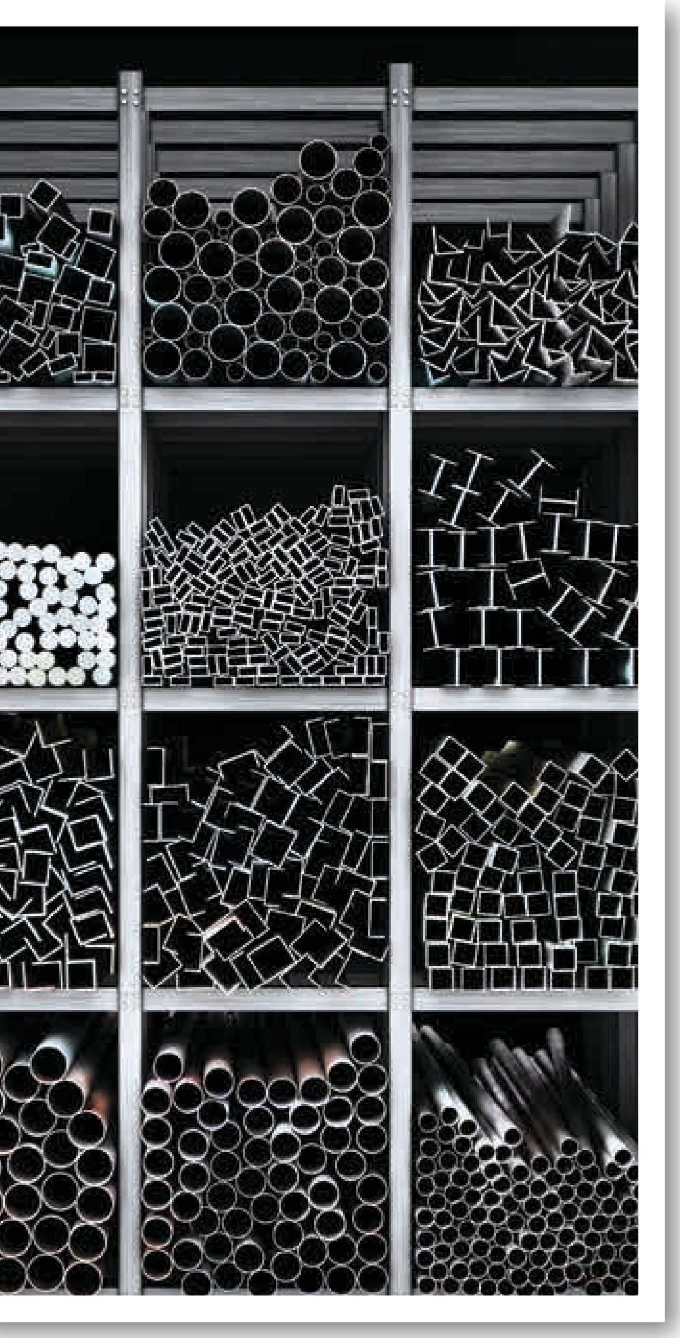
HG METAL

2021
ANNUAL REPORT

CONTENTS

CORPORATE PROFILE



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

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

With more than 760,000 square feet of land area, HG Metal has one of the largest steel warehouse and processing facilities in Singapore and Myanmar, storing more than 3,000 varieties of steel products for a wide range of industries and applications. Armed with an extensive network of suppliers and solid sourcing capabilities, HG Metal offers customised solutions for our regional customer base along the entire supply chain.

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

OUR BUSINESS

ONE-STOP CENTRE OFFERING INTEGRATED AND TAILORED SOLUTIONS

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

HG DISTRIBUTION

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

HG CONSTRUCTION STEEL

To meet the rising demand for construction steel, we offer comprehensive packages that cater to just-in-time production for all forms of construction steel requirements. Our products range from cut-and bend reinforcing bars to deformed bars, and straight rebars, while our services include customised steel finishing services like galvanising, coating, cutting and drilling, as well as rental of plates and beams. Our state-of-the-art facilities in Singapore and Myanmar boast fully automated cut-and-bend production lines, with an annual production capacity of 100,000 tonnes and 50,000 tonnes respectively.

OUR BUSINESS

HG COUPLER AND THREAD

With decades of experiences in the steel and construction businesses, we are here together with China Academy of Building Research (CABR) to supply top quality rebars mechanical splice and anchor system to the reinforced concrete construction industry in the South East Asia Region.

INTERNATIONAL NETWORK OF SUPPLIERS AND CLIENTS

Over the years, we have established a strong global network of suppliers and clients. Our extensive network of suppliers includes China, Japan, Korea, Turkey and other Eastern European countries. We also have a large and diversified customer base of more than 1,500 clients with our key markets being Singapore, Myanmar, and Indonesia.

LARGE-SCALE COMPREHENSIVE FACILITIES

We have approximately 760,000 sq ft of warehousing and processing facilities located at Jalan Buroh and Myanmar. The facilities have a combined steel storage capacity of 100,000 tonnes and a combine yearly handling capacity (in and out) of 200,000 tonnes.

ENSURING QUALITY, ENHANCING VALUE

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

ADVANCING IN THE MARKET

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

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

MESSAGE TO SHAREHOLDERS

DEAR SHAREHOLDERS,

On behalf of the Board, I am pleased to present the Annual Report of HG Metal Manufacturing Limited (the "**Company**" and together with its subsidiaries, the "**Group**") for the financial year ended 31 December 2021 ("**FY2021**").

FY2021 BUSINESS REVIEW

According to the Ministry of Trade and Industry[(1)], Singapore's economy grew 6.1% in the fourth quarter of 2021, bringing the full-year growth to 7.6%. This 2021 GDP figure marks a rebound from 2020's record 4.1% contraction, which had been Singapore's worst recession since independence[(2)(3)].

Singapore's construction industry was heavily impacted by the COVID-9 pandemic, contracting 38.4% in 2020 as public health considerations necessitated strict border controls which restricted the inflow of migrant workers to the construction sector, resulting in labour shortages, increased labour costs and projects delays.

The construction sector had seen steady recovery and grew by 20.1% year-on-year in 2021, driven by Singapore adopting the endemic approach and allowing foreign workers to enter the country, and rising construction demand from both the public and private sector.

In FY2021, the COVID-19 pandemic continued to pose challenges to our business operations. Ongoing safe management measures and restrictions on border movement impacted manpower supply, disrupted international shipping and intensified material price fluctuation, resulting in an increase of our operational costs.

To ease our manpower crunch issue, we worked at retaining staff to reduce our staff turnover, while we outsourced some business functions to sub-contractors at competitive rates. Meanwhile, as disruption of international shipment led to a longer delivery time, the Group formed a centralised supply chain management team to focus on ensuring timely delivery of goods to our customers. The team developed strategic plans that spanned the whole logistics process from sourcing of raw materials to production and distribution of goods, so as to reduce cost and alleviate supply shortage.

In view of the uncertain economic situation, we closely monitored our currency exchange risk exposure, while implementing stringent credit risk control through tightening credit extension to customers and calibrating shorter payment terms for ongoing supplies. The Group made efforts to ensure better utilisation of internal resources, as we reduce reliance on outsourced logistic services.

Besides this, the military coup in Myanmar had also caused unforeseen business disruption and increased our risk exposure. This was further aggravated by the COVID-19 pandemic, which led to lockdowns that further dampened economic activities in Myanmar. Noting the oncoming headwinds, the Group directed its efforts to gain growth opportunities locally, riding on the wave of construction recovery in Singapore as it rebounded from the pandemic low. We worked towards strengthening our foothold in the market through a multi-pronged growth strategy. We continued to focus on bridging the gap between upstream steel producers and end-users, adding value by providing end-to-end customised solutions for the reinforcement and construction industries to our customers. We streamlined our business model by moving towards direct sales to end-users, strengthening our customer relationships and engaging end-users of steel directly, especially customers that require large customised orders for specific projects.

Notwithstanding these challenging environment and business disruptions, I am pleased to inform shareholders that the Group has remained resilient and managed to deliver a credible set of results with our strong fundamentals.

Meanwhile, in line with the global move towards sustainability development, we partnered LYS Energy Group to build and operate a rooftop grid-tiered solar photovoltaic (PV) system at our premises as part of our efforts to reduce carbon footprint and reap cost-savings benefits. The solar system has been operational since Q3 FY2021.

(1) https://www.singstat.gov.sg/-/media/files/news/gdp4q2021.pdf
(2) https://www.businesstimes.com.sg/government-economy/mti-maintainssingapores-gdp-growth-forecast-at-4-to-6-for-2021
(3) https://www.businesstimes.com.sg/government-economy/singapore-2021-gdpgrew-76-faster-than-advance-estimates-mti-keeping-2022

MESSAGE TO SHAREHOLDERS

FY2021 FINANCIAL PERFORMANCE

The Group's HG Construction Steel business segment reported 53% increase in sales volume in FY2021 against FY2020 upon resumption of project sales deliveries that were affected by the COVID-19 pandemic in FY2020. Concurrently, our HG Distribution segment also achieved better performance due to significant improvement in gross profit margin.

The Group reported a 55% gain in revenue in FY2021. Total revenue was S$142.3 million in FY2021 as compared to S$91.7 million in FY2020. This was in tandem with significant surge in international steel prices and recovery of construction activities in Singapore during the year, which bolstered the Group's business activities.

The Group's gross profit margin for the year rose to 20.5% as against 12.1% in FY2020 due to increase in sales volume, lower average cost of material on hand and higher revenue, in tandem with significant increase in average selling prices. This has contributed to substantial improvement in the Group's gross profit to S$29.2 million in FY2021 as compared to S$11.1 million in FY2020.

In FY2021, we continued to implement cost control measures on our distribution, and operating expenses. Most of these expenses were kept consistent with the previous year, except for administrative expenses which rose 29% due to an increase in staff compensation and headcounts for growing local sales. Higher staff expenses were partially offset by savings in selling and distribution expenses through optimization of our internal resources.

Due to reasons aforementioned, the Group posted a net profit after tax of S$11.2 million in FY2021, which is a significant improvement compared to the net profit of S$1.3 million recorded in FY2020.

There was an increase in working capital requirements during the year because of higher steel prices. Despite this, the Group continued to strengthen its working capital management and maintain a healthy cash flow position with adequate liquidity. The Group's cash and cash equivalent surged from S$19.5 million as at 31 December 2020 to S$27.9 million as at 31 December 2021 mainly due to positive operating activities cash flow. Meanwhile, the net cash flow from financing activities, mainly from bank borrowings was substantially offset by cash flow used in investing activities related mainly to purchase of property, plant and equipment.

As of 31 December 2021 the Group's shareholders' funds was S$110.7 million and net asset value per share was valued at 88 Singapore cents. The Group continues

MESSAGE TO SHAREHOLDERS

to maintain a strong balance sheet, which will enable us to pursue expansion plans and undertake new projects as and when the opportunities arise.

PROPOSED DIVIDEND

In appreciation of our shareholders for their trust and unwavering support, the Board of Director is proposing a final one-tier dividend of S$0.04 per ordinary share for FY2021, subject to shareholders' approval at our upcoming Annual General Meeting.

BUSINESS OUTLOOK

According to the Building and Construction Authority of Singapore[(4)], total construction contracts that will be awarded in 2022 is projected to be around the pre-COVID-19 level at between S$27.0 billion and S$32.0 billion. This augurs that construction demand is expected to grow in 2022 with the public sector expected to account for about 60% of the total demand, while private sector demand is estimated to stand between S$11.0 billion and S$13.0 billion. Additionally, backlog of works affected by the pandemic since 2020 will also boost the anticipated growth in 2022.

As we enter the third year of the COVID-19 crisis, economic developments have been both encouraging and troubling, clouded by many risks and considerable uncertainties. The global outlook is clouded by various downside risks, including renewed COVID-19 outbreaks due to Omicron or new virus variants, diminished fiscal support, and lingering supply bottlenecks. The situation would be further aggravated by global rising inflation and higher energy prices that is now further impacted by the recent Russia's special military operation in Ukraine that spread chaos throughout energy markets.

Additionally, the Group foresees that rising steel prices and supply chain disruptions, together with manpower shortage will elevate average inventory holding cost in the near future which will necessitate the Group to plan its stock replenishment cautiously and on a timely manner.

Despite the impending challenges, the Group endeavours to continue expanding its operational capacity and scale up marketing efforts to seize any opportunities that may arise in the light of positive outlook for the local construction demand in 2022. In line with our prudent management approach, we will focus on optimising our resource allocation and working capital to bring cost-savings benefits to our business operations.

The Group will continue to focus its strategies and priorities on further strengthening its market positioning. The Group believes that being dynamic and ever-adapting are necessary in these volatile times. As such, the Group will continue to exercise caution for any changes or development in both the domestic and international markets to manage its risk exposure and to overcome any hurdles it may face while simultaneously working towards increasing value creation to its stakeholders.

ACKNOWLEDGEMENT AND APPRECIATION

I would like to thank our management and staff for their hard work and perseverance during the year. We are grateful to our customers, business associates, suppliers and shareholders for their continued invaluable support, confidence and trust on the Company. Together, we look forward to scale new heights and achieve greater success for our shareholders and stakeholders.

Finally, I would like to thank my fellow Board members, for their stewardship and contributions to the Group. On behalf of the Board, we take this opportunity to thank Mr Teo Yi-Dar for his past services as Director and Independent Non-Executive Chairman of the Company.

(4) https://www1.bca.gov.sg/about-us/news-and-publications/media-releases/2022/01/26/sustained-construction-demand-in-2022-supported-by-public-sector-projects

OPERATING & FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

Uncertainty continued to ensue in FY2021 with the emergence of the COVID-19 Omicron variant that seems to be more transmissible but has less severe infection. There was significant surge in international steel prices alongside the revival of construction activities in Singapore during the year.

Global economy remains weak and volatile in the wake of global rising inflation that is compounded by ongoing supply chain disruptions and high energy prices. We have scaled down our Myanmar business operations in view of the development of the local political crisis and COVID-19 pandemic. We will continue to monitor the global situation closely and will take corrective action, where necessary.

REVENUE AND GROSS PROFIT

The Group recorded a 55% growth in revenue to S$142.3 million during the year as compared to S$91.7 million in FY2020 as a result of the significant surge in international steel prices, and recovery of construction activities in Singapore which boosted the Group's business activities. However, sales volume only increased by 14.5% year-on-year, due to a slowdown in construction activities during 2H2021 delaying the progress of construction projects, as a result of an increase in local COVID-19 cases.

Nevertheless, the Group's gross profit margin increased from 12.1% in FY2020 to 20.5% in FY2021 following the hike in sales revenue against lower average cost of material on hand in relation to a significant increase in average selling prices against the backdrop of a surge in steel prices. As a result, the Group turned in gross profit of S$29.2 million as compared to S$11.1 million in the previous year.

OTHER OPERATING INCOME

Other operating income slid from S$4.6 million in FY2020 to S$3.5 million in the reporting year as attributed to the reduction in government grant income of S$0.7 million, as well as warehousing and rental income of S$0.2 million and absence of foreign currency exchange gain of S$0.6 million. This was partially offset by a one-time gain of S$0.4 million from the disposal of property, plant and equipment.

EXPENSES

During the year, total selling and distribution cost declined by 30% due to optimisation of internal resources, lowering outsourced logistics costs. Administrative expenses rose by 29% to S$11.2 million in FY2021 as a result of the increase in salary cost and staff headcount that were made to support the growth in local sales volume. There was, however, no significant change in other operating expenses as compared to the previous year.

Total financing cost for the year was kept consistent despite of an increase in bank borrowings due to lower borrowing cost, shorter trade borrowing duration and repayment made for bank loans and lease liabilities.

PROFITABILITY

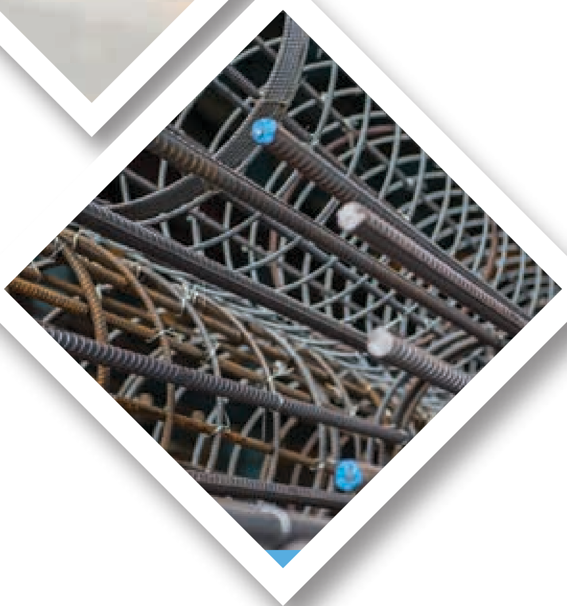
The Group reported an S$11.1 million increase in profit before tax to S$12.4 million in FY2021, which was mainly contributed by an improvement in revenue and gross profit margin. As such, full year taxation expense was higher at S$1.3 million.

Accordingly, the Group achieved net profit after tax of S$11.2 million for the year in review against a net profit after tax of S$1.3 million in the year before.

BALANCE SHEET

As at 31 December 2021, the Group's non-current assets increased to S$51.3 million against S$49.1 million as at 31 December 2020, mainly led by an increase in investment securities.

OPERATING & FINANCIAL REVIEW



Total current assets as at 31 December 2021 rose to S$120.7 million from S$98.0 million in the year before mainly attributed to a surge in inventories value, higher cash and cash equivalents and deposits pledged with banks. This was partially offset by reduction in investment securities due to maturity of certain investment securities.

The Group's inventory on hand increased to S$45.8 million from S$28.1 million as at 31 December 2020, led by stock replenishment to support future sales activities and a significant increase in steel prices.

Trade and other receivables stood at S$37.5 million during the year as compared to S$37.7 million as at 31 December 2020.

Meanwhile, total liabilities grew to S$57.8 million as at 31 December 2021 against S$43.2 million as at 31 December 2020 due to increase in trade and other payables, bank borrowings and increase in provision for property reinstatement cost.

Trade and other payables rose to S$21.5 million as at 31 December 2021 from S$13.2 million as at 31 December 2020 while bank borrowings grew to S$24.9 million as at 31 December 2021 from S$19.8 million as at 31 December 2020 due to higher cost of stock purchases.

CASH POSITION

Net cash flow of S$7.8 million generated from operating activities was mainly contributed by the profit from operating cash flow. This was offset by higher net working capital incurred to support the revenue growth.

Net cash flow used in investing activities for FY2021 was S$2.4 million against S$12.9 million in FY2020. This was attributed to the pledging of fixed deposit of S$1.3 million with banks, purchase property, plant and equipment, ROU assets, intangible assets of S$2.6 million and investment securities of S$5.8 million. This was partly negated by the sales proceeds obtained from disposal of property, plant and equipment of S$0.8 million and proceeds from maturity of investment securities of S$6.5 million.

Net cash flow generated from financing activities for the reporting year was S$2.9 million as a result of net proceeds of S$4.9 million from bank borrowings, offset by lease repayment of S$1.0 million, share buy-back of S$0.4 million and dividend payment of S$0.6 million.

As at 31 December 2021, cash and cash equivalents stood at S$27.9 million as compared to S$19.5 million as at 31 December 2020, due to a S$8.2 million surplus in net cash generated.

FY2021 FINANCIAL HIGHLIGHTS

REVENUE
S$142.27
million

LIQUIDITY RATIO
2.25x

NET PROFIT
S$11.17
million

BANK BALANCES AND FIXED DEPOSIT
S$35.91
million

EARNING PER SHARE
9.48
cents

DEBT-TO-EQUITY
0.28x

NET ASSET VALUE PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS
S$0.88

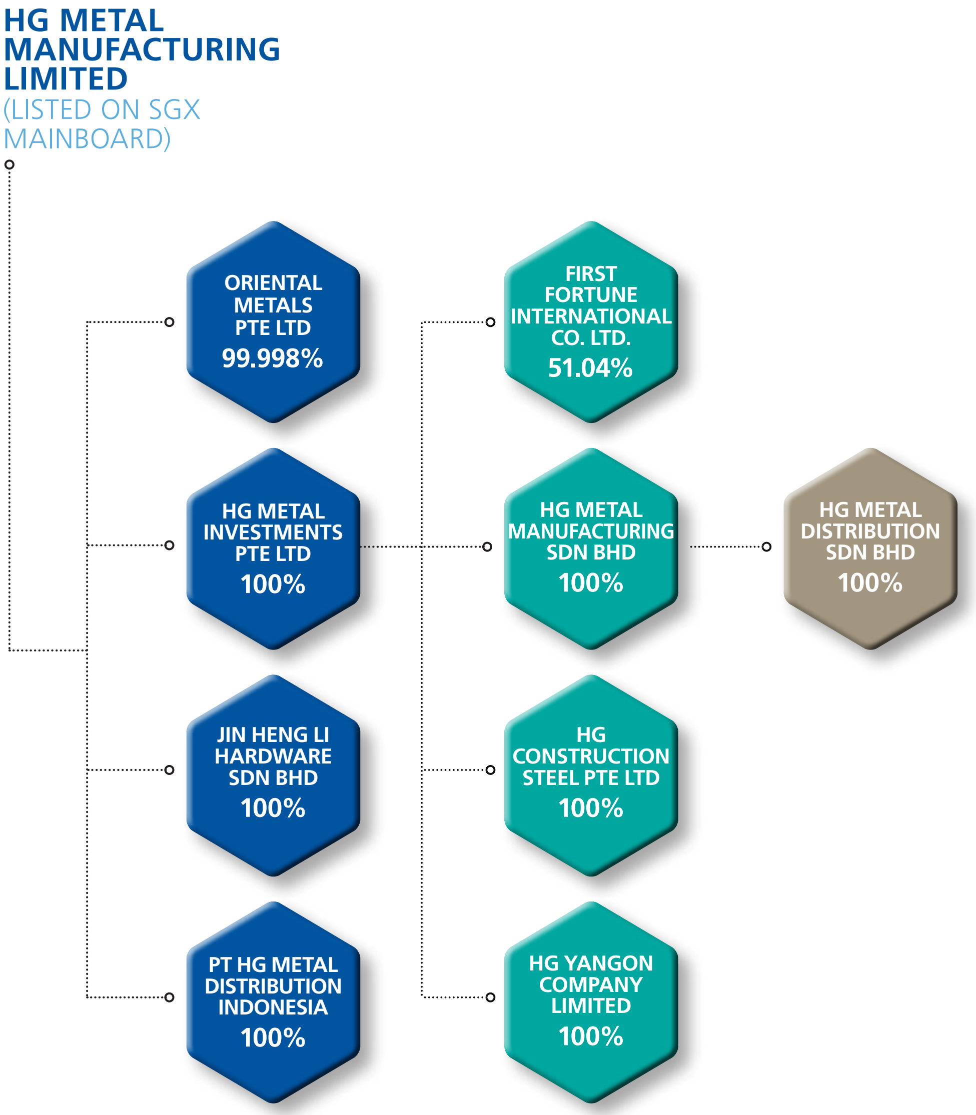
NET ASSET VALUE
S$114.09
million

FIVE-YEAR FINANCIAL SUMMARY

FOR THE YEAR (S$'m)	**FY2021**	FY2020	FY2019	FY2018	FY2017
Revenue	**142.27**	91.69	137.12	173.92	162.62
Gross profit	**29.15**	11.14	13.32	9.87	9.73
Profit/(loss) before tax	**12.43**	1.38	0.80	(3.91)	(11.95)
Net profit/(loss) after tax	**11.17**	1.34	0.76	(3.94)	(11.96)
Profit/(loss) attributable to owners of the Company ("PATOC")	**12.07**	1.03	0.76	(3.95)	(11.93)
Operating cash flow	**7.78**	13.88	(4.34)	(13.79)	(13.59)
Cash flow from investing	**(2.41)**	(12.89)	(3.54)	(4.37)	27.90
Free cash flow	**5.37**	0.99	(7.88)	(18.16)	14.31
AT YEAR END (S$'m)					
Total assets	**171.93**	147.07	172.82	144.49	122.84
Total liabilities	**57.85**	43.22	70.15	41.59	18.63
Shareholders' funds	**110.75**	99.70	98.74	100.24	104.21
Bank balances and fixed deposits	**35.91**	26.24	26.20	25.72	48.35
Total borrowings(1)	**32.21**	27.90	32.10	3.42	–
Gearing ratio(2)	**n.m***	0.02	0.05	n.m*	n.m*
PER SHARE DATA (Singapore Cents)					
Basic earnings per share	**9.48**	0.81	0.59	(3.10)	(9.36)
SHAREHOLDER'S RETURN					
ROE (%) (PATOC/average shareholders' funds)	**11.47%**	1.04%	0.76%	(3.85%)	(10.21%)
ROA (%) (net profit/total assets)	**6.50%**	0.91%	0.44%	(2.72%)	(9.74%)
Gross dividend (S$)	**0.04**	0.005	–	–	–
Share price at end of year (S$)	**0.355**	0.184	0.215	0.265	0.395

(1) Total borrowings: bank borrowings (loan, bills payable) & lease liabilities
(2) Gearing ratio: net debt(3)/total capital(4)
(3) Net debt: total borrowings – (cash and cash equivalents + fixed deposits pledged with banks + restricted deposits)
(4) Total capital: total equity + net debt
** n.m denotes not meaningful*

CORPORATE STRUCTURE



BOARD OF DIRECTORS

KESAVAN NAIR
INDEPENDENT NON-EXECUTIVE CHAIRMAN

Mr Kesavan Nair was first appointed to the Board as Independent Director on 17 April 2014. He was re-designated as Independent Non-Executive Chairman to the Board on 15 January 2022. He is the Chairman of the Nominating Committee and Remuneration Committee, and is a member the Audit & Risk Committee. Mr Nair is a practicing Advocate and Solicitor with Bayfront Law LLC in the areas of civil and criminal litigation and corporate law.

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

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

Further Information
Date of first appointment as a Director: 17 April 2014
Date of last re-election as a Director: 26 April 2021

Present Directorships (on 31 December 2021):
Listed companies: Medi Lifestyle Limited (formerly IEV Holdings Limited) • Arion Entertainment Singapore Limited (formerly Elektromotive Group Limited) • OxPay Financial Limited (formerly Artivision Technologies Ltd)

Others:
Bayfront Law LLC

Past Directorships held over the preceding three years
(from 1 January 2019 to 31 December 2021): Kitchen Culture Holdings Limited • Genvest Pte Ltd

FOO SEY LIANG
EXECUTIVE DIRECTOR

Mr Foo Sey Liang was first appointed to the Board as Executive Director on 10 April 2014 and a member of Nominating Committee and Remuneration Committee on 15 January 2022. Mr Foo is also the significant investor of the Group. Mr Foo is responsible for developing and monitoring strategies to ensure the long-term financial viability of the Group. Mr Foo has over 20 years of experience in the construction business.

Further Information
Date of first appointment as a Director: 10 April 2014
Date of last re-election as a Director: 26 April 2021

Present Directorships (on 31 December 2021):
Listed companies: Nil

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

Past Directorships held over the preceding three years
(from 1 January 2019 to 31 December 2021): Nil

BOARD OF DIRECTORS

NG WENG SUI HARRY
INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Ng Weng Sui Harry was appointed as an Independent Director on 10 April 2014. He is currently the executive director of HLM (International) Corporate Services Pte Ltd, a company that provides business consultancy, corporate advisory, accounting and tax services. Prior to this position, he was the chief financial officer with a number of companies listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

He has more than thirty years of experience in finance, accounting and audit. He sits on the boards of a few listed companies in SGX-ST as the independent director or non-executive director.

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

Further Information
Date of first appointment as a Director: 10 April 2014
Date of last re-election as a Director: 26 June 2020

Present Directorships (on 31 December 2021):
Listed companies:
Medi Lifestyle Limited (formerly IEV Holdings Limited) • Oxley Holding Limited • Q&M Dental Group (Singapore) Limited • OxPay Financial Limited (formerly Artivision Technologies Ltd)

Others:
HLM (International) Corporate Services Pte Ltd (Executive Director) • Singapore Dental Council (member of Audit Committee) • NCC Research Fund (member of Audit Committee) • NCCS Cancer Fund (member of Audit Committee)

Past Directorships held over the preceding three years
(from 1 January 2019 to 31 December 2021): Healthpro Pte. Ltd. • IEV Energy Investment Pte. Limited • IEV Technologies Pte Ltd

NG KATE JAIN
INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms Ng Kate Jain was appointed to the Board as Independent Non-Executive Director on 31 December 2021. Ms. Ng has over eighteen years of experience in strategic investment and private equity management and has been with UOB Venture Management (UOBVM) since 2005. She is responsible for investment into private companies in the ASEAN and China region, monitoring of portfolio companies and divestment activities. Prior to this position, Ms. Ng was Planning & Investment manager at PSB Corporation responsible for strategic investments in education sector and also investment in small and medium enterprises in Asia. She holds a Bachelor of Arts and Social Sciences degree from National University of Singapore and has completed the CFA program in 2001.

Further Information
Date of first appointment as a Director: 31 December 2021

Present Directorships (on 31 December 2021):
Listed companies: Nil

Past Directorships held over the preceding three years
(from 1 January 2019 to 31 December 2021): Nil

KEY MANAGEMENT PERSONNEL

SHIN TAEYANG
CHIEF EXECUTIVE OFFICER

Mr Shin joined the Group in August 2016 as Managing Director of HG Construction Steel Pte Ltd and was appointed as Chief Operating Officer of the Group on 1 May 2018. Mr Shin was re-designated as Chief Executive Officer of the Group with effect from 1 January 2019. He is responsible for the overall management and operations of the Group as well as building and implementing business strategies for the Group.

