HG METAL MANUFACTURING LIMITED

2023 ANNUAL REPORT

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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.

We pride ourselves as one of the most established steel distributors and services provider in the market. 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 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 boast fully automated cut-and-bend production lines, with an annual production capacity of 120,000 tonnes.

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.

OUR BUSINESS

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, Malaysia, and Indonesia.

LARGE-SCALE COMPREHENSIVE FACILITIES

We have approximately 300,000 sq ft of warehousing and processing facilities located at Jalan Buroh. The facilities have a steel storage capacity of 100,000 tonnes and a 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
- Providing one stop solutions for fabrication

MESSAGE TO SHAREHOLDERS

DEAR SHAREHOLDERS,

I am pleased to present the annual report for the financial year ended 31 December 2023 ("**FY2023**"), a year of significant change. This is the first time that I am delivering the annual report, having been appointed as Independent Non-Executive Chairman on 22 June 2023.

As shareholders are aware, on 21 March 2023 Dhu Holdings acquired 35.6 million shares (equivalent to a 28.45% stake in HG Metal Manufacturing Limited ("**HG Metal**" or the "**Company**", and together with its subsidiaries, the "**Group**") from vendors Flame Gold International Limited, Ng Joo Yow, Ang Gim Teck and Ang Gim Thian.

Following the acquisition, the Board of Directors was reconstituted, with Ms Xiao Xia being appointed Chief Executive Officer ("**CEO**") as well as Executive Director ("**ED**") on 27 April 2023. Joining me on the new Board are Independent Non-Executive Directors Ms Daisy Ong Lizhen and Ms Ng Chuey Peng.

Together with the management team, we lost no time in executing the first few corporate actions of what we believe will unfold into a broader transformation of HG Metal in the years to come. I am pleased to report that within a few months, we have already harvested some early fruits in our efforts to achieve corporate recovery.

I summarise here the three main initiatives:

DISPOSAL OF INDIRECT SUBSIDIARY IN MYANMAR

Economic and business uncertainty in Myanmar has escalated due to recent political and security developments in the country. This uncertainty has posed operational challenges as well as risks for foreign companies operating there. The weakening of the Myanmar Kyat has impacted our performance significantly. Our net loss in FY2023 was due substantially to the foreign exchange loss as well as the impairment of trade receivables and interest incurred on an outstanding bank loan taken by the Myanmar subsidiary, First Fortune International Company Limited ("**FFI**").

On 31 July 2023, HG Yangon ceased operations in Myanmar and was placed under voluntary liquidation. Subsequent to the financial year end, we entered into a Sale and Purchase Agreement ("**SPA**") with Aung Tin Htut on 13 February 2024 to sell our 51.04%-stake in our indirect subsidiary, FFI to Mr Aung Tin Htut, a Myanmar citizen.

Our FY2023 financial performance also reflected an impairment loss provision for FFI which is now classified as a discontinued operations that is held for sale. While we obtained approval from the Singapore Exchange Regulation ("**SGX RegCo**") on 30 January 2024 to waive seeking shareholders' approval prior to the disposal, the transaction is still subject to shareholder approval at the upcoming Annual General Meeting.

This decision, while difficult and painful, will allow HG Metal to prevent future losses in Myanmar. We can also allocate resources to capture opportunities within our core market in Singapore.

Concurrent with the disposal, Aung Tin Htut also sold his interest in HG Metal – approximately 5.33% – to Green Esteel Pte. Ltd. The latter holds a majority stake in our major supplier, Mainboard-listed BRC Asia Limited ("**BRC Asia**"). This unique alignment presents opportunities for new collaborations and operational synergies, bolstering our market position.

IMPROVING OPERATIONAL EFFICIENCY

We have taken initial steps to improve internal efficiency. These include refreshing the management structure, which has already lowered our administrative expenses to S$7.4 million in FY2023 from S$10.3 million a year earlier. We have also cut down operating expenses by S$0.8 million mainly due to lower depreciation expenses, after we surrendered to our landlord, JTC, a parcel of leased land.

Working closely with the new management we have started reviewing procurement procedures to reduce legacy issues related to high inventory costs. We are confident of lowering these costs and improving our cash conversion cycle from FY2024.

During the year, workflow at our manufacturing facility in Jalan Buroh in Singapore has been optimised to increase capacity and utilisation.

We aim to undertake more workflow improvement initiatives that will help make HG Metal more efficient over the next few years in a systemic and structured manner. In line with this, the Board has also set very clear goals to improve the health and safety of our staff starting in FY2024.

MESSAGE TO SHAREHOLDERS

FINANCIAL-RELATED INITIATIVES

As shareholders are aware, interest rates have risen substantially since the end of the pandemic. Hence, one of the first actions taken by the new Board is to reduce bank borrowings. I am pleased to report that despite the 'the higher for longer' interest rate environment, our total finance costs have fallen significantly to S$1.0 million in FY2023 from S$1.4 million in FY2022.

To enhance shareholder value, beyond cost-cutting, HG Metal also needs to grow and increase its value proposition. On 19 September 2023, we completed the placement of 25.1 million new shares at S$0.278 each, raising gross proceeds of S$6.97 million. The net proceeds will provide working capital and fund our growth and expansion plans. The placement has enlarged HG Metal's total number of issued shares to 150,356,441 shares.

FINANCIAL PERFORMANCE

Having outlined the above three main initiatives taken thus far in FY2023, allow me now to discuss the financial performance of the Group.

The post-pandemic global economy has been buffeted by macroeconomic challenges such as higher interest rates, inflationary pressures, and supply chain disruptions. The operating environment has been further challenged more recently by rising geopolitical tensions arising from U.S.-China trade tensions, the Russia-Ukraine conflict and the situation in Gaza.

Against this backdrop, the Group's sales volume increased 23% year-on-year, buoyed by strong demand in the Singapore construction sector amid accelerated construction activity in public and private sectors.

However, a situation of higher costs of materials, arising from legacy operational issues outlined above, and lower selling prices impacted us in three ways for our continuing operations: i) revenue for FY2023 declined 2% to S$149.8 million compared to S$152.6 million in FY2022 (also contributed by a change in sales mix); ii) gross profit for FY2023 fell 38% to S$12.8 million from S$20.5 million in FY2022; iii) FY2023 gross profit margin declined to 8.5% compared to 13.4% in FY2022.

