee	174,394	22,758	197,152

(c) ***Foreign currency risk***

The Group has transactional currency exposures arising mainly from the purchases that are denominated in a currency other than respective functional currencies of the Group's entities. The foreign currencies in which these transactions are denominated are mainly United States Dollars (USD) and Malaysian Ringgit (MYR).

Exposure to foreign currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

The Group uses forward exchange contracts to manage its foreign exchange risk resulting from cash flows from anticipated purchase transactions, primarily in USD.

In addition to transaction exposure, the Group is also exposed to translation exposure arising from the consolidation of foreign currency denominated financial statements of the Group's subsidiaries.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

36. Financial risk management objectives and policies (cont'd)

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

Sensitivity analysis for foreign currency risk

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

	Group		Company	
	2016	2015	**2016**	2015
	$	$	**$**	$
USD - strengthened 3% (2015: 3%)	**17,520**	25,488	**920**	899
- weakened 3% (2015: 3%)	**(17,520)**	(25,488)	**(920)**	(899)

(d) ***Credit risk***

Credit risk is the risk that entities and individuals will be unable to meet their obligations to the Group resulting in financial loss to the Group. It is the Group's policy to enter into transactions with a diversity of creditworthy parties to mitigate any significant concentration of credit risk. The Group ensures that sales of products are made to customers with appropriate credit history and has internal mechanisms to monitor the granting of credit and management of credit exposures. The Group makes provisions, where necessary, for potential losses on credits extended.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk are represented by:

- the carrying amount of each class of financial assets recognised in the statements of financial position

- a nominal amount of $395,000,000 (2015: $492,000,000) relating to corporate guarantees provided by the Company for bank facilities granted to subsidiaries

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

36. Financial risk management objectives and policies (cont'd)

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

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	2016		2015	
	$	% of total	$	% of total
By country:				
Singapore	**54,933,216**	**96.2**	63,690,923	92.5
Malaysia	**2,195,772**	**3.8**	5,171,114	7.5
	57,128,988	**100.0**	68,862,037	100.0

At the end of the reporting period, there is no significant concentration of credit risk apart for the amounts due from a major customer amounting to approximately 7.9% (2015: 7.7%) of total trade receivables. However, the Group undertakes credit risk insurance for the majority of its Singapore-based customers relating to the steel fabrication business to reduce the risk to the Group to an acceptable level.

Financial assets that are neither past due nor impaired

Trade receivables, other receivables and deposits that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and bank balances and fixed deposits are placed with or entered into with reputable financial institutions.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20 (Trade receivables).

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

37. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating 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 financial years ended 31 December 2015 and 2016.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt, trade payables, bills payable to banks (secured), other payables and accruals, hire purchase creditors, bank term loan (secured) less cash and bank balances and fixed deposits.

		Group	
		2016	**2015**
	Note	**$**	**$**
Trade payables	22	**4,382,636**	25,855,597
Bills payable to banks (secured)	23	**77,310,718**	73,767,362
Other payables and accruals	24	**9,853,983**	9,913,031
Hire purchase creditors	27	**9,315,522**	14,714,404
Bank term loan (secured)	28	**2,708,333**	16,858,333
		103,571,192	141,108,727
Less:			
Cash and bank balances	21	**(69,081,274)**	(68,677,854)
Fixed deposits	21	**(28,758,329)**	(27,779,634)
Net debt		**5,731,589**	44,651,239
Equity attributable to owners of the Company		**184,879,508**	180,735,226
Capital and net debt		**190,611,097**	225,386,465
Gearing ratio		**3%**	20%

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(CONTINUED)

38. 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 Steel Merchandising segment is involved in the international trading of steel and metal materials and/or products.

(ii) The Fabrication and Manufacturing segment is involved in the manufacture of reinforcing mesh and other manufactured mesh and the processing of fabricated reinforcing bars.

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 which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements. Group financing (including finance costs) and income taxes are managed on a group basis and are not allocated to operating segments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

38. Segment information (cont'd)

	Steel Merchandising		Fabrication and Manufacturing		Adjustment and eliminations		Note	Per consolidated finanical statement	
	2016 $'000	2015 $'000	2016 $'000	2015 $'000	2016 $'000	2015 $'000		2016 $'000	2015 $'000
Revenue:									
External customers	**3,233**	49,830	**315,364**	395,613	**–**	–		**318,597**	445,443
Total revenue	**3,233**	49,830	**315,364**	395,613	**–**	–		**318,597**	445,443
Results:									
Depreciation and amortisation	**282**	533	**10,482**	11,345	**–**	–		**10,764**	11,878
Share of results of associate	**–**	–	**99**	(187)	**–**	–		**99**	(187)
Other non-cash expenses	**901**	–	**7,239**	1,036	**–**	–	A	**8,140**	1,032
Segment profit/(loss)	**(418)**	(1,125)	**16,488**	22,184	**(2,758)**	(5,486)	B	**13,312**	15,573
Assets:									
Investment in associate	**–**	–	**1,745**	1,646	**–**	–		**1,745**	1,646
Additions to non-current assets	**–**	41	**2,882**	24,288	**–**	–	C	**2,882**	24,329
Segment assets	**13,391**	39,849	**249,589**	253,707	**45,620**	42,342	D	**308,600**	335,898
Segment liabilities	**4,974**	7,031	**23,904**	36,585	**94,843**	111,547	E	**123,721**	155,163

Note Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements:

A The following items are attributable to other non-cash expenses presented in the respective notes to the financial statements.

	Note	2016 $'000	2015 $'000
Property, plant and equipment written off	7	**223**	8
Impairment loss of trade receivables	7	**1,143**	–
Bad debt written off	7	**6**	174
Bad debts recovered	5	**(20)**	(4)
Provision for onerous contracts	10	**6,788**	854
		8,140	1,032

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

38. Segment information (cont'd)

B The following items are (deducted from)/added to segment profit to arrive at "Profit attributable to equity holders of the Company" presented in the consolidated income statements:

	Note	2016 $'000	2015 $'000
Share of results of associate		**99**	(187)
Financial expenses	8	**(1,537)**	(2,984)
Financial income	9	**215**	480
Income tax expense	11	**(1,535)**	(2,795)
		(2,758)	(5,486)

C Additions to non-current assets consist of additions to property, plant and equipment, investment property and club memberships.

D The following items are added to segment assets to arrive at total assets reported in the statements of financial position:

	Note	2016 $'000	2015 $'000
Investment in associate	16	**1,745**	1,646
Fixed deposits	21	**28,758**	27,780
Asset held for sale	18	**14,424**	12,843
Deferred tax assets	29	**693**	73
		45,620	42,342

E The following items are added to segment liabilities to arrive at total liabilities reported in the statements of financial position:

Bills payable to banks (secured)	23	**77,311**	73,767
Total hire purchase creditors	27	**9,316**	14,714
Total bank term loans (secured)	28	**2,708**	16,858
Income tax payable		**5,231**	5,958
Deferred tax liabilities	29	**277**	250
		94,843	111,547

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016
(CONTINUED)

38. Segment information (cont'd)

Geographical information

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

	Revenue		Non-current assets	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Singapore	**313,006**	376,662	**57,853**	66,070
Malaysia	**5,591**	68,781	**–**	–
	318,597	445,443	**57,853**	66,070

Non-current assets information presented above consist of property, plant and equipment, investment property, investment in associate and club memberships, as presented in the statements of financial position.

39. Authorisation of financial statements for issue

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 23 March 2017.

STATEMENT OF CORPORATE GOVERNANCE

The Board of Directors of **Lee Metal Group Ltd** (the "**Company**") is committed to ensuring that high standards of corporate governance and transparency are practised for the protection of shareholders' interest. This report outlines the Company's corporate governance processes with specific reference to the 2012 Code of Corporate Governance (the "**Code**"). Compliance with the Code is reviewed regularly to ensure transparency and accountability. Where there are deviations from the Code, explanations have been provided.

BOARD MATTERS

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 Management remains accountable to the Board.