Mr Shin has more than 13 years of experience in managing company, marketing strategy planning and business development. Prior to joining the Group, he was the Singapore branch representative of a top 3 steel mill and trading company in Korea. Mr Shin brings with him his vast knowledge gained in the steel industry which includes, managing Cut, Bend & Prefabrication production, procurement strategy development, rebar sales forecasting and planning, developing after sales services process and many more.

Mr Shin holds a Bachelor's Degree in Biology & Journalism from Korea University.

SHARON TAY
CHIEF FINANCIAL OFFICER

Ms Tay joined the Group in October 2013. She served as Financial Controller of the Group prior to her appointment as Chief Financial Officer of the Group with effect from 1 January 2021. She is in charge of overseeing Group Finance & Corporate Unit managing all financial, taxation and corporate matters within the Group.

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

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

KEY MANAGEMENT PERSONNEL

ROYSTON JOHNS
HEAD OF BUSINESS
(HG METAL MANUFACTURING LIMITED)

Mr Royston Johns joined the Group in May 2016 as General Manager (Sales) overseeing the sales and marketing department and was appointed as Head of Business (HG Metal Manufacturing Limited) with effect from 1 January 2021. He is responsible for the business and operational planning for the Company.

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

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

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

DAN ANG
HEAD OF BUSINESS
(ORIENTAL METALS PTE LTD)

Mr Ang joined the Group in January 2015 as a Business Development Manager. He was appointed as Acting Head of Sales in January 2016 overseeing the sales and marketing department. He was re-designated as Head of Business (Oriental Metals Pte Ltd) with effect from 1 January 2021. He is responsible for Oriental Metals Business Unit including its business and operational planning. He will also be overseeing logistic management as well as implementing and maintaining health and safety matters within the Group.

Mr Ang started off his career as an Engineer in Singapore Technologies Kinetics Ltd. Prior to joining the Group, he ran his own tools cutting business for the past 17 years. Mr Ang brings with him a wealth of experience in various industry sectors such as aerospace, oil & gas, tools & die maker, mould making and precision industries and steel industries.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Kesavan Nair
Independent Non-Executive Chairman

Foo Sey Liang
Executive Director

Ng Weng Sui Harry
Independent Non-Executive Director

Ng Kate Jain
Independent Non-Executive Director

AUDIT & RISK COMMITTEE
Ng Weng Sui Harry *(Chairman)*
Kesavan Nair
Ng Kate Jain

NOMINATING COMMITTEE
Kesavan Nair *(Chairman)*
Foo Sey Liang
Ng Weng Sui Harry
Ng Kate Jain

REMUNERATION COMMITTEE
Kesavan Nair *(Chairman)*
Foo Sey Liang
Ng Weng Sui Harry
Ng Kate Jain

COMPANY SECRETARIES
Wee Woon Hong
Sim Yok Teng

REGISTERED OFFICE
28 Jalan Buroh
Singapore 619484
Tel: (65) 6268 2828
Fax: (65) 6268 3838
Web: www.hgmetal.com

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

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

Partner-in-charge:
Eleanor Lee Kim Lin
(With effect from financial year
ended 31 December 2021)

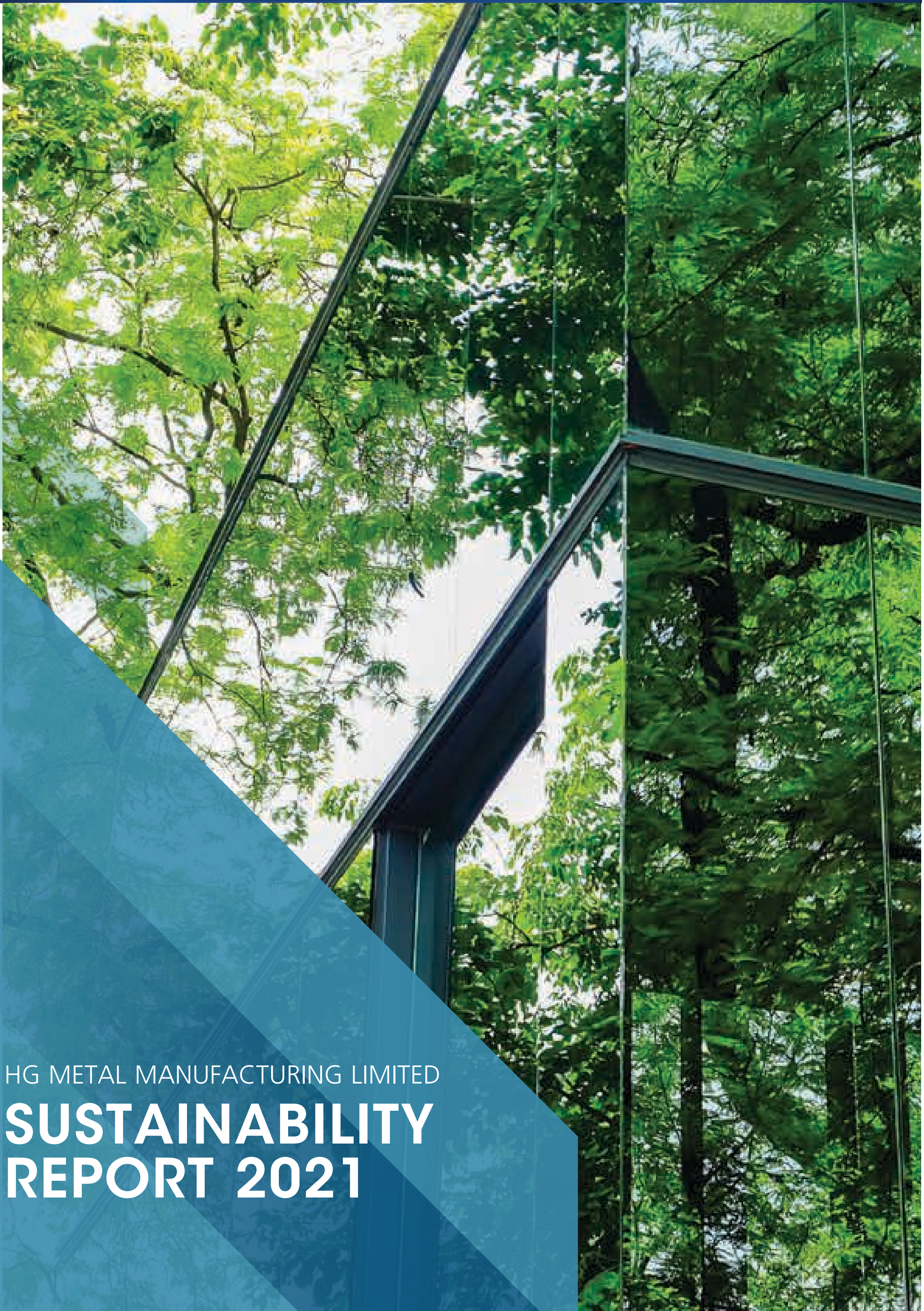
INTERNAL AUDITORS
Deloitte & Touche
Enterprise Risk Services Pte Ltd

PRINCIPAL BANKERS
United Overseas Bank Limited

The Hongkong and Shanghai
Banking Corporation Limited

HL Bank

Oversea-Chinese Banking
Corporation Limited



HG METAL MANUFACTURING LIMITED

SUSTAINABILITY REPORT 2021

SUSTAINABILITY REPORT

ABOUT THIS REPORT

This is HG Metal's 5th sustainability report, dedicated to providing information on the Company's sustainability performance for the reporting year from 1 January 2021 to 31 December 2021 ("**FY2021**"). It replaces the HG Metal Sustainability Report 2020 as its latest annual sustainability publication. The sustainability report covers operations of HG Metal solely owned and managed by the headquarters based in Singapore, including HG Metal Manufacturing Limited ("**HG Metal**" or "**HGMML**"), HG Construction Steel Pte Ltd ("**HGCS**") and Oriental Metals Pte Ltd ("**OM**"). The report includes operations of the corporate office, steel warehouse and processing facilities in Singapore, unless otherwise stated. There was no significant change to the Company's size, structure, ownership or supply chain during the reporting period.

Reporting Standards and Principles

The sustainability report is prepared in accordance with the sustainability reporting requirements of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Rule 711A. The report is further developed referencing the primary components stated in SGX-ST Listing Rule 711B on the "comply or explain" basis.

The report has been prepared in accordance with the sustainability reporting framework provided by the Global Reporting Initiatives ("**GRI**") in the GRI Standards (Core option). The GRI framework was chosen for this reporting as it is the most widely used and recognised standards for reporting globally, providing higher comparability of the Company's disclosures with its peers. The disclosures made in this report are in line with GRI's Reporting Principles for defining report quality, namely accuracy, balance, clarity, comparability, reliability, and timeliness.

Feedback

We welcome your feedback on HG Metal's sustainability initiative. For queries and suggestions, please contact:

Email: corporate@hgmetal.com
Tel: +65 6268 2828

SUSTAINABILITY REPORT

MESSAGE FROM THE BOARD

Driven by changes in a multitude of macroeconomic forces such as transition of low-carbon economy, spurring of green finance, and corporate commitments in zero emissions, the world is undergoing a massive transformation. The industry is expected to play a significant role in addressing and mitigating future challenges. Asia, in particular, is undergoing a radical change as countries in the region have committed to transforming into sustainable economies towards a more sustainable path of development. Likewise, Singapore has pledged its commitments to the United Nation's 2030 Sustainable Development Agenda and Paris Agreement on climate change, making its foray to be a green growth hub in the region. In a bid to stay aligned with the government's policy, we partnered with LYS Energy Group in building and operating a rooftop grid-tied solar photovoltaic (PV) system at the Company's premises. This reduces the carbon footprint greatly and allows us to enjoy cost savings for the existing operating business.

Sustainability plays an imperative role in the Company's overall strategic plan to stay relevant and competitive in the business. Guided by corporate culture, creating shared values for stakeholders remains the bedrock of HG Metal's business strategy. Sustainability continues to be one of the Company's operational focuses while integrating sustainability into governance framework remains the focal point. We endeavour to manage Environmental, Social and Governance ("**ESG**") risks on all fronts to frame our business direction for future challenges, including quality management, corporate governance, environmental effects, and economic performance.

Our sustainability approach focuses on adding values to the Marketplace, Workplace, Environment and Community, with governance mechanisms to operationalize sustainability strategies concerning these aspects and ensuring overall accountability. In FY2021, the Company has taken the next step in its sustainability journey by revising and setting key performance indicators to track our sustainability progress.

Moving forward, we plan to set up a Sustainability Governance Structure to assist the Board in execution, with assistance from senior management of different departments. This committee will be tasked to refine the existing sustainability-related policies, performance, and targets. With the aim of enhancing sustainability execution across the Company, we also consider linking executive compensation plans to performance scorecard which includes sustainability targets.

Sustainability is a continuous journey. We remain confident that our present effort and approach will bring us and our stakeholders a more resilient future. I wish to thank our dedicated team of employees, shareholders and stakeholders for working with us as we integrate sustainability into our business identity.

Sincerely

BOARD OF DIRECTORS
HG Metal Manufacturing Limited

SUSTAINABILITY REPORT

TOWARDS SUSTAINABLE BUSINESS

Sustainability Governance

HG Metal's Board has the fundamental responsibility to oversee and be accountable for sustainability related matters. In FY2021, the Board discussed and validated sustainability topics relevant to the Company.

To strengthen the sustainability governance, the Board appointed Chief Executive Officer ("**CEO**") to lead HG Metal's sustainability governance. The CEO is endorsed by HG Metal management team (the "**Management**") and is responsible for implementing sustainability strategy, managing, and monitoring overall sustainability performance. The CEO reports directly to the Board.

The Management leads all departments and operational units in HG Metal, drives the sustainability programmes, identifies sustainability issues, and supports ESG disclosures. All staff members have a part to play in supporting company-wide initiatives to achieve the Company's sustainability goals, assisting in ongoing monitoring of key sustainability areas and in promoting good practices in natural resource use and conservation.

Corporate Core Values

HG Metal upholds the corporate philosophy and vision which are underpinned by five core values that were formulated by the HG Group. HG Metal strives to create the best values for its customers by reinforcing business integrity, sharing commitment to inspire others, connecting with customers with every delivery, meeting all of its commitments and recognizing its own strengths and strengths of others.

Sustainability Risk and Opportunity Management

HG Metal strongly believes that effective risk management and risk mitigation are vital in realizing strategic business objectives. HG Metal fosters a risk management standard that guides the risk mitigation by outlining various risks and opportunities in its operations. The Company's future plan is to extend the existing scope of the risk management framework to cover broader sustainability-related aspects.

Through the Audit and Risk Committee ("**ARC**"), the Board oversees the internal control and risk management system. The Management regularly reviews internal control policies and procedures to mitigate risks to HG Metal. Adding to the findings of materiality assessment conducted in the reporting year, the Management has proactively identified global trends material to its business, key impacts, risks and opportunities.

SUSTAINABILITY REPORT

Table 1. Global trends and its key impacts, risks and opportunities

AREA WITH KEY IMPACTS	POTENTIAL RISKS/ CHALLENGES	HG METAL'S RESPONSE AND OPPORTUNITIES
Employment/ employee hires	**Talent shortage:** Lacking skills workers can be a crucial factor for delaying projects	**Response:** The Company implements sound labour policies and receives commitment from the subcontractors to ensure sufficient labour supply for the current and future projects. **Moving Forward:** The Company maintains good supply chain collaboration for resources sharing, together with improvement in product quality and service. **Opportunities:** • Reduce operational resources • Improve product and service quality
Global supply chain disruption/ high demand on steel supply and geopolitical issues/ lagging steel production and rising demand during Covid-19	**Material price volatility:** Sharp increase in price of necessities can inflate the business-related expenses of the Company **Shortage of supply on raw material:** Given that planning and mobilizing material is an important aspect of completing project on time, shortage of supply can adversely impact projects delivery	**Response:** The Company constantly reviews its business strategy to stay ahead of the challenging conditions and has so far, managed to stay profitable against such odds. **Moving Forward:** The Company reviews business strategy proactively and stays responsive to the fluctuation of the market price. **Opportunities:** • Maintain constant product supply • Deliver projects on time
Climate resilience	**Low-carbon transition:** Climate change is one of the mega trends faced by all companies, with the changing regulatory landscape that aims to help companies manage the risks brought by the transition towards a lower-carbon economy	**Response:** The Board and Management recognize their role in addressing climate change issues, even though the Company's stakeholders did not identify this topic as critical. The Company's efforts to tackle climate issues include: adoption of efficient energy management, switching from conventional energy sources to renewable energy sources, and active monitoring of changes in environmental regulations for adaptation and compliance purposes. **Moving Forward:** The Company aims to grow gross installed renewable energy capacity to replace the existing conventional energy sources. The Company investigates the financial implications of climate risks. **Opportunities:** • Increase energy efficiency • Build trust and brand values • Aim for Sustainable Building Scheme such as USGC's LEED and BCA's Green Mark
Business ethics /Regulatory Risk Management	Regulatory compliance protects the Company from harmful consequences as well as prevents violation of the laws and unethical behaviors in its employees. HG Metal has a relatively large supply chain that makes compliance management more challenging due to growing complexity around regulatory compliance across ASEAN countries.	**Response:** The Company actively monitors regulation changes for compliance and adaptation purposes. **Moving Forward:** The Company actively looks for ways to leverage technology and digitalization in moving its compliance operations forward. **Opportunities:** • Reduce compliance risk • Increase overall efficiency

SUSTAINABILITY REPORT

STAKEHOLDER INCLUSIVENESS

Stakeholder Engagement

HG Metal defines its stakeholder as individuals or groups that Company's business has a significant impact on, and those who can influence the Company's ability to pursue its business objectives.

Stakeholder engagement sets a basis to determine HG Metal's focus area. Table 2 shows the HG Metal's response to specific stakeholders concerns. HG Metal involves internal and external stakeholders in deciding relevant sustainability aspects, considering needs and concerns from all parties and is always responsive to stakeholders' feedback.

Table 2. HG Metal's stakeholders and engagement channels

STAKEHOLDERS	APPROACH TO STAKEHOLDER ENGAGEMENT	KEY TOPICS AND CONCERNS RAISED	HG METAL'S RESPONSE
Investors/ Shareholders/ Media	• Half-yearly results announcement via SGXNET and company website • Annual General Meeting and Extraordinary General Meeting • Annual report via SGXNET, company website and publication • News release statements via SGXNET • Site visits and investor mailbox	• Business impacts and resilience to Covid-19 pandemic • Corporate governance • ESG indicators • Financial returns	• Keep shareholders informed on key business direction and strategies • Regularly review and enhance governance mechanisms
Regulatory Bodies	• Forums and dialogues networking events • Seminars • Briefings and consultations	• Regulatory compliance	• Strictly adhere to regulatory requirements • Implement all COVID-19 related measures prescribed by government
Trade Associations[1]	• Forums and dialogues networking events • Seminars • Briefings and Consultation	• Sharing of best practice • Sharing and update on government policies	• Stay abreast in regulatory affairs and review business strategies when necessary
Customers	• Quality survey • Meetings and site visits • Hotline and company website	• Product quality • Customer service and experience • Ethical business practice	• Work closely with customers on products/ project delivery timeline • Develop contingency plans to minimize possible disruption to production and delivery schedule
Business Partners[2]	• Trade fairs • Site visits • Company website	• Legal compliance • Productivity • Product quality • Ethical business practice	• Frequent communication • Work closely with trading partners and expand the network of sourcing from new suppliers
Employees	• Town hall meetings (annually) • Seminars and trainings (ad hoc) • Toolbox meeting (daily) • Safety meeting (bi-weekly) • Performance appraisals (annually)	• Job security • Occupational safety, health and well-being	• Continuously manage the safety, health and well-being of employees • Regularly conduct compliance checks on the implementation of safe management measures in the wake of COVID-19
Community	• Community engagement and outreach activities	• Support local community	• Launched community outreach programs

1 Refers to the Singapore Business Federation, BCI Asia Construction Information, Singapore Structural Steel Society, Singapore National Employer Federation, Singapore China Business Association, Singapore Chinese Chamber of Commerce & Industry, Singapore Metal Machinery and Singapore Iron Works Merchant
2 Refers to suppliers, distributors and contractors

SUSTAINABILITY REPORT

In preparation for this latest sustainability report, stakeholder engagement was carried out through extensive questionnaires via online forms sent to all relevant internal and external key stakeholders, to understand stakeholder priorities and views on material issues to the Company. Of all respondents, 56% were internal stakeholders and 44% were external stakeholders (Figure 1).

The 6-step stakeholder engagement and materiality analysis adopted by HG Metal consisted of the following:

1. Identifying a list of sustainability issues that are relevant to HG Metal's operations and stakeholders
2. Collecting stakeholder's opinions and feedback through digital channels such as online surveys on material issues
3. Reviewing and assessing stakeholders' feedback
4. Responding to stakeholders' issues and concerns
5. Prioritising material topics
6. Getting validation from the Board

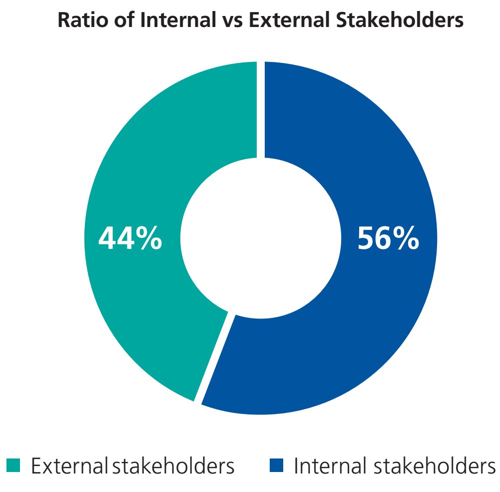


Figure 1. Distribution of respondents participating in the questionnaire for FY2021

Materiality Assessment

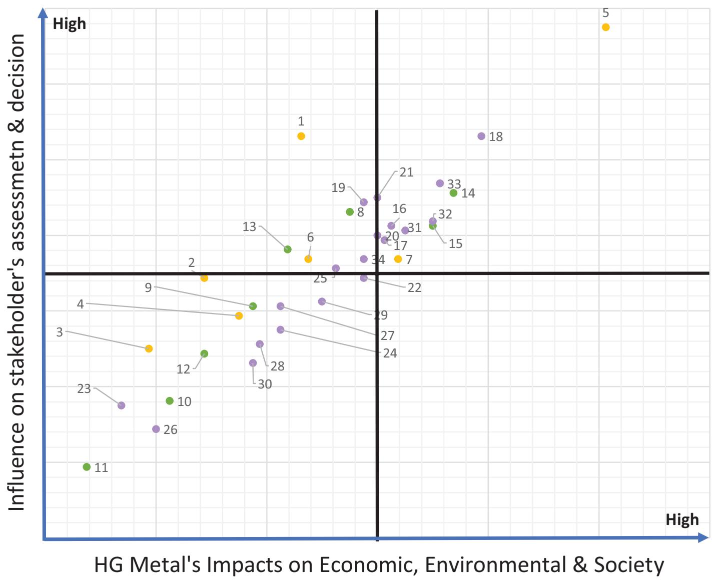
Materiality assessment is a process focusing on uncovering topics which remain relevant to the Company as well as new and emerging topics. The materiality assessment in FY2021 produced a list of material issues that are important for both HG Metal and its stakeholders (Figure 2). The Company has further identified nine key topics that are relevant to its business after considering all aspects, including material topics reported by the Company in the past, topics commonly disclosed by the sector, the global trends and the Company's overall business direction.

Among the nine material topics, five topics remained relevant. The Management further decided to retain four critical topics which had been disclosed since FY2019-2020 (Table 3). These topics are deemed material in the reporting year although they were not given top priority in the assessment.

SUSTAINABILITY REPORT

Non-GRI Specific Disclosure Topics, namely "Code of Conduct" and "Ethics and Integrity" which HG Metal voluntarily disclosed in the past are addressed at the section "Sustainable Governance and Management.

Materiality Matrix of HG Metal for FY2021



		Topics
Economy	1	Economic performance
	2	Market presence
	3	Indirect economic impacts
	4	Procurement practices
	5	Anti-corruption
	6	Anti-competitive behavior
	7	Tax strategy
Environment	8	Materials
	9	Energy
	10	Water
	11	Biodiversity
	12	Emissions
	13	Waste
	14	Environmental compliance
	15	Supplier environmental assessment

		Topics
Society	16	Employment
	17	Labor/ Management relations
	18	Occupational health and safety
	19	Training and development
	20	Diversity and equal opportunity
	21	Non-discrimination
	22	Freedom of association and collection bargaining
	23	Child labor
	24	Forced or compulsory labor
	25	Security practices
	26	Rights of indigenous people
	27	Human rights assessment
	28	Local communities
	29	Supplier social assessment
	30	Public policy
	31	Customer health and safety
	32	Marketing and labelling
	33	Customer privacy
	34	Socioeconomic compliance

Figure 2. Materiality matrix of HG Metal for FY2021

SUSTAINABILITY REPORT

Table 3. List of material topics and its boundaries

Material Topics		BOUNDARY, WHERE IMPACT OF THE MATERIAL TOPIC OCCURS									Impacts addressed in this Report
		Within HG Metal's Operation[4]			Outside HG Metal's Operation[5]						
		Directors	Management	Employees	Investors/ Shareholders/ Media	Business partners	Customers	Regulatory bodies	Trade associations	Community	
GRI MATERIAL TOPICS IDENTIFIED THROUGH THE STAKEHOLDER ENGAGEMENT SURVEY (IN DESCENDING ORDER OF TOPIC IMPORTANCE)											
1	Anti-Corruption (GRI 205)	x	x	x	x	x	x	x			Fair Market Place (Pg33)
2	Occupational Health and Safety (GRI 403)		x	x		x	x	x	x		Safe Workplace (Pg36-37)
3	Environmental Compliance (GRI 307)	x	x	x	x			x	x	x	Environmental Protection (Pg41)
4	Marketing and Labelling (GRI 417)					x	x	x	x		Fair Market Place (Pg32)
GRI MATERIAL TOPICS THAT WERE IDENTIFIED AS MATERIAL IN FY2019-2020, AND THEY ARE COMMONLY DISCLOSED BY PEERS IN SECTOR											
5	Training & Development (GRI 404)	x	x	x							Valued and Inclusive Workplace (Pg38)
6	Employment (GRI 401)	x	x	x						x	Valued and Inclusive Workplace (Pg34-35)
7	Effluents and Waste (GRI 306)		x	x						x	Environmental Protection (Pg40-41)
8	Energy (GRI 302)		x	x						x	Environmental Protection (Pg39-40)
NON-GRI MATERIAL TOPICS WHICH HAVE BEEN VOLUNTARILY DISCLOSED BY HG METAL SINCE LAST 2 YEARS											
9	Product Quality	x	x	x	x	x	x				Fair Market Place (Pg30-31)

Both emissions and climate change topics have not been identified as a material topic by the stakeholders, however, the Management acknowledges its role in addressing climate issues and the importance of identifying and managing climate-related risks.

Target Setting and Performance Measurement

This report is HG Metal's 5th sustainability report. The Company recognises that for business to achieve long term success, sustainability needs to be integrated into normal business activities in terms of operational excellence, risk management, future growth and governance. The Company has implemented frameworks and tracking mechanisms as it strongly believes that with targets working as yardsticks, progressive performance could be measured and monitored to ensure long-term value. The following table lists HG Metal's key goals, near-term and mid-term targets and progress to date (Table 4).

4 HG Metal's operation has contributed directly to this impact
5 HG Metal contributes indirectly to this impact through its business relationships, stakeholder legitimacy, etc.

SUSTAINABILITY REPORT

Table 4. HG Metal's goals, annual targets and performance FY2021

MATERIAL TOPICS	GOAL	COMMITMENT	FY2021 TARGET	FY2021 PERFORMANCE	NEAR-TERM TARGETS (FY2022)	MID-TERM TARGETS (FY2023-2024)
Product Quality	• Excellent product quality		• On-time delivery against customer schedule – HGMML to achieve 99.1% on time delivery as per customer schedule – HGCS to achieve 98.3% on time delivery as per customer schedule	• On-time delivery against customer schedule – HGMML achieved 100.0% on time delivery as per customer schedule – HGCS achieved 98.82% on time delivery as per customer schedule	• On-time delivery against customer schedule – HGMML aims to achieve 99.1% on-time delivery rate out of 100% of delivery – HGCS aims to achieve 98.50% on-time delivery rate out of 100% of delivery	• On-time delivery against customer schedule – HGMML aims to achieve 99.2% on-time delivery rate out of 100% of delivery – HGCS aims to achieve 99.0%% on-time delivery rate out of 100% of delivery
			• Low reject rate or goods return from customer – HGMML achieved less than 0.5% reject or goods return from customer order – HGCS achieved less than 0.04% reject or goods return from customer order	• Low reject rate or goods return from customer – HGMML achieved 0.17% reject or goods return from customer order – HGCS achieved 0.03% reject or goods return from customer order	• Low reject rate or goods return from customer – HGMML aims to maintain reject rate at less than 0.5% – HGCS aims to maintain the reject rate at 0.04%	• Low reject rate or goods return from customer – HGMML aims to maintain reject rate at less than 0.45% – HGCS aims to maintain the reject rate at 0.04%
			• To improve customer satisfaction and achieve at least 90% of customer satisfaction rate from each customer survey	• Customer satisfaction: – HGMML achieved 93.0% customer satisfaction rate based on annual survey – HGCS achieved 86.0% customer satisfaction rate based on annual survey	• High customer satisfaction rate – HGMML aims to achieve 90.0% customer satisfactory rate by survey – HGCS aims to achieve 90% customer satisfactory rate by survey	• High customer satisfaction rate – HGMML aims to achieve 92.0% customer satisfactory rate by survey – HGCS aims to achieve 90% customer satisfactory rate by survey

SUSTAINABILITY REPORT

MATERIAL TOPICS	GOAL	COMMITMENT	FY2021 TARGET	FY2021 PERFORMANCE	NEAR-TERM TARGETS (FY2022)	MID-TERM TARGETS (FY2023-2024)
Marketing and Labelling	• Minimal non-compliance concerning product and service information, labelling and marketing communications	• HG Metal is committed to continual improvement of Quality performance by monitoring product and service standards and setting new benchmarks	• To maintain good records on product tracking and labelling using HEAT numbers on mill test certificates • To apply appropriate local product tests and accreditation upon client requirements • To follow international guidelines when applicable	• Consistent labelling policy and procedure resulting in 0% customer reject rate due to labelling issues • Documentation was performed as per procedure • Concise and accurate Information of all products available in public catalogue and upon demand • International Guidelines was fully adopted	• Achieve 85.0% of supplier retention rating from total number of on-going suppliers in annual schedule • Less than 2.0% of non-compliance concerning of incoming products and labelling	• Achieve 85.0%-88.0% of supplier retention rating from total number of on-going suppliers in annual schedule • Less than 1.5%-2.0% of non-compliance concerning of incoming products and labelling
Anti-Corruption	• Conducting business with integrity and high ethical standards	• Zero-tolerance on corruption and fraud	• To comply with the Code of Conduct Governance so as to ensure greater transparency and to safeguard the interests of all stakeholders • Zero-tolerance on corruption and fraud • Improve staff's awareness of Company's whistle blowing policy • Achieve zero case of serious offence	• Fully comply with the Code of Conduct Governance 2018 • Company's anti-corruption policies and procedures were communicated to all employees in the reporting year. • Achieve zero case of serious offence	• Achieve zero case of serious offence across core operations • Improve staff's awareness of whistle blowing policy and anti-corruption, bribery and code of business conduct policy.	• Achieve zero case of serious offence across core operations • Improve staff's awareness of anti-corruption, bribery and code of business conduct policy • Update of Group' s policies and establish review process in ensuring meeting the goal of achieving zero case of serious offence

SUSTAINABILITY REPORT

MATERIAL TOPICS	GOAL	COMMITMENT	FY2021 TARGET	FY2021 PERFORMANCE	NEAR-TERM TARGETS (FY2022)	MID-TERM TARGETS (FY2023-2024)
Employment	• Caring for employees		• To build a high performing organisation with focus on attracting, retaining, training and development of company employees • To comply with MOM Safety and Health training • To provide professional and vocational upgrade of courses for all employees • To provide equal opportunities to all HG Metal's employees	• Training and career development programs have been regularly provided to employees • Safety and Health policy was fully complied • Equal opportunities policy was fully adopted	• Conduct employee survey to gather feedback on company benefits and collect suggestion for improvement in terms of employment • To adopt e-portal and self-management system for employment benefits and entitlement	• To study possibility of flexible work arrangement in order to meet the current work trend • To implement competency–based interview that is attributable to the job description
Occupational Health and Safety	• Ensuring safe and healthy workplace	• Zero Health and Safety Non-compliance • Safe Working Environment	• To achieve zero non-compliance on all relevant stipulated legal safety requirements and code of practices • To reduce safety incidents rates by using Risk Management System • To achieve zero occupation illness and provide a healthy work environment	• Conducted Daily toolbox meetings and Bi-weekly safety meetings • WSH Council bizSAFE Star commitment to risk management system and audit • Safety incident rate reduce from 70.06 to 65.87 per 1000 workers employed • The HG Group's new Occupational Health, Safety and Environmental policy has been adopted to provide employees with a healthy work environment	• Comply with health and safety related laws and regulations • Enhance incident reporting system • Implement annual health initiatives • Implementation of "Stop-Work" policy, when employees health and safety is at risk	• Comply with health and safety related laws and regulations • Identify hazards and manage risks • Implement annual health initiatives • Improve employees' health and safety awareness • Conduct consultation or stakeholder engagement with our employees to understand potential safety pitfalls and solutions.