We incurred net loss after tax of S$2.2 million from our discontinued operation in Myanmar; this includes a S$0.7 million one-time impairment loss in relation to the discontinued operation that is held for sale.

The net loss after tax from discontinued operations offset a S$0.5 million net profit after tax from continuing operations in FY2023, compared to FY2022's S$4.9 million. Overall net loss after tax for FY2023 stood at S$1.8 million (FY2022: S$5.8 million net loss). Excluding the impairment, net loss would have been even lower.

OUTLOOK AND FORWARD STRATEGY

The initiatives I outlined above reflect our decision to terminate operations in Myanmar, improve internal efficiencies and channel more resources to Singapore, our main market.

The Ministry of Trade and Industry ("**MTI**") reported that the Singapore economy grew by 1.1% in 2023, compared to 3.6% in 2022. Growth for 2024 is forecast to range between 1% to 3%, as advanced economies are expected to see sluggish growth in the first half of the year before recovering gradually.

Meanwhile, the Building and Construction Authority ("**BCA**") expects medium-term demand in Singapore to steadily improve from 2024. The preliminary construction demand for 2023 reached S$33.8 billion, which exceeded the initial estimates of S$27 billion to S$32 billion a year ago. Total construction demand is now forecast to range between S$32 billion and S$38 billion for FY2024. This sector is expected to remain stable from 2025 to 2028.

Our strategic transformation will, to no small extent, revolve around opportunities related to the application of steel products for the built environment in Singapore. The national impulse to emerge as a preferred global city will mean higher standards of infrastructure and buildings. There will also be a constant emphasis on improving efficiency, sustainability, health and safety for the construction sector, which will have implications for suppliers of building materials including steel.

MESSAGE TO SHAREHOLDERS

For HG Metal, this landscape offers both challenges and opportunities. Beyond fluctuating steel prices, we need to embark on a broader transformation to re-position the Group. We need to build a leaner, more agile HG Metal that can remain relevant as a leader in the steel market in Singapore and beyond.

We will outline these strategies in greater detail in due course. Barring unforeseen circumstances and further significant impairments, we are cautiously optimistic operations and prospects in FY2024 will improve compared to FY2023.

IN APPRECIATION

On behalf of the Group, I would like to express my gratitude to our customers and business partners for their support throughout the year, and to HG Metal staff for their commitment and dedication; without your contributions, HG Metal would not be where we are today.

I would also like to extend my appreciation to the directors and management who have resigned. They are Independent Non-Executive Chairman Mr Kesavan Nair, Non-Executive Director Mr Foo Sey Liang, Independent Non-Executive Director Mr Ng Weng Sui Harry, Independent Non-Executive Director Ms Ng Kate Jain, Chief Executive Officer Mr Shin Taeyang, Mr Royston John, Head of Business of HG Metal Manufacturing Limited, and Mr Ang Thiam Kwee, Dan, Head of Business of our wholly-owned subsidiary Oriental Metals Pte Ltd. The Board thanks them for their past contributions and wishes them all the best in their future endeavours.

I also welcome my fellow Board members who have been kept busy since their appointment last June. They have worked hard with the management and will need to provide counsel and direction as we embark on future transformation.

Most importantly, thank you, our shareholders, for your support. We are on an exciting path to a stronger HG Metal, and we remain committed to delivering greater value in the years ahead.

Mr Ong Hwee Li
Independent Non-Executive Chairman

OPERATING & FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

As the world economy emerges from the pandemic, recovery has been hampered by a combination of macroeconomic and geopolitical factors. These include elevated interest rates in response to rising levels of inflation, supply chain disruptions, U.S.-China trade tensions and geopolitical uncertainty including the Russia-Ukraine conflict and the situation in Gaza.

For the year under review, the Group significantly narrowed its overall net loss after tax to S$1.8 million in FY2023 compared to FY2022's S$5.8 million net loss. The improvement reflected a significant reduction in administrative costs including salaries, despite lower average selling prices and higher third-party logistics costs. The FY2023 net loss also included a S$0.7 million impairment loss in relation to the discontinuation of the Group's business activities in Myanmar. Without this non-cash, non-recurring item, net loss for FY2023 would have been even narrower.

During FY2023, the Group significantly reduced its borrowings while its cash and cash equivalents improved.

Despite the headwinds in the global economy, the Singapore construction sector – the Group's main market – remains robust, growing by 5.2% in 2023, improving from 2022's 4.6%. Following the slowdown in construction of residential homes during and immediately after the pandemic, the Singapore Government has announced significant new building of public housing.

Together with pent-up construction activity in the public and private sectors, the outlook is expected to remain healthy. This augurs well for HG Metal as it has streamlined operational efficiency significantly in FY2023 and intends to focus more on the Singapore market following the discontinuation of the Myanmar business.

CONTINUING OPERATIONS: REVENUE AND GROSS PROFIT

The Group recorded a 23% year-on-year increase in sales volume, driven by a recovery in project contractual offtake and a healthy sales order book. However, average selling prices of the Group's steel products declined 21% year-on-year, in line with global steel prices, as earlier fears of a global steel supply shortage due to the ongoing Russia-Ukraine conflict have eased. Additionally, weaker domestic demand in China exerted further pressure on steel prices.

While the second half was stronger than the first, the softer average selling prices, combined with a change in the Group's sales mix resulted in FY2023 revenue for the continuing operations declining 2% to S$149.8 million from S$152.6 million in FY2022.

Overall gross profit declined 38% to S$12.8 million compared to S$20.5 million in FY2022, as the Group recorded a higher weighted average cost of materials on hand. Accordingly, FY2023 gross profit margin declined to 8.5% compared to 13.4% in FY2022.

OTHER OPERATING INCOME

Other operating income declined to S$1.0 million in FY2023 from S$2.3 million in FY2022, mainly due to lower warehouse and rental income as the Group reduced warehousing space, as well as the absence of one-off income from termination of right-of-use asset of S$0.3 million recorded in FY2022.

EXPENSES

Total selling and distribution costs increased 151% in FY2023 to S$0.9 million (FY2022: S$0.3 million) on the back of increased delivery volumes and higher costs related to third-party logistics services.

In contrast, administrative expenses decreased 28% to S$7.4 million in FY2023 from S$10.3 million in FY2022, mainly due to a reduction in overall salary cost as the Group refreshed its senior management team and lowered bonus provisions. Other operating expenses decreased to S$4.2 million in FY2023 from S$5.0 million a year ago, mainly due to reduced depreciation expenses.