Guideline 1.1
Board's Role

The primary role of the Board is to protect and enhance long-term shareholders' value. It sets the Group's overall strategic objectives and ensures that the necessary financial and human resources are in place for the company to meet its objectives. The Board establishes a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguarding of shareholders' interests and the company's assets, supervising and reviewing Management's performance, monitoring performance and achievement of strategic objectives. It is responsible for the overall corporate governance of the Group. The Board identifies the key stakeholder groups and set the Group's values and standards in ensuring that obligations to shareholders and stakeholders are met. It considers sustainability issues of policies and procedures.

Guideline 1.2
Directors' Duties and Responsibilities

The Board exercises due diligence and independent judgment in dealing with the business affairs of the Group and works with the Management to take objective decisions as fiduciaries in the interest of the Group.

Guideline 1.3
Delegation of Authority to Board Committees

Board Committees, namely the Audit Committee, Nominating Committee, and Remuneration Committee have been constituted to assist the Board in the discharge of specific responsibilities. Principles 4 to 5, 7 to 9, 11 to 13 detailed the activities of the Audit Committee, Nominating Committee and Remuneration Committee respectively.

While the Board Committees have the authority to examine and consider specific issues within their respective terms of reference, all decisions and/or recommendations by such Board Committees will ultimately be considered and approved by the Board.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

Guideline 1.4
Meetings of Board and Board Committees

The Board meets regularly at least four times each year and as warranted by circumstances to supervise, direct and control the Group's business and affairs. Apart from statutory responsibilities, it also decides on significant acquisitions, disposals and financing proposals, reviews and approves the Group's annual budgets and corporate policies, and monitors the performance of the Group. These functions are carried out either directly or through Board Committees, namely, the Audit Committee, the Nominating Committee and the Remuneration Committee or by Management as mandated by the Board.

The Company's Constitution is sufficiently flexible to allow the Board meetings to be conducted by way of telephonic or video conference meetings, provided the requisite quorum of majority of the Directors is present.

The following table discloses the number of meetings held for Board and Board Committees and the attendance of all Directors for the financial year ended 31 December 2016: -

Name of Directors	Board		Audit		Nominating		Remuneration	
	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended	No of meetings held	No of meetings attended
Lee Lin Poey	7	7	NA	NA	1	1	NA	NA
Lee Heng Thiam	7	7	NA	NA	NA	NA	NA	NA
Foo Meng Kee	7	7	7	7	1	1	1	1
Lee Kim Lian, Juliana	7	7	7	7	1	1	1	1
Kewee Kho	7	7	7	7	1	1	1	1

Guideline 1.5
Internal Guidelines on Matters Requiring Board Approval

The Board has adopted internal guidelines on the matters reserved for the Board's decision, and clear directions to Management on matters that must be approved by the Board.

Matters relating to announcements of financial results, approval of annual reports and financial statements and convening of shareholders' meetings are reserved for decision by the Board. Other matters specifically reserved to the Board for its approval include: -

(a) matters involving a conflict of interest for a substantial shareholder or a Director;
(b) material acquisitions and disposal of assets;
(c) corporate or financial restructuring;
(d) share issues, interim dividends and other returns to shareholders; and
(e) material investments or expenditures not in the ordinary course of the Group's businesses.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

Guideline 1.6
Continuous Training and Development of Directors

The Board received training and briefing on an on-going basis on matters relating to the changes to relevant laws, rules and regulations and accounting standards (either in-house or externally by auditors, company secretary, management and/or other relevant professionals and during Board or ad hoc sessions or through circulars).

During the financial year reported on, the Directors received updates on financial reporting standards and industry-related matters (such as pertinent developments impacting related industries) which have significant bearing on the Group's business segments. The Chairman and Executive Directors update the Board at each Board meeting on business and strategic developments. The Management highlights the salient issues as well as the risk management considerations for the industries the Group is in.

The Directors also keep abreast of developments in regulatory, legal and accounting frameworks by participating in or attending training courses, seminars and workshops as are relevant or applicable. The Nominating Committee facilitates the attendance and participation by the Directors in relevant courses and seminars and reports annually to the Board on such continuing upgrading and education efforts of the Directors. Where appropriate, the Company provides funding to the Directors for such continuing upgrade and education efforts.

New Directors will be briefed on the Company's business and governance practices by senior management and on their statutory duties and responsibilities as Directors by relevant professionals and service providers. Training is encouraged and will be given to first time directors in areas such as accounting, legal and compliance. Familiarization visits to the Group's factories will be organised on a need-to basis, where necessary, to facilitate better understanding of the Group's businesses, operations and processes. There were no new Directors appointed in FY 2016.

In late FY 2016, the Group's new factory at Tuas Avenue 8 became fully operational. In the lead up to it, the Directors performed close and specific monitoring of all significant matters, such as issuance of temporary occupation permit, dormitory issues and on-going discussions with relevant governmental authorities such as PUB and BCA, relating to the new plant at formal and informal meetings and through plant visitations.

Guideline 1.7
Formal letter setting out Directors' Duties

A new Director will be provided with a formal letter setting out their duties and responsibilities.

BOARD COMPOSITION AND GUIDANCE

PRINCIPLE 2

There should be a strong and independent element on the Board, which is able to exercise objective judgment 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.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

Guidelines 2.1 & 2.2
Strong and independent element on the Board

The Board of Directors (the "Board") comprises 2 Executive and 3 Independent and Non-Executive Directors having the appropriate mix of core competencies and diversity of experience to direct and lead the Company. As at the date of this report, the Board comprises the following members:-

Lee Lin Poey	Executive Chairman, Executive Director
Lee Heng Thiam	Managing Director, Executive Director
Foo Meng Kee	Independent, Non-Executive Director
Lee Kim Lian, Juliana	Independent, Non-Executive Director
Kewee Kho	Independent, Non-Executive Director

Mr Lee Lin Poey is the Executive Chairman of the Company. Mr Lee Heng Thiam is the Managing Director. Both are siblings. In accordance with Guideline 2.2, the Board currently has Independent Directors making up more than half the Board when both the Executive Chairman and Managing Director are related and part of the management team.

Guidelines 2.3 & 2.4
Annual Review of Directors' Independence

The criterion for independence is based on the definition given in the Code. The Code has defined 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 judgment with a view to the best interests of the company. The independence of each Director is reviewed annually by the Nominating Committee, based on the definition of independence as stated in the Code.

All three Independent Directors have confirmed their independence and they do not have any 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 their independent judgement.

Mr Foo Meng Kee and Ms Lee Kim Lian, Juliana have served on the Board of Directors for more than 9 years. The Nominating Committee ("NC") and the Board accordingly performed a specific and rigorous review of their independence as required by the Code. Pursuant to the review, the Board (with the recommendations from the Nominating Committee) is of the view that both independent directors have engaged the Board in constructive discussion, their contributions are relevant and reasoned, and both Directors have exercised independent judgement. In coming to this view, the Board ensures that the criteria of independence as set out in the Code are met, and that both directors subject themselves to peer assessment and review of their performance by all other co-Directors. The Board takes into account their demonstration of independence in character and judgement through the many discussions the Board had over matters and issues concerning the Group in both formal and informal settings. Both have consistently expressed constructive viewpoints, objectively raises issues, demonstrates strong spirit of professionalism and independent mindedness in conduct at board and other meetings . The Board also recognizes that Mr Foo and Ms Lee have over time developed significant insights in the Group's business and operations and can continue to provide significant and valuable contribution objectively to the Board as a whole. The Board considers each of Mr Foo and Ms Lee independent even though both have served on the Board for more than 9 years from the date of each of their first appointment. Mr Foo and Ms Lee have each abstained from the NC's and Board's deliberations and decisions on their respective independence.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

Guidelines 2.5 & 2.6
Composition and Competency of the Board

The Board is of the view that the current Board members comprise persons whose diverse skills, experience and attributes provide for effective direction for the Group. The composition of the Board is reviewed on an annual basis by the Nominating Committee to ensure that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies for effective functioning and informed decision-making. These competencies include accounting and finance, business acumen and experience, industry and industry-related knowledge, familiarity with regulatory requirements and risk management.

Taking into account the nature and scope of the Group's operations, the Board is of the view that its current board size of 5 comprising members with diverse skills, experience and attributes provides for effective decision-making for the Group.

The Board includes a female Director in recognition of the importance and value of gender diversity.