SUSTAINABILITY REPORT

MATERIAL TOPICS	GOAL	COMMITMENT	FY2021 TARGET	FY2021 PERFORMANCE	NEAR-TERM TARGETS (FY2022)	MID-TERM TARGETS (FY2023-2024)
Training & Development	• Ensuring fair workplace • Commit to talent development		NA	NA	• To achieve zero non-compliance on all relevant stipulated legal safety requirements and code of practices • To raise awareness of mental health among staff	• To have a comprehensive training plan where employee and their manager are involving in planning • To personalise training program for all staff
Energy	• Switching to renewable energy source		• To maintain same level of total energy consumption	• Energy consumption in the reporting year is 6.25% higher than that of FY2020. This was due to the ramp-up of production activities after COVID-19 curb ease	• Set baseline of PV solar capacity	• Switching to renewable energy source on a phase approach
Effluents and Waste	• Commit to sustainable use of materials		• Material waste at not more than 4% of production	• 3.35% material waste was produced in the reporting year	• Review existing waste disposal practice and formalise a waste segregation system • Managing material waste – aims to maintain material waste not more than 4% of production at the group level	• Implement waste segregation by source • Managing material waste – aims to maintain material waste not more than 4% of production at the group level
Environmental Compliance	• Ensuring Environmental Compliance	• Zero Non-Compliance on Environmental related matters	• To minimise negative impacts of HG Metal's operations on the environment through uphold of ISO 14001:2015 Environment Management System Standards	• ISO 14001:2015 environment management system standards was fully complied	• Comply with environmental laws and regulations	• Comply with environmental laws and regulations

SUSTAINABILITY REPORT

CORPORATE CITIZENSHIP AND PERFORMANCE MARKET PLACE

Product Quality

HG Metal's commitment to product quality is deeply ingrained in its corporate culture. The Company pays extreme precaution on quality, value, innovation, and consistent availability of products because these are the essential factors influencing mutual trust between the company and customers.

HG Metal's Quality Policy:

- Customer Focus: Ensure that the services are delivered in high quality and able to satisfy needs of customers
- Commitment to Quality: Establish and maintain quality requirements for the products and services with minimum complaints

The Company has attained the ISO 9001: 2015 certification, signifying the ability in continually meeting customers' quality requirements within statutory and regulatory requirements. This certification sets the Company ahead in being able to optimise the performance and ensure that customers' expectation will be met. HG Metal conducts customer satisfactory survey annually. satisfactory rate and feedback collated through this survey are monitored, reviewed, and analysed and corrective actions are taken when necessary.

HG Metal strives to eliminate errors at every stage of the product development stage. The Company also collaborates closely with suppliers to eliminate defects from all incoming parts. Given that product quality and customer service are inextricably intertwine in quality program, HG Metal have leveraged its expertise and 40 years of experience in the steel industry to establish a robust supply chain with its business partners, giving it a better room for adjustment on contracting arrangement, timing of purchase, shipment and be less susceptible to defective products.

SUSTAINABILITY REPORT

Companywide control measures have been in place to control, monitor, document and review product-related activities. Among others, gate-to-gate workflow is tracked from the receiving dock, where incoming product is received to shipping dock where the ready-to-install products are transported for distribution to customers. This tracking system allows HG Metal to identify relevant product batch in case any product needs more quality check-up along its manufacturing process. Every delivery to customer meets its stipulated quality requirement with support from skilled staff, who is closely involved in the ordering, customising and delivery process.

HG Metal constantly raises product quality awareness among its employees. Training programs that communicate the essential elements of Quality Management System (QMS) has been regularly introduced to employees. During the reporting year, personnel responsible for product quality attended QMS Awareness Course to learn how to apply the QMS and remain competitive, by improving in areas including product improvement and quality control. In the reporting year, both HGMML and HGCS have achieved most of the quality objectives of the year (Table 5).

Table 5. Achievement of the quality objectives for both HGMML and HGCS

QUALITY OBJECTIVES FOR HGMML	PERFORMANCE (%)	
	FY2021	FY2020
To achieve 99.1% on-time delivery as per customer schedule	100.00	100.00
To achieve less than 0.5% reject or goods return from customer order	0.17	0.10
To achieve 90.0% of customer satisfaction rating from each customer survey	93.00	93.94

QUALITY OBJECTIVES FOR HGCS	PERFORMANCE (%)		
	FY2021	FY2020	FY2019
To achieve 98.3% on-time delivery as per customer schedule	98.82	98.24	98.30
To achieve less than 0.04% reject or goods return from customer order	0.03	0.01	0.01
To achieve 90.0% of customer satisfaction rating from each customer survey	86.00	91.00	85.00

SUSTAINABILITY REPORT

Marketing and Labelling

Adequate information concerning products and services facilitates informed decision-making in the procurement process. HG Metal takes documentation seriously, given that product information is vital in designing for safety in buildings and structures.

Information on mill test such as chemical component and tensile strength are some of the critical parameters to consider when steel material is involved in a construction project. As such, all incoming products are pre-tested by suppliers and documented with HEAT numbers from mill test certificates to ensure product's traceability from supplier to HG Metal's operation. This information is then being shared with clients. This rigorous tracking and certification system considerably reduces the risk of consumers to misuse defective steel product in their construction or steel structure.

Upon customer requirements, HG Metal conducts third party test or engages inspection body to conduct additional product qualification check. The Company adopts international guidelines and standards for validation of product origin, steel grades and specifications, including British Standards (BS), Singapore Standards (SS), Europe Standards (EN), American Society for Testing and Materials (ASTM) and Japanese Industrial Standards (JIS).

The Company is highly committed to provide sufficient information concerning product quality that gives an impact on safe building and construction design. As such, near-term and mid-term targets were developed to ensure proper communication on product information (Table 6).

SUSTAINABILITY REPORT

Table 6. Consolidated targets for near-term and mid-term

NEAR-TERM TARGET FY2022	MID-TERM TARGET FY2023-FY2024
• Achieve 85.0% of supplier retention rating from total number of on-going suppliers in annual schedule • Less than 2.0% of non-compliance concerning incoming products and labelling	• Achieve 85.0%-88.0% of supplier retention rating from total number of on-going suppliers in annual schedule • Less than 1.5%-2.0% of non-compliance concerning incoming products and labelling

In the reporting year, there were no major incidents of non-compliance concerning product and service information labelling of any kind or non-compliance with laws or regulations related to marketing communication.

Corruption Risk Management

HG Metal upholds business ethics and appreciates honest and ethical practices of its management and employees. HG Group's Philosophy & Vision clearly states that one of the five core values is to behave in a trustworthy manner in every situation, with zero tolerance for any form of corruption and fraud for the cause of promoting its business. Directors and employees at all levels abide by this disciplinary conduct.

The operation of the Company is guided by a mix of internal control measures to promote high standard of corporate governance, including Whistle Blowing Policy, Conflict of Interest Policy, Business Travel and Procedure and Business Entertainment Policy that are communicated to all employees on a regular basis.

HG Metal has established a whistleblowing platform for employees to raise concerns about wrongdoing or malpractice within the Company and reassures the employees that they will be protected from reprisal or victimization for while blowing in good faith. Ethics of offering and receiving of advantages, gifts or gratuities can be confusing and requires clear guidance. Guided by the conflict-of-interest policy established by the HG Group, HG Metal has set of guidelines with regards to the declaration of conflict of interest and receipt of gifts and other benefit from its business partners which its employees are obliged to adhere to.

HG Metal also strives to ensure that the Company's business partners share the zero-tolerance policy against corruption. This conduct is communicated widely to business partners to thwart any party from engaging or attempting to engage in unethical activities.

Maintaining culture of integrity is essential to ensuring long-term value and business sustainability. The Company developed targets to build anti-corruption ethics and compliance into long-term goals.

The Company abides by laws and regulations related to business ethics. During the reporting year, there were no incidents of non-compliance against the Company or employees concerning corruption, fraud, extortion, or money laundering. There were also no incidents where contracts with business partners were terminated or not renewed due to violation related to corruption.

All board members have been informed of the Company's anti-corruption policies and procedures. Looking forward, the Company aims to continue to provide employees with training programs concerning ethical work culture to inculcate high standards of honesty and integrity in behavior and decision-making at HG Metal.

SUSTAINABILITY REPORT

WORKPLACE

Employment

Human capital is one of the core pillars in HG Metal business growth and greatest asset in HG Metal. A safe, fair, diverse and empowering work environment is critical in strengthening employees' commitment and ensuring business continuity. HG metal is committed to strive for the best to provide good employment policy and eventually become a choice employer.

HG Metal HR policy aligns closely to the Tripartite Guidelines on Fair Employment Practices (TAFEP) and all employment contracts adhere to the Singapore Employment Act. Employment-related policies are communicated to all employees through the HR policy and control manual. It includes the terms and conditions of employment, employee benefits, training and development and work rules and regulations.

Company's HR policy for full time employees is very competitive and includes a wide variety of employee benefits such as medical benefits, insurance and leave schemes. HG Metal offers a range of paid-leave entitlements, enabling employees to balance their professional lives, family commitment and leisure time. Several indicators on employment, hiring rate and turnover rate for FY2021 are shown in Table 7 and Table 8.

Table 7. HG Metal employment indicators

	FY2021	FY2020	FY2019
Employment by gender, (%)			
Male	76.65	77.00	78.00
Female	23.35	23.00	22.00
Employment by age group, (%)			
Under 30 years old	17.97	28.00	36.00
30-50 years old	62.87	52.00	48.00
Over 50 years old	19.16	20.00	16.00
New employee hired, (%)			
Annual rate	24.10	9.80	36.62
Employee Turnover, (%)			
Annual rate	18.67	14.09	26.98
Employee by nationality, (%)			
Local	42.00	37.00	34.00
Foreigner	58.00	63.00	66.00
Employee by length of service, (%)			
Less than 5 years	65.27	66.00	71.00
5-10 years	23.95	21.00	17.00
More than 10 years	10.78	13.00	12.00

SUSTAINABILITY REPORT

Table 8. Hiring rate and turnover rate of the FY2021

ENTITIES		HGMML		HGCS		OM	
		MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
Hiring							
By age group	Under 30 years old	1	-	1	-	5	2
	30-50 years old	8	5	1	-	10	4
	Over 50 years old	1	-	1	-	-	1
By nationality	Local	7	5	2	-	-	6
	Foreigner	3	-	1	-	15	1
Hiring rate, (%)							
By age group	Under 30 years old	2.86	-	20.00	-	5.68	16.67
	30-50 years old	22.85	19.23	20.00	-	11.36	33.33
	Over 50 years old	2.86	-	20.00	-	-	8.33
By nationality	Local	20.00	19.23	40.00	-	-	50.00
	Foreigner	8.57	-	20.00	-	17.04	8.33
Turnover rate (%)							
By age group	Under 30 years old	6.25	3.13	-		2.06	1.03
	30-50 years old	14.06	4.69	-	-	4.12	4.12
	Over 50 years old	3.13	-	-	-	-	-
By nationality	Local	10.94	3.13	-	-	-	4.12
	Foreigner	12.50	4.69	-	-	6.18	1.03

Note: Directors are excluded

The Management prioritises a balanced lifestyle for employee wellbeing, and actively dedicates resources to support numerous employee welfare. During the reporting year, a new facility and staff lounge was set up to introduce a space for all employees to take breaks in between work hours when needed. The room is sophisticated and full of charm, with inviting seating and great interior design, designed to improve work environment and staff welfare standards.

Collective bargaining agreements are not part of HG Metal's policy. As such, the Company does not have any procedures in place and employees are not covered under such agreements.

SUSTAINABILITY REPORT

Occupational Health and Safety

HG Metal recognizes healthy and safe workplace as fundamental human rights, including both preventions of physical and mental harm and promotion of worker's health. The Company strives to provide a safe and healthy workplace for all staff, contractors and visitors and aims to conduct its business in a socially responsible manner.

HG Metal adopts Occupational Health, Safety and Environmental Policy established by HG Group that outlines mechanisms such as HSE risk assessment for every activity and open communication policy through active participation and consultation with its employees. HG Metal's Occupational Health and Safety and Environment Policy complies with the legal safety requirements and code of practice outlined in the Ministry of Manpower ("**MOM**") Workplace Safety and Health ("**WSH**") Act and the Singapore Civil Defense Force ("**SCDF**") regulations.

In addition to the bizSAFE STAR status, the Company is ISO 45001:2018 accredited:

The Company regularly assess risks associated with health and safety. Risk assessments are conducted for activities at potentially hazardous areas such as operations and construction areas. Production safety risk, risk injuries and risk of major accidents are evaluated based on chances of occurrence and impact of incidents. Accordingly, actions are taken to eliminate or reduce risks by using technology, or through proper planning of activity, awareness training and workers participation and consultation in decision making. Incident management process is in place for reporting, investigating, and managing incidents in order to ensure all cases are evaluated. Corrective and preventive measures are also implemented to prevent reoccurrence.

On a regular basis, the Company provides occupational health services to identify and eliminate hazards as well as minimise risks such as audiometric test and safe management measures for COVID-19. At HG Metal, the main type of work-related to ill health is noise-induced deafness. Audiometric test is introduced as part of hearing conservation programme to identify noise hazard, monitor noise level at the plant and protect exposed employees from the adverse effects of noise.

Employees at HG Metal participate in occupational health and safety though a joint management-employee health and safety committee that is organized every month. This meeting is planned with the attendance of employees' representatives to represent employees in decision-making, expressing their views and feedbacks on matters affecting their health and safety. In addition, health and safety related talks are scheduled by HR and HSE departments to promote awareness on major non-work-related health risks.

Safety training is an integral part of the occupational health and safety management. The Management provides various information, training, and instructions to workers to ensure they can perform their job in the safest manner. Topics covered include health and safety related management and policy, legislative requirements, mental health, and safety issues on and off the job. Complementing to management training, emergency response training such as "First Aid with

SUSTAINABILITY REPORT

CPR & AED course" was provided for better preparation for emergencies. Apart from the regular training topics, employees were given reminders and training on topics relevant to Covid-19, such as Antigen Rapid Test Swabbing and safety tips to observe.

The Company provides employees with health insurance covering medical expenses. The Company's operations are supported by qualified first-aiders who had received intensive training on first aiding.

Beyond caring for its direct employees, the Company prioritises health and safety of workers at its own premises and of those working at operations of its business partners. Health and safety requirement forms one of the requirements in the Contractors Management System, allowing to assess contractors' performance on safety compliance.

All HG Metal employees are covered by the Occupational Health, Safety and Environmental Policy which is under the HG Metal HSE Management systems that has been internally audited or certified by an external party.

As part of HG Metal's efforts in continual improvement, the Company has improved its HSE performance by setting SMART objectives, implementing, and maintaining the HSE management systems, and going beyond compliance with the legislation and industrial requirements.

In FY2021, injuries such as lacerations, bruises and fractures were the most common work-related injuries that occurred as a result of the incorrect manual handling or machineries operations. Risk assessments were reviewed and corrective actions such as better personal protection equipment ("**PPE**") or replacement of machines were implemented. Sharing of incidents was conducted to increase awareness and re-training was provided to workers. The work-related injuries in FY2021 are listed in Table 9.

Table 9. Work-related injuries

OPERATIONS AND SCOPE OF WORKERS		HGMML		OM		HGCS	
		EMPLOYEE	*NON-EMPLOYEE	EMPLOYEE	*NON-EMPLOYEE	EMPLOYEE	*NON-EMPLOYEE
Number of fatalities by work-related injury		–	–	–	–	–	–
Number of high-consequence work-related injuries (excluding fatalities)		–	–	–	–	–	–
Number of recordable work-related injuries	Major	–	–	–	–	2	–
	Minor	1	–	–	–	8	3
Number lost-work days as a result of work-related injuries (%) **		0.07	–	–	–	1.15	1.28

** Workers who are not employee but whose work/workplace is controlled by HG Metal*

*** Number was calculated on the basis of total hours worked for 9 supplied labours in the reporting year*

SUSTAINABILITY REPORT

Training and Development

At HG Metal, training and development of employees is a very important aspect of the business as the Company views its employees as the most valuable assets. HG Metal strongly believes in nurturing and development of employees' skills and knowledge. The company is committed to provide training opportunities to employees for the purpose of career and personal development.

To this belief, the Company has established relevant policies such as conducting Training Analysis, Training Competency and Training Plans as per ISO standard requirements, to identify opportunities and provide support for growth. Aside from the occupational health and safety related training, the Company also engaged its employees in trainings that cover various other topics. Below is a non-exhaustive list of training courses provided for employees in FY2021 (Table 10).

Table 10. Courses provided for employees in FY2021

- Antigen Rapid Test (ART) Swabbing & Supervision for Built Environment
- Apply Workplace Safety and Health in Metal Work
- BMR Implementation Plan with Coaching
- Business Model Road mapping
- Electrical Work
- First Aid with CPR & AED Course
- Implement Lean Six sigma
- Quality Management System Awareness Training
- Lean Implementation Plan with Coaching
- Mental Health Workshop
- Overhead Crane (LM) safety & operation Training
- Overview Of Lean and Supporting Manpower Priority Outcomes
- Positive Thinking
- Safety Orientation Course (Metal Working)
- Safety & Green Management Assessment (SGMA) Scheme Workshop - English
- Selling Skills and Sales Strategies
- Work Injury Compensation and Group Employees Benefits

Furthermore, regular performance and career development reviews were conducted. On a quarterly basis, HG Metal measured employees' progress against their KPIs, communicated concerns, and obtained feedback on employee performance. HG Metal is in the process of developing a data management system to collect data on the average hours of training received by each employee per year, as well as the percentage of employees which received regular performance reviews and career development reviews during the reporting year. Once a robust database has been established, HG Metal will be able to disclose the data for future reporting.

SUSTAINABILITY REPORT

ENVIRONMENT

Energy

In 2021, Singapore has unveiled the Singapore Green Plan 2030, strengthening Singapore's commitments under the UN's 2030 Sustainable Development Agenda and Paris Agreement, and positioning Singapore to achieve the long-term net zero emission aspiration as soon as viable. Aligned with Singapore's commitment, HG Metal recognises the importance of resource conservation and strive to minimise the environmental impact of its operations as a way to promote environmental stewardships to the public.

HG Metal supports the adoption of low carbon energy sources. In FY2021 HG Metal had installed and commissioned a rooftop grid-tied solar PV system within the Company premises, with the aim in reducing HG Metal's carbon footprint.

Further, the Company's Environment Management System (EMS) framework is being developed and maintained according to ISO 14001:2015. Systems and procedures are in place to ensure proper use and management of resources and compliance to applicable laws, regulations, and other environmentally oriented requirements. Managers are responsible to review and monitor the use of resources and their conservation. Fuel and gas burning equipment are maintained periodically to preserve efficiency. All employees are responsible for complying to conservation practices within the Company's business premises.

HG Metal is committed to continually improve its environmental performance by setting SMART objectives and by implementing and maintaining EMS. In FY2021, the Company set near-term and mid-term goals and targets to better monitor its progress in energy goals as outlined in Table 4.

Although the energy consumption in FY2021 is higher when compared to FY2020 (Table 11); the energy intensity for FY2021 is lower than that in FY2020 (Table 12). This was due to the resumption of business activities in FY2021 as there were several months of shut down in FY2020 due to the COVID-19 pandemic.

Table 11. Energy consumption

	FY2021	FY2020	FY2019
Electricity	1,316,087kwh*	1,047,941kwh	1,332,638kwh
Fuel	205,844ltrs	157,393ltrs	226,711ltrs

(* included solar energy 202,680kwh)

Table 12. Energy intensity

	FY2021	FY2020	FY2019
Electricity	9,606kwh/S$1 million revenue	13,472kwh/S$1 million revenue	10,859kwh/S$1 million revenue
Fuel	1,516ltrs/S$1 million revenue	2,023ltrs/S$1 million revenue	1,847ltrs/S$1 million revenue

SUSTAINABILITY REPORT

THE SUCCESS STORY – PV SOLAR AS CLEAN SOURCE OF ENERGY:

Environmental sustainability is among the agenda of ASEAN region since the start of this millennium. As a responsible corporate citizen, HG Metal's answer to this call is the use of solar energy as an alternative to conventional energy source that mostly powered by liquid gas and petroleum.

Initiated to reduce carbon emissions, this project uses redundant rooftop space to install solar PV panels. This 936.84 kWp solar power plant that made up of 2,059 JA Solar Modules was completed on Q3 FY2021. It is estimated to achieve an average annual output of 1,031.5MWh clean energy per year over the next 20 years.

Solar energy is one of the cleanest forms of energy. It generates energy by capturing sun's energy shining on earth without producing carbon dioxide, thus saving the planet. By going solar, we can reduce our demand for fossil fuels, limit the indirect GHG emissions associated with the purchase of electricity and shrink our overall carbon footprint.

HG Metal trusts that this effort will spread to the rest of the industry, demonstrate that alternative sources such as solar energy are reliable and adapted for energy intensive industries such as the steel industry, and encourage more local businesses to make the transition to a decarbonised activity.

Effluent and Waste

HG Metal supplies steel products, which require substantial resource inputs. Given that steel shortage is currently plaguing the steel industry, adopting strategies for improving material efficiency helps to prevent steel supplies from depleting, as well as reduces material cost.

HG Metal understands the importance of promoting a responsible production and consumption of resources in managing waste and deploys the concept of waste prevention and recycling. The Company is committed to continually improving material efficiency performance by setting SMART objectives, implementing, and maintaining the waste management system.

Recycling scrap metal reduces greenhouse gas (GHG) emissions significantly when compared to mining new ores. The process of extracting and processing new steel material requires a lot of energy and chemicals, increasing rate of environmental damage. Contrastingly, recycling avoids the GHG emission released at the process of smelting new metals from virgin ore. Therefore, recycling is an environmentally friendly option in handling metal scrap (see also Table 13). On this front, the Company engages professional scrap collectors to collect production leftovers to ensure that Company's metal scrap is handled in accordance with proper procedure. Weight of collection is regularly monitored.

Table 13. Material waste

	FY2021	FY2020	FY2019
Material waste from production (%)	3.35	3.94	3.65

SUSTAINABILITY REPORT

Environmental Compliance

Compliance with environmental laws and regulations are critical to ensure zero cases of non-compliance. At HG Metal, the focus is on protecting the environment by reducing carbon footprint through various means, such as switching to renewable energy by installing solar panels, as an alternative source of energy. The measurement, monitoring and reporting mechanism in place to manage this source of renewable energy includes tracking of energy generation and electricity usage from the installed solar panels and quantifying the amount used in the Company's operations.

During the reporting year, the Company fully complied with environmental laws and regulations. There were no cases of non-compliance in relation to the environmental practices or management.

SUSTAINABILITY REPORT

DISCLOSURE	DESCRIPTION	SGX- PRACTICE NOTE	PAGE
GENERAL DISCLOSURES			
ORGANISATIONAL PROFILE			
102-1	Name of the organization	-	(AR)
102-2	Activities, brands, products, and services	-	(AR)
102-3	Location of headquarters	-	18
102-4	Location of operations	-	18
102-5	Ownership and legal form	-	(AR)
102-6	Markets served	-	(AR)
102-7	Scale of the organization	-	(AR)
102-8	Information on employees and other workers		34-35
102-9	Supply chain		(AR)
102-10	Significant changes to the organization and its supply chain	-	18
102-11	Precautionary Principle or approach	-	20
102-12	External initiatives	-	36-37
102-13	Membership of associations	-	22
STRATEGY			
102-14	Statement from senior decision-maker	PN7.6-4.1.f	19
102-15	Key impacts, risks, and opportunities	PN7.6-3.3	20-21
ETHICS AND INTEGRITY			
102-16	Values, principles, standards, and norms of behaviour	-	20
GOVERNANCE			
102-18	Governance structure	PN7.6-3.1	20
102-21	Consulting stakeholders on economic, environmental, and social topics	PN7.6-3.6	22,23
102-29	Identifying and managing economic, environmental, and social impacts	PN7.6-4.23	23,24

SUSTAINABILITY REPORT

DISCLOSURE	DESCRIPTION	SGX- PRACTICE NOTE	PAGE
STAKEHOLDER ENGAGEMENT			
102-40	List of stakeholder groups	PN7.6-4.35	22
102-41	Collective bargaining agreements	-	35
102-42	Identifying and selecting stakeholders	PN7.6-4.35	22
102-43	Approach to stakeholder engagement	PN7.6-4.35	22,23
102-44	Key topics and concerns raised	PN7.6-4.35	23,24
REPORTING PRACTICE			
102-45	Entities included in the consolidated financial statements	-	(AR)
102-46	Defining report content and topic boundaries	-	18,25
102-47	List of material topics	PN7.6-4.4.1.a	23-24
102-48	Restatements of information	-	NA
102-49	Changes in material topics and topic boundaries	-	23-24
102-50	Reporting period	PN7.6-6.1	18
102-51	Date of most recent report	-	18
102-52	Reporting cycle	PN7.6-6.1	18
102-53	Contact point for questions regarding the report	-	18
102-54	Claims of reporting in accordance with the GRI Standards	PN7.6-4.4.1.e	18
102-55	GRI content index	-	42,43,44
102-56	External assurance	PN7.6-5	NA (The Group has not sought external assurance on this report. However it intends to review this stance in the future)

SUSTAINABILITY REPORT

DISCLOSURE	DESCRIPTION	SGX- PRACTICE NOTE	PAGE
MATERIAL TOPICS			
GRI 205: ANTI-CORRUPTION			
103	Management approach disclosures	PN7.6-4.4.1.c; PN7.6-4.4.1.d; PN7.6-4.4; LR711B-1 b&c	33
205-2	Communication and training about anti-corruption policies and procedures	-	33
205-3	Confirmed incidents of corruption and actions taken	-	33
GRI 302: ENERGY			
103	Management approach disclosures	PN7.6-4.4.1.c; PN7.6-4.4.1.d; LR711B-1 b&c	39
302-1	Energy consumption within the organization	-	39
302-3	Energy Intensity	-	39
GRI 306: EFFLUENT AND WASTE			
103	Management approach disclosures	PN7.6-4.4.1.c; PN7.6-4.4.1.d; LR711B-1 b&c	40
306-1	Waste generation and significant waste-related impacts	-	40
306-2	Management of significant waste-related impacts	-	40
306-3	Waste generated	-	40-41
GRI 307: ENVIRONMENTAL COMPLIANCE			
103	Management approach disclosures	PN7.6-4.4.1.c; PN7.6-4.4.1.d; LR711B-1 b&c	41
307-1	Non-compliance with environmental laws and regulations	-	41

SUSTAINABILITY REPORT

DISCLOSURE	DESCRIPTION	SGX- PRACTICE NOTE	PAGE
GRI 401: EMPLOYMENT			
103	Management approach disclosures	PN7.6-4.4.1.c; PN7.6-4.4.1.d; LR711B-1 b&c	34
401-1	New employee hires and employee turnover	-	34-35
GRI 403: OCCUPATIONAL HEALTH AND SAFETY			
103	Management approach disclosures	PN7.6-4.4.1.c; PN7.6-4.4.1.d; LR711B-1 b&c	36
403-1	Occupational health and safety management system	-	36
403-2	Hazard identification, risk assessment, and incident investigation	-	36
403-3	Occupational health services	-	36
403-4	Worker participation, consultation, and communication on occupational health and safety	-	36
403-5	Worker training on occupational health and safety	-	36
403-6	Promotion of worker health	-	37
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	-	37
403-8	Workers covered by an OHS management system	-	37
403-9	Work-related injuries	-	37

SUSTAINABILITY REPORT

DISCLOSURE	DESCRIPTION	SGX- PRACTICE NOTE	PAGE
GRI 404: TRAINING AND DEVELOPMENT			
103	Management approach disclosures	PN7.6-4.4.1.c; PN7.6-4.4.1.d; LR711B-1 b&c	38
404-1	Average hours of training per year per employee	-	38
404-3	Percentage of employees receiving regular performance and career development reviews	-	38
GRI 417: MARKETING AND LABELLING			
103	Management approach disclosures	PN7.6-4.4.1.c; PN7.6-4.4.1.d; LR711B-1 b&c	32
417-2	Incidents of non-compliance concerning product and service information and labelling	-	32
417-3	Incidents of non-compliance concerning marketing communications	-	32
NON GRI: PRODUCT QUALITY			
	Management approach disclosures	-	30-31
	Performance of product quality management	-	30-31

Note: AR = Annual Report

CORPORATE GOVERNANCE REPORT

HG Metal Manufacturing Limited (the "**Company**") and its subsidiaries (the "**Group**") is committed to complying with the Code of Corporate Governance 2018 ("**Code**") so as to ensure greater transparency and to safeguard the interests of shareholders. This report describes the Company's corporate governance practices and activities with specific reference to the Code established by the Singapore Corporate Governance Committee and relevant sections of the Listing Manual issued by the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

BOARD MATTERS

THE BOARD'S CONDUCT OF AFFAIRS

Principle 1
The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

Provision 1.1 **Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.**

The Board of Directors (the "**Board**") comprises 1 Executive Director and 3 Non-Executive Directors. All of the Non-Executive Directors are Independent Non-Executive Directors. The Board's primary role is to protect and enhance long-term shareholder value. To fulfill this, apart from its statutory responsibilities, the Board's principal functions include the following:

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

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

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

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

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

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

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

(h) consider sustainability issues such as environmental and social factors as part of its strategic formulation; and

(i) assuming responsibility for corporate governance.