Total finance costs for FY2023 declined to S$1.0 million from S$1.4 million in FY2022, as the Group reduced its borrowings from banks.

PROFITABILITY (INCLUDING DISCONTINUING OPERATIONS)

FY2023 net profit after tax from continuing operations stood at S$0.5 million (FY2022: S$4.9 million). This was offset by a net loss after tax from discontinued operations of S$2.2 million in FY2023, which included a S$0.7 million impairment loss in relation to the discontinued operations that is held for sale which is expected to be disposed of in FY2024.

As a result, the Group's overall net loss after tax narrowed to S$1.8 million in FY2023 compared to FY2022's S$5.8 million net loss.

OPERATING & FINANCIAL REVIEW

BALANCE SHEET

The Group's non-current assets decreased to S$26.0 million as of 31 December 2023 compared to S$36.6 million a year ago, mainly due to the reclassification of investment securities and fixed deposits pledged with banks to current assets.

Inventory on hand decreased to S$24.2 million as of 31 December 2023 compared to S$58.9 million as at 31 December 2022, in line with the Group's strategy to optimise inventory holding.

Trade and other receivables increased to S$50.4 million as at 31 December 2023 as compared to S$36.6 million a year ago, mainly due to higher sales activities in 2H2023. Trade and other payables decreased marginally to S$10.4 million as at 31 December 2023 from S$11.5 million as at 31 December 2022.

Bank borrowings decreased to S$8.7 million as at 31 December 2023 from S$35.2 million as at 31 December 2022. This was mainly due to repayments made to banks and reduced borrowings from banks in 2H2023.

Assets of disposal group classified as held for sale stood at S$3.5 million following the classification of the Group's Myanmar business as discontinued operations; liabilities directly associated with the discontinued operations stood at S$4.8 million as at 31 December 2023.

CASH POSITION

Net cash inflow from operating activities increased to S$22.3 million in FY2023 from an outflow of S$14.9 million a year ago. The increase was mainly attributable to lower inventories and higher trade and other payables, offset by an increase in trade and other receivables of S$14.1 million.

Net cash flows used in investing activities for FY2023 stood at S$1.3 million, comprising mainly S$3.7 million fixed deposit pledged, S$1.7 million purchase of property, plant and equipment and intangible assets, partially offset by S$3.8 million proceeds from maturity of investment securities and S$0.4 million from disposal of property, plant and equipment.

Net cash flows used in financing activities for FY2023 amounted to S$20.0 million, mainly due to net repayment for bank borrowings of S$23.1 million, S$0.7 million repayment of lease and dividend payment of S$3.1 million, partially offset by net proceeds of S$7.0 million from Share Placement.

The Group's cash and cash equivalents increased to S$16.5 million as at 31 December 2023 compared to S$15.4 million as at 31 December 2022.

FY2023* FINANCIAL HIGHLIGHTS

REVENUE
S$152.14
million

LIQUIDITY RATIO
4.78x

NET LOSS
S$(1.77)
million

BANK BALANCES AND FIXED DEPOSITS
S$29.39
million

EARNINGS PER SHARE
(0.77)
cents

DEBT-TO-EQUITY
0.17x

NET ASSET VALUE PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS
S$0.72

NET ASSET VALUE
S$105.16
million

* All FY2023 financial and operational results comprise continuing and discontinued operations.

FIVE-YEAR FINANCIAL SUMMARY

FOR THE YEAR (S$mil)	FY2023[1]	FY2022	FY2021	FY2020	FY2019
Revenue	**152.14**	158.37	142.27	91.69	137.12
Gross profit	**13.10**	21.15	29.15	11.14	13.32
(Loss) /profit Before Tax	**(2.02)**	(5.25)	12.43	1.38	0.80
Net (loss)/profit After Tax	**(1.77)**	(5.78)	11.17	1.34	0.76
(Loss)/profit attributable to owners of the Company ("PATOC")	**(1.02)**	(0.53)	12.07	1.03	0.76
Operating Cash Flow	**22.31**	(14.94)	7.78	13.88	(4.34)
Cash Flow from Investing	**(1.30)**	(1.54)	(2.41)	(12.89)	(3.54)
Free Cash Flow	**21.01**	(16.48)	5.37	0.99	(7.88)
AT YEAR END (S$mil)					
Total Assets	**137.06**	158.28	171.93	147.07	172.82
Total Liabilities	**31.90**	55.21	57.85	43.22	70.15
Shareholders' Funds	**107.66**	104.85	110.75	99.70	98.74
Bank Balances and Fixed Deposits including restricted deposit	**29.39**	24.57	35.91	26.24	26.20
Total borrowings[2]	**17.42**	41.03	32.21	27.90	32.10
Gearing Ratio[3]	**n.m***	0.14	n.m*	0.02	0.05
PER SHARE DATA (Singapore Cents)					
Basic Earnings Per Share	**(0.77)**	(0.42)	9.48	0.81	0.59
SHAREHOLDER'S RETURN					
ROE (%) (PATOC/Average shareholders' Fund)	**(0.96%)**	(0.49%)	11.47%	1.04%	0.76%
ROA (%) (Net Loss/total assets)	**(1.29%)**	(3.65%)	6.50%	0.91%	0.44%
Gross Dividend (S$) per share	**–**	0.025	0.04	0.005	–
Share Price at end of year (S$)	**0.28**	0.365	0.355	0.184	0.215

(1) FY2023 financial numbers are inclusive of discontinued operations
(2) Total borrowings: bank borrowings (loan, bills payable) & lease liabilities
(3) Gearing ratio: net debt[4]/total capital[5]
(4) Net debt: total borrowings – (cash and cash equivalents + fixed deposits pledged with banks + restricted deposits)
(5) Total capital: total equity + net debt
** n.m denotes not meaningful*

CORPORATE STRUCTURE

HG METAL MANUFACTURING LIMITED
(LISTED ON SGX MAINBOARD)

- ORIENTAL METALS PTE LTD — 99.998%
- HG METAL INVESTMENTS PTE LTD — 100%
  - FIRST FORTUNE INTERNATIONAL CO. LTD.[2] — 51.04%
  - HG METAL MANUFACTURING SDN BHD — 100%
    - HG METAL DISTRIBUTION SDN BHD[1] — 100%
  - HG CONSTRUCTION STEEL PTE LTD — 100%
  - HG YANGON COMPANY LIMITED[1] — 100%
- JIN HENG LI HARDWARE SDN BHD — 100%
- PT HG METAL DISTRIBUTION INDONESIA[1] — 100%

(1) Under voluntary liquidation
(2) Disposal of entire stake on 13 February 2024

BOARD OF DIRECTORS

ONG HWEE LI INDEPENDENT NON-EXECUTIVE CHAIRMAN

Mr Ong Hwee Li ("**Mr Ong**") is the Group's Independent Non-Executive Chairman and was appointed to the Board on 22 June 2023. Mr Ong is also the Chairman of the Nominating Committee, and a member of the Audit & Risk Committee and Remuneration Committee.