The experiences and credentials of the Board members are set out in the Directors' Profile section of the annual report.

Guideline 2.7
Role of Non-Executive Directors

During the year, the Non-Executive Directors constructively challenge and help develop both the Group's short-term and long-term business strategies. Management's progress in implementing such agreed business strategies are monitored by the Non-Executive Directors. The Non-Executive Directors oversee and assist the executives on corporate governance and risk management.

Guideline 2.8
Regular Meetings of Non-Executive Directors

During the year, the Non-Executive Directors communicate among themselves without the presence of Management as and when the need arises. The Company also benefits from Management's ready access to its Directors for guidance and exchange of views both within and outside the formal environment of the Board and Board committee meetings.

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.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

Guidelines 3.1 and 3.2
Role of Chairman and Managing Director

Mr Lee Lin Poey is the Executive Chairman of the Company. As the Executive Chairman, Mr Lee is responsible for overseeing the overall management and strategic development of the Group. Mr Lee reports to the Board and ensures that policies and strategies adopted by the Board are implemented.

His responsibilities include:

- Leading the Board in his role as Chairman of the Board;
- Scheduling of meetings (with the assistance of the Company Secretary) to enable the Board to perform its duties responsibly while not interfering with the flow of the Group's operations;
- Preparing meeting agenda;
- Ensuring that Board Meetings are held when necessary;
- Reviewing board papers before they are presented to the Board;
- Ensuring effective communication with shareholders; and
- Promoting good corporate governance and risk management.

Mr Lee Heng Thiam, the Managing Director, assists the Executive Chairman in the day-to-day management of the Group and takes charge of the Group's Fabrication and Manufacturing division.

Although Mr Lee Lin Poey and Mr Lee Heng Thiam are siblings, the Board is of the view that there is a strong independent element on the Board as the Independent Directors form more than half of the Board.

All major decisions made by the Executive Chairman are reviewed by the Board. The performance and effectiveness of the Executive Directors are periodically reviewed by the Nominating Committee and their remuneration packages are periodically reviewed by the Remuneration Committee. As such, the Board is of the view that there is adequate balance of power and safeguards in place against an uneven concentration of authority in a single or few individuals.

Guidelines 3.3 and 3.4
Lead Independent Director

The Independent Directors and the Executive Directors individually and collectively are available to shareholders as a channel of communication between shareholders and the Board or Management. Thus far, there are no shareholder concerns for which contact through the normal channels of the Executive Chairman, the Executive Directors, the Independent Directors and the Financial Controller has failed to resolve or is inappropriate, hence no Lead Independent Director has been appointed. The Nominating Committee nonetheless monitors any change in circumstances that may warrant a re-consideration of the necessity for a Lead Independent Director.

The independent directors meet amongst themselves without the presence of the management and executive directors where necessary, and depending on the issues and follow-up actions identified, one or more of them will provide feedback to the Chairman after such meetings.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

BOARD MEMBERSHIP

PRINCIPLE 4

There should be a formal and transparent process for the appointment and re-election of directors to the Board.

Guideline 4.1
Nominating Committee

The Nominating Committee or NC comprises the following:-

Lee Kim Lian, Juliana	Chairperson and Independent Director
Foo Meng Kee	Independent Director
Kewee Kho	Independent Director
Lee Lin Poey	Executive Director

Guideline 4.2
NC Responsibilities

The NC functions under written terms of reference which sets out its responsibilities as follows:

(a) To review board succession plans for Directors, in particular, the Chairman and Managing Director;
(b) To develop the process for evaluation of the performance of the Board, its committees and Directors and conduct a formal assessment of the effectiveness of the Board, Board Committees and contribution by each Director;
(c) To review the training and professional development programs for the Board;
(d) To recommend to the Board on all board appointments, re-appointments and re-nominations; and
(e) To consider and determine on an annual basis whether or not a Director is independent.

Guideline 4.3
Determining Directors' Independence

The NC has conducted an annual review of the independence of the Independent Directors, using the criteria of independence in the Code, and has ascertained that they are independent.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

Guideline 4.4
Multiple Board Representations

The NC has considered and taken the view that it would not be appropriate to set a limit on the number of directorships that a Director may hold because Directors have different capabilities, the nature of the organisations in which they hold appointments and the kind of committees on which they serve are of different complexities, and accordingly, each Director would personally determine the demands of his or her competing directorships and obligations and assess the number of directorships they could hold and serve effectively.

In evaluating individual Directors' performance, among other factors, the NC considers the amount of time and commitment devoted by the Directors. The NC has evaluated and concluded that while the independent directors hold other board representations, they have continued to devote considerable time and stay committed in the management of the affairs of the Company.

Guideline 4.5
Alternative Directors

The Board is guided by the principles set out in Guideline 4.5 of the Code in the appointment of alternate directors. There are currently no Alternate Directors on the Board.

Guideline 4.6
Process for the Selection and Appointment of New Directors

Where there is a resignation or retirement of an existing Director, the NC will re-evaluate the Board composition to assess the competencies for the replacement. The NC will deliberate and propose the background, skills, qualification and experience of the candidate it deems appropriate. The factors taken into consideration by the NC could include among other things, whether the new Director can add to or complement the mix of skills and qualifications in the existing Board, relevance of his experience and contributions to the business of the Company and the depth and breadth he could bring to Board discussions. Candidates are sourced through a network of contacts and identified based on the established criteria. Search can be made through relevant institutions such as the Singapore Institute of Directors ("SID"), professional organisations or business federations or external search consultants. New Directors will be appointed by way of a Board resolution, after the NC makes the necessary recommendation to the Board, and will be provided with a formal letter setting out their duties and responsibilities.

The Constitution of the Company requires one-third of the Board to retire from office at each Annual General Meeting ("AGM"). Accordingly, the Directors will submit themselves for re-nomination and re-election at regular intervals of at least once every three years. In addition, a newly appointed Director will submit himself for retirement and re-election at the AGM immediately following his appointment. Thereafter, he is subject to the one-third rotation rule.

The NC has recommended to the Board, the re-election of Mr Lee Heng Thiam who retires by rotation at the forthcoming annual general meeting.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

In making recommendation for the purpose of re-nomination of the Director, the NC has taken into consideration Mr Lee Heng Thiam's contribution and performance. The Board has accepted the NC's recommendation. Mr Lee Heng Thiam has abstained from the NC's deliberations and the Board's review of the NC's recommendation pertaining to his re-election.

Guideline 4.7
Key Information on Directors

Key information regarding the Directors is given in the Directors' Profile section of the annual report.

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

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.

Guidelines 5.1 to 5.3
Evaluation of Performance of Board, Board Committees and Individual Directors

The NC examines the Board's size and composition to ensure that it is appropriate for effective decision making, taking into account the nature and scope of the Company's operations. The NC also ensures that individually, each Director, with his expertise, brings to the Board an independent and objective perspective thereby allowing balanced and well-considered decisions to be made while collectively, the Directors possess the background, experience, knowledge and core competencies in finance and management skills critical to the Group's business.

The NC has established an appraisal process to assess the performance and effectiveness of the Board as a whole as well as to assess the contribution of individual director. Annually, the Directors undertake an evaluation of the overall effectiveness of the Board and the Board Committees including peer assessment on the contributions of individual Directors to the Board and Board Committees. The results of the evaluation exercise are considered by the NC, which then makes recommendations to the Board aimed at assisting the Board to discharge its duties more effectively. Issues identified are specifically dealt with directly by the NC, or through the Executive Chairman or chairperson of the respective Board Committees where relevant.

The evaluation of the Board's performance focuses on Board composition, maintenance of independence, Board information, Board process, Board accountability, communication with Management and standard of conduct.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

The evaluation of individual Director's performance focuses on the contribution by individual Directors to the Board in terms of time commitment and in providing independent and objective perspectives and critical thinking to the Board to assist the Board's decision making.

The NC has reviewed the overall performance of the Board in terms of its role and responsibilities and the conduct of its affairs as a whole for the financial year and is of the view that the performances of the Board Committees and the Board have been satisfactory. Based on the assessment done on the contribution of individual director, the NC is also of the view that each Director has adequately carried out his or her duties as a Director and has contributed to the satisfactory performance of the Board.