CORPORATE GOVERNANCE REPORT

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

Provision 1.2 **Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.**

Our Directors are provided with extensive background information about our Group's history, mission, values and business operations. Changes to regulations and accounting standards are monitored closely by Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education on Board processes and best practices as well as updates on relevant new laws and regulations. Directors also have the opportunity to visit the Group's operational facilities and meet with Management to gain a better understanding of the business operations. The Company will issue appointment letters to new Non-Executive Directors and service agreements to Executive Directors (as the case may be) setting out the Directors' duties and obligations. Newly appointed Directors shall also be briefed on the business and organisational structure of the Group and its strategic directions. The Company encourages Directors to attend training courses organized by the Singapore Institute of Directors ("**SID**") or other training institutions in connection with their duties at the Company's expense. Newly appointed directors who do not have prior experience or are not familiar with the duties and obligations required of a Director of a listed company in Singapore, will undergo the necessary training and briefing as prescribed by the SGX-ST. The Directors are also provided with updates on the relevant new laws, regulations and accounting standards related to the Group's operating environment through e-mails and regular briefings at the Audit & Risk Committee ("**ARC**") meeting by the Company Secretaries and the external auditor each year.

Provision 1.3 **The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring board approval are disclosed in the company's annual report.**

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

- approval of the release of the Group's half-year and full-year financial results announcements;
- matters as specified under the SGX-ST's Listing Rules on interested person transaction;
- approval of the annual report and accounts;
- declaration of interim dividends and proposal of final dividends;
- convening of shareholders' meetings;
- approval of corporate strategy

CORPORATE GOVERNANCE REPORT

- authorisation of major transactions;
- approval of Board changes and appointments on Board committees;
- increase in investment in businesses and subsidiaries;
- divestment in any of the Group's companies; and
- commitments to term loans and lines of credit from banks and financial institutions by the Company.

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

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

Provision 1.4 **Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.**

To assist the Board in the discharge of its oversight function, certain functions have been delegated to various Board Committees, namely, the Nominating Committee ("**NC**"), the Remuneration Committee ("**RC**") and the ARC, each of which has its own written terms of reference. The minutes of meetings of these committees are circulated among the Board. The composition of the NC, RC and ARC are disclosed under Provisions 4.2, 6.2 and 10.2 respectively.

Formal Board meetings are held on a half-yearly basis to oversee the business affairs of the Group and approve any financial or business decisions and/or strategies. Where necessary, additional Board meetings are held to deliberate on urgent substantive matters. The Board held three scheduled meetings in the financial year ended 31 December 2021 ("**FY2021**"). Board and Board Committees' meetings for the calendar year 2022 have been scheduled in advance in consultation with the Directors to ensure maximum attendance. Telephone and video-conference attendance at Board meetings is allowed under the Company's Constitution. The Board also approves transactions through written resolutions which are circulated to the Board together with all relevant information relating to the proposed transaction.

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

CORPORATE GOVERNANCE REPORT

Provision 1.5 **Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.**

Please refer to Table A set out on page 77 of this Annual Report for the attendance of the Directors at meetings for FY2021.

The NC reviews and assesses the number of board representations, attendance records, preparedness, participation and candour of each Director in determining whether to nominate a retiring Director for re-election and the contribution of each individual Director to the effectiveness of the Board.

The NC reviews and assesses the time and attention given by the Directors to the Group in accordance with the procedures disclosed in Provision 4.5.

Provision 1.6 **Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.**

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

Provision 1.7 **Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.**

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

CORPORATE GOVERNANCE REPORT

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

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

BOARD COMPOSITION AND GUIDANCE

Principle 2
The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1 **An "independent director" is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.**

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

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

EXECUTIVE DIRECTOR
Mr Foo Sey Liang

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr Kesavan Nair (Independent Non-Executive Chairman) (the "**Chairman**")
Mr Ng Weng Sui Harry
Ms Ng Kate Jain

Pursuant to the Board's aim to maintain a diversity of expertise, skills, attributes and gender among its Directors, the Company welcomes Ms Ng Kate Jain to its Board with effect from 31 December 2021 and has a different skill set as described in her profile at page 13 of this Annual Report. The Company does not have any alternate director.

The profiles of the Board members are set out in pages 12 to 13 of this Annual Report.

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

- to form a strong independent element on the Board, at least one-third of the Board should be Independent Non-Executive Directors;

- the Board should have enough Directors to serve on various committees of the Board without over-burdening the Directors or making it difficult for them to fully discharge their responsibilities;

CORPORATE GOVERNANCE REPORT

- the Board should comprise Directors with a broad range of competencies and expertise; and
- Directors appointed by the Board are subject to election by shareholders at the following Annual General Meeting ("**AGM**") and thereafter, Directors are subject to re-election according to the provisions in the Company's Constitution. Regulation 89 of the Company's Constitution states that one-third of the Directors shall retire from office by rotation.

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

Based on the confirmation of independence submitted by the Independent Non-Executive Directors and the results of the NC's review, the NC was of the view that each Independent Non-Executive Director is independent in accordance with the Code. As a majority of the Board comprises independent Directors, there is a strong and independent element on the Board and no individual or small group of individuals dominate the Board's decision making.

The independence of any Director who has served on the Board beyond nine years from the date of his or her first appointment will be subject to more rigorous review, taking into account the need for progressive refreshing of the Board. As at 31 December 2021, no Independent Non-Executive Directors on the Board had served for more than nine years from the date of his initial appointment. Notwithstanding the aforesaid, in anticipation of Rule 210(5)(d)(iii) of the Listing Manual which has taken effect from 1 January 2022 and provides that a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (a) all shareholders of the company; and (b) shareholders excluding the directors and the chief executive officer ("**CEO**") of the company, and their respective associates, Mr Ng Weng Sui Harry and Mr Kesavan Nair will be subject to the mandatory two-tier shareholders' voting at the forthcoming AGM as an Independent Director as they were first appointed on 10 April 2014 and 17 April 2014 respectively.

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

Provision 2.2 **Independent directors make up a majority of the Board where the Chairman is not independent.**

The Chairman is independent. During FY2021, the Board had 4 Independent Non-Executive Directors, representing a majority of the Board: Mr Teo Yi-Dar (Zhang Yida), Mr Kesavan Nair, Mr Ng Weng Sui Harry and Ms Ng Kate Jain. Mr Teo Yi-Dar (Zhang Yida) ceased as Independent Non-Executive Chairman with effect from 15 January 2022.

Provision 2.3 **Non-executive directors make up a majority of the Board.**

Independent Non-Executive Directors comprise a majority of the Board for FY2021.

CORPORATE GOVERNANCE REPORT

Provision 2.4 **The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.**

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

The Board and NC aims to maintain a diversity of expertise, skills and attributes among the Directors. The composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience to enable Management to benefit from a diverse perspective in reviewing the issues that are brought before the Board. In reviewing the Board's composition and succession planning, the NC will consider the benefits of all aspect of diversity, including diversity of background, experience, gender, age, ethnicity and other relevant factors. Any potential conflicts of interest will also be taken into consideration. These factors will be considered by the NC in determining the optimum composition of the Board and to assists the NC in identifying and nominating suitable candidates for appointment to the Board.

The NC is satisfied that there is diversity of thought and background in its Board composition that will enable it to lead and govern the Group effectively as the Board comprises members with diverse expertise and experience in the steel, finance and legal industries which enables them, in their collective wisdom, to contribute effectively at Board and Board Committee meetings. In addition, the current Board comprises Directors from different age groups spanning a range of approximately 15 years.

As such, the Board concurs with the NC's view that there is an appropriate diversity mix of expertise to lead and govern the Group effectively to avoid groupthink and foster constructive debate, although there is no fixed diversity policy.

Major proposals and decisions made by the Board are subject to majority approval by the members of the Board. The appointment of new Board members, nomination of directors for re-election and review of the Board and individual Directors' performance are carried out by the NC. The remuneration packages of the Executive Director and key management personnel, as well as the Directors' fees payable to the Non-Executive Directors are reviewed by the RC. Members of the ARC, NC and RC are Independent Non-Executive Directors in FY2021. The Board believes that there are sufficiently strong and adequate safeguards to ensure an appropriate balance of power and authority within the spirit of good corporate governance. In addition, all Directors make decisions objectively in the interests of the Company.

CORPORATE GOVERNANCE REPORT

Provision 2.5 **Non-executive directors and/or independent directors, led by the independent chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.**

All Non-Executive Directors, lead by the Independent Non-Executive Chairman, confer regularly with the Executive Director and Management to develop strategies for the Group, review the performance of Management, assess remuneration and discuss corporate governance matters. Where warranted, the Independent Non-Executive Directors meet for discussions before the Board meetings in the absence of Management. The Group's Non-Executive Directors had held periodic conference calls and/or meetings without the presence of Management during FY2021.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3
There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Provision 3.1 **The Chairman and the Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.**

During FY2021, Mr Teo Yi-Dar (Zhang Yida) was the Independent Non-Executive Chairman. Upon the resignation of Mr Teo Yi-Dar (Zhang Yida) and recommendation of the NC, which had reviewed the credentials, performance and contributions of Mr Kesavan Nair, the Board of Directors approved the re-designation of Mr Kesavan Nair as Independent Non-Executive Chairman with effect from 15 January 2022, while Mr Shin Taeyang is the CEO. Mr Shin Taeyang assumes and bears overall daily operational responsibility for the Group's business. Mr Teo Yi-Dar (Zhang Yida), Mr Kesavan Nair and Mr Shin Taeyang are not related to each other. There is a clear division of responsibilities between Mr Teo Yi-Dar (Zhang Yida), Mr Kesavan Nair and Mr Shin Taeyang, which ensures there is a balance of power and authority at the top of the Group.

Provision 3.2 **The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.**

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

The Board has delegated the daily operations of the Group to the CEO, who is assisted by the Executive Director. The CEO and Executive Director lead the Management team and execute the strategic plans in alignment with the strategic decisions and goals set out by the Board. They also ensure that the Directors are kept updated and informed of the Group's businesses.

CORPORATE GOVERNANCE REPORT

Provision 3.3 **The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent.**

The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

The Company has appointed Mr Kesavan Nair as Independent Non-Executive Chairman, and therefore is not required to appoint a lead independent director. Shareholders may contact the Chairman where they have concerns and for which contact through the normal channels of communication with the Management are inappropriate or inadequate.

BOARD MEMBERSHIP

Principle 4
The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Provision 4.1 **The Board establishes a Nominating Committee ("NC") to make recommendations to the Board on relevant matters relating to:**

(a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;

(b) the process and criteria for evaluation of the performance of the Board, its board committees and directors;

(c) the review of training and professional development programmes for the Board and its directors; and

(d) the appointment and re-appointment of directors including alternate directors, if any.

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

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

- making recommendations to the Board on new appointments to the Board;
- determining orientation programs for new Directors and recommending opportunities for the continuing training of the Directors;

CORPORATE GOVERNANCE REPORT

- making recommendations to the Board on the re-nomination of retiring Directors standing for re-election at the Company's AGM, having regard to the Directors' contribution and performance (e.g. attendance, preparedness, participation and candour);
- ensuring that all Directors submit themselves for re-nomination and re-election at regular intervals and at least every three years;
- determining annually whether or not a Director is independent;
- reviewing the size and composition of the Board with the objective of achieving a balanced Board in terms of the mix of experience and expertise;
- reviewing the appointment of immediate family members (spouse, child, adopted child, step-child, sibling and parent) of any of the Company's Directors or substantial shareholders to managerial positions in the Company;
- determining whether a Director who has multiple board representations is able to and has been adequately carrying out his duties as Director of the Company;
- reporting to the Board on its activities and proposals (including succession and/or replacements plans for the Chairman, CEO and key management personnel); and
- carrying out such other duties as may be agreed to by the NC and the Board.

The Company's Constitution provides that, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM, and prior to nominating a retiring Director for re-election, the NC will evaluate the Director's contribution and performance taking into consideration factors such as attendance, preparedness, participation and candour. The details of the Directors seeking re-election are set out on pages 80 to 82 in this Annual Report.

Provision 4.2 **The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.**

As at the date of this report, the NC comprises the following members, majority are independent:

Mr Kesavan Nair (Chairman, Independent Non-Executive Chairman)
Mr Foo Sey Liang (Member, Executive Director)
Mr Ng Weng Sui Harry (Member, Independent Non-Executive Director)
Ms Ng Kate Jain (Member, Independent Non-Executive Director)

CORPORATE GOVERNANCE REPORT

Provision 4.3 **The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.**

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

Provision 4.4 **The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.**

The NC meets at least once a year. Please refer to the disclosures in Provision 2.1 in relation to the NC's review of Directors' independence.

Provision 4.5 **The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.**

All Directors are required to attend courses organised by the SID on their duties and obligations as a Director within 1 year from their appointment. In addition, the responsibilities of a Director are clearly delineated in their appointment letter or service agreement (as the case may be).

All Directors declare their board memberships and principal commitments as and when practicable. The details of the listed company directorships and principal commitments of the Board members are set out in pages 12 to 13 of this Annual Report.

CORPORATE GOVERNANCE REPORT

The NC has reviewed and is satisfied that all Directors have devoted sufficient time and attention to the affairs of the Group to adequately perform their duties as Directors of the Group after taking into consideration the number of listed company Board representations and their principal commitments which is evident in their level of attendance and participation at the Company's Board and Committee meetings held in FY2021. In assessing the capacity of the Directors, the NC takes into consideration the expected and/or competing time commitments of the Directors, size and composition of the Board, and nature and scope of the Group's operations and size.

Currently, the NC does not determine the maximum number of listed company Board representations which a Director may hold as the NC is of the view that it is for each Director to assess his/her own capacity and ability to undertake other obligations or commitments together with serving on the Board effectively. The Board and the NC will review the requirement to determine the maximum number of listed Board representations as and when they deem fit.

BOARD PERFORMANCE

Principle 5
The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provision 5.1 **The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.**

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

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

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

CORPORATE GOVERNANCE REPORT

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

Provision 5.2 **The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.**

The NC has conducted a Board's performance evaluation as a whole in FY2021 and received the individual directors' self-assessment. The Board's performance evaluation and the individual directors' self-assessment is to assess the effectiveness of the Board as a whole and its Board Committees and the contribution by the Chairman and each individual Director to the effectiveness of the Board on an annual basis.

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

No external facilitator was engaged by the Company in FY2021.

REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

Principle 6
The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Provision 6.1 **The Board establishes a Remuneration Committee ("RC") to review and make recommendations to the Board on:**

(a) **a framework of remuneration for the Board and key management personnel; and**

(b) **the specific remuneration packages for each director as well as for the key management personnel.**

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

CORPORATE GOVERNANCE REPORT

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

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

Provision 6.2 **The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.**

As at the date of this report, the RC comprises the following members, the majority of whom are independent:

Mr Kesavan Nair (Chairman, Independent Non-Executive Chairman)
Mr Foo Sey Liang (Member, Executive Director)
Mr Ng Weng Sui Harry (Member, Independent Non-Executive Director)
Ms Ng Kate Jain (Member, Independent Non-Executive Director)

Provision 6.3 **The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.**

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

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

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

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

Provision 6.4 **The company discloses the engagement of any remuneration consultants and their independence in the company's annual report.**

No remuneration consultant was engaged by the Company during FY2021. The RC may consider utilising external expert advice and data, as and when necessary, to assist in the evaluation of its compensation recommendations.

CORPORATE GOVERNANCE REPORT

LEVEL AND MIX OF REMUNERATION

Principle 7
The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

Provision 7.1 **A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.**

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

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

The employee share option scheme ("**ESOS**") which was previously approved by the shareholders of the Company at the Extraordinary General Meeting of the Company held on 12 January 2012, has lapsed upon the expiry of 10 years from the approval of the ESOS. Since the commencement of the ESOS and up to the expiry of the same, no options were granted under the ESOS to Directors of the Company and/or employees of the Group.

Provision 7.2 **The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.**

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

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

CORPORATE GOVERNANCE REPORT

Provision 7.3 **Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.**

The RC exercises its discretion and independent judgement in ensuring that the amount and mix of compensation are aligned with the interests of shareholders and promote the long term success of the Group.

The RC is of the view that the remuneration is appropriate to attract, retain and motivate the Directors and key management personnel, considering the low attrition rate of Directors and key management personnel.

DISCLOSURE ON REMUNERATION

Principle 8
The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1 **The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:**

(a) each individual director and the CEO; and

(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel.

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

For FY2021, the CEO, Executive Director and key management personnel have met the relevant performance conditions.

CORPORATE GOVERNANCE REPORT

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

Please refer to Table B set out on pages 78 to 79 of this Annual Report for the remuneration of the Directors and key management personnel for FY2021. The Group had three key management personnel during FY2021.

The Board believes that it is for the benefit of the Company and the Group that the remuneration of the CEO, Executive Director and key management personnel be kept confidential due to its sensitive nature and the potential negative impact (such as poaching) such disclosure will have on the Group given the highly competitive environment it is operating in. As the Company has a small and tightly-knit team, such disclosure would be disadvantageous to the Company in relation to its competitors and may affect adversely the cohesion and spirit of team work prevailing amongst the employees of the Company.

Provision 8.2 **The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.**

Save for Mr Foo Sey Liang, the Executive Director and substantial shareholder of the Company, there is no employee who is a substantial shareholder or is related to a Director, CEO or substantial shareholder of the Company, whose remuneration exceeds S$100,000 in the Group's employment for FY2021. The remuneration of Mr Foo Sey Liang is disclosed in bands of S$100,000 in Table B set out on pages 78 to 79 of this Annual Report.

Provision 8.3 **The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.**

Please refer to Table B set out on pages 78 to 79 of this Annual Report for the remuneration and other payments and benefits, paid by the Company and its subsidiaries to Directors, CEO and key management personnel of the Company for FY2021. Please refer to Provision 7.1 for details of the Company's ESOS.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 9
The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provision 9.1 **The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.**

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

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

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

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

CORPORATE GOVERNANCE REPORT

Provision 9.2 **The Board requires and discloses in the company's annual report that it has received assurance from:**

(a) the CEO and the Chief Financial Officer ("CFO") that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and

(b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.

The Board has received assurance from the CEO and the CFO that (a) the financial records have been properly maintained and the financial statements for FY2021 give a true and fair view of the Company's operations and finances; and (b) the Company's risk management and internal control systems are adequate and effective.

AUDIT COMMITTEE

Principle 10
The Board has an Audit Committee ("AC") which discharges its duties objectively.

Provision 10.1 **The duties of the AC include:**

(a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;

(b) reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;

(c) reviewing the assurance from the CEO and the CFO on the financial records and financial statements;

(d) making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;

(e) reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and

(f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

CORPORATE GOVERNANCE REPORT

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

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

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

CORPORATE GOVERNANCE REPORT

- overseeing the Company's risk management systems, practices and procedures to ensure effectiveness of risk identification and management, and compliance with internal guidelines and external requirements by, *inter alia*, assessing the Company's risk management framework for appropriateness and adequacy, and monitoring Management accountability for risk management processes and compliance with risk policies; and

- reviewing and making recommendations to the Board in relation to risk management.

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

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

Based on the internal controls established and maintained by the Group, works performed by the internal and external auditors, reviews performed, the Board, with concurrence of the ARC are of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology controls and risk management systems were adequate and effective as at FY2021.

The aggregate amount of fees paid or payable to the external auditors of the Company, broken down into audit and non-audit services during FY2021 are as follows:

Audit fees: S$173,000
Non-audit fees: Nil

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

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

It is the Company's practice for the external auditor to present to the ARC its audit plan and with updates relating to any change of accounting standards impacting on the financial statements before an audit commences. The adoption of the new Singapore Financial Reporting Standards (International) (SFRS(I)), amendments and interpretations of SFRS(I) did not result in any material impact on the Group's financial statements for the financial year under review.

CORPORATE GOVERNANCE REPORT

Provision 10.2 **The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.**

The ARC comprises 3 members who are Non-Executive Director, all of whom are independent. The ARC's members are:

Mr Ng Weng Sui Harry (Chairman, Independent Non-Executive Director)
Mr Kesavan Nair (Member, Independent Non-Executive Chairman)
Ms Ng Kate Jain (Member, Independent Non-Executive Director)

At least 2 members of the ARC (including the ARC chairman), namely Mr Ng Weng Sui Harry and Ms Ng Kate Jain have recent and relevant accounting or related financial management expertise or experience. The Board is of the view that the members of ARC have the necessary expertise to discharge their duties and responsibilities.

Provision 10.3 **The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.**

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

Provision 10.4 **The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.**

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

CORPORATE GOVERNANCE REPORT

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

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

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

The AC has reviewed and is satisfied with the independence, adequacy and effectiveness of the Company's internal audit function.

Provision 10.5 **The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.**

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

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11
The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

Provision 11.1 **The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.**

Shareholders are encouraged to attend the AGM to ensure a high level of accountability and to be updated on the Company's strategies and goals. The Company's Constitution allows a shareholder to appoint up to 2 proxies to attend a shareholder's meeting on his behalf. In line with the amendments to the Singapore Companies Act 1967 (the "**Companies Act**"), corporate shareholders of the Company which provide nominee or custodial services to third parties may appoint more than two proxies to attend and vote on their behalf at general meetings.

In view of the current Covid-19 restrictions in Singapore and in line with the safe-distancing measures and regulations imposed by the Singapore Government to curb the further spread of COVID-19, the Company will be holding its AGM via electronic means. As such, shareholders of the Company entitled to attend and vote at the AGM may appoint the Chairman of the AGM as proxy to attend and vote on their behalf at that AGM if such shareholders wish to exercise their voting rights, and submit their questions relating to the resolutions set out in the notice of the AGM before the registration deadline.

The Company has specified in the notice of AGM detailed information on attending the AGM by electronic means, such as instructions to shareholders on how they may (i) participate to observe and/or listen to the AGM proceedings, (ii) access this Annual Report and proxy form, (iii) submit their questions before the registration deadline of the AGM electronically; and (iv) vote by appointing the Chairman of the AGM as proxy and indicate how they wish to vote for or vote against (or abstain from voting on) the resolutions.

The notice of the AGM is sent to our shareholders, together with explanatory notes, appendices or a circular on items of special business, at least 14 days before the meeting. The Chairmen of the ARC, NC and RC are normally present and available to address questions relating to the work of their respective committees at general meetings. Furthermore, the external auditors are present to assist our Board in addressing any relevant queries by our shareholders. During the general meetings, the shareholders will be informed of the rules governing general meetings, including voting procedures.

CORPORATE GOVERNANCE REPORT

Provision 11.2 **The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.**

Separate resolutions are proposed for substantially separate issues at the meeting. In line with the new Rule 730A of the SGX-ST Listing Manual, all the resolutions are voted on by way of poll and the Company announces the detailed results showing the number of votes cast for and against each resolution and the respective percentages to the public.

Provision 11.3 **All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the company's annual report.**

Both Executive and Non-Executive Board members meet or speak with shareholders regularly, primarily through general meetings of shareholders, to gather their views and address concerns. The external auditors are also present at the annual general meetings to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report.

All Directors (save for Ms Ng Kate Jain who was appointed only on 31 December 2021) attended the AGM held on 26 April 2021.

Provision 11.4 **The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.**

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

Provision 11.5 **The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.**

Only shareholders and selected invitees are entitled to attend general meetings. As such, the minutes of general meetings are not posted on the Company's corporate website where they are available to the general public at large. However, the minutes of each general meeting, including substantial and relevant comments or queries, remain accessible to any shareholder interested in obtaining a copy of the same upon request.

CORPORATE GOVERNANCE REPORT

Provision 11.6 **The company has a dividend policy and communicates it to shareholders.**

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

ENGAGEMENT WITH SHAREHOLDERS

Principle 12
The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provision 12.1 **The company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.**

The Company firmly believes in high standards of transparent corporate disclosure, pursuant to the SGX-ST's Listing Rules and the Singapore Companies Act, whereby shareholders are informed of all major developments that affect the Group. Information is communicated to our shareholders on a timely basis. Where there is inadvertent disclosure made to a selected group, the Company will make the same disclosure publicly to all others as soon as practicable.

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

Please refer to the disclosures in Provision 12.2 on the avenue of communication between the Board and its shareholders.

Provision 12.2 **The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.**

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

CORPORATE GOVERNANCE REPORT

Prior to the enactment of the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, communication is made through:

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

For the upcoming AGM, such information will be disseminated via SGXNET and the Company's corporate website. The Board encourages shareholders' participation at the AGMs and periodically communicates with shareholders through SGXNET throughout the financial year.

Similarly, shareholders receive the circulars and notices of EGMs which are advertised in the newspapers within the prescribed deadlines prior to the EGMs. Such information will be disseminated via SGXNET and the Company's corporate website while the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 remains in force.

The Company also releases half-yearly announcements containing a summary of the financial information and affairs of the Group for that period, and announcements with disclosures as required by the Listing Manual via SGXNET. Shareholders can also access the Company's website at http://www.hgmetal.com to access information on the Group.

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

CORPORATE GOVERNANCE REPORT

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

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

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

The ARC maintains a record of concerns raised under this policy and the outcomes, and will report as necessary to the Board. There were no fraud and whistle blowing reports received during FY2021.

Provision 12.3 **The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.**

Shareholders may contact the Company by completing the "Contact Us" form on the Company's website at http://www.hgmetal.com/contact/. The Company will respond directly to the querying shareholder using the contact information provided therein.

MANAGING STAKEHOLDERS RELATIONSHIPS

ENGAGEMENT WITH STAKEHOLDERS

Principle 13
The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Provision 13.1 **The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.**

The Company is committed in maintaining close communication with those stakeholders whom will have an impact on the Company's business and operating performance and long term sustainability. To this end, the Company has established relevant communication channels to engage with its stakeholders as detailed in page 22 in this Annual Report.

CORPORATE GOVERNANCE REPORT

Provision 13.2 The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.

The Company recognises the needs for ensuring the business interests of the Company and its stakeholders are properly aligned as part of its sustainability journey. As in previous years, the Company has undertaken a process of identifying material environmental, social and governance issues which are important and will impact the stakeholders. Having identified these material topics, the Company seeks to map out its processes and align its business practices and strategies to address the concerns of these stakeholders. The Company's efforts and approaches in ensuring the respective stakeholders' concerns are properly addressed are set out on pages 22 to 25 of this Annual Report.

Provision 13.3 The company maintains a current corporate website to communicate and engage with stakeholders.

The Company updates its corporate website http://www.hgmetal.com regularly with information released on the SGXNET and business developments of the Group.

DEALINGS IN SECURITIES

In accordance with Rule 1207(19) of the Listing Manual issued by SGX-ST, the Company has implemented an internal policy in relation to dealings in securities. Pursuant to such policy, the Company notifies all employees and officers that they are prohibited from trading in the Company's shares one month prior to the announcement of the Company's half-year and full-year financial results.

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

INTERESTED PERSON TRANSACTIONS

The Company is required to comply with the requisite rules under Chapter 9 of the Listing Manual issued by SGX-ST for IPT. To ensure compliance with Chapter 9, all IPT are subject to review by the ARC in order to ensure that the IPT are carried out on normal commercial terms and will not prejudicial to the interests of the shareholders.

The Company has not entered into any IPT with aggregate value of more than S$100,000 during FY2021 pursuant to Rule 907 of the Listing Manual of the SGX-ST.

MATERIAL CONTRACTS

Save as disclosed in the audited financial statements of this Annual Report, there are no material contracts of the Company or its subsidiaries involving the interests of the Directors or controlling shareholder(s) subsisting at the end of FY2021 or have been entered into since the end of the previous financial year.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT

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

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

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

FLUCTUATIONS IN STEEL PRICES

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

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

CREDIT RISK OF ITS CUSTOMERS

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

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

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

CORPORATE GOVERNANCE REPORT

FOREIGN EXCHANGE EXPOSURE

The purchases and sales of the Group are mainly denominated in US$. As a result, the Group is exposed to fluctuations in foreign exchange rates. For FY2021, approximately 87% of its total purchases were made in US$, whilst approximately 95% and 4% of its total sales were denominated in S$ and US$ respectively. Hence, the Group may be exposed to any significant fluctuation of the US$.

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

EXPANSION AND INVESTMENT RISK

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

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

The Group's business operation in Myanmar is currently experiencing unfavourable political developments within the country which may limit the realization of business opportunities and investment in the country. The Group continues to monitor the political and economic development in Myanmar and adjust the Group's business operation to changes in market condition as appropriately on timely basis and to take proactive actions in minimizing the Group's risk exposure.