Mr Ong is the Chief Executive Officer of SAC Capital Private Limited. With more than 20 years of experiences in the Singapore Capital Markets, Mr Ong advises private and listed companies on a wide range of transactions including listings, take-overs, M&A, capital raising, as well as corporate strategy and investments.

Prior to Co-founding SAC Capital in July 2004, he worked in the investment banking departments of various local and foreign financial institutions.

Mr Ong holds a Bachelor of Business (Banking & Finance) degree from Monash University.

Further information
Date of first appointment as a Director: 22 June 2023

Present Directorships (on 31 December 2023)
Listed companies: Nil

Others
SAC Advisors Private Limited
SAC Capital Private Limited

Past Directorships held over the preceding three years
Nil

XIAO XIA EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER

Ms Xiao Xia ("**Ms Xiao**") is the Group's Executive Director and Chief Executive Officer and was appointed to the Board on 27 April 2023. Ms Xiao is also the significant investor of the Group. She is responsible for the formulation of corporate strategies, charting future growth plans and driving overall performance of the Group.

Ms Xiao has more than 20 years of experience in steel and commodity trading. Prior to joining the Group, she was the Commodities Trader in Bright Point Pte Ltd, a steel trading company. Ms Xiao previously held directorships in various non-listed companies.

Ms Xiao holds a degree in Business Administration from the East China University of Science and Technology.

Further information
Date of first appointment as a Director: 27 April 2023

Present Directorships (on 31 December 2023)
Listed companies: Nil

Others (Supervisor)
Shanghai Hongyi Investment Management Co., Ltd
Shanghai Huazang Electric Fuel Co., Ltd

Past Directorships held over the preceding three years
Shanghai Emetal Hong Energy Co., Ltd., Dongming Emetal Hong Energy Trading (Fujian) Co., Ltd.

BOARD OF DIRECTORS

ONG LIZHEN, DAISY INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms Ong Lizhen, Daisy ("**Ms Ong**") is the Group's Independent Non-Executive Director and was appointed to the Board on 22 June 2023. Ms Ong is also the Chairman of the Audit & Risk Committee, and a member of the Nominating Committee and Remuneration Committee.

Ms Ong has more than 18 years of experience in audit, accounting, investments, and finance with a big four accounting firm and public listed companies in construction, real estate, and manufacturing industries. Ms Ong is currently the Chief Financial Officer of Fu Yu Corporation Limited. Prior to joining Fu Yu Group, she was the Chief Financial Officer of Allied Technologies Limited previously listed on the Singapore Exchange from February 2019 to December 2022. Ms Ong started her career as an auditor with Ernst & Young LLP from July 2005 to April 2012. From 2012 to 2019, she held various leadership positions in companies listed on the Singapore Exchange, Hong Kong Exchange, and Australia Exchange.

Ms Ong holds a Bachelor of Accountancy degree from Nanyang Technological University. She is a Chartered Accountant with the Institute of Singapore Chartered Accountants.

Further information
Date of first appointment as a Director: 22 June 2023

Present Directorships (on 31 December 2023)
Listed companies: Nil

Others
Fu Yu Investment Pte Ltd, Fu Yu Ventures Pte Ltd, Fu Yu Supply Chain Solutions Pte Ltd, LCTH Corporation Sdn Bhd, Classic Advantage Sdn Bhd, Fu Hao Manufacturing Sdn Bhd, Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd, Fu Yu Moulding & Tooling (Dong Guan) Co., Ltd, Fu Yu Moulding & Tooling (Suzhou) Co.,Ltd, Dolz Business Consulting Pte Ltd

Past Directorships held over the preceding three years
Allied Technologies Holdings Pte Ltd, ABO Labs Pte Ltd, Activpass Holdings Pte Ltd, Asia Box Office Pte Ltd, Asia Box Office (HK) Limited

NG CHUEY PENG INDEPENDENT NON-EXECUTIVE DIRECTOR

Ms Ng Chuey Peng ("**Ms Ng**") is the Group's Independent Non-Executive Director and was appointed to the Board on 22 June 2023. Ms Ng is also the Chairman of Remuneration Committee, and a member of the Audit & Risk Committee and Nominating Committee.

Ms Ng is currently the Managing Director of Wholesale Corporate Business Support of OCBC Ltd. She was its Head of Global Commodities Finance, part of Global Corporate Banking Division until September 2022 and has more than 30 years of relevant experience in banking and commodities finance, having held leadership positions in various global banks including European commodity finance market leaders such as BNP Paribas, Fortis Bank and Abn Amro Bank, before joining OCBC Bank.

Ms Ng holds a Bachelor of Accountancy degree from the National University of Singapore. Ms Ng has been conferred the "IBF Fellow" title by the Monetary Authority of Singapore. She is also a certified executive coach, registered with the World Association of Business Coaches.

Further information
Date of first appointment as a Director: 22 June 2023

Present Directorships (on 31 December 2023)
Listed companies: Nil

Others
Nil

Past Directorships held over the preceding three years
Komgo SA

KEY MANAGEMENT PERSONNEL

SHARON TAY CHIEF FINANCIAL OFFICER

Ms Sharon Tay ("**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 responsible for managing all financial, taxation and corporate matters for 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 the 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.

ANG THIAM KWEE, DAN HEAD OF BUSINESS (ORIENTAL METALS PTE LTD)

Mr Ang Thiam Kwee, Dan ("**Mr Ang**") joined the Group in January 2015 as 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 also oversees 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.

Mr Ang ceased as Head of Business with effective from 29 February 2024.

