



HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

RESPONSE TO SGX QUERIES ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021 ("ANNUAL REPORT 2021")

The Board of Directors of HG Metal Manufacturing Limited (the "**Company**") wishes to inform shareholders that the Company has received the following queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") regarding the Annual Report 2021 and sets out its responses as follows:-

Query 1:

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code of Corporate Governance 2018 (the "**Code**"), an explanation on how the practices it had adopted are consistent with the intent of the relevant principle.

We note that the Company had not complied with Provision 2.4 of the Code as you have not disclosed your board diversity policy and progress made towards implementing the board diversity policy, including objectives, and there were no explanations provided for in your AR2021 on how it is consistent with the intent of Principle 2 of the Code. We reference page 53 of AR2021, which states amongst others "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."

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interest of the Company.

Company's response to Query 1:

The Company refers to the Board composition and profile set out in pages 12 and 13 of the Annual Report 2021 ("**AR2021**"). As disclosed in page 51 to page 53 of the AR2021, the composition of the Board is reviewed on an annual basis by the Nominating Committee ("**NC**") to ensure that the Board has the appropriate mix of expertise, experience and diversity to enable Management to benefit from a diverse perspective in reviewing the issues that are brought before the Board. As explained in page 51 of AR2021, pursuant to the Board's aim to maintain a diversity of experience, skills, attributes and gender among its Directors, the Company has appointed a female director, Ms Ng Kate Jain with effect 31 December 2021 to promote diversity to the Board's composition. The Company has also stated at page 52 of the AR2021 that as a majority of the Board comprises of 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.

Notwithstanding that the Company did not have an articulated diversity policy for FY2021, the Board has put in place a process for the selection and appointment of directors. The process led by the NC recognises that an effective and cohesive board requires the right balance of expertise, skills and attributes. Factors taken into consideration by the NC in determining the optimum composition of the Board and to assist the NC in identifying and nominating suitable candidates for appointment to the Board (as disclosed in page 53, Provision 2.4 of the AR2021) include diversity of background, experience, gender, age, ethnicity and other relevant factors. Any potential conflicts of interest will also be taken into consideration.

Currently, the Directors of the Company come from diversified backgrounds, race, gender and their age profiles spanning a range of 15 years, experience and professional qualifications. Taking into

consideration the nature and scale of the Group's business as well as the constantly evolving nature of business and industry conditions, the Board and NC are of the view that the current Board composition is sufficiently diverse to facilitate effective decision making in the best interests of the Company, constructive debate and avoid groupthink. Based on the foregoing, the Board is of the view that the practices adopted by the Company are consistent with the intent of Principle 2 of the Code.

Additionally, in line with the implementation of Listing Rule 710A effective from 1 January 2022, the Company has implemented a board diversity policy from FY2022 (a copy of which may be accessed at <http://hgmetal.listedcompany.com/misc/HGMML-Board-Diversify-Policy.pdf>). Details of the same will be further elaborated upon in the Annual Report 2022 in accordance with the requirements of the Listing Manual.

Query 2:

We note that the Company had not complied with Provision 8.1(a) of the Code with regards to the disclosure of remuneration, and there were no explanations were provided for in your AR2021 on how it is consistent with the intent of Principle 8 of the Code.

We reference page 78 of AR2021 which states amongst others "... 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."

Please clarify how the practices the Company had adopted are consistent with the intent of Principle 8 of the Code, which requires transparency on the Company's remuneration policies, level and mix of remuneration, the procedure for setting remuneration and the relationships between remuneration, performance and value creation.

Company's response to Query 2:

The Company has disclosed in page 63 of AR2021 that it is for the benefit of the Company and the Group that the such remuneration 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. During the pandemic, the Company had experienced practical difficulties in hiring and retaining talent due to the shortage of labour resulting from macro-economic conditions, and disclosure of exact amounts of remuneration would hinder the Company's efforts to keep its existing staff as competitors would be able to utilise such remuneration information.

In addition, as the Company has a small and tightly-knit team, such disclosure may affect adversely the cohesion and spirit of team work prevailing amongst the employees of the Company.

Notwithstanding the above, the Company has further set out information regarding its remuneration policies, procedures for setting remuneration and relationships between remuneration, performance and value creation under provisions 6 and 7 in its report on corporate governance (from page 59 to page 62 of the AR2021). The fee scale for determining the applicable directors' fees payable to the independent directors are also published at page 79 of the Annual Report.

Accordingly, the Company is of the view that its practices are consistent with the intent of Principle 8 of the Code, taking into account the strategic objectives of the Company pursuant to Principle 7 of the Code.

By Order of the Board

Foo Sey Liang
Executive Director
4 May 2022