TABLE A

	Board of Directors		Audit & Risk Committee		Remuneration Committee		Nominating Committee	
Name of Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Teo Yi-Dar (Zhang Yida)[1]	3	3	3	3	1	1	1	1
Foo Sey Liang	3	3	3	3	1	1	1	1
Ng Weng Sui Harry	3	3	3	3	1	1	1	1
Kesavan Nair	3	3	3	3	1	1	1	1
Ng Kate Jain[2]	–	–	–	–	–	–	–	–

Notes:

1. Mr Teo Yi-Dar (Zhang Yida) ceased as Independent Non-Executive Chairman with effect from 15 January 2022.
2. Ms Ng Kate Jain was appointed as Independent Non-Executive Director with effect from 31 December 2021.

CORPORATE GOVERNANCE REPORT

TABLE B

The remuneration of the Directors and CEO from the Company for FY2021 is as follows:

Directors and CEO	Base Salary (%)	Bonus (%)	Director Fees* (%)	Allowances and Others (%)	TOTAL (%)
S$1,500,000 to S$1,749,999					
Shin Taeyang	17.47	81.81	–	0.72	100
S$700,000 to S$799,999					
Foo Sey Liang	52.63	47.37	–	–	100
Below S$250,000					
Teo Yi-Dar (Zhang Yida)	–	–	100	–	100
Ng Weng Sui Harry	–	–	100	–	100
Kesavan Nair	–	–	100	–	100
Ng Kate Jain	–	–	100	–	100

* Directors' fees are subject to Shareholders' approval at the forthcoming annual general meeting.

Although the Code recommends full disclosure in aggregate to the nearest thousand dollars of the total remuneration paid to each individual Director and the Chief Executive Officer (or equivalent) on a named basis as well as the aggregate remuneration paid to the top five key management personnel (who are not Directors or the Chief Executive Officer), the Board believes that it is for the benefit of the Company and the Group that their remuneration be kept confidential due to its sensitive nature and the potential negative impact such disclosure will have on the Group given the highly competitive environment it is operating in. The disclosure of the respective and aggregate remuneration in bands of $250,000 should, in the Board's assessment, provide adequate overview of the remuneration of the Directors' and CEO as well as the key management personnel.

CORPORATE GOVERNANCE REPORT

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

	S$
Basic fee	48,400
Board chairmanship	7,260
ARC chairmanship	7,260
NC chairmanship	4.840
RC chairmanship	4.840
ARC membership	3,630
NC membership	2,420
RC membership	2,420

The annual aggregate remuneration paid to the Directors and CEO, and directors' fees accrued for the financial year ended 31 December 2021 were S$2,357,559 and S$246,496 respectively.

A breakdown of the remuneration of key management personnel for FY2021 is set out below:

Name of Executive Officers	**Base Salary (%)[1]**	**Bonus (%)[1]**	**Allowances and Others (%)**	**TOTAL (%)**
S$250,000 to S$499,999				
Sharon Tay Hong Kiang	52.35	47.45	0.20	100
Royston Johns	58.80	39.32	1.88	100
Below S$250,000				
Ang Thiam Kwee	67.14	28.99	3.87	100

Note:

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

The total remuneration paid to the top three key management personnel during FY2021 was S$778,148.

CORPORATE GOVERNANCE REPORT

DETAILS OF DIRECTORS SEEKING RE-ELECTION

Mr Ng Weng Sui Harry, Mr Kesavan Nair and Ms Ng Kate Jain are the Directors seeking re-election at the upcoming AGM (collectively, the "**Retiring Directors**" and each a "**Retiring Director**").

Pursuant to Rule 720(6) of the Listing Manual of the SGX-ST, the information relating to the Retiring Directors as set out in Appendix 7.4.1 to the Listing Manual of the SGX-ST is set out below:

	NG WENG SUI HARRY	**KESAVAN NAIR**	**NG KATE JAIN**
Date of first appointment	10 April 2014	17 April 2014	31 December 2021
Date of last re-appointment (if applicable)	26 June 2020	26 April 2021	–
Age	65	58	48
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	After reviewing the recommendation of the Nominating Committee and Mr Ng Weng Sui Harry's qualifications and experience, the Board approved his appointment as the Independent Non-Executive Director	Upon the recommendation of the Nominating Committee, which had reviewed the credentials, performance and contributions of Mr Kesavan Nair, the Board of Directors approved his re-designation as Independent Non-Executive Chairman with effect from 15 January 2022.	Upon the recommendation of the Nominating Committee and the Board, which had reviewed the qualification and experience of Ms Ng Kate Jain, the Board of Directors approved her appointment as the Independent Non-Executive Director
Whether appointment is executive, and if so, the area of responsibility	Not applicable	Not applicable	Not applicable
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non- Executive Director and Chairman of the Audit & Risk Committee	and a member of the Nominating Committee and Remuneration Committee	Independent Non- Executive Chairman and Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit & Risk Committee Independent Non-Executive Director and a member of the Audit & Risk Committee, Nominating Committee and Remuneration Committee

CORPORATE GOVERNANCE REPORT

	NG WENG SUI HARRY	KESAVAN NAIR	NG KATE JAIN
Professional qualifications	Fellow member of the Institute of Singapore Chartered Accountants Fellow of the Association of Chartered Certified Accountants, UK Master of Business Administration (General Business Administration) from The University of Hull, UK	1990 – Barrister-at-Law, Middle Temple 1991 – Barrister and Solicitor of the Supreme Court of the Australian Capital Territory 1992 – Advocate and Solicitor the Supreme Court of Singapore	National University of Singapore, Bachelor of Arts and Social Sciences (Major in Japanese Studies and Economics) Completed Chartered Financial Analyst Program
Working experience and occupation(s) during the past 10 years	As disclosed in Mr Ng Weng Sui Harry's profile at page 13 of this Annual Report	2008 to 2017 – Director, Genesis Law Corporation 2017 to Present – Director, Bayfront Law LLC	April 2015 – Present UOB Venture Management Private Limited Senior Director January 2012 – March 2015 UOB Venture Management Private Limited Director
Shareholding interest in the listed issuer and its subsidiaries	Direct interest in 10,000 shares	None	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	None	None	None
Conflict of interest (including any competing business)	None	None	None

CORPORATE GOVERNANCE REPORT

	NG WENG SUI HARRY	KESAVAN NAIR	NG KATE JAIN
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other principal commitments including directorships	Past (for the last 5 years) Healthpro Pte Ltd IEV Energy Investment Pte. Limited IEV Technologies Pte Ltd Present (on 31 December 2021): Listed companies: OxPay Financial Limited Medi Lifestyle Limited (formerly IEV Holdings Limited) Oxley Holding Limited Q&M Dental Group (Singapore) Limited Others: HLM (International) Corporate Services Pte Ltd (Executive Director) Singapore Dental Council (member of Audit Committee) NCC Research Fund (member of Audit Committee) NCCS Cancer Fund (member of Audit Committee)	Past (for the last 5 years) Directorships: Genesis Law Corporation Kitchen Culture Holdings Ltd. Genvest Pte Ltd Present (on 31 December 2021): Listed companies: Medi Lifestyle Limited (formerly IEV Holdings Limited) Arion Entertainment Singapore Limited (formerly Elektromotive Group Limited) OxPay Financial Limited Other Principal Commitments: Bayfront Law LLC	Past (for the last 5 years) Nil Present Nil

The Retiring Directors confirm that there are no circumstances or matters requiring to be disclosed in relation to the queries provided in Appendix 7.4.1 of the Listing Rules.

FINANCIAL CONTENTS

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of HG Metal Manufacturing Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2021.

OPINION OF THE DIRECTORS

In the opinion of the directors,

(a) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

DIRECTORS

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

Kesavan Nair	– Chairman
Foo Sey Liang	
Ng Weng Sui Harry	
Ng Kate Jain	(appointed on 31 December 2021)

In accordance with Regulation 88 and 89 of the Company's Constitution, Ng Kate Jain, Ng Weng Sui Harry and Kesavan Nair retire and, being eligible, offer themselves for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings, required to be kept under Section 164 of the Companies Act 1967, an interest in shares of the Company and related corporations as stated below:

	Direct interest		Deemed interest	
Name of director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Ordinary shares of the Company				
Foo Sey Liang	–	–	28,405,000	28,405,000
Ng Weng Sui Harry	10,000	10,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2022.

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

OPTIONS

During the financial year, there were:

(i) no options granted by the Company to any person to take up unissued shares in the Company; and

(ii) no shares issued by virtue of any exercise of option to take up unissued shares of the Company.

As at the end of the financial year, there were no unissued shares of the Company under option.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee ("ARC") carried out its functions in accordance with section 201B (5) of the Companies Act 1967, including the following:

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

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

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

DIRECTORS' STATEMENT

AUDIT AND RISK COMMITTEE (CONT'D)

- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the ARC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators
- Reviewed the cost effectiveness and independence and objectivity of the external auditor
- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the ARC to the board of directors with such recommendations as the ARC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

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

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

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

AUDITOR

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

On behalf of the board of directors,

Kesavan Nair
Director

Foo Sey Liang
Director

Singapore
28 March 2022

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2021

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of HG Metal Manufacturing Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2021, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) (the "SFRS(I)s") 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 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing (the "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 (the "ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (the "ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

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

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

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2021

Key audit matters (cont'd)

Impairment assessment of trade receivables

As at 31 December 2021, the Group's trade receivable balances amounted to $37,007,000, representing 31% of the total current assets of the consolidated balance sheet as of 31 December 2021. The provision for expected credit losses ("ECL") on trade receivable balances amounted to $5,636,000 as of 31 December 2021.

The determination as to whether a debt is collectable and the amount to be recognised for the lifetime ECL on trade receivables involves significant management judgement. In estimating the provision for ECL, management has considered various factors such as past due balances, recent historical payment patterns and default patterns over a period, debtors' financial ability to repay, existence of disputes, economic environment and forecast of future macro-economic conditions where the debtors operate, taking into consideration COVID-19 impact and any other available information concerning the creditworthiness of debtors. Given the high level of management judgement involved and the materiality of the amounts involved, we determined that this is a key audit matter.

Our audit procedures included, amongst others, obtaining an understanding of the Group's processes and controls relating to the monitoring of trade receivables and identification of credit-impaired customers. We reviewed management's estimation of the amount of lifetime ECLs and evaluated the adequacy of these allowances.

We evaluated management's assumptions and inputs used in establishing the ECL provision matrix through analysis of receivables ageing, review of historical credit loss experiences and consideration of data and information used by management in determining the forward-looking adjustments. We requested, on a sample basis, trade receivables confirmations and obtained evidence of receipts from the customers subsequent to balance sheet date. We assessed specific provisions made by management through reviewing the debt collectability taking into consideration subsequent receipts, collaterals provided, as well as repayment plans. For long overdue debts without subsequent receipt, we discussed with management on their assessment of the estimated credit losses on these trade receivables, the impact of COVID-19 on customers' ability to repay and possible recovery scenario.

In addition, we assessed the adequacy of the disclosures on the trade receivables, and the related credit and liquidity risks in Note 18 Trade and other receivables and Note 34 Financial risk management respectively.

Carrying amount of inventories

The carrying amount of the Group's inventories of $45,779,000 as at 31 December 2021 was significant to the Group as it represented 38% of the Group's total current assets, after considering the allowance for inventory obsolescence of $9,000. In addition, the current economic outlook brought on by the COVID-19 pandemic further heightened the level of management judgement in estimating the net realisable value of inventories, which is affected by fluctuations in market prices and demand for steel. As such, we determined that this is a key audit matter.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2021

Key audit matters (cont'd)

Carrying amount of inventories (cont'd)

Our audit procedures included, amongst others, attending inventory counts at selected inventory locations to observe the physical conditions of the inventories on sample basis. We reviewed the basis of the inventory allowances and the consistency of providing for inventory allowances in accordance with the Group's policy. We evaluated the appropriateness of the process, methods and assumptions used by management in estimating the net realisable value of inventories. In particular, we evaluated the assumptions and estimates used by management in determining the inventory write down amount, taking into consideration the impact of COVID-19 on the demand for steel. We assessed the adequacy of the Group's inventory allowances by checking on a sample basis that inventory items were categorised appropriately in the relevant ageing bracket, analysing the ageing profile of inventories to identify slow and obsolete inventories, and assessing the reasonableness of the allowance percentages applied. We also assessed the appropriateness of the inventory allowances by considering the historical accuracy of allowances and sales patterns subsequent to financial year-end.

In addition, we assessed the adequacy of the Group's disclosure on inventories in Note 17 Inventories.

Impairment of leasehold land and buildings

As at 31 December 2021, the Group's leasehold land and buildings amounted to $11,076,000 and $9,433,000 respectively. A subsidiary in Myanmar, where operations have been negatively impacted by the political instability and COVID-19 pandemic, held $2,856,000 and $9,239,000 of the Group's leasehold land and buildings respectively.

Management carried out a review of the recoverable amount of the leasehold land and buildings in Myanmar by engaging an external valuation specialist to assess the fair value less cost to sell. The impairment review was significant to our audit due to the judgement involved in estimating the recoverable value, as the valuation was highly dependent on certain key assumptions utilised, including the adjustment factors for comparable asset sales transactions and estimation of replacement costs of similar assets. Given the magnitude of the amount and the significant management judgement involved in the impairment assessment, we have identified this as a key audit matter.

Our audit procedures included, amongst others, understanding management's process for identifying impairment triggers, and reviewing management's impairment assessment of the Group's buildings and leasehold land. We involved our internal valuation specialists to assist us in evaluating the appropriateness of the valuation methodology, which also included an assessment on the fair value based on the market comparable approach and replacement cost approach. We evaluated the reasonableness of key assumptions used in the valuation such as adjustment factors for comparable asset sale transactions and estimation of replacement costs of similar assets.

In addition, we assessed the adequacy of the disclosures in Note 11 Property, plant and equipment and Note 12 Right-of-use assets.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2021

Other information

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

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

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

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, 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 the 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.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2021

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

As part of an audit in accordance with the 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.

* 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.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2021

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

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

Report on other legal and regulatory requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Eleanor Lee Kim Lin.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

28 March 2022

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2021

	Note	2021 $'000	2020 $'000
Revenue	4	**142,267**	91,693
Cost of sales		**(113,115)**	(80,554)
Gross profit		**29,152**	11,139
Other operating income	5	**3,499**	4,622
Selling and distribution costs		**(391)**	(562)
Administrative expenses		**(11,199)**	(8,683)
Other operating expenses		**(4,079)**	(4,147)
Finance costs	6	**(1,065)**	(1,104)
(Impairment loss)/reversal of impairment on financial assets	7	**(3,485)**	111
Profit before income tax	8	**12,432**	1,376
Income tax expense	9	**(1,262)**	(41)
Net profit for the year		**11,170**	1,335
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		**127**	(151)
Other comprehensive income for the year, net of tax		**127**	(151)
Total comprehensive income for the year		**11,297**	1,184
Profit/(loss) attributable to:			
Owners of the Company		**12,065**	1,027
Non-controlling interests		**(895)**	308
		11,170	1,335
Total comprehensive income attributable to:			
Owners of the Company		**12,110**	958
Non-controlling interests		**(813)**	226
		11,297	1,184
Earnings per share:			
Basic (cents)	10	**9.48**	0.81
Diluted (cents)	10	**9.48**	0.81

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

BALANCE SHEETS

As at 31 December 2021

	Note	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Assets					
Non-current assets					
Property, plant and equipment	11	**31,868**	33,963	**5,351**	6,458
Right-of-use assets	12	**11,460**	11,209	**2,078**	1,551
Intangible assets	13	**261**	117	**146**	30
Investment in subsidiaries	14	**–**	–	**13,113**	13,113
Investment securities	15	**7,671**	3,005	**7,671**	3,005
Restricted deposits	16	**–**	784	**–**	–
		51,260	49,078	**28,359**	24,157
Current assets					
Investment securities	15	**1,127**	6,515	**1,127**	6,515
Cash and cash equivalents	16	**27,876**	19,452	**11,786**	8,769
Fixed deposits pledged with banks	16	**7,251**	6,000	**3,750**	2,500
Restricted deposits	16	**784**	–	**–**	–
Inventories	17	**45,779**	28,138	**20,923**	15,981
Trade and other receivables	18	**37,511**	37,674	**46,516**	43,414
Income tax recoverable		**128**	44	**–**	–
Prepaid expenses		**216**	167	**114**	121
		120,672	97,990	**84,216**	77,300
Total assets		**171,932**	147,068	**112,575**	101,457
Equity and liabilities					
Current liabilities					
Lease liabilities	12	**1,033**	950	**586**	579
Trade and other payables	19	**21,506**	13,237	**33,525**	31,903
Bank borrowings	20	**9,892**	2,658	**5,860**	586
Provision for income tax		**843**	13	**–**	–
Deferred grant income	22	**–**	197	**–**	88
Derivative financial instruments	23	**39**	43	**34**	35
		33,313	17,098	**40,005**	33,191
Net current assets		**87,359**	80,892	**44,211**	44,109
Non-current liabilities					
Lease liabilities	12	**6,272**	7,122	**905**	1,492
Bank borrowings	20	**15,011**	17,172	**1,167**	1,558
Deferred tax liabilities	24	**478**	57	**–**	–
Provision for reinstatement costs	21	**2,772**	1,772	**1,800**	800
		24,533	26,123	**3,872**	3,850
Total liabilities		**57,846**	43,221	**43,877**	37,041
Net assets		**114,086**	103,847	**68,698**	64,416

BALANCE SHEETS

As at 31 December 2021

	Note	Group		Company	
		2021	**2020**	**2021**	**2020**
		$'000	**$'000**	**$'000**	**$'000**
Equity attributable to owners of the Company					
Share capital	25	**70,496**	70,496	**70,496**	70,496
Treasury shares	26	**(2,636)**	(2,215)	**(2,636)**	(2,215)
Other reserves	27	**2,961**	2,916	**2,527**	2,527
Accumulated profits/(losses)		**39,927**	28,499	**(1,689)**	(6,392)
		110,748	99,696	**68,698**	64,416
Non-controlling interests		**3,338**	4,151	**–**	–
Total equity		**114,086**	103,847	**68,698**	64,416
Total equity and liabilities		**171,932**	147,068	**112,575**	101,457

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 2021

2021 Group	Equity attributable to owners of the Company								
	Share capital $'000	Treasury shares $'000	Capital reserve $'000	Other reserves $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2021	70,496	(2,215)	2,527	(212)	601	28,499	99,696	4,151	103,847
Profit/(loss) for the year	–	–	–	–	–	12,065	12,065	(895)	11,170
Other comprehensive income									
Foreign currency translation	–	–	–	–	45	–	45	82	127
Other comprehensive income for the year, net of tax	–	–	–	–	45	–	45	82	127
Total comprehensive income for the year	–	–	–	–	45	12,065	12,110	(813)	11,297
Contributions by and distributions to owners									
Purchase of treasury shares	–	(421)	–	–	–	–	(421)	–	(421)
Dividend on ordinary shares	–	–	–	–	–	(637)	(637)	–	(637)
Total contributions by and distributions to owners	–	(421)	–	–	–	(637)	(1,058)	–	(1,058)
Total transactions with owners in their capacity as owners	–	(421)	–	–	–	(637)	(1,058)	–	(1,058)
At 31 December 2021	70,496	(2,636)	2,527	(212)	646	39,927	110,748	3,338	114,086

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 2021

2020 Group	Equity attributable to owners of the Company								
	Share capital $'000	Treasury shares $'000	Capital reserve $'000	Other reserves $'000	Foreign currency translation reserve $'000	Accumulated profits $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2020	70,496	(2,215)	2,527	(212)	670	27,472	98,738	3,925	102,663
Profit for the year	–	–	–	–	–	1,027	1,027	308	1,335
Other comprehensive income									
Foreign currency translation	–	–	–	–	(69)	–	(69)	(82)	(151)
Other comprehensive income for the year, net of tax	–	–	–	–	(69)	–	(69)	(82)	(151)
Total comprehensive income for the year	–	–	–	–	(69)	1,027	958	226	1,184
At 31 December 2020	70,496	(2,215)	2,527	(212)	601	28,499	99,696	4,151	103,847

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 2021

	Equity attributable to owners of the Company				
2021 **Company**	**Share capital $'000**	**Treasury shares $'000**	**Capital reserve $'000**	**Accumulated (losses)/ profits $'000**	**Total equity $'000**
At 1 January 2021	**70,496**	**(2,215)**	**2,527**	**(6,392)**	**64,416**
Profit for the year, representing total comprehensive income for the year	**–**	**–**	**–**	**5,340**	**5,340**
Contributions by and distributions to owners					
Purchase of treasury shares	**–**	**(421)**	**–**	**–**	**(421)**
Dividend on ordinary shares	**–**	**–**	**–**	**(637)**	**(637)**
Total contributions by and distributions to owners	**–**	**(421)**	**–**	**(637)**	**(1,058)**
Total transactions with owners in their capacity as owners	**–**	**(421)**	**–**	**(637)**	**(1,058)**
At 31 December 2021	**70,496**	**(2,636)**	**2,527**	**(1,689)**	**68,698**
2020 **Company**					
At 1 January 2020	70,496	(2,215)	2,527	(7,077)	63,731
Profit for the year, representing total comprehensive income for the year	–	–	–	685	685
At 31 December 2020	70,496	(2,215)	2,527	(6,392)	64,416

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Profit before income tax		**12,432**	1,376
Adjustments for:			
Bad debts recovered, net	5	**(4)**	(6)
Depreciation of property, plant and equipment	11	**2,971**	2,774
Depreciation of right-of-use assets	12	**1,123**	1,149
Amortisation of intangible assets	13	**22**	15
Gain on disposal of property, plant and equipment	5	**(455)**	(10)
Gain on termination of lease	5	**–**	(18)
Write-off of property, plant and equipment	8	**–**	217
Allowance/(reversal of allowance) for inventories obsolescence	8	**6**	(8)
Impairment loss/(reversal of impairment) on financial assets	7, 18	**3,485**	(111)
Fair value gain on derivatives, net	8	**(4)**	(298)
Finance costs	6	**1,065**	1,104
Interest income	5	**(192)**	(417)
Unrealised foreign exchange (gain)/loss, net		**(329)**	530
Operating cash flows before changes in working capital		**20,120**	6,297
Working capital changes:			
Inventories		**(17,651)**	14,312
Trade and other receivables		**(3,377)**	11,196
Prepaid expenses		**(159)**	365
Trade and other payables		**9,523**	(17,630)
Cash generated from operations		**8,456**	14,540
Interest received		**315**	341
Interest paid		**(899)**	(995)
Income tax paid		**(95)**	(10)
Net cash flows generated from operating activities		**7,777**	13,876
Cash flows from investing activities			
Fixed deposits pledged with banks		**(1,251)**	(3,500)
Purchase of right-of-use assets		**(100)**	(41)
Purchase of property, plant and equipment	A	**(2,386)**	(10,278)
Proceeds from disposal of property, plant and equipment	B	**817**	435
Purchase of intangible assets	C	**(159)**	(9)
Proceeds from maturity of investment securities		**6,500**	500
Purchase of investment securities		**(5,832)**	–
Net cash flows used in investing activities		**(2,411)**	(12,893)

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2021

	Note	2021 $'000	2020 $'000
Cash flows from financing activities			
Purchase of treasury shares		**(421)**	–
Dividends paid on ordinary shares of the Company		**(637)**	–
Proceeds from bank borrowings	D	**57,520**	56,882
Repayment of bank borrowings	D	**(52,578)**	(59,753)
Principal element of lease payments	D	**(1,023)**	(1,475)
Net cash flows generated from/(used in) financing activities		**2,861**	(4,346)
Net increase/(decrease) in cash and cash equivalents		**8,227**	(3,363)
Effects of exchange rate changes on cash and cash equivalents		**197**	(96)
Cash and cash equivalents at beginning of financial year		**19,452**	22,911
Cash and cash equivalents at end of financial year	16	**27,876**	19,452

Note A: Purchase of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $1,010,000 (2020: $5,028,000). The additions were by way as follows:

	Note	2021 $'000	2020 $'000
Cash and bank balances		**858**	3,582
Inventories		**4**	610
Prepaid expenses		**104**	–
Transfer from right-of-use assets		**42**	–
Other payables		**2**	836
	11	**1,010**	5,028

Cash outflows for the year also include payments in respect of the purchase of property, plant and equipment in the previous years of $1,528,000 (2020: $6,696,000).

Note B: Disposal of property, plant and equipment

During the financial year, the Group disposed property plant and equipment for $812,000 (2020: $68,000). Proceeds of $812,000 (2020: $63,000) were collected during the financial year (2020: with $5,000 remaining in other receivables).

Cash inflows for the year also include receipts in respect of disposal of property, plant and equipment in the previous year of $5,000 (2020: $372,000).

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2021

Note C: Purchase of intangible assets

During the financial year, the Group acquired intangible assets with an aggregate cost of $165,000 (2020: $9,000). The additions were by way as follows:

	Note	2021 $'000	2020 $'000
Cash and bank balances		**159**	9
Prepaid expenses		**6**	–
	13	**165**	9

Note D: Reconciliation of liabilities arising from financing activities

			Non-cash changes				
	1 January $'000	Cash flows $'000	Addition during the year $'000	Foreign exchange movement $'000	Accretion of interest $'000	Others $'000	31 December $'000
2021							
Bank borrowings	**19,830**	**4,942**	**–**	**131**	**–**	**–**	**24,903**
Lease liabilities	**8,072**	**(1,352)**	**292**	**–**	**329**	**(36)**	**7,305**
Total	**27,902**	**3,590**	**292**	**131**	**329**	**(36)**	**32,208**
2020							
Bank borrowings	23,005	(2,871)	–	(304)	–	–	19,830
Lease liabilities	9,097	(1,694)	507	–	219	(57)	8,072
Total	32,102	(4,565)	507	(304)	219	(57)	27,902

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 2021

1. CORPORATE INFORMATION

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

The registered office and principal place of business of the Company is located at 28 Jalan Buroh, Singapore 619484.

The principal activities of the Company are the business of trading of steel products and investment holding. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting polices

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2021. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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 SFRS(I) 3: *Reference to the Conceptual Framework*	1 January 2022
Amendments to SFRS(I) 1-16: *Property, Plant and Equipment -Proceeds before Intended Use*	1 January 2022
Amendments to SFRS(I) 1-37: *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*	1 January 2023
SFRS(I) 17: *Insurance Contracts*	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Date to be determined

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

2.4 Basis of consolidation and business combinations

(a) *Basis of consolidation*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

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

(b) *Business combinations and goodwill*

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

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

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquire are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

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

2.5 Transactions with non-controlling interests

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

2.6 Foreign currency

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

(a) *Transactions and balances*

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

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

(b) *Consolidated financial statements*

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

2.7 Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

2.7 Property, plant and equipment (cont'd)

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

Buildings	–	50 years
Leasehold buildings	–	20 to 30 years
Plant and machinery	–	5 to 10 years
Furniture and fittings	–	4 to 10 years
Office equipment	–	3 to 10 years
Renovation	–	5 to 10 years
Motor vehicles	–	4 to 10 years

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

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

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

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

2.8 Intangible assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

2.8 Intangible assets (cont'd)

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

An intangible asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising upon derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of profit or loss.

(a) *Computer software*

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

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

(b) *Club membership*

Club membership was acquired separately and is stated at cost less impairment in value, if any.

2.9 Impairment of non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

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

Impairment losses are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

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

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 balance sheet, investment in subsidiaries are accounted for at cost less impairment losses.

2.11 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the financial instrument.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

2.11 Financial instruments (cont'd)

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

Subsequent measurement

Investments in debt instruments

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition 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 for debt instruments is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

2.11 Financial instruments (cont'd)

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

Subsequent measurement

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.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.12 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

2.13 Cash and cash equivalents

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

2.14 Inventories

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

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

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

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

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

2.15 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 as a finance cost.

Provision for reinstatement costs

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

2.16 Financial guarantees

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit losses determined in accordance with the policy set out in Note 2.12 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.17 Government grants

Government grants are recognised as a receivable when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed. When the grant relates to an asset, the fair value is recognised as deferred income on the statement of financial position and is recognised as income in equal amounts over the expected useful life of the related asset.

When loans or similar assistance are provided by governments or related institutions with an interest rate below the current applicable market rate, the effect of this favourable interest is regarded as additional government grant.

2.18 Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

2.19 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 are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the balance sheet date is recognised for services rendered by employees up to the end of the reporting period.

2.20 Leases

At the inception of the contract, the Group assesses if the contract contains a lease. A contract contains a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Reassessment is only required when the terms and conditions of the contract are changed.

(a) *As a lessee*

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of a right-of-use asset also includes an estimate of costs to be incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories. The lessee incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

2.20 Leases (cont'd)

(a) *As a lessee (cont'd)*

i) Right-of-use assets (cont'd)

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

• Office equipment	5 years
• Motor vehicles	10 years
• Workers dormitories	2 years
• Land	6 to 20 years

The right-of-use assets are also subject to impairment. Please refer to Note 2.9 for Impairment of non-financial assets.

ii) Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

2.20 Leases (cont'd)

(a) *As a lessee (cont'd)*

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(b) *As lessor*

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

2.21 Revenue recognition

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) *Sale of goods*

The Group supplies steel products to the customers.

Revenue is recognised when the goods are delivered to the customers and all criteria for acceptance have been satisfied.

The amount of revenue recognised is based on the contractual price. Based on the Group's experience with similar types of contracts, variable consideration is typically constrained and is included in the transaction only to the extent that it is a highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

2.21 Revenue recognition (cont'd)

(b) *Cut and bend services*

Revenue from cut and bend services is recognised when the services have been performed and rendered.

(c) *Rental of steel plates*

Revenue from rental of steel plates is accounted for on a straight-line basis over the lease terms.

(d) *Dividend income*

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

(e) *Warehouse and handling fee income*

Warehouse rental is accounted for on a straight-line basis over the lease terms.

Related handling fee income is accounted when the services have been performed and rendered.