COCO CHARLOTTE TAN GROUP SENIOR SALES MANAGER

Ms Coco Charlotte Tan ("**Ms Tan**") joined the Group in February 2012. Ms Tan has been appointed as Group Senior Sales Manager with effect from 1 March 2024. She is responsible for developing and implementing the Group's sales and marketing strategies, expanding the customer base as well as developing new market opportunities.

Ms Tan brings with her more than 20 years of extensive experiences in sales strategies and customer services in the steel industry, vast product knowledge of Structural Steel, Reinforcement Bar including Cut & Bend Services and Prefabrication services for the construction industry.

CORPORATE INFORMATION

BOARD OF DIRECTORS
Ong Hwee Li
Independent Non-Executive Chairman

Xiao Xia
Executive Director and Chief Executive Officer

Ong Lizhen, Daisy
Independent Non-Executive Director

Ng Chuey Peng
Independent Non-Executive Director

AUDIT & RISK COMMITTEE
Ong Lizhen, Daisy (Chairman)
Ng Chuey Peng
Ong Hwee Li

NOMINATING COMMITTEE
Ong Hwee Li (Chairman)
Ong Lizhen, Daisy
Ng Chuey Peng

REMUNERATION COMMITTEE
Ng Chuey Peng (Chairman)
Ong Lizhen, Daisy
Ong Hwee Li

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
Tricor Barbinder Share
Registration Services
9 Raffles Place #26-01
Republic Plaza Tower I
Singapore 048619

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

SUSTAINABILITY REPORT

HG METAL MANUFACTURING LIMITED

SUSTAINABILITY REPORT 2023

SUSTAINABILITY REPORT

ABOUT THIS REPORT

We are pleased to present to you the 7th annual sustainability report ("**Report**"), from HG Metal Manufacturing Limited ("**HG Metal**" or the "**Group**") which outlines our sustainability commitments and actions, with primary focus on addressing HG Metal's significant sustainability factors into its management, policies, and operations. At HG Metal, our unwavering commitment extends to championing accountability and transparency in our sustainability reporting. We actively reflect on our progress in the sustainability journey, concurrently shaping our future targets. We also share how we create value for our stakeholders over the short, medium, and long term, which is integral to our corporate purpose. Through this report, we foster a culture of sustainability-related responsibility among our employees, and we actively extend this ethos to positively impact our local communities.

Scope of the Report

This report covers our sustainability performance in the financial year from 1 January 2023 to 31 December 2023 ("**FY2023**"). We are delighted to present an overview of our strategies, initiatives, and performance concerning our material ESG topics. This report encapsulates the operations of HG Metal, which is exclusively owned and managed by our Singapore-based headquarter. It encompasses entities including HG Metal Manufacturing Limited ("**HG Metal**"), HG Construction Steel Pte Ltd ("**HGCS**"), and Oriental Metals Pte Ltd ("**OM**").

Our commitment to transparency and comprehensive reporting is evident in the detailed insights provided herein. The comprehensive report encompasses the seamless orchestration of activities spanning the corporate headquarters, steel warehouse, and processing facilities situated in the vibrant landscape of Singapore, with any deviations explicitly mentioned. Entities operate in Malaysia and Indonesia are at dormant position. Operation at Myanmar is excluded as the business was classified as "Asset Held for Sale" in its financial statement for FY2023 and the Group subsequently disposed its investment in the said business on 13 February 2024. Meanwhile, investment holding is excluded given its relatively clean social and environmental footprint due to its nature of operation. Sustainability topics and climate-related issues that are material to these three entities are thoroughly discussed and aligned with the Global Reporting Initiative Universal Standard 2021 ("**GRI**") reporting framework. It's worth highlighting that there have been no changes in the Group's size, structure, ownership, activities, products, services market, value chain, or sector of operation compared to the reporting period of FY2022. This report contains no restatement.

Reporting Framework

The Group reported its sustainability performance in accordance with the GRI and has aligned its climate-related disclosures with the Task Force on Climate-related Financial Disclosure ("**TCFD**") in the four areas of governance, strategy, risk management, and matrix and targets. The Group continues to select the GRI as its choice of sustainability reporting framework due to the wide adoption globally in all sectors. The revelations articulated within this report adhere diligently to GRI Reporting Principles, meticulously defining the benchmarks of report quality, accuracy, balance, clarity, comparability, completeness, sustainability context, timeliness, and verifiability. Our GRI content index can be found on pages 50 to 54 of the report.

This annual report has also been prepared in accordance with the reporting requirements of the Singapore Exchange Securities ("**SGX**") Listing Rule 711A, 711B with implementation guidance as stipulated in the Practice Note 7.6: Sustainability Reporting Guide issued by the SGX. It has also been developed with referencing to the six primary components stated in SGX Listing Rule 711B on the "comply or explain" basis, which includes 1. Material ESG factor, 2. Climate-related Disclosures consistent with the recommendations of TCFD, 3. Policies, Practices and Performance, 4. Targets, 5. Sustainability Reporting Framework and 6. Board statement and associated governance structure for sustainability practices.

Confirmation and Approval

The insights into policy, practices, and performance metrics unveiled in this report stem from the meticulous analysis of formal documents and operational statistics derived directly from HG Metal's authoritative records, unless otherwise stated in this report. The sustainability report has received endorsement from the Board of Directors.

Report Assurance and Review

In line with the requirements outlined in the SGX Practice Note 7.6 Sustainability Reporting Guide, HG Metal have conducted an internal review of its FY2023 sustainability reporting processes, relying on its internal verification mechanisms to ensure the accuracy of the data presented. This internal audit functions are built on the Group's existing governance structure, internal controls, and risk management systems to ensure the accuracy and reliability of the ESG data disclosed in this report and this step represents our commitment to transparency and enhancement in reporting. External independent assurance has not been sought for this report in the reporting year.

Feedback

We value your feedback from our stakeholders for further improvement on this year's report. Please contact us via the following channels if you have any feedback and questions about this report.

Address: 28 Jalan Buroh, Singapore 619484
Email: corporate@hgmetal.com
Tel: +65 6268 2828

SUSTAINABILITY REPORT

MESSAGE FROM THE BOARD

Being in the steel industry which is one of the world's most energy-intensive sectors, the Board of Directors ("**Board**") remains vigilant regarding the critical role of steel in ongoing economic development and as a cornerstone of global sustainable initiatives. The Board keeps abreast of the latest development towards the global sustainable development.