No external facilitator has thus far been engaged in conducting the assessment of the Board's performance. The NC continues to monitor the need for such engagement.

ACCESS TO INFORMATION

PRINCIPLE 6

In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities as directors.

Guidelines 6.1 and 6.2
Board's Access to Information

All Directors are from time to time furnished with information concerning the Company to enable them to be fully cognizant of the decisions and actions of the Company's executive management. The Board has unrestricted access to the Company's records and information.

Quarterly financial reports, budgets, forecasts and other relevant documents are provided to the Board to enable them to be fully cognisant of the decisions and actions of the Company's executive management, where appropriate, and to enable the Board to arrive at informed decisions. Board papers are sent to Directors prior to each Board and Board Committee meeting. Directors are furnished with information on matters to be considered at Board meetings through the circulation of Board papers. Where necessary, senior members of management staff or external consultants engaged on specific projects, are available to provide explanatory information in the form of briefings to the Directors or formal presentations in attendance at Board meetings. At dedicated budget meetings, the Board scrutinises assumptions, qualifications and bases of forecasts, as well as all factors contributing or impacting on achievement or under-achievement of budgets.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

Guidelines 6.3
Board's Access to Company Secretary

The Board has separate and independent access to the Company Secretary and to other senior management executives of the Company and of the Group at all times in carrying out its duties. The Company Secretary attends or is represented at all Board meetings and meetings of the Board committees of the Company and ensures that Board procedures are followed and that applicable rules and regulations are complied with.

Guideline 6.4
Appointment and Removal of Company Secretary

The appointment and removal of the Company Secretary is subject to the approval of the Board.

Guideline 6.5
Board's Access to Independent Professional Advice

The Board collectively and each Director individually has the right to seek independent, legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in furtherance of their duties and responsibilities as Directors.

REMUNERATION MATTERS

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.

Guideline 7.1
Remuneration Committee

The Remuneration Committee ("RC") comprises 3 members, all of whom are Non-Executive and Independent Directors of the Company. The members of the RC are:

Kewee Kho	Chairman and Independent Director
Lee Kim Lian, Juliana	Independent Director
Foo Meng Kee	Independent Director

The RC functions under written terms of reference which sets out its responsibilities as follows:
(a) To recommend to the Board a framework for remuneration for the Directors and key executives of the Company;
(b) To review and recommend Directors' fee for Non-Executive and Independent Directors for approval at the annual general meeting;

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

(c) To determine specific remuneration packages for each Executive Director as well as key management personnel; and
(d) To review the appropriateness of compensation for Non-Executive and Independent Directors.

Guideline 7.2
Remuneration Framework

The RC recommends to the Board a framework of remuneration for the Directors and Executive Officers, and determines specific remuneration package for each Executive Director. The recommendations will be submitted for endorsement by the Board.

In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies. The remuneration of Non-Executive and Independent Directors is also reviewed to ensure that the remuneration is commensurate with the contribution and responsibilities of the Directors.

All aspects of remuneration, including but not limited to directors' fee, salaries, allowances, bonuses and benefits-in-kind, will be covered by the RC. Each RC member will abstain from voting on any resolution in respect of his remuneration package.

The Company will submit the quantum of Directors' fee of each year to the shareholders for approval at each Annual General Meeting.

The Executive Directors have service agreements. The service agreements cover the terms of employment, salaries and other benefits. Independent and Non-Executive Directors have no service agreements.

During the year, the RC considered and recommended the fee framework for Non-Executive Directors and the remuneration packages of the Executive Directors and key management personnel which are submitted and approved by the Board. No member of the RC was involved in deciding his or her own remuneration.

Guideline 7.3
RC's Access to Advice on Remuneration Matters

The RC will be provided with access to expert professional advice on remuneration matters as and when necessary. The expense of such services shall be borne by the Company. It is the RC's policy that any professional remuneration consultant if appointed would be independent of RC and the management of the Company.

For FY 2016, the RC did not obtain any independent professional advice.

Guideline 7.4
Termination Clauses in Service Contract

Each of the Executive Directors and key management personnel have employment contracts with the Company which can be terminated by either party giving notice of resignation/termination. The RC has reviewed the Group's obligations arising in the event of termination of the Executive Directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

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.

Guideline 8.1
Remuneration of Executive Directors and Key Management Personnel

The Company's remuneration structure for its Executive Directors and key management personnel comprises both fixed and variable components. The variable component is performance related and is linked to the Group/Company's performance as well as individual's performance. Such performance-related remuneration is designed to provide the Group more flexibility in managing wage costs and to better align it with the interests of shareholders and promote long term success of the Group. In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and in comparable companies.

Guideline 8.2
Long-term Incentive Scheme

Currently, the Company has no long term or share-based incentive schemes. The RC has reviewed and is satisfied that the existing compensation structure with variable component paid out in cash has continued to be effective in incentivising performance.

Guideline 8.3
Remuneration of Non-Executive Directors

The RC has reviewed the fee structure for Independent Directors as being reflective of their efforts and time spent, and their responsibilities and contributions to the Board and recommends the directors' fee for FY2016 in accordance with the fee structure for shareholders at the Company's AGM.

Given the size and operations of the Group, the RC considers that the current fee structure adequately compensates the non-executive directors, without over-compensating them as to compromise their independence.

Guideline 8.4
Contractual Provisions

The Company does not have any contractual provisions in the employment contracts for the Company to reclaim incentive components of remuneration from Executive Directors and key management personnel.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

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.

Guidelines 9.1, 9.2 and 9.3
Remuneration Report

Details on the remuneration of Directors and key management personnel for the year under review are presented in the following tables.

Directors

Name of Directors	Salary $'000	Bonus $'000	Directors' Fees $'000	Allowances and Other Benefits $'000	Total Compensation $'000
Lee Lin Poey	624	626	–	78	1,328
Lee Heng Thiam	624	626	–	63	1,313
Foo Meng Kee	–	–	90	–	90
Lee Kim Lian, Juliana	–	–	90	–	90
Kewee Kho	–	–	90	–	90

Key Management Personnel of the Group

The Code recommends that the remuneration of at least the top five key management personnel who are also not Directors be disclosed within bands of $250,000. However, the Company believes that it is not in the best interest of the Company to disclose the details of the remuneration of its top 5 key management personnel given the highly competitive industry conditions. The remuneration of the Company's top management personnel is above $250,000 while the remuneration of each of the other 4 key management personnel is below $250,000. The aggregate total remuneration paid to the top five key management personnel is approximately S$1.2 million.

In considering the disclosure of key management personnel remuneration, the Board has regarded the industry conditions in which the Group operates and the sensitive nature of such information. The Group has many competitors in the same industry. Given the considerable resources that the Group has invested in its staff, the Board believes that full detailed disclosure of each key executive as recommended by the Code would be prejudicial to the Group's interest and impedes its ability to retain and grow its talent pool.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

Guideline 9.4
Employee Related to Directors/Managing Director

Other than Mr Lee Lin Poey and Mr Lee Heng Thiam who are siblings, the following employees are related to Mr Lee Lin Poey and Mr Lee Heng Thiam: -

Name of employees who are family members	Relationship with Mr Lee Lin Poey and Mr Lee Heng Thiam, the Executive Directors and Substantial Shareholders of the Company	Designation
$450,000 – $500,000 Lee Hock Seng	Brother	Executive Director of Lee Welded Mesh Singapore Pte Ltd
$150,000 - $200,000 Lee Siew Khim	Sister	Human Resource & Administration Manager
$100,000 – $150,000 Lee Ren De	Nephew	Financial Controller
$50,000 - $100,000 Lee Jin Kiat	Nephew	Production Executive

Guideline 9.5
Employee Share Scheme

The Company does not have any share option or other share incentive schemes for its employees. Given the size and operations of the Group, the RC has reviewed and is satisfied that the existing compensation structure with variable component paid out in cash has continued to be effective in incentivising performance.

Guideline 9.6
Link between Remuneration and Performance

The remuneration of Executive Directors and key management personnel comprises a variable component. The variable component is performance related and is linked to the Group/Company's performance as well as individual's performance. The variable component takes into account industry conditions, comparative performance of players in the market, where appropriate and available, return to shareholders, and individual performance in terms of responsibilities, experience and achievements.