2.22 Taxes

(a) *Current income tax*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

2.22 Taxes (cont'd)

(b) *Deferred tax*

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

2.22 Taxes (cont'd)

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

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

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

(c) *Sales tax*

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

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

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

2.23 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.

2.24 Treasury shares

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

2.25 Contingencies

A contingent liability is:

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

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

Key sources of estimation uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

Key sources of estimation uncertainty (cont'd)

(a) *Allowance for expected credit losses of trade receivables*

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The carrying amount of the Group's trade receivables as at the end of the reporting period and information on the related ECLs are disclosed in Note 18 and Note 34 respectively.

A 5% increase/decrease in the allowance for expected credit losses estimated by the management would result in a decrease/increase of $282,000 (2020: $110,000) in the Group's profit before income tax.

(b) *Allowance for slow-moving and obsolete inventories*

A review of the realisable value of the inventories is performed periodically for slow-moving, obsolete, and inventories which have a decline in net realisable value below cost. An allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future market demand for the products, pricing competitions, environmental regulations requirements and age of the inventories. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of the Group's inventories at the end of the reporting period is disclosed in Note 17.

A 5% increase/decrease in the allowance for stock obsolescence estimated by the management would result in a decrease/increase of $450 (2020: $850) in the Group's profit before income tax.

(c) *Impairment review of leasehold land and buildings*

The recoverable amounts of the Group's buildings and leasehold land held by a Myanmar subsidiary are assessed based on a valuation performed by the external Valuer. The Valuer determined the fair value less cost to sell based on the direct comparison approach and the replacement cost approach. The valuation was highly dependent on certain key assumptions utilised, including the adjustment factors for comparable asset sales transactions and estimation of replacement costs of similar assets.

The estimated recoverable amounts of the leasehold land and buildings are higher than the carrying amount of leasehold land and buildings held by the Myanmar subsidiary of $2,856,000 and $9,239,000 respectively. Accordingly, the Group concluded that no impairment is required to be recognised for the financial year ended 31 December 2021.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

4. REVENUE

Disaggregation of revenue

	Group	
	2021	**2020**
	$'000	**$'000**
Sale of goods *(at a point in time)*	**51,724**	42,595
Cut and bend *(at a point in time)*	**88,508**	47,257
Rental of steel plates *(over time)*	**2,035**	1,841
	142,267	91,693

5. OTHER OPERATING INCOME

	Group	
	2021	**2020**
	$'000	**$'000**
Bad debts recovered	**4**	6
Gain on disposal of property, plant and equipment	**455**	10
Gain on termination of lease	**–**	18
Interest income		
– Cash held with banks	**32**	86
– Investment securities	**159**	250
– Late payment from customers	**1**	81
Rental income	**27**	27
Income from subleasing	**912**	901
Warehouse and handling fee income	**1,244**	1,285
Electricity charges income	**11**	107
Government grant income	**448**	1,236
Fair value gain on derivatives, net	**4**	298
Foreign exchange gain, net	**–**	266
Reversal of allowance for inventories obsolescence	**–**	8
Sundry income	**202**	43
	3,499	4,622

Government grant income relates mainly to foreign worker levy rebate and wage support under Job Support Scheme provided by Singapore Government.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

6. FINANCE COSTS

	Note	Group	
		2021	**2020**
		$'000	**$'000**
Interest on lease liabilities	12	**329**	219
Interest expense			
– Bridge loans		**121**	24
– Trust receipts		**171**	475
– Construction loans		**390**	375
– Term loans		**36**	–
– Others		**18**	11
		1,065	1,104

7. (IMPAIRMENT LOSS)/REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS

	Note	Group	
		2021	**2020**
		$'000	**$'000**
Trade receivables	18	**(3,461)**	111
Other receivables	18	**(24)**	–
		(3,485)	111

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

8. PROFIT BEFORE INCOME TAX

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

	Group	
	2021	**2020**
	$'000	**$'000**
Depreciation of property, plant and equipment recognised as an expense in cost of sales	**1,542**	1,673
Inventories recognised as an expense in cost of sales (Note 17)	**103,034**	72,848
Audit fees paid/payable to:		
– Auditors of the Company	**173**	169
– Other auditors	**3**	3
Directors' fees	**246**	163
Staff cost (including directors):		
– Salaries, bonuses and allowances	**9,775**	7,395
– Employer's contributions to defined contribution plan	**534**	516
– Other staff welfare expenses	**358**	104
Legal and professional fees	**262**	261
Fair value gain on derivatives, net	**(4)**	(298)
Depreciation of property, plant and equipment	**1,429**	1,101
Depreciation of right-of-use assets (Note 12)	**1,123**	1,149
Amortisation of intangible assets (Note 13)	**22**	15
Short-term lease expenses (Note 12)	**97**	330
Foreign exchange loss/(gain), net	**390**	(266)
Allowance/(reversal of allowance) for inventories obsolescence (Note 17)	**6**	(8)
Write-off of property, plant and equipment	**–**	217

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

9. INCOME TAX EXPENSE

(a) Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2021 and 2020 were:

	Group	
	2021	**2020**
	$'000	**$'000**
Current income tax		
– Current financial year	**841**	9
Deferred income tax		
– Current financial year	**421**	57
– Over-provision in respect of prior year	**–**	(25)
	421	32
Total income tax expense recognised in the statement of comprehensive income	**1,262**	41

(b) Relationship between tax expense and accounting profit

The reconciliation between tax expense and the accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2021 and 2020 were as follows:

	Group	
	2021	**2020**
	$'000	**$'000**
Profit before income tax	**12,432**	1,376
Tax at the domestic rates applicable to profits in the countries where the Group operates	**1,957**	273
Non-deductible expenses	**745**	439
Non-taxable income	**(27)**	(330)
Over-provision in respect of prior year	**–**	(25)
Tax exemption and tax relief	**(32)**	(1)
Utilisation of previously unrecognised deferred tax assets	**(1,381)**	(317)
Others	**–**	2
Total income tax expense recognised in the statement of comprehensive income	**1,262**	41

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

9. INCOME TAX EXPENSE (CONT'D)

At the balance sheet date, the Group has tax losses of approximately $101,280,000 (2020: $101,427,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. Tax rates of the jurisdictions the Group operates in are ranging from 17% to 25%.

10. EARNINGS PER SHARE

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

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

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

	Group	
	2021	**2020**
	$'000	**$'000**
Profit for the year attributable to owners of the Company	**12,065**	1,027
	No. of shares '000	**No. of shares '000**
Weighted average number of ordinary shares for basic earnings per share computation and diluted earnings per share computation	**127,310**	127,417

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

11. PROPERTY, PLANT AND EQUIPMENT

	Freehold land $'000	Buildings $'000	Leasehold buildings $'000	Plant and machinery $'000	Furniture and fittings $'000	Office equipment $'000	Renovation $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Group										
Cost										
At 1 January 2020	197	10,069	18,510	18,648	633	816	952	2,735	7,856	60,416
Additions	–	–	–	887	7	16	–	–	4,118	5,028
Disposals and write-off	–	(63)	(200)	(351)	(345)	(256)	(650)	(166)	–	(2,031)
Reclassifications	–	–	10,244	1,680	28	9	–	–	(11,961)	–
Exchange differences	(1)	(173)	–	(34)	–	–	–	(2)	–	(210)
At 31 December 2020 and 1 January 2021	**196**	**9,833**	**28,554**	**20,830**	**323**	**585**	**302**	**2,567**	**13**	**63,203**
Additions	**–**	**–**	**–**	**162**	**17**	**48**	**56**	**291**	**436**	**1,010**
Disposals and write-off	**–**	**–**	**–**	**(541)**	**–**	**–**	**–**	**(388)**	**–**	**(929)**
Reclassifications	**–**	**–**	**–**	**426**	**–**	**–**	**–**	**–**	**(426)**	**–**
Exchange differences	**(2)**	**199**	**–**	**38**	**–**	**1**	**–**	**3**	**–**	**239**
At 31 December 2021	**194**	**10,032**	**28,554**	**20,915**	**340**	**634**	**358**	**2,473**	**23**	**63,523**
Accumulated depreciation and impairment loss										
At 1 January 2020	–	197	14,295	9,427	488	676	916	2,181	–	28,180
Charge for the year	–	204	678	1,563	43	37	4	245	–	2,774
Disposals and write-off	–	–	(200)	(207)	(284)	(218)	(618)	(166)	–	(1,693)
Exchange differences	–	(10)	–	(9)	–	–	–	(2)	–	(21)
At 31 December 2020 and 1 January 2021	**–**	**391**	**14,773**	**10,774**	**247**	**495**	**302**	**2,258**	**–**	**29,240**
Charge for the year	**–**	**200**	**1,094**	**1,508**	**30**	**33**	**7**	**99**	**–**	**2,971**
Disposals and write-off	**–**	**–**	**–**	**(285)**	**–**	**–**	**–**	**(287)**	**–**	**(572)**
Exchange differences	**–**	**8**	**–**	**8**	**–**	**–**	**–**	**–**	**–**	**16**
At 31 December 2021	**–**	**599**	**15,867**	**12,005**	**277**	**528**	**309**	**2,070**	**–**	**31,655**
Net carrying amount										
At 31 December 2020	196	9,442	13,781	10,056	76	90	–	309	13	33,963
At 31 December 2021	**194**	**9,433**	**12,687**	**8,910**	**63**	**106**	**49**	**403**	**23**	**31,868**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	Leasehold buildings $'000	Plant and machinery $'000	Furniture and fittings $'000	Office equipment $'000	Renovation $'000	Motor vehicles $'000	Construction in progress $'000	Total $'000
Company								
Cost								
At 1 January 2020	9,372	9,013	620	598	912	2,379	–	22,894
Additions	–	610	7	6	–	–	153	776
Disposals and write-off	(200)	(56)	(336)	(242)	(610)	(166)	–	(1,610)
Reclassifications	–	153	–	–	–	–	(153)	–
At 31 December 2020 and 1 January 2021	**9,172**	**9,720**	**291**	**362**	**302**	**2,213**	**–**	**22,060**
Additions	**–**	**14**	**10**	**30**	**56**	**215**	**–**	**325**
Disposals and write-off	**–**	**(605)**	**–**	**–**	**–**	**(241)**	**–**	**(846)**
At 31 December 2021	**9,172**	**9,129**	**301**	**392**	**358**	**2,187**	**–**	**21,539**
Accumulated depreciation and impairment loss								
At 1 January 2020	7,461	4,209	484	508	910	2,038	–	15,610
Charge for the year	433	800	36	28	2	198	–	1,497
Disposals and write-off	(200)	(38)	(282)	(210)	(610)	(165)	–	(1,505)
At 31 December 2020 and 1 January 2021	**7,694**	**4,971**	**238**	**326**	**302**	**2,071**	**–**	**15,602**
Charge for the year	**432**	**570**	**23**	**20**	**7**	**75**	**–**	**1,127**
Disposals and write-off	**–**	**(316)**	**–**	**–**	**–**	**(225)**	**–**	**(541)**
At 31 December 2021	**8,126**	**5,225**	**261**	**346**	**309**	**1,921**	**–**	**16,188**
Net carrying amount								
At 31 December 2020	1,478	4,749	53	36	–	142	–	6,458
At 31 December 2021	**1,046**	**3,904**	**40**	**46**	**49**	**266**	**–**	**5,351**

The net carrying amount of property, plant and equipment of the Group and the Company that were mortgaged as security for bank borrowings (Note 20) were as follows:

	Group		Company	
	2021 $'000	**2020 $'000**	**2021 $'000**	**2020 $'000**
Leasehold buildings	**12,687**	13,781	**1,046**	1,478

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As a lessee

The Group has lease contracts for various items of land, buildings, workers dormitories, office equipment and motor vehicles. The Group's obligations under these leases are secured by the lessor's title to the leased assets. There are no contingent rents included in the agreements or restrictions on subleasing the leased assets.

The Group also has certain other leases with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

(a) Carrying amounts of right-of-use assets

	Group					
	Buildings $'000	**Land $'000**	**Workers dormitories $'000**	**Office equipment $'000**	**Motor vehicles $'000**	**Total $'000**
At 1 January 2020	176	10,951	120	48	–	11,295
Additions	–	834	118	121	80	1,153
Depreciation	(176)	(804)	(151)	(16)	(2)	(1,149)
Termination of lease	–	–	–	(39)	–	(39)
Exchange differences	–	(51)	–	–	–	(51)
At 31 December 2020 and 1 January 2021	**–**	**10,930**	**87**	**114**	**78**	**11,209**
Additions	**–**	**1,000**	**223**	**3**	**166**	**1,392**
Depreciation	**–**	**(914)**	**(169)**	**(24)**	**(16)**	**(1,123)**
Termination of lease	**–**	**–**	**–**	**–**	**(78)**	**(78)**
Exchange differences	**–**	**60**	**–**	**–**	**–**	**60**
At 31 December 2021	**–**	**11,076**	**141**	**93**	**150**	**11,460**

	Company				
	Buildings $'000	**Land $'000**	**Workers dormitories $'000**	**Office equipment $'000**	**Total $'000**
At 1 January 2020	176	1,456	–	42	1,674
Additions	–	300	60	97	457
Depreciation	(176)	(336)	(20)	(14)	(546)
Termination of lease	–	–	–	(34)	(34)
At 31 December 2020 and 1 January 2021	**–**	**1,420**	**40**	**91**	**1,551**
Additions	**–**	**1,000**	**–**	**–**	**1,000**
Depreciation	**–**	**(424)**	**(30)**	**(19)**	**(473)**
At 31 December 2021	**–**	**1,996**	**10**	**72**	**2,078**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)

As a lessee (cont'd)

(b) Lease liabilities

The carrying amounts of lease liabilities and the movements during the year were as follows:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	**8,072**	9,097	**2,071**	2,898
Additions	**292**	507	**–**	158
Accretion of interest	**329**	219	**70**	95
Payments	**(1,352)**	(1,694)	**(650)**	(1,029)
Termination of lease	**(36)**	(57)	**–**	(51)
At 31 December	**7,305**	8,072	**1,491**	2,071
Current	**1,033**	950	**586**	579
Non-current	**6,272**	7,122	**905**	1,492
	7,305	8,072	**1,491**	2,071

(c) Amounts recognised in profit or loss

	Group	
	2021	**2020**
	$'000	**$'000**
Depreciation expense of right-of-use assets	**1,123**	1,149
Interest expense on lease liabilities (Note 6)	**329**	219
Lease expense not capitalised in lease liabilities:		
– Expense relating to short-term leases (included in other operating expenses)	**97**	137
– Expense relating to short-term leases (included in cost of goods sold)	**–**	193
Total amount recognised in profit or loss	**1,549**	1,698

(d) Total cash outflows

During the financial year, the Group had total cash outflows for leases of $1,449,000 (2020: $2,024,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONT'D)

As a lessor

The Group acts as an intermediate lessor under arrangement in which it subleases out office and land spaces to third parties for monthly lease payments. The sublease periods do not form a major part of the remaining lease terms under the head leases and accordingly, the subleases are classified as an operating lease. Income from subleasing is disclosed in Note 5.

Undiscounted lease payments from the operating leases to be received after the reporting date are as follows:

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Not later than one year	**534**	1,661	**398**	1,562
Later than one year but not later than five years	**301**	94	**–**	83
	835	1,755	**398**	1,645

13. INTANGIBLE ASSETS

	Computer software $'000	Club membership $'000	Total $'000
Group			
Cost			
At 1 January 2020	1,082	24	1,106
Additions	9	–	9
Exchange differences	(2)	–	(2)
At 31 December 2020 and 1 January 2021	**1,089**	**24**	**1,113**
Additions	**46**	**119**	**165**
Exchange differences	**1**	**–**	**1**
At 31 December 2021	**1,136**	**143**	**1,279**
Accumulated amortisation			
At 1 January 2020	982	–	982
Amortisation	15	–	15
Exchange differences	(1)	–	(1)
At 31 December 2020 and 1 January 2021	**996**	**–**	**996**
Amortisation	**22**	**–**	**22**
At 31 December 2021	**1,018**	**–**	**1,018**
Net carrying amount			
At 31 December 2020	93	24	117
At 31 December 2021	**118**	**143**	**261**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

13. INTANGIBLE ASSETS (CONT'D)

	Computer software $'000	Club membership $'000	Total $'000
Company			
Cost			
At 1 January 2020, 31 December 2020 and 1 January 2021	**917**	**24**	**941**
Additions	**2**	**119**	**121**
At 31 December 2021	**919**	**143**	**1,062**
Accumulated amortisation			
At 1 January 2020	907	–	907
Amortisation	4	–	4
At 31 December 2020 and 1 January 2021	**911**	**–**	**911**
Amortisation	**5**	**–**	**5**
At 31 December 2021	**916**	**–**	**916**
Net carrying amount			
At 31 December 2020	6	24	30
At 31 December 2021	**3**	**143**	**146**

14. INVESTMENT IN SUBSIDIARIES

	Company 2021 $'000	2020 $'000
Unquoted equity shares, at cost	**14,346**	14,346
Less: impairment losses	**(1,233)**	(1,233)
	13,113	13,113

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) Composition of the Group

The Group has the following investment in subsidiaries:

Name of subsidiary	Principal activities	Country of incorporation and principal place of business	Proportion of ownership interest 2021 %	2020 %
Held by the Company				
Jin Heng Li Hardware Sdn Bhd[2]	Dormant	Malaysia	**100.00**	100.00
Oriental Metals Pte Ltd[1]	Manufacturing and supply of steel material to the construction industry	Singapore	**99.99**	99.99
HG Metal Investments Pte Ltd[1]	Investment holding	Singapore	**100.00**	100.00
PT HG Metal Distribution Indonesia[3]	Dormant	Indonesia	**100.00**	100.00
Held by HG Metal Investments Pte Ltd				
HG Construction Steel Pte Ltd[1]	Manufacturing and supply of steel material to the construction industry	Singapore	**100.00**	100.00
HG Metal Manufacturing Sdn Bhd[2]	Dormant	Malaysia	**100.00**	100.00
HG Yangon Company Limited[3]	Trading and distribution of steel products	Myanmar	**100.00**	100.00
First Fortune International Company Limited[4]	Manufacturing, trading and fabrication of steel structures and parts	Myanmar	**51.04**	51.04
Held by HG Metal Manufacturing Sdn Bhd				
HG Metal Distribution Sdn Bhd[2]	Dormant	Malaysia	**100.00**	100.00

(1) Audited by Ernst & Young LLP, Singapore

(2) Audited by Baker Tilly Malaysia

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

(4) Audited by UTW (Myanmar) Limited (a member firm of Ernst & Young Global Limited) for the purpose of group consolidation

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Name of subsidiary	Principal place of business	Proportion of ownership interest held by NCI	(Loss)/gain allocated to NCI during the reporting period $'000	Accumulated NCI at the end of reporting period $'000
31 December 2021				
First Fortune International Company Limited	Myanmar	**48.96%**	**(895)**	**(571)**
31 December 2020				
First Fortune International Company Limited	Myanmar	48.96%	308	324

(c) Summarised financial information about subsidiary with material NCI

Summarised financial information including consolidation adjustments but before intercompany eliminations of subsidiary with material non-controlling interests are as follows:

Summarised balance sheets

	First Fortune International Company Limited 2021 $'000	2020 $'000
Current		
Assets	**8,067**	10,964
Liabilities	**(9,800)**	(9,870)
Net current (liabilities)/assets	**(1,733)**	1,094
Non-current		
Assets	**13,606**	13,816
Liabilities	**(5,061)**	(6,438)
Net non-current assets	**8,545**	7,378
Net assets	**6,812**	8,472

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

Summarised statement of comprehensive income

	First Fortune International Company Limited	
	2021	**2020**
	$'000	**$'000**
Revenue	**6,594**	13,908
(Loss)/profit before income tax	**(1,828)**	630
Income tax expense	**–**	–
(Loss)/profit after income tax	**(1,828)**	630
Other comprehensive income	**–**	–
Total comprehensive income	**(1,828)**	630
Other summarised information		
Net cash flows generated from/(used in) operations	**1,146**	(7,361)

15. INVESTMENT SECURITIES

	Group and Company	
	2021	**2020**
	$'000	**$'000**
At amortised cost		
– 2.78% p.a. SGD corporate bonds due 11 January 2021	**–**	1,750
– 2.72% p.a. SGD corporate bonds due 3 September 2021	**–**	4,765
– 2.23% p.a. SGD government bonds due 21 February 2022	**1,000**	1,000
– 2.59% p.a. SGD corporate bonds due 5 April 2023	**1,028**	–
– 3.21% p.a. SGD corporate bonds due 9 November 2023	**2,786**	2,005
– 3.10% p.a. SGD government bonds due 24 July 2024	**3,721**	–
– 2.32% p.a. SGD government bonds due 24 January 2028	**263**	–
	8,798	9,520
Net carrying amount		
Current	**1,127**	6,515
Non-current	**7,671**	3,005
	8,798	9,520

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

15. INVESTMENT SECURITIES (CONT'D)

Investments pledged as security

The Group's investments in corporate and government bonds amounting to $8,798,000 (2020: $9,520,000) have been pledged as partial security to secure trade facilities during the financial year. Under the terms and conditions of the trade facilities, the Group is prohibited from disposing of these investments or subjecting them to further charges without furnishing a replacement security of similar value.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	**26,747**	18,289	**11,784**	8,767
Fixed deposits with banks	**1,129**	1,163	**2**	2
Cash and cash equivalents	**27,876**	19,452	**11,786**	8,769
Fixed deposits pledged with banks	**7,251**	6,000	**3,750**	2,500
Restricted deposits	**784**	784	**–**	–
Bank balances and fixed deposits	**35,911**	26,236	**15,536**	11,269

For the financial year ended 31 December 2021, fixed deposits earn weighted average effective interest rate of 0.26% per annum (2020: 2.10% per annum) and for tenures ranging from 1 to 9 months (2020: 1 to 9 months).

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

Restricted deposits are cash deposits placed as collateral with a bank to guarantee satisfactory of supply and delivery of goods as sub-contractor. These deposits are restricted in its use until February 2022.

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	**6,460**	846	**5,028**	757
Myanmar Kyat	**1,569**	685	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

17. INVENTORIES

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Trading inventories	**20,757**	15,867	**20,923**	15,981
Finished goods	**1,022**	689	**–**	–
Work-in-progress	**73**	472	**–**	–
Raw materials	**23,927**	11,110	**–**	–
Inventories (at lower of cost and net realisable value)	**45,779**	28,138	**20,923**	15,981

Included in the above balances is an allowance for inventory obsolescence of $9,000 (2020: $17,000).

	Group	
	2021	**2020**
	$'000	**$'000**
Inventories recognised as an expense in cost of sales (Note 8)	**103,034**	72,848
– Inclusive of write-back of inventories	**(14)**	(26)
Allowance/(reversal of allowance) for inventories obsolescence (Note 8)	**6**	(8)

The write-back of inventories recognised in cost of sales was due to the inventories being sold above the carrying amounts in during the financial year.

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Trade receivables				
Third parties	**37,001**	36,593	**9,016**	12,922
Amounts due from related party	**6**	–	**6**	–
Amounts due from subsidiaries	**–**	–	**28,852**	25,585
	37,007	36,593	**37,874**	38,507
Other receivables				
Third parties	**94**	238	**62**	219
Rental, utilities and other deposits	**349**	138	**133**	65
Government grant receivables	**–**	163	**–**	64
Amounts due from subsidiaries	**–**	–	**8,408**	4,419
Advance to suppliers for purchase of inventories	**61**	453	**39**	140
Sundry receivables	**–**	89	**–**	–
	504	1,081	**8,642**	4,907
Total trade and other receivables	**37,511**	37,674	**46,516**	43,414

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

18. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables, including amounts due from subsidiaries, are non-interest bearing and are generally on 30 to 90 days' credit terms. They are recognised at their original invoice amounts which represent their fair value on initial recognition.

Other receivables, excluding government grant receivables and advance to suppliers for purchase of inventories, are unsecured, interest-free, repayable in cash on demand.

Government grant receivables relate to Job Support Scheme receivables from the Singapore Government to help businesses deal with the impact from COVID-19.

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

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
United States Dollar	**3,117**	4,980	**6,014**	9,452
Myanmar Kyat	**425**	2,576	**–**	–

Expected credit losses

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

The movements in allowance for expected credit losses of trade and other receivables computed based on lifetime ECL were as follows:

	Group	
	2021	2020
	$'000	$'000
Movement in allowance accounts (trade receivables):		
Balance as at 1 January	**2,203**	2,375
Provision for/(reversal of provision for) expected credit losses (Note 7)	**3,461**	(111)
Bad debts written off against allowance	**(31)**	(60)
Exchange differences	**3**	(1)
Balance as at 31 December	**5,636**	2,203
Movement in allowance accounts (other receivables):		
Balance as at 1 January	**59**	59
Provision for expected credit losses (Note 7)	**24**	–
Bad debts written off against allowance	**(59)**	–
Balance as at 31 December	**24**	59

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables				
Third parties	**12,634**	5,505	**3,226**	1,842
Amounts due to subsidiaries	**–**	–	**–**	371
	12,634	5,505	**3,226**	2,213
Other payables				
Accrued operating expenses	**3,839**	1,919	**1,535**	722
Amounts due to subsidiaries	**–**	–	**27,446**	28,058
Amount due to a shareholder of a subsidiary	**1,497**	1,466	**–**	–
Deposits from customers	**467**	573	**250**	325
GST payables	**1,736**	1,305	**773**	383
Other payables	**1,333**	2,469	**295**	202
	8,872	7,732	**30,299**	29,690
Total trade and other payables	**21,506**	13,237	**33,525**	31,903

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

Deposits from customers are unsecured and refundable upon the fulfilment of the contractual obligations.

Other payables, excluding deposits from customers and GST payables, are unsecured, interest-free, repayable on demand and expected to be settled in cash.

Trade and other payables denominated in foreign currencies are as follows:

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	**7,387**	1,197	**7,387**	1,508

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

20. BANK BORROWINGS

		Group		Company	
		2021	2020	2021	2020
		$'000	$'000	$'000	$'000
Current					
Secured					
– Trust receipts	USD	**6,181**	206	**5,470**	206
– Construction loans	SGD	**742**	760	**–**	–
– Construction loans	USD	**1,513**	741	**–**	–
– Bridge loans	SGD	**977**	951	**390**	380
– Term loans	SGD	**479**	–	**–**	–
Total current borrowings		**9,892**	2,658	**5,860**	586
Non-current					
Secured					
– Construction loans	SGD	**6,135**	6,840	**–**	–
– Construction loans	USD	**5,061**	6,438	**–**	–
– Bridge loans	SGD	**2,918**	3,894	**1,167**	1,558
– Term loans	SGD	**897**	–	**–**	–
Total non-current borrowings		**15,011**	17,172	**1,167**	1,558
Total		**24,903**	19,830	**7,027**	2,144

The bank borrowings of the Group and the Company as at 31 December 2021 and 31 December 2020 are secured by way of:

(i) legal mortgage over leasehold buildings (Note 11) of the Group and of the Company with net carrying amount of $12,687,000 and $1,046,000 (2020: $13,781,000 and $1,478,000) respectively as at 31 December 2021;

(ii) investment securities pledged with a bank (Note 15); and

(iii) fixed deposits pledged with a bank (Note 16).

The Group's bank borrowings bear the following interest rates:

		Interest rates per annum	
		2021	2020
Trust receipts	(Floating rate)	**1.94% – 2.40%**	1.85% – 3.39%
Construction loans (SGD)	(Floating rate)	**1.91% – 2.41%**	2.17% – 3.88%
Construction loans (USD)	(Floating rate)	**3.31% – 3.47%**	3.48% – 4.46%
Bridge loans	(Fixed rate)	**2.75%**	2.75%
Term loans	(Fixed rate)	**1.40% – 4.00%**	–

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

21. PROVISION FOR REINSTATEMENT COSTS

The movements in provision for reinstatement costs were as follows:

	Group $'000	Company $'000
At 1 January 2020	**1,634**	967
Provision capitalised under right-of-use assets	**605**	300
Provision charged to profit or loss	**(467)**	(467)
At 31 December 2020 and 1 January 2021	**1,772**	800
Provision capitalised under right-of-use assets	**1,000**	1,000
At 31 December 2021	**2,772**	1,800

Provision for reinstatement costs is made in respect of the Group and Company's leasehold buildings and right-of-use assets to fulfil the obligations under the lease agreements. Cash outflows are expected only at the end of the lease tenure.

22. DEFERRED GRANT INCOME

Deferred grant income represents grant provided by Singapore Government for wages paid to local employees under Job Support Scheme. The grant income is to be recognised in the profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs. The Group recognised the grant income between April 2020 and August 2021.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2021			2020		
	Contract notional amount $'000	Assets $'000	Liabilities $'000	Contract notional amount $'000	Assets $'000	Liabilities $'000
Group						
Forward currency contracts	**10,003**	–	**39**	6,189	–	43
Company						
Forward currency contracts	**6,095**	–	**34**	5,746	–	35

Forward currency contracts are used to hedge foreign currency risk arising from the Group's sales and purchases denominated in United States Dollar ("USD") for which firm commitments existed at the end of the reporting period.