With the support from the Audit and Risk Committee ("**ARC**") and the Management team, the Board consistently evaluates the potential impact of factors such as a shortage of skilled employees, supply chain disruptions arising from geopolitical issues, climate change concerns, and risks related to business ethics and regulatory compliance. Recognizing that these trends could potentially result in a decline in revenue, business growth margins, and disrupt normal operations, the Board remains dedicated to implementing robust strategies and contingency plans to enhance the Group's resilience and ensure sustainable success in an ever-evolving business landscape. This commitment reflects our unwavering focus on prudent governance and the long-term interests of our stakeholders.

Aligned with Singapore's efforts to promote sustainability and facilitate a low-carbon transition, the Group has embedded sustainability into its corporate ethos over the past few years. After instituting governance structures focused on sustainability and climate-related matters, the Group has initiated a phased approach to disclose climate-related risks and management in its Sustainability Report 2022.

This year, the Group enhanced its climate disclosures by including a narrative climate scenario analysis, aiming to assess the Group's resilience and preparedness in addressing such challenges proactively. In overseeing the Group's sustainability initiatives, the Board evaluates the previous year's performance, emphasizing strategy enhancement and long-term business growth. Presently, the Group is actively formulating a comprehensive sustainability roadmap, shaping the foundation for forthcoming sustainable endeavours. As part of this initiative, the Group is committed to reviewing and refining sustainability strategies and targets to establish clear and comprehensive initiatives aimed at achieving sustainability goals. Key focus areas involve a concerted effort to reduce greenhouse gas ("**GHG**") emissions, prioritize the health and safety of our workforce, and implement performance scorecards incorporating sustainability targets, employee retention strategies, and initiatives promoting staff health and wellbeing. This strategic approach underscores the Group's dedication to advancing sustainability practices in alignment with its core values and objectives in the coming years.

The Group prioritize aligning to United Nation Sustainable Development Goals ("**SDGs**") to set out together on the path towards sustainable development and collectively the pursuit of achieving global goals and shaping our business strategy, defining objectives, and establishing performance benchmarks. We are mindful that as we pursue decarbonisation, we need to ensure a just transition for continued socioeconomic growth in the Group, the diverse economic and social needs. We extend our heartfelt gratitude to our esteemed shareholders and stakeholders for your unwavering support.

Sincerely

BOARD OF DIRECTORS

SUSTAINABILITY REPORT

CLIMATE AND SUSTAINABLE GOVERNANCE

TOWARDS SUSTAINABLE BUSINESS

Governance Structure

The Board is steadfast in its commitment to upholding exemplary quality standards, fostering an inclusive and secure working environment for all stakeholders, and conducting business with a strong sense of responsibility towards environmental preservation.

Our diverse Board protects and enhances long-term shareholder value while overseeing the strategic direction of the Group's business. The Board plays a pivotal role in setting and overseeing goals for the Management while shouldering the responsibility for the decision-making processes of the Group. While decisions pertaining to the Group's objectives, strategies, and policies demand the Board's direction and approval, the day-to-day operation and administration of the Group are meticulously managed by the executive team. They diligently ensure alignment with the objectives, strategies, and policies set forth by the Board. For Board composition and diversity, including nomination, remuneration, independence, selection processes and criteria of the Board, please refer to the Corporate Governance Report in this Annual Report.

Sustainability Governance

Oversight Sustainability Governance

Based on the input of stakeholder engagement and management review, the Board discussed and validated sustainability topics relevant to the Group in the reporting year. In a proactive effort to deepen the Board's comprehension of sustainability reporting and the integration of sustainability risks and opportunities, all Board members participated in a dedicated sustainability training session held during the financial year 2023.

BOARD OF DIRECTORS
Oversight on the governance structure, practices,
and performance & responsible for overseeing sustainability direction

AUDIT & RISK COMMITTEE
Oversight on broader sustainability trends, risks & opportunities to connect sustainability
with the corporate purpose and strategy of the Group

SUSTAINABILITY COMMITTEE
Chaired by ED/CEO and assisted by committee members in providing functional oversight over
the Sustainability Task Force in corporate sustainability assessments, targets setting & implementation
of sustainability strategies and initiatives

SUSTAINABILITY TASK FORCE
Representatives from relevant operating entity

Figure 1 Sustainability Governance Structure

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In alignment with the recommendations outlined in the Sustainability Governance Structure, the Board actively incorporates sustainability considerations into its strategic formulation process, recognizing the pivotal role of sustainability issues in shaping the organisation's long-term direction. The Board has the ultimate oversight responsibility for the risk management process and overseeing management of organisation's impacts on economy, environment, and people, specifically the ARC provides oversight on broader sustainability trends, risks, and opportunities to ensure that sustainability is aligned with the corporate purpose and strategy of the Group.

With the dedicated support of the Sustainability Task Force, the Sustainability Committee, spearheaded by the Executive Director/Chief Executive Officer ("**ED/CEO**"), takes charge of formulating and introducing sustainability strategies while establishing targets for the Group.

Sustainability Culture and Journey

The Board assumes a pivotal responsibility in proactively addressing the inherent risks associated with organisational policies. This involves not only the development and approval of policies but also a continuous review of the organisation's mission statement, values, strategies, and policies to ensure ongoing relevance and alignment with strategic objectives.

In an endeavour to nurture and fortify a robust sustainability culture within HG Metal, an internal audit dedicated to sustainability reporting was undertaken. This audit, conducted alongside the auditing of the Internal control systems of the Group. The Group's commitment to cultivating sustainability not only within its internal operations but also across its broader ecosystem of relationships and engagements.

At HG Metal, our dedicated team members are instrumental in bringing our sustainability objectives to life and seamlessly integrating sustainable practices into their daily tasks. Should the need arise, employees have a direct channel to report to the respective management regarding HG Metal's impact on economic, environmental, and employee well-being. Additionally, our employees can express their concerns through a formal whistleblowing channel, ensuring a transparent and accountable approach to addressing any issues that may arise.

Sustainability Risk and Opportunity Management

Proactively identifying and addressing risks before they materialize is pivotal in fortifying resilience. At HG Metal, we recognize the instrumental role of risk management in providing a systematic approach to overseeing our sustainability performance. Acknowledging and comprehending sustainability risks not only informs decision-making but also presents opportunities for mitigation. Within our governance structure, the Board members diligently supervise internal control and risk management, leveraging on the support of the ARC. The Management regularly evaluates internal control policies and procedures to proactively mitigate risks.