For the year under review, the RC has reviewed the remuneration of Executive Directors, key management personnel and Non-Executive Directors in accordance with their performance criteria and recommended them to the Board. The Board has endorsed the RC's recommendations.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

ACCOUNTABILITY AND AUDIT

PRINCIPLE 10

The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

Guideline 10.1
Accountability for Company's Performance, Position and Prospects

The Board is mindful of its obligations to furnish timely information and to ensure disclosure of material information to shareholders in compliance with statutory requirements and the listing rules of the SGX-ST.

The Board provides a balanced and meaningful assessment of the Group's financial performance and prospects regularly through financial statements, announcement of results to shareholders and the SGX-ST as well as the Chairman's statement, and review of operations in the annual report. Financial results are released on a quarterly basis to the shareholders through SGXNET and then the Company's website at http://www.leemetalgroup.com

***Guideline* 10.2**
Compliance with Legislative and Regulatory Requirements

The Board is accountable to the shareholders and is committed to ensure compliance with the listing rules of the SGX-ST. The Directors have each signed the respective undertaking in the form set out in Appendix 7.7 of Listing Rules to undertake to use their best endeavours to comply with the SGX-ST Listing Rules and to procure that the Company shall so comply. A similar undertaking has been executed by the Financial Controller in his capacity as Executive Officer.

Guideline 10.3
Management Accounts

The Management currently provides the Board with management accounts which presents a balanced and understandable assessment of the Group's performance, position and prospects on a quarterly basis and as and when deemed necessary.

RISK MANAGEMENT AND INTERNAL CONTROLS

PRINCIPLE 11

The Board is responsible for the governance of risk. The Board ensures that Management maintains a sound system of risk management and internal controls to safeguard the shareholders' interests and the company's assets, and determines the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives through setting risk tolerance levels and policies.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

Guidelines 11.1 and 11.2
Risk Management and Internal Controls System

The Board of Directors, with the assistance of the Audit Committee, ensures that Management maintains an adequate system of internal controls to safeguard shareholders' investment and the Company's assets. The Group also employs an Enterprise Risk Management Framework to regularly review and improve its business and operational activities and to identify areas of significant business risks as well as to take appropriate measures to control and mitigate these risks. The Group reviews all significant control policies and procedures and highlights all significant matters to the Audit Committee and the Board.

The Board ensures that a review of the effectiveness of the Group's risk management and internal controls systems, including financial, operational, compliance and information technology controls, is conducted annually. In this respect, the Audit Committee will review the audit plans, and the findings of both the internal and external auditors and will ensure that the Company follows up on the auditors' recommendations raised, if any, during the audit process. The Group's risk profile which identifies the significant risks faced by the Group is also reviewed by the AC periodically to ensure regular assessment and update of the Group's key risks and how they are managed through various assurance or mitigating mechanisms in place. Such regular review assists the Group in addressing changing business environment and uncertainties.

For the financial year ended 31 December 2016, the Board has received assurance from the Executive Chairman and the Managing Director that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances, and regarding the effectiveness of the Company's risk management and internal controls system.

The Group is actively looking into hiring a new financial controller to replace Mr Randy Lee who left the employ of the Group in early 2017. In the meantime, the finance team of the Group remains intact and comprises persons with relevant qualifications.

Guideline 11.3
Board's Comment on Adequacy and Effectiveness of Internal Controls

Pursuant to Rule 1207(10) of the Listing Manual and Guideline 11.2 of the Code , based on the internal controls established and maintained by the Group, work performed by the Group's external and internal auditors (which included a Control Self-Assessment exercise conducted by the internal auditors), and regular reviews performed by Management, the Board and the various Board committees, the Board, with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls are adequate and effective in addressing financial, operational , compliance and information technology risks of the Group in its current business environment as at 31 December 2016.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

Guideline 11.4
Risk Committee

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the AC with the assistance of the internal auditors. Having considered the nature and scope of the Group's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being.

AUDIT COMMITTEE

PRINCIPLE 12

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

Guideline 12.1
AC Membership

The AC comprises 3 members, all of whom are Non-Executive and Independent Directors of the Company. The members of the AC are:-

Foo Meng Kee	Chairman and Independent Director
Lee Kim Lian, Juliana	Independent Director
Kewee Kho	Independent Director

Guideline 12.2
Expertise of AC Members

The AC members bring with them invaluable professional expertise in the accounting and financial management domains. The experience and qualifications of the AC members are set out in the Directors' Profile section of the annual report.

Guidelines 12.3 and 12.4
Roles, Responsibilities and Authorities of AC

The AC functions under written terms of reference which sets out its responsibilities as follows:

(a) To review the audit plans of both the internal and external auditors;
(b) To review the auditors' reports and their evaluation of the Company's and the Group's system of internal controls;
(c) To review the effectiveness and adequacy of the internal audit function which is outsourced to a professional firm;
(d) To review the co-operation given by the Company's officers to the internal and external auditors;

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

(e) To review the financial statements of the Company and the Group before submission to the Board;
(f) To nominate and review appointment of internal and external auditors;
(g) To review with auditors and Management on the general internal control procedures;
(h) To review the independence of the internal and external auditors; and
(i) To review interested person transactions, if any.

The AC has the power to conduct or to authorise investigations into any matters within the AC's scope of responsibility. The AC is authorized to obtain independent professional advice if it deems necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

Each member of the AC shall abstain from voting on any resolutions in respect of matters he has an interest in.

The AC has full access to and co-operation of the Management. It has full discretion to invite any Director or executive officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

For the year reported on, the AC reviewed and approved the scope of the audit plans of the external auditors. In its recommendation to the Board to approve the full year financial statements, the AC reviewed the results of the audit, significant findings or areas of emphasis and audit recommendations. The AC also discussed with Management the various accounting principles that were applied and the bases of the assumptions and methodologies used by Management in relation to matters of significant impact. In particular, the following key audit matters identified by the External Auditors were discussed with Management and the External Auditors and reviewed by the AC:-

Impairment of trade receivables – The AC considered and concurred with Management's processes and controls for monitoring and identifying trade receivables with collection risks. It also considered and concurred with Management's approach and basis in deriving trade receivables impairment amount through regular updates on collection efforts and correspondence with trade debtors on settlement, and by taking into account changes in market condition of the construction industry which might impact recoverability.

Provision for onerous contracts – The AC considered and concurred with Management's processes and controls for monitoring and identifying onerous contracts. It also considered and concurred with Management's approach and basis in deriving and computing the provision for onerous contracts by assessing mismatches in contracted price and volume against the costs in meeting the obligations under these contracts.

Guideline 12.5
Meeting with External and Internal Auditors without Presence of Management

During the year, the Company's internal and external auditors were invited to attend the AC meetings and make presentations as appropriate. They also met separately with the AC without the presence of Management.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

Guideline 12.6
Independence of External Auditors

The Company confirms that it has complied with Rules 712 and 715 of the Listing Manual in engaging Ernst & Young LLP, registered with the Accounting and Corporate Regulatory Authority, as the external auditors of the Company and of its subsidiaries. The AC reviews the independence of the external auditors annually. The AC notes that the aggregate amount of audit fees paid and payable by the Group to the external auditors for FY2016 is approximately S$285,000, of which audit fees amounted to approximately S$215,000 and non-audit fees amounted to approximately S$70,000. The AC, having reviewed the range and value of non-audit services performed by the external auditors, is satisfied that the nature and extent of such services do not prejudice the independence and objectivity of the external auditors.

The AC recommended that Ernst & Young LLP be nominated for re-appointment as auditors at the forthcoming AGM.

Guideline 12.7
Whistle-blowing Policy

The Company has put in place a whistle-blowing framework by which staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters with the AC Chairman and members or the Head of Human Resource, or, if the staff so chooses, the relevant supervisory or divisional head. The objective for such arrangement is to ensure independent investigation of such matters and for appropriate follow-up action.