The Group does not apply hedge accounting.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

24. DEFERRED TAX ASSETS AND LIABILITIES

Movements in deferred tax assets and liabilities are as follows:

	Group				
	At 1 January 2020 $'000	Recognised in profit or loss (Note 9) $'000	At 31 December 2020 and 1 January 2021 $'000	Recognised in profit or loss (Note 9) $'000	At 31 December 2021 $'000
Deferred tax liabilities/ (assets)					
– Differences in depreciation for tax purposes	65	(8)	57	421	**478**
– Provisions	(40)	40	–	–	**–**
	25	32	57	421	**478**

25. SHARE CAPITAL

	Group and Company			
	2021		2020	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully-paid:				
Ordinary shares				
At 1 January and 31 December	**130,611**	70,496	**130,611**	70,496

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

26. TREASURY SHARES

	Group and Company			
	2021		2020	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully-paid:				
Ordinary shares				
At 1 January and 31 December	**4,317**	2,636	**3,193**	2,215

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

27. OTHER RESERVES

		Group		Company	
		2021	2020	2021	2020
		$'000	$'000	$'000	$'000
Capital reserve	(a)	**2,527**	2,527	**2,527**	2,527
Foreign currency translation reserve	(b)	**646**	601	**–**	–
Premium paid on acquisition of non-controlling interest	(c)	**(212)**	(212)	**–**	–
		2,961	2,916	**2,527**	2,527

(a) Capital reserve

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

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

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

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

(b) Foreign currency translation reserve

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

27. OTHER RESERVES (CONT'D)

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

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

28. DIVIDENDS

	Group and Company	
	2021	**2020**
	$'000	**$'000**
Ordinary dividend proposed but not recognised as a liability as at 31 December:		
Final tax-exempt (one-tier) dividend of $0.040 per ordinary share (2020: $0.005 per ordinary share), subject to shareholders' approval at the AGM	**5,024**	637
Ordinary dividend paid:		
Final tax-exempt (one-tier) dividend of $0.005 per ordinary share in respect of the financial year ended 31 December 2020, approved and paid during the financial year (2020: no dividend paid)	**637**	–

29. SIGNIFICANT TRANSACTIONS WITH RELATED COMPANIES AND RELATED PARTIES

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

	Company	
	2021	**2020**
	$'000	**$'000**
With subsidiaries		
Sales	**43,005**	22,868
Purchases	**(52)**	(439)
Rental income	**–**	33
Dividend income	**3,788**	2,318
Interest income	**77**	110
Other income	**560**	170
Rental expenses	**(939)**	(1,224)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

	Group and Company	
	2021	**2020**
	$'000	**$'000**
With companies related to directors of the Company		
Sales	**63**	62

Compensation of key management personnel

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

	Group	
	2021	**2020**
	$'000	**$'000**
Directors of the Company		
Salaries and other short-term employee benefits	**706**	482
Employer's contributions to defined contribution plan	**17**	17
Key management personnel (non-directors)		
Salaries and other short-term employee benefits	**2,421**	816
Employer's contributions to defined contribution plan	**67**	53
	3,211	1,368

30. CONTINGENT LIABILITIES

Guarantees

(i) Intra-group financial guarantees comprise corporate guarantees granted by the Company to banks in respect of banking facilities amounting to $42,400,000 (2020: $46,108,890) to secure banking facilities provided to certain subsidiaries. The financial guarantees will expire when the loans have been paid and discharged and/or when the banking facilities are no longer available to the subsidiaries.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

30. CONTINGENT LIABILITIES (CONT'D)

Guarantees (cont'd)

(ii) The Group has provided performance bonds to an unrelated party as security deposits to guarantee satisfactory supply and delivery of goods as sub-contractor. The performance bonds remain in full force until February 2022. As at the end of the reporting period, no liability is expected to arise.

31. SEGMENT INFORMATION

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

31. SEGMENT INFORMATION (CONT'D)

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

	2021				
	Trading $'000	**Manu-facturing $'000**	**Others $'000**	**Adjustment/ elimination $'000**	**Group $'000**
Revenue					
Sales to external customers	**39,723**	**102,544**	**–**	**–**	**142,267**
Inter-segment sales (Note A)	**43,005**	**1,160**	**–**	**(44,165)**	**–**
Total	**82,728**	**103,704**	**–**	**(44,165)**	**142,267**
Results					
Other income	**2,918**	**2,681**	**40**	**(3,242)**	**2,397**
Dividend income	**3,788**	**–**	**–**	**(3,788)**	**–**
Government grant income	**179**	**269**	**–**	**–**	**448**
Interest income	**253**	**4**	**12**	**(77)**	**192**
Bad debts recovered	**–**	**4**	**–**	**–**	**4**
Gain from disposal of property, plant and equipment	**440**	**16**	**–**	**(2)**	**454**
Fair value gain from derivatives	**2**	**2**	**–**	**–**	**4**
Allowance for inventories obsolescence	**(6)**	**–**	**–**	**–**	**(6)**
Interest expenses	**(126)**	**(1,016)**	**–**	**77**	**(1,065)**
Depreciation and amortisation of assets	**(1,132)**	**(1,856)**	**(5)**	**–**	**(2,993)**
Depreciation of right-of-use assets	**(473)**	**(650)**	**–**	**–**	**(1,123)**
Segment profit/(loss)	**5,340**	**11,073**	**(140)**	**(3,841)**	**12,432**
Income tax expense					**(1,262)**
Profit for the year					**11,170**
Assets and liabilities					
Additions to non-current assets (Note B)	**1,446**	**1,193**	**–**	**(72)**	**2,567**
Segment assets (Note A)	**112,578**	**115,028**	**31,787**	**(87,589)**	**171,804**
Income tax recoverable					**128**
Total assets					**171,932**
Segment liabilities (Note A)	**43,878**	**73,914**	**6,094**	**(67,361)**	**56,525**
Tax payable					**843**
Deferred tax liabilities					**478**
Total liabilities					**57,846**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

31. SEGMENT INFORMATION (CONT'D)

	2020				
	Trading $'000	Manu-facturing $'000	Others $'000	Adjustment/ elimination $'000	Group $'000
Revenue					
Sales to external customers	31,329	60,364	–	–	91,693
Inter-segment sales (Note A)	22,868	1,251	–	(24,119)	–
Total	54,197	61,615	–	(24,119)	91,693
Results					
Other income	2,463	3,225	35	(3,076)	2,647
Dividend income	2,318	–	–	(2,318)	–
Government grant income	694	542	–	–	1,236
Interest income	382	129	16	(110)	417
Bad debts recovered	–	6	–	–	6
Gain from disposal of property, plant and equipment	22	–	(12)	–	10
Fair value gain/(loss) from derivatives	306	(8)	–	–	298
Reversal of allowance for inventories obsolescence	8	–	–	–	8
Interest expenses	(277)	(936)	–	109	(1,104)
Depreciation and amortisation of assets	(1,501)	(1,281)	(7)	–	(2,789)
Depreciation of right-of-use assets	(546)	(603)	–	–	(1,149)
Segment profit	685	3,152	2,805	(5,266)	1,376
Income tax expense					(41)
Profit for the year					1,335
Assets and liabilities					
Additions to non-current assets (Note B)	1,241	4,949	–	–	6,190
Segment assets (Note A)	101,459	94,537	31,179	(80,151)	147,024
Income tax recoverable					44
Total assets					147,068
Segment liabilities (Note A)	37,042	64,582	2,276	(60,749)	43,151
Tax payable					13
Deferred tax liabilities					57
Total liabilities					43,221

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

31. SEGMENT INFORMATION (CONT'D)

Notes:

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

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

Geographical information

Non-current assets information presented below comprise property, plant and equipment, right-of-use assets and intangible assets as presented in the consolidated balance sheet.

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

	External sales		Non-current assets	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Indonesia	**1,940**	2,109	**–**	–
Malaysia	**1,057**	900	**391**	402
Myanmar	**6,544**	13,904	**13,606**	13,816
Singapore	**132,726**	74,780	**29,592**	31,071
	142,267	91,693	**43,589**	45,289

Information about a major customer

Revenues of $10,776,000 (2020: $4,330,000) are derived from a single external customer which made up 7.6% (2020: 4.7%) of total revenue for 2021. These revenues are attributable to the manufacturing segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

32. FINANCIAL INSTRUMENTS

Classification of financial instruments

	Group	
	Fair value through profit and loss $'000	**Assets/ liabilities at amortised cost $'000**
31 December 2021		
Assets		
Investment securities (Note 15)	**–**	**8,798**
Bank balances and fixed deposits (Note 16)	**–**	**35,911**
Trade and other receivables[(1)] (Note 18)	**–**	**37,450**
Total	**–**	**82,159**
Liabilities		
Lease liabilities (Note 12)	**–**	**7,305**
Trade and other payables[(2)] (Note 19)	**–**	**19,770**
Bank borrowings (Note 20)	**–**	**24,903**
Derivative financial instruments (Note 23)	**39**	**–**
Total	**39**	**51,978**
31 December 2020		
Assets		
Investment securities (Note 15)	–	9,520
Bank balances and fixed deposits (Note 16)	–	26,236
Trade and other receivables[(1)] (Note 18)	–	36,969
Total	–	72,725
Liabilities		
Lease liabilities (Note 12)	–	8,072
Trade and other payables[(2)] (Note 19)	–	11,932
Bank borrowings (Note 20)	–	19,830
Derivative financial instruments (Note 23)	43	–
Total	43	39,834

(1) Excludes government grant receivables, advance to suppliers for purchase of inventories and sundry receivables

(2) Excludes GST payables

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

32. FINANCIAL INSTRUMENTS (CONT'D)

Classification of financial instruments (cont'd)

	Company	
	Fair value through profit and loss $'000	**Assets/ liabilities at amortised cost $'000**
31 December 2021		
Assets		
Investment securities (Note 15)	**–**	**8,798**
Bank balances and fixed deposits (Note 16)	**–**	**15,536**
Trade and other receivables[1] (Note 18)	**–**	**46,477**
Total	**–**	**70,811**
Liabilities		
Lease liabilities (Note 12)	**–**	**1,491**
Trade and other payables[2] (Note 19)	**–**	**32,752**
Bank borrowings (Note 20)	**–**	**7,027**
Derivative financial instruments (Note 23)	**34**	**–**
Total	**34**	**41,270**
31 December 2020		
Assets		
Investment securities (Note 15)	–	9,520
Bank balances and fixed deposits (Note 16)	–	11,269
Trade and other receivables[1] (Note 18)	–	43,210
Total	–	63,999
Liabilities		
Lease liabilities (Note 12)	–	2,071
Trade and other payables[2] (Note 19)	–	31,520
Bank borrowings (Note 20)	–	2,144
Derivative financial instruments (Note 23)	35	–
Total	35	35,735

(1) Excludes government grant receivables, advance to suppliers for purchase of inventories and sundry receivables
(2) Excludes GST payables

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

33. FAIR VALUE OF ASSETS AND LIABILITIES

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

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

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

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

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

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

(a) Assets and liabilities measured at fair value

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

	Group	
	Significant observable inputs other than quoted prices (Level 2) $'000	**Total $'000**
As at 31 December 2021		
Financial liabilities:		
Derivative financial instruments (forward currency contracts)	**(39)**	**(39)**
As at 31 December 2020		
Financial liabilities:		
Derivative financial instruments (forward currency contracts)	(43)	(43)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

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

	Company	
	Significant observable inputs other than quoted prices (Level 2) $'000	Total $'000
As at 31 December 2021		
Financial liabilities:		
Derivative financial instruments (forward currency contracts)	**(34)**	**(34)**
As at 31 December 2020		
Financial liabilities:		
Derivative financial instruments (forward currency contracts)	(35)	(35)

Derivatives

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

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

The following table shows an analysis of the assets and liabilities not measured at fair value at the end of reporting period but for which fair value is disclosed:

	Group and Company	
	Quoted prices in active markets for identical assets (Level 1) $'000	Carrying amount $'000
As at 31 December 2021		
Assets		
Investment securities	**8,796**	**8,798**
As at 31 December 2020		
Assets		
Investment securities	9,705	9,520

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

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

(c) Assets and liabilities not measured at fair value

Bank balances and fixed deposits, other receivables and other payables

The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

Trade receivables and trade payables

The carrying amounts of these receivables and payables (including trade balances due from/to holding and related companies) approximate their fair values as they are subject to normal trade credit terms.

Bank borrowings

The carrying amounts of bank borrowings approximate their fair values as they are subject to interest rates close to market rate of interests for similar arrangements with financial institutions.

34. FINANCIAL RISK MANAGEMENT

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

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

(a) Credit risk

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the management.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

34. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which is derived based on the Group's historical information.

The Group considers available reasonable and supportive forward-looking information which includes the following indicators:

- Internal credit rating
- External credit rating
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the customer's ability to meet its obligations
- Actual or expected significant changes in the operating results of the customer
- Significant increases in credit risk on other financial instruments of the same customer
- Significant changes in the expected performance and behaviour of the customer, including changes in the payment status of customers in the group and changes in the operating results of the customers.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

- There is significant difficulty of the issuer or the customer
- A breach of contract, such as a default or past due event
- It is becoming probable that the customer will enter bankruptcy or other financial reorganisation

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 120 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the Group continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

34. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The expected credit losses below also incorporate forward-looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix, grouped by geographical region:

	Trade receivables					
	Current $'000	Less than 3 months past due $'000	3 months to 6 months past due $'000	6 months to 12 months past due $'000	More than 12 months past due $'000	Total $'000
Singapore:						
31 December 2021						
Gross amount	**19,583**	**13,102**	**965**	**224**	**1,394**	**35,268**
Loss allowance provision	**(14)**	**(38)**	**(15)**	**(4)**	**(1,313)**	**(1,384)**
	19,569	**13,064**	**950**	**220**	**81**	**33,884**
31 December 2020						
Gross amount	13,125	11,660	608	418	1,552	27,363
Loss allowance provision	(41)	(43)	(6)	(144)	(1,348)	(1,582)
	13,084	11,617	602	274	204	25,781
Other geographical areas:						
31 December 2021						
Gross amount	**173**	**621**	**–**	**631**	**5,950**	**7,375**
Loss allowance provision	**–**	**(1)**	**–**	**(260)**	**(3,991)**	**(4,252)**
	173	**620**	**–**	**371**	**1,959**	**3,123**
31 December 2020						
Gross amount	1,455	721	1,948	1,807	5,502	11,433
Loss allowance provision	–	–	–	–	(621)	(621)
	1,455	721	1,948	1,807	4,881	10,812

Information regarding loss allowance movement of trade receivables are disclosed in Note 18.

During the financial year, the Group wrote off $31,000 (2020: $60,000) of trade receivables which are more than 120 days past due as the Group does not expect to receive future cash flows from these debtors.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

34. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

Exposure to credit risk

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

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

– an amount of $42,400,000 (2020: $46,108,890) relating to corporate guarantees provided by the Company to banks on its subsidiaries' borrowings and other banking facilities.

Excessive risk concentration

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

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

Credit risk concentration profiles

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

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
By country:				
– Indonesia	**186**	392	**186**	392
– Malaysia	**608**	181	**608**	181
– Myanmar	**2,329**	10,239	**1,699**	4,963
– Singapore	**33,884**	25,781	**35,381**	32,971
	37,007	36,593	**37,874**	38,507
By industry sectors:				
– Trading	**353**	5,231	**353**	8,367
– Construction	**36,090**	27,466	**36,957**	26,244
– Others	**564**	3,896	**564**	3,896
	37,007	36,593	**37,874**	38,507

At the end of the reporting period, approximately 21% (2020: 5%) of the Group's trade receivables were due from 3 (2020: 3) major customers who are located in Singapore (2020: Singapore).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

34. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Liquidity risk

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

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

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

	Within one year $'000	Two to five years $'000	After five years $'000	Total $'000
Group				
As at 31 December 2021				
Financial assets:				
Trade and other receivables	**37,450**	**–**	**–**	**37,450**
Bank balances and fixed deposits	**35,911**	**–**	**–**	**35,911**
Investment securities	**1,232**	**7,527**	**256**	**9,015**
Total undiscounted financial assets	**74,593**	**7,527**	**256**	**82,376**
Financial liabilities:				
Trade and other payables	**19,770**	**–**	**–**	**19,770**
Derivative financial instruments	**39**	**–**	**–**	**39**
Bank borrowings	**10,232**	**12,881**	**3,157**	**26,270**
Lease liabilities	**1,318**	**3,014**	**5,353**	**9,685**
Total undiscounted financial liabilities	**31,359**	**15,895**	**8,510**	**55,764**
Total net undiscounted financial assets/(liabilities)	**43,234**	**(8,368)**	**(8,254)**	**26,612**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

34. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Liquidity risk (cont'd)

	Within one year $'000	Two to five years $'000	After five years $'000	Total $'000
Group				
As at 31 December 2020				
Financial assets:				
Trade and other receivables	36,969	–	–	36,969
Bank balances and fixed deposits	25,452	784	–	26,236
Investment securities	6,515	3,005	–	9,520
Total undiscounted financial assets	68,936	3,789	–	72,725
Financial liabilities:				
Trade and other payables	11,932	–	–	11,932
Derivative financial instruments	43	–	–	43
Bank borrowings	3,084	14,925	4,185	22,194
Lease liabilities	1,245	3,750	5,778	10,773
Total undiscounted financial liabilities	16,304	18,675	9,963	44,942
Total net undiscounted financial assets/(liabilities)	52,632	(14,886)	(9,963)	27,783
Company				
As at 31 December 2021				
Financial assets:				
Trade and other receivables	**46,477**	**–**	**–**	**46,477**
Bank balances and fixed deposits	**15,536**	**–**	**–**	**15,536**
Investment securities	**1,232**	**7,527**	**256**	**9,015**
Total undiscounted financial assets	**63,245**	**7,527**	**256**	**71,028**
Financial liabilities:				
Trade and other payables	**32,752**	**–**	**–**	**32,752**
Derivative financial instruments	**34**	**–**	**–**	**34**
Bank borrowings	**5,891**	**1,230**	**–**	**7,121**
Lease liabilities	**628**	**920**	**–**	**1,548**
Total undiscounted financial liabilities	**39,305**	**2,150**	**–**	**41,455**
Total net undiscounted financial assets	**23,940**	**5,377**	**256**	**29,573**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

34. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Liquidity risk (cont'd)

	Within one year $'000	Two to five years $'000	After five years $'000	Total $'000
Company				
As at 31 December 2020				
Financial assets:				
Trade and other receivables	43,210	–	–	43,210
Bank balances and fixed deposits	11,269	–	–	11,269
Investment securities	6,515	3,005	–	9,520
Total undiscounted financial assets	60,994	3,005	–	63,999
Financial liabilities:				
Trade and other payables	31,520	–	–	31,520
Derivative financial instruments	35	–	–	35
Bank borrowings	622	1,663	–	2,285
Lease liabilities	649	1,548	–	2,197
Total undiscounted financial liabilities	32,826	3,211	–	36,037
Total net undiscounted financial assets/(liabilities)	28,168	(206)	–	27,962

(c) Interest rate risk

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

Sensitivity analysis for interest rate risk

At the balance sheet date, if interest rates had been 50 (2020: 50) basis points lower/higher with all other variables held constant, the Group's profit before income tax would have been approximately $83,000 (2020: $63,000) higher/lower, arising mainly as a result of lower/higher interest expense on debt obligations with financial institutions.

A similar change in interest rates would have increased/decreased the Company's profit before income tax by approximately $16,000 (2020: $2,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2021

34. FINANCIAL RISK MANAGEMENT (CONT'D)

(d) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily the SGD and USD.

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

The Group manages foreign currency risks by monitoring the timing of the inception and settlement of foreign currency transactions and ensuring that net exposure is kept to an acceptable level. The Group uses forward currency contracts to hedge its exposure to foreign currency exchange risk.

Sensitivity analysis for foreign currency risk

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

	Increase/(decrease) Profit before income tax	
	2021	**2020**
	$'000	**$'000**
Group		
USD/SGD – strengthened 2% (2020: 2%)	**44**	93
– weakened 2% (2020: 2%)	**(44)**	(93)
Company		
USD/SGD – strengthened 2% (2020: 2%)	**73**	174
– weakened 2% (2020: 2%)	**(73)**	(174)

35. CAPITAL MANAGEMENT

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 2020.

36. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 28 March 2022.

APPENDIX

APPENDIX DATED 6 APRIL 2022

This Appendix is circulated to Shareholders of HG Metal Manufacturing Limited (the "**Company**") together with the Company's 2021 Annual Report. Its purpose is to provide Shareholders with information on, and to explain the rationale for, the proposed renewal of the Share Purchase Mandate to be tabled at the Annual General Meeting to be held by way of electronic means on 28 April 2022 at 10.00 a.m.

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

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

The Notice of Annual General Meeting and Proxy Form are enclosed with the 2021 Annual Report.

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

HG METAL

HG METAL MANUFACTURING LIMITED
Registration Number 198802660D
(Incorporated in the Republic of Singapore)

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

APPENDIX

HG METAL MANUFACTURING LIMITED
Registration Number 198802660D
(Incorporated in the Republic of Singapore)

1. INTRODUCTION

1.1 The Directors wish to seek Shareholders' approval for the proposed renewal of the Share Purchase Mandate previously approved by Shareholders on 26 April 2021 (the "**Share Purchase Mandate**").

1.2 The purpose of this Appendix, to be circulated to Shareholders together with the Company's 2021 Annual Report, is to provide Shareholders with information relating to, and to explain the rationale for, the proposed renewal of the Share Purchase Mandate to be tabled at the Annual General Meeting (the "**AGM**") of the Company to be held on 28 April 2022. Details of the Share Purchase Mandate, including the rationale for and the benefits to the Company, are set out in paragraph 2.2 below.

2. THE PROPOSED SHARE PURCHASE MANDATE

2.1 The Existing Share Purchase Mandate

Shareholders had approved the Share Purchase Mandate to enable all the Directors to exercise all powers of the Company to purchase or otherwise acquire such number of issued shares of the Company ("**Shares**") on the terms of the Share Purchase Mandate at the AGM of the Company held on 26 April 2021. Particulars of the Share Purchase Mandate were set out in the Appendix to the 2020 Annual Report to Shareholders dated 9 April 2021.

The Share Purchase Mandate was expressed to take effect until the conclusion of the next AGM of the Company, being the AGM of the Company to be held on 28 April 2022. Accordingly, the Directors propose that the Share Purchase Mandate be renewed at the AGM, to take effect until the next AGM of the Company. The terms of the Share Purchase Mandate which are sought to be renewed remain unchanged.

2.2 Rationale for Share Purchase Mandate

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

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

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

APPENDIX

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

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

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

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

2.3 Issued Shares as at the Latest Practicable Date

As at 28 March 2022 ("**Latest Practicable Date**"), the total number of issued Shares of the Company (excluding treasury shares and subsidiary holdings) is 125,612,035 Shares.

2.4 Authority and Limits on the Share Purchase Mandate

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

2.4.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired pursuant to the Share Purchase Mandate is limited to that number of Shares representing not more than three per cent (3%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (ascertained as at the date of the AGM), unless the Company has, at any time during the Relevant Period, reduced its share capital in accordance with the applicable provisions of the Companies Act 1967 (the "**Companies Act**"), in which event the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be taken to be the total number of issued Shares (excluding treasury shares and subsidiary holdings) as altered. Any Shares which are held as treasury shares and subsidiary holdings will be disregarded for purposes of computing the three per cent. (3%) limit.

APPENDIX

For illustrative purposes only, on the basis of 125,612,035 Shares in issue (excluding treasury shares and subsidiary holdings) assuming that (a) no further Shares are issued on or prior to the AGM, and (b) the Company does not reduce its share capital, not more than 3,768,361 Shares (representing three per cent. (3%)) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at that date may be purchased by the Company pursuant to the proposed Share Purchase Mandate during the duration referred to in paragraph 2.4.2 below.

Rationale for limit

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

2.4.2 Duration of Authority

Purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate may be made, at any time and from time to time, on and from the date of the AGM of the Company held on 28 April 2022, at which the Share Purchase Mandate is approved, up to:

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

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

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

whichever is the earliest.

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

APPENDIX

2.4.3 Manner of Purchases or Acquisitions of Shares

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

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

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

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

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

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

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

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

(a) the terms and conditions of the offer;

(b) the period and procedures for acceptances;

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

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

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

APPENDIX

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

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

2.4.4 Maximum Purchase Price

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

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

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

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

For the above purposes:

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

2.5 Status of Purchased Shares

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

APPENDIX

2.6 Treasury Shares

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

2.6.1 Maximum Holdings

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

2.6.2 Voting and Other Rights

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

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

2.6.3 Disposal and Cancellation

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

(a) sell the treasury shares for cash;

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

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

(d) cancel the treasury shares; or

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

APPENDIX

2.7 Reporting Requirements

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

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

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

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

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

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

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

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

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

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

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

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

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

APPENDIX

2.8 Source of Funds

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

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

2.9 Financial Effects

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

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

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced. For the purposes of the Share Purchase Mandate, it is intended that purchases or acquisitions of the Shares by the Company, if any, will be made out of the Company's capital and the foregoing has been assumed in the preparation of the financial effects illustrated below.

The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group. The purchase or acquisition of the Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The proposed Share Purchase Mandate will be exercised with a view to enhance the earnings and/or the NTA value per Share of the Group.

APPENDIX

For illustrative purposes only, the financial effects of the Share Purchase Mandate on the Company and the Group, based on the audited financial statements of the Group for the financial year ended 31 December 2021 are based on the assumptions set out below:

(a) based on 125,612,035 Shares in issue (excluding treasury shares and subsidiary holdings) and assuming that (i) no further Shares are issued, and (ii) no Shares are held by the Company as treasury shares on or prior to the AGM, not more than 3,768,361 Shares (representing three per cent. (3%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at that date) may be purchased by the Company pursuant to the proposed Share Purchase Mandate;

(b) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires the 3,768,361 Shares at the Maximum Price of S$0.4179 for one (1) Share (being the price equivalent to five per cent. (5%) above the Average Closing Price of the Shares for the last five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 3,768,361 Shares (excluding related expenses) is approximately S$1,574,798; and

(c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires the 3,768,361 Shares at the Maximum Price of S$0.4776 for one (1) Share (being the price equivalent to twenty per cent. (20%) above the Average Closing Price of the Shares on the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 3,768,361 Shares (excluding related expenses) is approximately S$1,799,769.

For illustrative purposes only, and based on the assumptions set out in sub-paragraphs (a), (b) and (c) above and assuming that (i) the purchase or acquisition of Shares is financed by internal sources of funds and/or external borrowings, (ii) the Share Purchase Mandate had been effective on 1 January 2021, and (iii) the Company had purchased or acquired the 3,768,361 Shares (representing three per cent. (3%)) of its issued ordinary share capital at the Latest Practicable Date, the financial effects of the purchase or acquisition of the 3,768,361 Shares by the Company pursuant to the Share Purchase Mandate:

(i) by way of purchases made entirely out of capital and held as treasury shares; and

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

	Purchased out of:	Type of purchase	Held as Treasury Shares or Cancelled	Maximum Price per Share (S$)
1(A)	Capital	Market Purchase	Held as treasury shares	0.4179
1(B)	Capital	Off-Market Purchase	Held as treasury shares	0.4776
2(A)	Capital	Market Purchase	Cancelled	0.4179
2(B)	Capital	Off-Market Purchase	Cancelled	0.4776

APPENDIX

on the audited financial statements of the Group for the financial year ended 31 December 2021, are set out below:

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

(A) Market Purchases

	Group Before Share Purchase S$'000	Group After Share Purchase S$'000	Company Before Share Purchase S$'000	Company After Share Purchase S$'000
As at 31 December 2021				
Share capital	70,496	70,496	70,496	70,496
Capital and other reserve	2,961	2,961	2,527	2,527
Retained earnings	39,927	39,927	(1,689)	(1,689)
	113,384	113,384	71,334	71,334
Treasury shares	(2,636)	(4,211)	(2,636)	(4,211)
Shareholders' fund	110,748	109,173	68,698	67,123
Net tangible assets	110,487	108,912	68,552	66,977
Minority interests	3,338	3,338	–	–
Current assets	120,672	119,097	84,216	82,641
Current liabilities	33,313	33,313	40,005	40,005
Working capital	87,359	85,784	44,211	42,636
Number of issued shares	125,612,035	121,843,674	125,612,035	121,843,674
Weighted average number of shares	125,612,035	121,843,674	125,612,035	121,843,674
Financial ratios				
Net tangible assets/Share (S$)	0.88	0.89	0.55	0.55
Current ratio (times)	3.62	3.58	2.11	2.07
Earnings per Share (cents)	9.61	9.90	4.25	4.38

APPENDIX

(B) Off-Market Purchases

	Group Before Share Purchase S$'000	Group After Share Purchase S$'000	Company Before Share Purchase S$'000	Company After Share Purchase S$'000
As at 31 December 2021				
Share capital	70,496	70,496	70,496	70,496
Capital and other reserve	2,961	2,961	2,527	2,527
Retained earnings	39,927	39,927	(1,689)	(1,689)
	113,384	113,384	71,334	71,334
Treasury shares	(2,636)	(4,436)	(2,636)	(4,436)
Shareholders' fund	110,748	108,948	68,698	66,898
Net tangible assets	110,487	108,687	68,552	66,752
Minority interests	3,338	3,338	–	–
Current assets	120,672	118,872	84,216	82,416
Current liabilities	33,313	33,313	40,005	40,005
Working capital	87,359	85,559	44,211	42,411
Number of issued shares	125,612,035	121,843,674	125,612,035	121,843,674
Weighted average number of shares	125,612,035	121,843,674	125,612,035	121,843,674
Financial ratios				
Net tangible assets/Share (S$)	0.88	0.89	0.55	0.55
Current ratio (times)	3.62	3.57	2.11	2.06
Earnings per Share (cents)	9.61	9.90	4.25	4.38

APPENDIX

(2) Purchases made entirely out of capital and cancelled

(A) Market Purchases

	Group Before Share Purchase S$'000	Group After Share Purchase S$'000	Company Before Share Purchase S$'000	Company After Share Purchase S$'000
As at 31 December 2021				
Share capital	67,860	66,285	67,860	66,285
Capital and other reserve	2,961	2,961	2,527	2,527
Retained earnings	39,927	39,927	(1,689)	(1,689)
Shareholders' fund	110,748	109,173	68,698	67,123
Net tangible assets	110,487	108,912	68,552	66,977
Minority interests	3,338	3,338	–	–
Current assets	120,672	119,097	84,216	82,641
Current liabilities	33,313	33,313	40,005	40,005
Working capital	87,359	85,784	44,211	42,636
Number of issued shares	125,612,035	121,843,674	125,612,035	121,843,674
Weighted average number of shares	125,612,035	121,843,674	125,612,035	121,843,674
Financial ratios				
Net tangible assets/Share (S$)	0.88	0.89	0.55	0.55
Current ratio (times)	3.62	3.58	2.11	2.07
Earnings per Share (cents)	9.61	9.90	4.25	4.38

APPENDIX

(B) Off-Market Purchases

	Group Before Share Purchase S$'000	Group After Share Purchase S$'000	Company Before Share Purchase S$'000	Company After Share Purchase S$'000
As at 31 December 2021				
Share capital	67,860	66,060	67,860	66,060
Capital and other reserve	2,961	2,961	2,527	2,527
Retained earnings	39,927	39,927	(1,689)	(1,689)
Shareholders' fund	110,748	108,948	68,698	66,898
Net tangible assets	110,487	108,687	68,552	66,752
Minority interests	3,338	3,338	–	–
Current assets	120,672	118,872	84,216	82,416
Current liabilities	33,313	33,313	40,005	40,005
Working capital	87,359	85,559	44,211	42,411
Number of issued shares	125,612,035	121,843,674	125,612,035	121,843,674
Weighted average number of shares	125,612,035	121,843,674	125,612,035	121,843,674
Financial ratios				
Net tangible assets/Share (S$)	0.88	0.89	0.55	0.55
Current ratio (times)	3.62	3.57	2.11	2.06
Earnings per Share (cents)	9.61	9.90	4.25	4.38

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

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

2.10 Take-over Implications

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

APPENDIX

2.10.1 Obligation to make a Take-over Offer

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

2.10.2 Persons Acting in Concert

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

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

(a) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, any company whose associated companies include any of the above companies and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above companies for the purchase of voting rights;

(b) a company with any of its directors, together with their close relatives, related trusts and any companies controlled by any of the directors, their close relatives and related trusts;

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund whose investment such person manages on a discretionary basis, but only in respect of the investment account which such person manages;

(e) a financial or other professional adviser, including a stockbroker, with its client in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholdings of the adviser and any of those funds in the client total ten per cent. (10%) or more of the client's equity share capital;

(f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;

(g) partners; and

APPENDIX

(h) an individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions, companies controlled by any of the above persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above companies for the purchase of voting rights.