In addition to our established Enterprise Risk Management Framework, we extend our focus to examine the underlying forces propelling changes in the climate and sustainability landscape. By identifying challenges unique to HG Metal, we fortify our strategic positioning. The subsequent table outlines global trends that hold relevance to our organisation.

SUSTAINABILITY REPORT

Table 1 Resiliently responding to global trends that may impact HG Metal

RISKS	NATURE OF RISK	HG METAL'S RESPONSE AND MITIGATION
Employment/employee hires	**Labour supply:** Employee hiring is governed by both quota and cost considerations. Employers must adhere to the Work Pass Quota, which sets limits on the number of foreign workers they can hire and need to consider the costs associated with hiring, such as salaries, benefits, and administrative expenses.	**Response:** The Group rigorously upholds stringent labour policies, engaging subcontractors in a shared commitment to guarantee a steady and substantial labour force for present and future projects. Central to our objectives is the continuous cultivation, training, and retention of proficient personnel, a fundamental pillar of our corporate strategy. Complementing these initiatives, the Group has instituted explicit protocols and performance benchmarks to maintain a secure working environment, reinforcing our unwavering dedication to the welfare and safety of our workforce. **Opportunities:** • Further education and develop relevant skills. • Opportunities for leadership positions and career advancement.
Global supply chain disruption/geopolitical issues	**Large fluctuations in steel rebar prices:** The recent trade tensions between the ongoing conflict between Russia and Ukraine, have vividly demonstrated the far-reaching impact of geopolitical issues on disrupting global supply chains. This disruption, in turn, has heightened global inflationary pressures, casting a shadow over the growth trajectories of numerous economies. The extended duration of the conflict in Ukraine is anticipated to cast a prolonged negative influence on industry development in Europe, particularly until 2023. This is primarily attributed to persistently elevated energy prices, which continue to exert downward pressure on metal and steel production. Concurrently, the weakened economic performance across various nations is further dampening demand from pivotal customer industries.	**Response:** The Group is strategically prioritizing cost management initiatives while concurrently enhancing productivity and efficiency. A systematic and ongoing review of the business strategy is integral to ensuring adaptability in dynamic market conditions. Leveraging its robust global network, HG Metal has established strong ties with suppliers across key regions such as Southeast Asia and the Middle East, fortifying its supply chain resilience and strategic positioning in the global market. **Opportunities:** • Focus on mega projects including contract price pegged with Building and Construction Authority ("BCA") and value-added services from strong domestic demand outlook by recovery of the construction sector.
Business ethics/Regulatory risk management	**Regulatory compliance:** Adherence to regulatory requirements serves as a shield, safeguarding the Group from potential harm, mitigating employee misconduct, and ensuring strict compliance with applicable laws. Given the expansive scope of HG Metal's supply chain, navigating regulatory compliance, particularly in the diverse landscape of ASEAN countries, poses intricate challenges, adding a layer of complexity to the Management of compliance initiatives.	**Response:** HG Metal proactively emphasises the importance of governance compliance, ethical conduct, and vigilance against fraudulent and corrupt behaviours. This commitment serves as a proactive measure to mitigate any potential adverse impacts on our Group and stakeholders, reinforcing our dedication to maintaining the highest standards of integrity and responsibility. **Opportunities:** • Reduce compliance risk. • Increase overall efficiency.

Note: Please refer to climate disclosure for discussion on HG Metal's climate resilience in handling climate-related risk, Table 2.

CLIMATE-RELATED RISK AND MANAGEMENT

In December 2021, SGX announced that all issuers should provide climate-related disclosures consistent with the TCFD recommendation on a 'comply or explain' basis in their sustainability reports. HG Metal is in the second year of climate reporting, and we proud to present our climate disclosure. Risk and opportunities related to environment, social and governance topics are identified, reviewed, and managed by consultation with the Management. We acknowledge and recognise that the impacts of climate change are being felt and will influence our financial performance. We have identified physical and transition risks which is consistent with the TCFD recommendation. We have also expanded our analysis to include qualitative scenario analysis.

Process of identifying Risks

We began our process of identifying climate-related risks and opportunities through:

- Gathering stakeholder perspectives on future climate change risks through a survey.
- Sharing the above results with the Management to prioritise the most important climate change risks for HG Metal, taking into account peers' review and Group's future direction.
- Review and validation of the list of climate-related risks by the Board.

In the medium to long term, climate change poses a number of risks to the business and the key risks are identified in the table below. Climate-related trends, and the risks and opportunities identified as arising from them, are used to inform the Group's strategic outlook.

Table 2 Climate-related Disclosures which outline HG Metal's strategy in managing climate-related challenges

NO.	PILLAR/RECOMMENDATION	KEY POINTS
Governance: Disclose the organisation's governance around climate-related risks and opportunities		
1	Describe the board's oversight of climate related risks and opportunities	The Board is responsible for the Group's sustainability strategy and maintains oversight of the Group's sustainability direction. The Board oversees climate-related risk and opportunities through a three-dimensional sustainability approach (environmental, social and governance) as part of the HG Metal's overall corporate performance and operational risk management.
		To ensure effective oversight, management and integration of sustainability considerations, the Board has appointed ARC to oversee broader sustainability trends, risks, and opportunities and to connect sustainability with the corporate purpose and strategy at the group level. The ARC reports directly to the Board and provides updates that include changes in sustainability and risk management framework. This is done to support UN SDGs and Intergovernmental Panel on Climate Change ("**IPCC**") targets.
		HG Metal has set up a Sustainability Committee that reports directly to the ARC in assisting the Board in executing sustainability initiatives across the organisation. This Committee is chaired by the ED/CEO and represented by members from the committee and sustainability task force.
		Conducting regular sustainability meetings is a proactive approach to integrate sustainable practices into the organisational culture and operations. The board and management meet minimally twice a year and internal team meetings are conducted to discuss sustainability related items. Since FY2022, this committee has identified climate-related risks and opportunities, risks and opportunities are expanded on in FY2023.