Guideline 12.8
AC to Keep Abreast of Changes to Accounting Standards

All the AC members are kept up to date with changes in accounting standards and reporting requirements through updates from the external auditors. The AC also attends seminars conducted by the Singapore Institute of Directors, the Accounting and Corporate Regulatory Authority and other professional service providers. The Board is of the view that the members of the AC have sufficient accounting and financial management expertise and experience to discharge the AC's functions.

Guideline 12.9
Partners or Directors of the Company's Auditing Firm

No former partner or director of the Company's existing auditing firm or auditing corporation is a member of the AC.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

INTERNAL AUDIT

PRINCIPLE 13

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

Guidelines 13.1 and 13.2
Internal Auditors

The Company has outsourced the internal audit function to a professional firm, JF Virtus Pte Ltd. The Internal Auditors report directly to the Chairman of the Audit Committee on all internal audit matters. The Internal Auditors have unfettered access to all the Company's documents, records and personnel and the AC.

The primary functions of internal audit are:

(a) To assess if adequate systems of internal controls are in place to protect the funds and assets of the Group and to ensure control procedures are complied with;
(b) To assess if operations of the business processes under review are conducted efficiently and effectively; and
(c) To identify and recommend improvement to internal control procedures, where required.

Guidelines 13.3 & 13.4
Internal Audit Function

The Internal Auditors is a member of the Institute of Internal Auditors Singapore and staffed with professionals with relevant qualifications and experience. The internal audit is performed in accordance with the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

The Audit Committee is satisfied that the Company's internal audit function is adequately resourced to perform the job for the Group.

Guideline 13.5
Adequacy and Effectiveness of Internal Audit Function

The Audit Committee annually reviews the Company's internal control assessment based on internal and external auditors' reports. It annually reviews with the internal auditors the audit report for each audit cycle of audit, management's response to audit findings and the follow up actions for previous audit findings. In its review in FY2016, the AC is satisfied that there are adequate internal controls to meet the needs of the Group in its current business environment.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

PRINCIPLE 14

Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

Guidelines 14.1
Sufficient Information to Shareholders

In line with continuous obligations of the Company pursuant to the SGX-ST's Listing Rules, the Board's policy is that all shareholders be informed of all major developments that impact the Group.

Information is disseminated to shareholders on a timely basis through:-

(a) SGXNET announcements and news release;
(b) Annual Report prepared and issued to all shareholders;
(c) Press releases on major developments of the Group; and
(d) Notices of and explanatory memoranda for AGM and extraordinary general meetings.

Guideline 14.2
Providing Opportunity for Shareholders to Participate and Vote at General Meetings

Every shareholder has the right to receive notice of general meetings and to vote thereat. Notices of general meetings are sent out at least 14 days before the meeting so that sufficient notice of meeting is given to shareholders to attend the meeting or appoint proxies to attend and vote in their stead.

The Company's AGMs are the principal forums for dialogue with shareholders. The Chairmen of the Audit, Remuneration and Nominating Committees are available at the meetings to answer any question relating to the work of these committees. The External Auditors shall also be present to assist the Directors in addressing any relevant queries by the shareholders.

Shareholders are encouraged to attend the AGM/EGM to ensure high level of accountability and to stay apprised of the Group's strategy and goals. Notice of the meeting will be advertised in newspapers and announced on SGXNET.

Guideline 14.3
Proxies for Nominee Companies

The Company's Constitution allows a member (other than a relevant intermediary as defined in section 181 of the Companies Act) to appoint one or two proxies to attend and vote at its general meetings. The Companies Act allows relevant intermediaries which include CPF Approved Nominees to appoint multiple proxies, and empower CPF investors to attend and vote at general meetings of the Company as their CPF Approved Nominees' proxies.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 15

Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

Guidelines 15.1 to 15.4
Timely information to and engagement with shareholders

The Company communicates with its shareholders and the investment community through the timely release of announcements to the SGX-ST via SGXNET. Financial results of the Group are released within 45 days from the end of each quarter and within 60 days from the financial year end. In addition, Annual Reports are distributed to shareholders at least 14 days before each annual general meeting.

In accordance with the Listing Rules of the SGX-ST, the Board's policy is that all shareholders be informed on a timely basis of all major developments that impact the Group. The Company does not practice selective disclosure and price sensitive information is publicly released on an immediate basis where required under the Listing Rules.

The Company's annual general meeting is a forum for the shareholders to engage the Board toask questions on the resolutions tabled at the annual general meeting and to express their views. Shareholders can visit the Company's website at http://www.leemetalgroup.com which carries the Company's announcements to SGX-ST and contact information.

The Company will consider the use of other forums as set out in Guideline 15.4 of the Code such as analyst briefings as and when applicable.

Guideline 15.5
Dividend

For FY2016, the Company has consistently paid out an interim dividend for each of the first three quarters totalling one Singapore cent per ordinary share. The Board has proposed a final dividend of one Singapore cent per ordinary share for FY2016 at the forthcoming annual general meeting for shareholders' approval. Details of the proposed dividend are stated in the notice of the annual general meeting attached to this annual report. The Company does not have a policy on payment of dividend. The Board will consider the Group's level of cash and retained earnings and projected capital expenditure in its dividend proposal. The Company has paid dividends for the last 10 years.

CONDUCT OF SHAREHOLDER MEETINGS

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.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

Guideline 16.1
Effective Shareholders' Participation

As aforesaid, the Company's Constitution allows a member (other than a relevant intermediary as defined in section 181 of the Companies Act) to appoint one or two proxies to attend and vote at its general meetings. The Companies Act allows relevant intermediaries which include CPF Approved Nominees to appoint multiple proxies, and empower CPF investors to attend and vote at general meetings of the Company as their CPF Approved Nominees' proxies.

All resolutions at the forthcoming AGM would be put to vote by poll. This will allow greater transparency and more equitable participation by shareholders.

Voting in absentia by remote means which are currently not permitted until legislative changes are effected to recognise remote voting. However the Company's constitution allows for appointment of proxies as set out in Guideline 14.3 above which allows a member to vote in absentia through his proxy.

Guideline 16.2
Separate Resolutions at General Meetings

The Company will have separate resolutions at general meetings on each distinct issue.

Guideline 16.3
Attendance of Chairman of the Board and Board Committees at General Meetings

The Company's AGMs are the principal forums for dialogue with shareholders. The Chairmen of the Audit, Remuneration and Nominating Committees are available at the meetings to answer any question relating to the work of these committees. The External Auditors shall also be present to assist the Directors in addressing any relevant queries by the shareholders.

Guideline 16.4
Minutes of General Meetings

The minutes of the general meetings are taken and are available to shareholders for their inspection upon request.

Guideline 16.5
Results of resolutions by poll

All resolutions at general meetings are put to vote by poll. Voting and vote tabulation procedures are disclosed at the general meetings. Votes cast for, or against, each resolution will be read out at shareholders immediately after vote tabulations. The total numbers of votes cast for or against the resolutions are also announced after the general meetings via SGXNET.

STATEMENT OF CORPORATE GOVERNANCE
(CONTINUED)

OTHER CORPORATE GOVERNANCE MATTERS

Dealing in Securities

In line with SGX-ST Listing Rule 1207(19) on Dealings in Securities, the Company has procedures in place prohibiting dealings in the Company's shares by the Company, and its Directors and employees. The Company issues circulars to its directors and employees to remind them that: (1) they should not deal in shares of the Company on short-term considerations or if they are in possession of unpublished material price-sensitive information; and (2) they are required to report on their dealings in shares of the Company. They are also reminded of the prohibition in dealings in shares of the Company two weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one month before the announcement of its full year financial statements ("restricted trading periods").

The Company has complied with the best practice pursuant to Listing Rule 1207(19)(c) in not dealing in its own securities during the restricted trading periods.

Interested Person Transactions

The Company has adopted an internal policy in respect of any transactions with interested persons and has established procedures for the review and approval of interested person transactions entered into by the Group. The Audit Committee has reviewed the rationale and terms of the Group's interested person transactions and is of the view that the interested person transactions are on normal commercial terms and are not prejudicial to the interests of the shareholders.

In compliance with the SGX-ST listing requirement, the Company confirms that there were interested person transactions during the financial year under review but these were below $100,000 in aggregate.

Material Contracts

There was no material contract entered into by the Company or any of its subsidiary companies involving the interest of the Executive Chairman, any Director, or controlling shareholder.

