



**HG METAL MANUFACTURING LIMITED**  
(Company Registration No. 198802660D)

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**RESPONSE TO SGX QUERIES ON THE COMPANY'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020 ("ANNUAL REPORT 2020")**

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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 2020 and sets out its responses as follows:-

**Query 1:**

Listing Rule 1207 (10C) requires an issuer's audit committee's comment on whether the internal audit function is independent, effective and adequately resourced. We note the Company stated that "The ARC is satisfied that the internal audit function has adequate resources and has appropriate standing within the Group." Please state if the audit committee is satisfied with the effectiveness and the independence of the internal audit function.

**Company's response to Query 1:**

The Audit and Risk Committee confirms that it is satisfied with the effectiveness and independence of the internal audit function.

**Query 2:**

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. Practice Guidance 2 requires an issuer to state the Company's board diversity policy and progress made towards implementing the board diversity policy, including objectives. Please state if the Company's practices are consistent with the intent of Principle 2 of the Code, which requires the Board to have an appropriate diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

**Company's response to Query 2:**

The Company refers to the Board composition and profile set out in pages 12 and 13 of the Annual Report 2020. As disclosed in page 51 of the Annual Report 2020, 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 and experience to enable Management to benefit from a diverse perspective in reviewing the issues that are brought before the Board. The Company has also stated at page 50 of the Annual Report 2020 that 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.

Notwithstanding that the Board does not have a fixed diversity policy, the NC is satisfied that the Board has the appropriate mix of expertise to lead and govern the Group effectively as the Board comprises members with diverse age profiles, 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 light of the diversified background, age profiles, experience and professional qualifications of the independent directors and 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, and the Company's practices are consistent with the intent of Principle 2 of the Code.

**Query 3:**

Listing Rule 710 requires issuers to explicitly state, when deviating from the provisions prescribed in the Code, an explanation on how the practices it had adopted are consistent with the intent of the relevant principle. Practice Guidance 8 of the Code states that appropriate remuneration disclosures for individual directors, CEO and key management personnel should be made to provide sufficient transparency and information to shareholders regarding remuneration matters. The remuneration disclosures for individual directors and the CEO should specify the names, amounts and breakdown of remuneration. We note that the Company declined to disclose each individual director and CEO's exact remuneration. Instead, the Company disclosed the remunerations in bands of S\$250,000. Please clarify if this disclosure provides sufficient transparency and information to shareholders and it is consistent with the intent of Principle 8 of the Code.

**Company's response to Query 3:**

The Company has disclosed in pages 60 and 74 of Annual Report 2020 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. 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. 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.

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 pages 57 to page 59 of the Annual Report 2020). The fee scale for determining the applicable directors' fees payable to the independent directors are also published at page 75 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

30 April 2020