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

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

2.10.3 Effect of Rule 14 and Appendix 2

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

(a) the voting rights of such Directors and their concert parties would increase to thirty per cent. (30%) or more; or

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

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

(i) the voting rights of such Shareholder would increase to thirty per cent. (30%) or more; or

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

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

APPENDIX

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

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

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

2.11 Taxation

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

2.12 Listing Rules

While the Listing Rules do not expressly prohibit purchase of Shares by a listed company during any particular time or times, the listed company would be considered an "insider" in relation to any proposed purchase or acquisition of its issued Shares. In this regard, the Company will not purchase any Shares pursuant to the Share Purchase Mandate after a price-sensitive development has occurred or has been the subject of a consideration and/or a decision of the Board until such time the price-sensitive information has been publicly announced. In particular, pursuant to Listing Rule 1207(19)(c), the Company will not purchase or acquire any Shares through Market Purchases during the period of:

(a) one (1) month immediately preceding the announcement of the Company's half-yearly and annual results; and

(b) Should the Company be required to issue quarterly results, two (2) weeks immediately preceding the announcement of the Company's quarterly results.

The Company is required under Rule 723 of the Listing Manual to ensure that at least ten per cent. (10%) of its Shares are in the hands of the public. The "**public**", as defined under the Listing Manual, are persons other than the directors, chief executive officer, substantial shareholders or controlling shareholders of the Company or its subsidiaries, as well as the associates of such persons.

APPENDIX

Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 74,078,378 Shares, representing approximately 58.97% of the issued Shares (excluding treasury shares and subsidiary holdings), are in the hands of the public. Assuming that the Company purchases its Shares through Market Purchases up to the full three per cent. (3%) limit pursuant to the Share Purchase Mandate, the number of Shares in the hands of the public would be reduced to 70,310,017 Shares, representing approximately 57.71% of the reduced total number of issued Shares (excluding treasury shares and subsidiary holdings). Accordingly, the Company is of the view that there is sufficient number of issued Shares held in the hands of the public which would permit the Company to undertake purchases or acquisitions of its issued Shares up to the full three per cent. (3%) limit pursuant to the proposed Share Purchase Mandate without affecting the listing status of the Shares on the SGX-ST, and that the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity.

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

2.13 Previous Share Purchases

Information of the share buybacks carried out by the Company during the 12-month period preceding the Latest Practicable Date is set out below.

Date of Transaction	Type of Transaction	Total Number of Shares Acquired	Price Paid per Share (S$)	Highest Price per Share (S$)	Lowest Price per Share (S$)	Total Consideration (S$)
19 Aug 2021	Market Purchase	41,900	0.315	–	–	13,247.32
23 Aug 2021	Market Purchase	85,100	–	0.315	0.310	26,554.90
25 Oct 2021	Market Purchase	25,000	0.32	–	–	8,046.59
2 Nov 2021	Market Purchase	30,000	0.32	–	–	9,647.28
3 Nov 2021	Market Purchase	20,000	0.32	–	–	6,445.91
8 Nov 2021	Market Purchase	36,000	0.315	–	–	11,388.02
14 Dec 2021	Market Purchase	90,500	0.375	–	–	34,025.03
15 Dec 2021	Market Purchase	67,500	0.375	–	–	25,377.88
17 Dec 2021	Market Purchase	322,400	–	0.385	0.375	124,090.81
20 Dec 2021	Market Purchase	210,000	–	0.385	0.380	80,807.45
21 Dec 2021	Market Purchase	15,000	–	0.380	0.375	5,720.55
28 Dec 2021	Market Purchase	180,000	0.385	–	–	69,478.33
10 Jan 2022	Market Purchase	360,600	0.39	–	–	140,995.53
11 Jan 2022	Market Purchase	121,800	0.39	–	–	47,624.35
13 Jan 2022	Market Purchase	199,900	0.39	–	–	78,161.57

APPENDIX

3. DIRECTORS AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

Based on information in the Register of Directors maintained by the Company, as at the Latest Practicable Date, the number of Shares in which the Directors have an interest, are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	(%)(1)	Number of Shares	(%)(1)
Kesavan Nair	–	–	–	–
Foo Sey Liang	–	–	28,405,000(2)	22.61
Ng Weng Sui Harry	10,000	0.01	–	–
Ng Kate Jain	–	–	–	–

Notes:

(1) Based on total issued and paid-up ordinary share capital (excluding treasury shares and subsidiary holdings) comprising 125,612,035 Shares as at the Latest Practicable Date.

(2) Foo Sey Liang is deemed to be interested in the 28,405,000 Shares held by Flame Gold International Limited, by virtue of Section 7 of the Companies Act.

Based on information in the Register of Substantial Shareholders maintained by the Company, as at the Latest Practicable Date, the Substantial Shareholders and the number of Shares in which they have an interest are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	(%)(1)	Number of Shares	(%)(1)	Number of Shares	(%)(1)
Flame Gold International Limited	28,405,000	22.61	–	–	28,405,000	22.61
Foo Sey Liang	–	–	28,405,000(2)	22.61	28,405,000	22.61
Rise Capital Ventures Ltd	8,010,000	6.38	–	–	8,010,000	6.38
Aung Tin Htut	–	–	8,010,000(3)	6.38	8,010,000	6.38
Regroup Holdings Pte. Ltd.	8,608,657	6.85	–	–	8,608,657	6.85
Aye Ko Ko	6,500,000	5.17	–	–	6,500,000	5.17

APPENDIX

Notes:

(1) Based on total issued and paid-up ordinary share capital (excluding treasury shares and subsidiary holdings) comprising 125,612,035 Shares as at the Latest Practicable Date.

(2) Foo Sey Liang is deemed to be interested in the 28,405,000 Shares held by Flame Gold International Limited, by virtue of Section 7 of the Act.

(3) Aung Tin Htut is deemed to be interested in the 8,010,000 Shares held by Rise Capital Ventures Ltd by virtue of Section 7 of the Act.

4. DIRECTORS' RECOMMENDATION

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

5. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wish to vote must submit their proxy forms in advance and appoint "**Chairman of the Meeting**" as their proxy.

(i) Shareholders (whether individual or corporate) appointing the Chairman of the Meeting as proxy must give specific instructions as to his manner of voting, or abstentions from voting, in proxy form, failing which the appointment will be treated as invalid.

(ii) The proxy form must be submitted in the following manner:

a) if submitted by post, be deposited at the Registered Office of the Company at 28 Jalan Buroh, Singapore 619484; or

b) if submitted by email, the proxy form must be sent to gpb@mncsingapore.com in either case, by **10.00 a.m.** on **26 April 2022** (the "**Proxy Deadline**").

Shareholders who wish to submit an instrument of proxy must complete and sign the proxy form, before submitting it by post to the address provided above, or scanning and sending it by email to the email address provided above.

Completion and return of the Proxy Form by a Shareholder will not prevent him from attending and voting at the AGM if he so wishes.

APPENDIX

6. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

7. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents are available for inspection at the registered office of the Company at 28 Jalan Buroh, Singapore 619484 during normal business hours from the date of this Appendix up to the date of the forthcoming AGM:

(a) the Annual Report of the Company for the financial year ended 31 December 2021; and

(b) the Constitution of the Company.

Yours faithfully

For and on behalf of
the Board of Directors of
HG Metal Manufacturing Limited

Foo Sey Liang
Executive Director
Singapore

SHAREHOLDINGS STATISTICS

As at 18 March 2022

Number of Shares	–	125,612,035 (excluding treasury shares)
Treasury Shares	–	4,999,330
Subsidiary Holdings Held	–	Nil
Class of Shares	–	Ordinary Shares
Voting Rights	–	On a show of hands: 1 vote
	–	On a poll: 1 vote for each ordinary share (no vote for treasury shares)

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	481	11.94	22,320	0.02
100 – 1,000	648	16.09	415,778	0.32
1,001 – 10,000	2,237	55.55	9,259,934	7.09
10,001 – 1,000,000	645	16.02	30,685,517	23.49
1,000,001 and above	16	0.40	90,227,816	69.08
	4,027	100.00	130,611,365	100.00

SHAREHOLDING HELD IN HANDS OF PUBLIC

As at 18 March 2022, the percentage of shareholdings held in the hands of the public was approximately 58.97% and Rule 723 of the Listing Manual is complied with.

TOP 20 SHAREHOLDERS LIST

S/No	Name of Shareholder	Number of Shares	%*
1	UOB Kay Hian Pte Ltd	39,679,957	31.59
2	Rise Capital Ventures Limited	8,010,000	6.38
3	Aye Ko Ko	6,500,000	5.17
4	Chua Sze Bok	4,546,100	3.62
5	Ng Joo Yow	4,509,300	3.59
6	Tan Nah	4,200,000	3.34
7	Daiwa Capital Markets Singapore Limited	3,638,800	2.90
8	Phillip Securities Pte Ltd	3,319,428	2.64
9	Htay Htay Naing	3,054,600	2.43
10	DBS Nominees Pte Ltd	1,765,669	1.41
11	Ang Gim Teck	1,442,100	1.15
12	Sia Ling Sing	1,325,000	1.06
13	Citibank Nominees Singapore Pte Ltd	1,110,132	0.88
14	ABN Amro Clearing Bank N.V.	1,090,800	0.87
15	Ang Gim Thian	1,036,600	0.83
16	David Leoric	666,600	0.53
17	Tan Wai See	655,000	0.52
18	Estate of Ong King Sin, Deceased	580,000	0.46
19	Maybank Securities Pte. Ltd.	579,523	0.46
20	Yap Xi Ming	571,000	0.45
		88,280,609	70.28

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 18 March 2022 of 125,612,035 shares (which excludes 4,999,330 shares which are held as treasury shares representing approximately 3.98% of the total number of issued shares excluding treasury shares and subsidiary holdings).

SHAREHOLDINGS STATISTICS

As at 18 March 2022

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Substantial Shareholder	**No. of Shares**	**Percentage (%)[1]**	**No. of Shares**	**Percentage (%)[1]**
Flame Gold International Limited	28,405,000	22.61	–	–
Foo Sey Liang	–	–	28,405,000[2]	22.61
Rise Capital Ventures Ltd	8,010,000	6.38	–	–
Aung Tin Htut	–	–	8,010,000[3]	6.38
Regroup Holdings Pte. Ltd.	8,608,657	6.85	–	–
Aye Ko Ko	6,500,000	5.17	–	–

Notes:

(1) Based on total issued and paid-up ordinary share capital (excluding treasury shares and subsidiary holdings) comprising 125,612,035 Shares as at the Latest Practicable Date.

(2) Foo Sey Liang is deemed to be interested in the 28,405,000 Shares held by Flame Gold International Limited, by virtue of of the Act.

(3) Aung Tin Htut is deemed to be interested in the 8,010,000 Shares held by Rise Capital Ventures Ltd by virtue of Section 7 of the Act.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of HG Metal Manufacturing Limited (the "**Company**") will be held by way of electronic means on Thursday, 28 April 2022 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company and the Group for the financial year ended 31 December 2021 together with the Independent Auditors' Report thereon. (Resolution 1)

2. To declare a final tax-exempt (one-tier) dividend of 4 cents (S$0.04) per ordinary share for the financial year ended 31 December 2021. (Resolution 2)

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

   Mr Ng Weng Sui Harry (Regulation 89) *[See explanatory note (i)]* (Resolution 3)
   Mr Kesavan Nair (Regulation 89) *[See explanatory note (ii)]* (Resolution 4)
   Ms Ng Kate Jain (Regulation 88) *[See explanatory note (iii)]* (Resolution 5)

4. To approve the payment of Directors' fees of S$246,496 for the financial year ended 31 December 2021 (previous financial year: S$162,920). (Resolution 6)

5. To re-appoint Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. (Resolution 7)

6. To transact any other ordinary business which may properly be transacted at an AGM.

SPECIAL BUSINESS

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

7. **Authority to issue shares in the capital of the Company of the Companies Act 1967 (the "Companies Act") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST").**

   That the Companies Act and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

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

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

NOTICE OF ANNUAL GENERAL MEETING

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

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

(the "**Share Issue Mandate**")

provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued Shares (excluding treasury Shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued Shares (excluding treasury Shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares and Instruments that may be issued under sub-paragraphs (1) above, the percentage of issued Shares and Instruments shall be based on the number of issued Shares (excluding treasury Shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

    (a) new Shares arising from the conversion or exercise of convertible securities which were issued and outstanding or subsisting at the time this Resolution is passed;

    (b) new Shares arising from exercising share options or vesting of share awards which were issued and 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 Shares;

(3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

(4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of Shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of the Instruments.

[See explanatory note (iv)] (Resolution 8)

8. **Renewal of the Share Purchase Mandate**

That:

(a) for the purposes of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary Shares fully paid in the capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) market purchase(s) (each a "**Market Purchase**") on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"); and/or

(ii) off-market purchase(s) (each an "**Off-Market Purchase**") in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

(b) unless varied or revoked by the members of the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution and expiring on the earlier of:

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

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

whichever is the earlier;

NOTICE OF ANNUAL GENERAL MEETING

(c) in this Ordinary Resolution:

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

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

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

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

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

where:

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

(d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider necessary, expedient, incidental or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Ordinary Resolution.

[See explanatory note (v)] (Resolution 9)

NOTICE OF ANNUAL GENERAL MEETING

9. That, subject to and contingent upon the passing of Resolution 3 by shareholders of the Company and the passing of Resolution 11 by shareholders of the Company, excluding the Directors and the Chief Executive Officer of the Company, and their respective associates (as defined in the Listing Manual):

   (a) the continued appointment of Mr Ng Weng Sui Harry as an Independent Non-Executive Director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual which has taken effect from 1 January 2022 be approved; and

   (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Ng Weng Sui Harry as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

   [See explanatory note (i)] (Resolution 10)

10. That, subject to and contingent upon the passing of Resolution 3:

   (a) the continued appointment of Mr Ng Weng Sui Harry as an Independent Non-Executive Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual which has taken effect from 1 January 2022 be approved; and

   (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Ng Weng Sui Harry as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

   provided that this Resolution shall only be proposed and voted upon if Resolution 10 is passed by shareholders of the Company.

   [See explanatory note (i)] (Resolution 11)

11. That, subject to and contingent upon the passing of Resolution 4 by shareholders of the Company and the passing of Resolution 13 by shareholders of the Company, excluding the Directors and the Chief Executive Officer of the Company, and their respective associates (as defined in the Listing Manual):

   (a) the continued appointment of Mr Kesavan Nair as an Independent Non-Executive Director, for purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual which has taken effect from 1 January 2022 be approved; and

   (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Kesavan Nair as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

   [See explanatory note (ii)] (Resolution 12)

NOTICE OF ANNUAL GENERAL MEETING

12. That, subject to and contingent upon the passing of Resolution 4:

    (a) the continued appointment of Mr Kesavan Nair as an Independent Non-Executive Director, for purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual which has taken effect from 1 January 2022 be approved; and

    (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mr Kesavan Nair as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution,

    provided that this Resolution shall only be proposed and voted upon if Resolution 12 is passed by shareholders of the Company.

    [See explanatory note (ii)] (Resolution 13)

By Order of the Board

Wee Woon Hong
Sim Yok Teng
Company Secretaries
Singapore
6 April 2022

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Ordinary Resolutions 10 and 11 proposed in items 9 and 10 respectively above are in anticipation of Rule 210(5)(d)(iii) of the Listing Manual which has taken effect from 1 January 2022 and provides that a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (a) all shareholders of the company; and (b) shareholders excluding the directors and the chief executive officer of the company, and their respective associates.

Mr Ng Weng Sui Harry is an Independent Non-Executive Director who will serve on the Board for more than nine years from 10 April 2023. Please refer to the "Report of Corporate Governance" section of the Annual Report of the Company for the Board's review of the independence of Mr Ng Weng Sui Harry, and the detailed information of Mr Ng Weng Sui Harry pursuant to Rule 720(6) of the Listing Manual which can be found on pages 80 to 82 in the Annual Report 2021.

In the event that Ordinary Resolutions 3, 10 and 11 are passed, Mr Ng Weng Sui Harry will remain as an Independent Non-Executive Director and Chairman of the Audit & Risk Committee and a member of the Nominating Committee and Remuneration Committee, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual.

In the event that Ordinary Resolution 3 is passed but Ordinary Resolution(s) 10 and/or 11 is/are not passed, Mr Ng Weng Sui Harry will remain as an Independent Non-Executive Director until 9 April 2023. Thereafter, Mr Ng Weng Sui Harry will be re-designated to a Non-Executive Non-Independent Director as the Company continues its search for new independent Director to comply with the requirements of the Code of Corporate Governance 2018 and the Listing Manual.

(ii) Ordinary Resolutions 12 and 13 proposed in items 11 and 12 respectively above are in anticipation of Rule 210(5)(d)(iii) of the Listing Manual which has taken effect from 1 January 2022 and provides that a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (a) all shareholders of the company; and (b) shareholders excluding the directors and the chief executive officer of the company, and their respective associates.

Mr Kesavan Nair, the Independent Non-Executive Chairman, will serve on the Board for more than nine years from 17 April 2023. Please refer to the "Report of Corporate Governance" section of the Annual Report of the Company for the Board's review of the independence of Mr Kesavan Nair, and the detailed information of Mr Kesavan Nair pursuant to Rule 720(6) of the Listing Manual which can be found on pages 80 to 82 in the Annual Report 2021.

In the event that Ordinary Resolutions 4, 12 and 13 are passed, Mr Kesavan Nair will remain as the Independent Non-Executive Chairman, Chairman of the Nominating Committee and Remuneration Committee and a member of the Audit & Risk Committee, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual.

In the event that Ordinary Resolution 4 is passed but Ordinary Resolution(s) 12 and/or 13 is/are not passed, Mr Kesavan Nair will remain as the Independent Non-Executive Chairman until 16 April 2023. Thereafter, Mr Kesavan Nair will be re-designated to the Non-Independent Non-Executive Chairman as the Company continues its search for new independent Director to comply with the requirements of the Code of Corporate Governance 2018 and the Listing Manual.

(iii) Ms Ng Kate Jain will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director and a member of the Audit & Risk Committee, Nominating Committee and Remuneration Committee, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual in accordance with the Code of Corporate Governance 2018. Detailed information of Ms Ng Kate Jain pursuant to Rule 720(6) of the Listing Manual can be found on pages 80 to 82 in the Annual Report 2021.

(iv) The Ordinary Resolution 8 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue Shares, make or grant instruments convertible into Shares and to issue Shares pursuant to such instruments, up to a number not exceeding, in total, 50% of the total number of issued Shares (excluding treasury Shares and subsidiary holdings), of which up to 20% may be issued other than on a pro-rata basis to shareholders.

(v) The Ordinary Resolution 9 seeks to renew the share purchase mandate to enable the Directors of the Company to exercise all the powers of the Company to purchase or otherwise acquire issued ordinary Shares fully paid in the capital of the Company not exceeding in aggregate the Maximum Limit (as defined in the mandate). Details of the terms of the mandate are set out in the Appendix to the 2021 Annual Report of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the above AGM may appoint the Chairman of the AGM as proxy to vote on his behalf. Please refer to the section entitled "Submission of Proxy Forms to Vote" of the Measures to Minimise Risk of Community Spread of 2019 Novel Coronavirus ("**Covid-19**") on the Notice of AGM for further information.

2. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

3. The instrument appointing a proxy must be (a) submitted by mail to the Registered Office of the Company at 28 Jalan Buroh Singapore 619484; or (b) submitted by email to gpb@mncsingapore.com not less than forty-eight (48) hours before the time appointed for the AGM.

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

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative(s)'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 AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of the Company (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"); and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

Measures to Minimise Risk of Community Spread of 2019 Novel Coronavirus ("Covid-19"):

In view of the current Covid-19 restriction orders in Singapore, the Company is arranging for a live webcast of the AGM proceedings (the "**Live AGM Webcast**") which will take place on Thursday, 28 April 2022 at 10.00 a.m.. **Shareholders will be able to watch the AGM proceedings through the Live AGM Webcast, and the Company will not accept any physical attendance by Shareholders. Any Shareholder seeking to attend the AGM physically in person will be turned away.** Printed copies of this Notice of AGM, proxy form and the Annual Report for the financial year ended 31 December 2021 will not be sent to the Shareholders. The documents will be made available to Shareholders via publication on the Company's website (http://hgmetal.listedcompany.com/newsroom.html) and on the SGXNET (https://www.sgx.com/securities/company-announcements) instead.

Shareholders will be able to participate in the AGM in following manner set out in the paragraphs below.

Live Webcast:

1. Shareholders may watch the AGM proceedings through the Live AGM Webcast. To do so, Shareholders will need to register at http://bit.ly/hgmetalagm (the "**Registration Link**") by **10:00 a.m.** on **25 April 2022** (the "**Registration Deadline**") to enable the Company to verify their status.

2. Following verification, authenticated Shareholders will receive an email by **10:00 a.m.** on **27 April 2022** containing a link to access the live *visual and audio webcast* of the AGM proceedings as well as a toll-free telephone number to access the live audio only stream of the AGM proceedings.

3. Shareholders must not forward the abovementioned link or telephone number to other persons who are not Shareholders of the Company and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the Live AGM Webcast.

4. Shareholders who register by the Registration Deadline but do not receive an email response by **10:00 a.m.** on **27 April 2022** may contact the Company by email at gpb@mncsingapore.com.

NOTICE OF ANNUAL GENERAL MEETING

Submission of Proxy Forms to Vote:

1. Shareholders who wish to vote at the AGM may submit a proxy form to appoint the Chairman of the AGM to cast votes on their behalf.

2. The proxy form (a copy of which is also attached hereto), duly completed and signed, must be: (a) submitted by mail to the Registered Office of the Company at 28 Jalan Buroh Singapore 619484; or (b) submitted by email to gpb@mncsingapore.com, in either case by **10:00 a.m.** on **26 April 2022 being forty-eight (48) hours before the time appointed for holding the AGM**.

3. CPF or SRS investors who wish to vote should approach their respective banks approved by CPF to be their agent banks ("**CPF Agent Banks**") or agent banks approved by CPF under the Supplementary Retirement Scheme ("**SRS Operators**") to submit their votes at least seven (7) working days before the AGM (i.e. by **10:00 a.m.** on **19 April 2022** in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

Please note that Shareholders will not be able to vote through the live webcast and can only vote with their proxy forms which are required to be submitted in accordance with the foregoing paragraphs.

Submission of Questions:

1. Shareholders may submit questions relating to the items on the Notice of AGM., in the following manner:

   – by email to agm@hgmetal.com; or

   – by post to the Registered Office of the Company at Address at 28 Jalan Buroh, Singapore 619484.

   – All question must be submitted by **5:00 p.m.** on **13 April 2022**.

2. The Company will endeavour to address the substantial and relevant questions on **22 April 2022**. The responses to such questions from Shareholders, together with the minutes of the AGM (which will be published within one month after the date of the AGM), will be posted on the SGXNET and the Company's website.

3. As the Covid-19 pandemic continues to evolve, further measures and/or changes to the AGM arrangements may be made on short notice in the ensuing days, even up to the day of the AGM. Please check our Company website at http://www.hgmetal.com or SGXNET for updates.

The Company seeks the understanding and cooperation of all members to minimise the risk of community spread of COVID-19.

HG METAL MANUFACTURING LIMITED
Registration Number 198802660D
(Incorporated in the Republic of Singapore)

IMPORTANT:
1. This proxy form is not valid for use by the investor who holds shares under the Central Provident Fund Investment Scheme ("**CPF Investor**") and/or the Supplementary Retirement Scheme ("**SRS Investor**") and shall be ineffective for all intents and purported to be used by them.
2. CPF and SRS Investors who wish to appoint the Chairman of the Annual General Meeting ("**AGM**") as proxy should approach their respective approved CPF Agent Banks or SRS Operators to submit their votes by **10:00 a.m.** on **19 April 2022**, being at least seven (7) working days before the AGM.
3. Please read the notes overleaf which contain instructions on, amongst others, the appointment of the Chairman of the AGM as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

ANNUAL GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We, ______________________ (Name) ______________________ (NRIC/Passport No.)

of ____ (Address)

being a member/members of HG Metal Manufacturing Limited (the "**Company**"), hereby appoint the Chairman of the AGM of the Company as my/our* proxy to vote for me/us* on my/our* behalf at the AGM of the Company to be held by electronic means on Thursday, 28 April 2022 at 10.00 a.m. and at any adjournment thereof.

I/We* direct the Chairman of the AGM to vote for or against or abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder.

All resolutions put to the vote at the AGM shall be decided by way of poll.

(Please indicate your vote "For" or "Against" or "Abstain" with a tick [√] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions relating to:	For	Against	Abstain
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2021			
2	Approval of a final tax-exempt (one-tier) dividend of 4 cents (S$0.04) per ordinary share for the financial year ended 31 December 2021			
3	Re-election of Mr Ng Weng Sui Harry as a Director			
4	Re-election of Mr Kesavan Nair as a Director			
5	Re-election of Ms Ng Kate Jain as a Director			
6	Approval of Directors' fees amounting to S$246,496/- for the financial year ended 31 December 2021			
7	Re-appointment of Ernst & Young LLP as Auditors			
8	Authority to issue shares and convertible securities of the Companies Act 1967			
9	Renewal of the Share Purchase Mandate			
10	To approve the continued appointment of Mr Ng Weng Sui Harry as an Independent Non-Executive Director, for the purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual which has taken effect from 1 January 2022			
11	To approve the continued appointment of Mr Ng Weng Sui Harry as an Independent Non-Executive Director, for the purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual which has taken effect from 1 January 2022			
12	To approve the continued appointment of Mr Kesavan Nair as an Independent Non-Executive Director, for the purposes of Rule 210(5)(d)(iii)(A) of the Listing Manual which has taken effect from 1 January 2022			
13	To approve the continued appointment of Mr Kesavan Nair as an Independent Non-Executive Director, for the purposes of Rule 210(5)(d)(iii)(B) of the Listing Manual which has taken effect from 1 January 2022			

Dated this ________ day of ________________ 2022

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

____
Signature of Shareholder(s) or,
Common Seal of Corporate Shareholder

* Delete where inapplicable

Notes:

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

2. A Shareholder of the Company entitled to attend and vote at the AGM of the Company may appoint the Chairman of the AGM as proxy to vote on his behalf. Please refer to section entitled "Submission of Proxy Forms to Vote" of the Measures to Minimise Risk of Community Spread of 2019 Novel Coronavirus ("**Covid-19**") on the Notice of AGM for further information.

3. The instrument appointing a proxy must be (a) submitted by mail to the Registered Office of the Company at 28 Jalan Buroh Singapore 619484; or (b) submitted by email to gpb@mncsingapore.com in either case by **10:00 a.m.** on **26 April 2022** being not less than forty-eight (48) hours before the time appointed for the AGM.

4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or by an officer on behalf of the corporation.

5. CPF or SRS investors who wish to vote should approach their respective banks approved by CPF to be their agent banks ("**CPF Agent Banks**") or agent banks approved by CPF under the Supplementary Retirement Scheme ("**SRS Operators**") to submit their votes at least seven (7) working days before the AGM (i.e. by **10:00 a.m**. on **19 April 2022**) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney or other authority, the power of attorney or authority or a notarially certified copy thereof must be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with the Companies Act 1967.

8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2022.

HG METAL MANUFACTURING LIMITED
28 Jalan Buroh | Singapore 619484
T: 6 268 2828 | F: 6 268 3838
E: sales@hgmetal.com
www.hgmetal.com