DIRECTORS' PROFILE

Mr. Lee Lin Poey

Mr. Lee Lin Poey is the Executive Chairman of the Company. He was appointed to the Board in December 1982. Mr. Lee was last re-elected at the Company's AGM in April 2016. Mr. Lee is one of the key founding members of the Company, having joined as its Executive Director since 1982. With more than 30 years of experience in the steel industry, Mr. Lee is responsible for charting and spearheading the corporate directions and strategies, and sustainability of the Group. As Executive Chairman, he is involved in the Group's business development, corporate management and finance, and is responsible for the overall performance of the Group.

Mr. Lee Heng Thiam

Mr. Lee Heng Thiam is the Managing Director of the Company. He is one of the key founding members of the Group. Mr. Lee joined the Company in 1983 as the General Manager, was appointed to the Board in June 1998 as Executive Director and became Managing Director in March 2011. Last re-elected at the Company's AGM in April 2014, Mr. Lee will be retiring at the Company's coming AGM in April 2017 and is seeking re-election. He has over 30 years of experience in steel merchandising, steel fabrication and metal recycling business. He spearheaded the Group's diversification into the steel merchandising business in 1991 and rebar fabrication business in 1994, of which the rebar fabrication business has grown to become the Group's core business.

Mr. Foo Meng Kee

Mr. Foo Meng Kee is an Independent Director of the Company. He was appointed to the Board on 1 January 2002. Mr. Foo was last re-elected at the Company's AGM in April 2016. Mr. Foo holds a Bachelor of Commerce (Honours) Degree from the Nanyang University of Singapore, and Master of Business Administration from the University of Dubuque, USA. He is a member of the Singapore Institute of Directors. Mr. Foo worked in Hitachi Zosen Singapore Ltd from 1976 to 1998, holding the position of Managing Director. Mr. Foo is the principal owner of M.K. Capital Private Limited and M.K. Marine Private Limited. Mr. Foo currently serves on the boards of other listed companies, including Sinarmas Land Limited and Jiutian Chemical Group Limited. Mr. Foo had served on the boards of Courage Marine Group Limited and Titan Petrochemicals Group Limited in the past 3 years.

DIRECTORS' PROFILE
(CONTINUED)

Ms. Lee Kim Lian, Juliana

Ms. Juliana Lee is an Independent Director of the Company. She was appointed to the Board on 11 August 2005 and was last re-elected at the Company's AGM in April 2015. Ms. Lee is the Chairwoman of the Company's Nominating Committee. Ms. Lee holds a Bachelor of Law (Honours) Degree from the National University of Singapore and is a member of the Singapore Institute of Directors. She has more than 20 years of experience in legal practice and is currently a Director of Aptus Law Corporation, heading its corporate practice. Her main areas of practice are corporate law, corporate finance, mergers and acquisitions and venture capital. Ms. Lee currently serves on the boards of Forise International Limited and Nordic Group Limited, and has in the past served on the board of PSL Holdings Limited in the past 3 years.

Mr. Kewee Kho

Mr. Kewee Kho is an Independent Director of the Company. He was appointed to the Board on 7 June 2012. Mr. Kho was last re-elected at the Company's AGM in April 2016. Mr. Kho is the Chairman of the Company's Remuneration Committee. He graduated with a Bachelor of Science in Finance and International Business from Indiana University and is a member of the Singapore Institute of Directors. He has over 20 years of experience in investment banking, private equity and corporate development throughout the Asia-Pacific region including capital market transactions, mergers and acquisitions, principal and strategic investments, financial and corporate strategy, covering a broad spectrum of industries. Mr. Kho currently serves on the board of Courts Asia Limited.

KEY EXECUTIVE OFFICERS' PROFILE

Mr. Lee Hock Seng
Executive Director, Lee Welded Mesh Singapore
Mr. Lee has been with the Group for over 30 years and is a pioneer founder of the Group. He is overall in-charge of inventory management, strategic planning, logistics management and production of reinforcement steel fabricated rebar and welded mesh.

Ms. Lee Siew Khim
Human Resource & Administration Manager
Ms. Lee has been with the Group for over 30 years and is a pioneer founder of the Group. She is responsible for Group administration matters, shipping documentation, and oversees human resource management and sustainability strategies for the Group.

Mr. Goh Teck Sin, Eric
Assistant General Manager – Technical & Sales
Mr. Goh joined the Company in 1999. With over 30 years of experience in the reinforcement steel fabrication industry, Mr. Goh is responsible for the technical and sales aspects of the reinforcement steel fabricated rebar and welded mesh.

Mdm. Jenny Ng Yin Zhen
Assistant General Manager – Marketing
Mdm. Ng joined the Company in 2010. She is responsible for sales and marketing of reinforcement steel fabricated rebar and welded mesh. Mdm. Ng came with over 30 years combined experience in detailing, planning, production, prefabrication, sales, marketing and technical supports in rebar and welded mesh products for the construction industry. She holds a Diploma in Civil Engineering.

Mr. Ng Gim Hua
Assistant General Manager – Marketing
Mr. Ng joined the Company in 2012. He is responsible for sales and marketing of reinforcement steel fabricated rebar and welded mesh. Mr. Ng has vast knowledge and experience after having a long and successful stint in the steel industry. He graduated from the National University of Singapore with Bachelor of Economics and Statistics.

Mr. Lim Kwang Chuan, Henry
Production Manager
Mr. Lim joined the Company in 2012. He is responsible for the reinforcement steel rebar fabrication operation. He has over 30 years of experience working in various multinational corporations with exposure mainly in operation and production. Mr. Lim holds a Bachelor of Business Administration degree from La Trobe University, Australia and is a qualified Industrial Engineer.

SHAREHOLDING STATISTICS
AS AT 16 MARCH 2017

Share Capital information

Issued and paid-up capital	–	$46,472,892
Number of shares	–	474,551,093
Number of treasury shares	–	Nil
Class of shares	–	Ordinary share
Voting rights	–	One vote per share

Distribution of Shareholdings as at 16 March 2017

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1-99	103	4.52	1,582	0.00
100-1,000	89	3.90	81,866	0.02
1,001-10,000	642	28.16	4,366,427	0.92
10,001-1,000,000	1,406	61.67	114,495,400	24.13
1,000,001 and above	40	1.75	355,605,818	74.93
Total	2,280	100.00	474,551,093	100.00

List of 20 Largest Shareholders as at 16 March 2017

No	Name	No of shares	%
1	LEE LIN POEY	83,888,608	17.68
2	LEE HOCK SENG	49,060,453	10.34
3	LEE HENG THIAM	46,597,471	9.82
4	LEE SIEW KHIM	24,592,310	5.18
5	LEE SIEW CHOO	23,914,110	5.04
6	DBS VICKERS SECS (S) PTE LTD	20,579,000	4.34
7	CIMB SEC (S'PORE) PTE LTD	18,271,500	3.85
8	DBS NOMINEES PTE LTD	11,410,800	2.40
9	LIM KIAW BEE	9,982,000	2.10
10	LEE REN DE	7,211,091	1.52
11	HONG LEONG FINANCE NOMINEES PL	5,196,000	1.09
12	LEE GUN SIANG	4,774,955	1.01
13	QUAH WEE LAI	4,000,000	0.84
14	RAFFLES NOMINEES (PTE) LTD	3,505,700	0.74
15	UNITED OVERSEAS BANK NOMINEES	2,792,800	0.59
16	QUAH SIEW ENG EILEEN	2,600,000	0.55
17	TAY HWA LANG	2,550,000	0.54
18	OCBC SECURITIES PRIVATE LTD	2,415,020	0.51
19	CITIBANK NOMS S'PORE PTE LTD	2,158,200	0.45
20	TEO HWEE MIN	2,092,500	0.44
	TOTAL	**327,592,518**	**69.03**

SHAREHOLDING STATISTICS
AS AT 16 MARCH 2017
(CONTINUED)

Substantial shareholders as at 16 March 2017

Name of Shareholders	Direct Interest	%	Deemed Interest	%
LEE LIN POEY	83,888,608	17.68	-	-
LEE HOCK SENG	49,060,453	10.34	-	-
LEE HENG THIAM	46,597,471	9.82	-	-
LEE SIEW KHIM	24,592,310	5.18	-	-
LEE SIEW CHOO	23,914,110	5.04	-	-

Percentage of Shareholdings in Public Hands

Based on information available to the Company as at 16 March 2017 approximately 49.40% of the issued ordinary shares of the Company is held by public, and therefore, Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at No. 7, Tuas Avenue 16, Singapore 638934 on Friday, 21 April 2017 at 10.00 a.m. to transact the following purposes: -

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Directors' Statement and Auditors' Report thereon. **(Resolution 1)**

2. To declare a Final one-tier tax exempt Dividend of 1 cent per ordinary share as recommended by the Directors for the financial year ended 31 December 2016. **(Resolution 2)**

3. To approve the Directors' fee of S$180,000 for the financial year ended 31 December 2016. [See Explanatory Note (i)] **(Resolution 3)**

4. To approve the Directors' fee of S$90,000 for the financial year ending 31 December 2017. [See Explanatory Note (ii)] **(Resolution 4)**

5. To re-elect Mr Lee Heng Thiam, a Director retiring pursuant to Article 104 of the Company's Constitution. **(Resolution 5)**

6. To re-appoint Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

To consider, and if thought fit, to pass the following Ordinary Resolution with or without modifications: -

7. **Authority to issue shares**

"(a) That pursuant to Section 161 of the Companies Act, Chapter 50, and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

(i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

(ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

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

provided always, that subject to any applicable regulations as may be prescribed by the SGX-ST,

(i) the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the Company's total number of issued shares excluding treasury shares, of whichthe aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares excluding treasury shares of the Company, and for the purpose of this resolution, the total number of issued shares excluding treasury shares shall be the Company's total number of issued shares excluding treasury shares at the time this resolution is passed, after adjusting for;

(a) new shares arising from the conversion or exercise of convertible securities, or

(b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and

(c) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier."
[(See Explanatory Note (iii)] **(Resolution 7)**

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

BY ORDER OF THE BOARD

Foo Soon Soo (Ms.)
Secretary
3 April 2017
SINGAPORE

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

Explanatory Notes: -

(i) The Ordinary Resolution 3 is to approve Directors' fee of S$180,000 to the Non-Executive and Independent Directors of the Company for the financial year ended 31 December 2016 which excludes the basic Directors' fee of S$90,000 approved at the last Annual General Meeting of the Company held on 19 April 2016.

(ii) The Ordinary Resolution 4 is to approve the basic Directors' fee of S$90,000 to the three Non-Executive and Independent Directors of the Company for the financial year ending 31 December 2017.

(iii) The Ordinary Resolution in item 7 is to authorise the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued shares excluding treasury shares of the Company of which the total number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 20% of the total number of issued shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. Rule 806(2) of the Listing Manual of Singapore Exchange Securities Trading Limited currently provides that the total number of issued shares excluding treasury shares of the Company for this purpose shall be the total number of issued shares excluding treasury shares at the time of this resolution is passed (after adjusting for new shares arising from the conversion of convertible securities or share options on issue at the time this resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's shares). This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

Notes:

1. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in the form of proxy.

2. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

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

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

4. The instrument appointing a proxy must be deposited at the registered office of the Company at No. 7, Tuas Avenue 16, Singapore 638934 at least 48 hours before the time appointed for the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

5. The sending of a Proxy Form by a member does not preclude him from attending and voting in person at the Annual General Meeting if he so wishes. Any appointment of a proxy or proxies shall be deemed to revoke if a member attends the Annual General Meeting in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the Proxy Form to the Annual General Meeting.

6. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time fixed for holding the Annual General Meeting in order for the Depositor to be entitled to attend and vote at the Annual General Meeting.

7. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his/her vote(s) at the Annual General Meeting in person as proxy of his/her CPF and/or SRS Approved Nominee. CPF and SRS Investors who are unable to attend the Annual General Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Annual General Meeting.

NOTICE OF BOOKS CLOSURE DATE AND DIVIDEND PAYMENT DATE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of the Company will be closed on 28 April 2017 after 5.00 p.m. for the preparation of determining the Members' entitlements to the dividend to be proposed at the Annual General Meeting of the Company to be held on 21 April 2017.

Duly completed registrable transfers in respect of shares of the Company received by the Company's Share Registrar, KCK CorpServe Pte. Ltd., of 333 North Bridge Road KH KEA Building #08-00, Singapore 188721 up to 5.00 p.m. on 28 April 2017 will be registered to determine Members' entitlements to such dividend. Members whose Securities Accounts with The Central Depository (Pte) Limited are credited with shares of the Company as at 5.00 p.m. on 28 April 2017 will be entitled to such proposed dividend.

The proposed dividend, if approved by Members at the Annual General Meeting, will be paid on 22 May 2017.

BY ORDER OF THE BOARD

Foo Soon Soo (Ms.)
Secretary
3 April 2017
SINGAPORE

NOTICE OF ANNUAL GENERAL MEETING
(CONTINUED)

Personal data privacy:

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 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) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

PROXY FORM

LEE METAL GROUP LTD
(Incorporated in the Republic of Singapore)
Registration No. 198205439C

IMPORTANT
1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend the Meeting and vote.
2. For investors who have used their CPF monies to buy LEE METAL GROUP LTD's shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees.
3. 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.

I/We ....

of ....

being *a member/members of **LEE METAL GROUP LTD.** (the "Company"), hereby appoint:

Name	Address	NRIC/ Passport Number	Proportion of Shareholdings Represented by Proxy	
			No. of Shares	%

*and/or

as *my/our *proxy/proxies to vote for *me/us and on *my/our behalf at the Annual General Meeting of the Company to be held at No. 7, Tuas Avenue 16, Singapore 638934 on Friday, 21 April 2017 at 10.00 a.m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated with an "✓" in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolutions	No. of Votes or indicate with a tick	
		For**	Against**
1.	To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2016 and the Directors' Statement and Auditors' Report thereon.		
2.	To declare a Final one-tier tax exempt Dividend of 1 cent per ordinary share as recommended by the Directors for the financial year ended 31 December 2016.		
3.	To approve the Directors' fee of S$180,000 for the financial year ended 31 December 2016.		
4.	To approve the Directors' fee of S$90,000 for the financial year ending 31 December 2017.		
5.	To re-elect Mr. Lee Heng Thiam, a Director retiring pursuant to Article 104 of the Company's Constitution.		
6.	To re-appoint Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	To authorise Directors to issue shares pursuant to Section 161 of the Companies Act, Cap. 50.		

** All resolutions would be put to vote by poll in accordance with listing rule of the Singapore Exchange Securities Trading Limited. Please tick (✓) or indicate the number of votes within the box provided. A tick would represent that you are exercising all your votes "For" or "Against" the relevant resolution.

Dated this .... day of 2017

Total Number of Shares Held

....

Signature(s) of Member(s)/Common Seal

*Delete accordingly

IMPORTANT: PLEASE READ NOTES BEFORE COMPLETING THE PROXY FORM

NOTES

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

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

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

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

4. An investor who buys shares using CPF monies ("CPF Investor") and/or SRS monies ("SRS Investor") (as may be applicable) may attend and cast his/her vote(s) at the AGM in person. CPF and SRS Investors who are unable to attend the AGM but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the AGM.

5. Where a member of the Company appoints more than one proxy in a proxy form, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

6. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the AGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the AGM 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 AGM.

7. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorized in writing. Where the instrument appointing a proxy or proxies is executed by corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.

fold here

Affix
Postage
Stamp

The Company Secretary
LEE METAL GROUP LTD
No. 7 Tuas Avenue 16
Singapore 638934

fold here

8. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with its Constitution of the Company and Section 179 of the Companies Act, Chapter 50 of Singapore.

9. The instrument appointing proxy or proxies, together with power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at No. 7, Tuas Avenue 16, Singapore 638934 not later than 48 hours before the time set for the AGM.

10. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by the Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number of shares is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.

11. 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 members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the AGM as certified by The Central Depository (Pte) Limited to the Company.

12. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 72 hours before the time set for the Annual General Meeting.

13. Personal data privacy: By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM.

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