NO.	PILLAR/RECOMMENDATION	KEY POINTS
2	Describe management's role in assessing and managing climate related risks and opportunities.	Under the guidance of ED/CEO, the Sustainability Committee member of HG Metal management level leaderships are responsible for the overall execution of the sustainability strategy, which includes climate-related issues and progress towards its climate-related goals and targets in line with HG Metal's Climate Strategy. With the support from the Sustainability Committee, the Board concludes and approves the list of climate-related risks pertinent to HG Metal. This information along with climate-related risk management mechanisms associated to business is disclosed through HG Metal's annual Sustainability report. Please refer to Scenario Analysis below for more details.
		The Sustainability Committee conducts regular meetings with the different entity task force and internal teams to check on the environmental, social and governance matters as well as the progress of climate related risks and opportunities including policy development, risk management, and progress toward climate related goals.
Strategy: Disclose the actual and potential impacts of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning where such information is material		
3	Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term	HG Metal has integrated climate change risk into its strategy and operations to drive continuous improvement and to enhance its resilience toward climate change and value creation for HG Metal's business and connected communities. The focus is on mitigate potential risk and opportunities from both physical and transitional risk.
		In short to medium terms (2024-2030), HG Metal is exploring opportunities to substitute non-renewable energy by renewable energy, particularly solar energy. We are exploring solutions to maximise our usage of solar energy.
		In the medium to long term, HG Metal is committed to enhancing its value chain through a thorough due diligence process. This includes expanding the supplier environmental assessment to encompass climate risk evaluations and mitigation measures implemented by our suppliers. Additionally, our focus will be on minimising operational waste as a key aspect of our sustainability initiatives.
		In line with the world-wide move to transition to a low-carbon sustainable economy, sustainability and climate initiatives play an imperative role in the Group's overall strategic plan and operational focus. HG Metal has conducted its first scenario analysis in FY2023, forecasting the impact of identified physical and transition risk that are likely to manifest by 2100. This study incorporated various elements, including the development of the IPCC AR-6 Report[1], TCFD Recommendation and insights from the Steel Industry Development, among others. This comprehensive approach was adopted to ensure that the findings of the scenario analysis closely aligned with the latest and most accurate information available. This analysis covers HG Metal's key activities including steel and metal trading and processing activities at HG Metal, HGCS, and OM.
4	Describe the impact of climate-related risks and opportunities on the organisation's businesses, strategy, and financial planning.	HG Metal believes in effective risk management and risk mitigation system. Qualitative scenarios analysis is conducted and covers the business and financial impact of climate related risk and opportunities. The scenarios chosen are aligned with IPCC scenarios to better understand the crucial risks for our operations and find ways to mitigate them. The impact of these risks is further detailed in scenario analysis in Table 3. The following are the risks identified in this study: • Transition risk: Increased cost of raw materials • Transition risk: Uncertainty in market signals • Physical risk: Changes in precipitation patterns and extreme variability in weather patterns • Physical risk: Rising sea levels
5	Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	We will keep reviewing our climate-related targets in line with the global standards and best practices progressively.
		HG Metal's climate scenarios analysis exercise covers the organisation's resilience over two Representative Concentration Pathway ("**RCP**") scenarios from the IPCC. Firstly RCP 2.6 where temperatures are limited to 2°C by 2100 and secondly RCP 8.5 where temperatures could reach 4°C by 2100.

1 *IPCC AR Sixth Assessment Report*

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NO.	PILLAR/RECOMMENDATION	KEY POINTS
Risk Management: Disclose how the organisation identifies, assesses, and manages climate-related risks		
6	Describe the organisation's processes for identifying and assessing climate-related risks.	As a group, HG Metal has identified climate-relate risks that relevant to where they operate such as heavy rains, sea level rises and transition risks impacting their economic and social part. Each department is responsible to identify the risks and update into the overall risk framework.
7	Describe the organisation's processes for managing climate-related risks.	HG Metal has set up a Sustainability Committee which is responsible for ensuring sound risk and sustainability management by monitoring possible impacts of climate change on company operations, planning, and then taking actions to mitigate these risk approach to integrate it into company wide risk framework.
8	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.	HG Metal conducted a stakeholder engagement program in FY2023 to identify and prioritize climate-related risks. Physical and transition risks were identified throughout the engagement, which were endorsed by the Board. Identified risks are ranked, assessed, scoped, and monitored by the Sustainability Committee. The impact of these risks and opportunities is further detailed in scenario analysis in Table 3.
Metrics & Targets: Disclose the metrics and targets used to assess and manage relevant climate-related risks and opportunities where such information is material		
9	Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.	HG Metal embarked on its sustainability journey in 2017, in FY2023 we are enhancing TCFD to evaluate the qualitative impact of climate-related risks and opportunities.
10	Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 GHG emissions, and the related risks.	In addition to monitoring transition and physical risks, HG Metal diligently tracks emissions resulting from fuel and electricity usage. Our primary focus lies in managing and reducing both energy consumption and carbon emissions. Annually, we disclose our Scope 1 and Scope 2 GHG emissions. Furthermore, HG Metal has initiated the development and monitoring of our Scope 3 GHG inventory in a phased approach. In this initial stage, we are tracking GHG emissions in categories such as 4 (Upstream transportation and distribution), 5 (Waste generated in operations), 6 (Business travel), and 7 (Employee Commuting).
11	Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.	To ensure proper accounting of our GHG emissions, HG Metal scopes emission streams in accordance with the GHG Protocol. The baseline year for HG Metal has been set to 2023.

Scenario Analysis – Managing Climate-Related Risks and Opportunities

In FY2022, physical and transition risks were identified by engaging stakeholders, reviewing management's practices, and analysing best practices among industry peers. In FY2023, we retained and validated climate risk identified in FY2022 and HG Metal has expanded analysis to include scenario analysis. We acknowledge that organisations need to consider how climate-related risks and opportunities may evolve and impact businesses under different conditions. Our method for conducting scenario analysis adheres to the guidelines provided by TCFD and aligns with the availability of relevant data. Two RCP scenarios are selected from IPCC, RCP 2.6 where global temperatures are limited to 2°C by 2100 and RCP 8.5 where global temperatures could reach 4°C by 2100. Transition risks identified as increased cost of raw materials and uncertainty in market signals are explained in RCP 2.6 while physical risks identified as changes in precipitation patterns and extreme variability in weather patterns and rising sea levels are explained in RCP 8.5.

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This has been an ongoing process that continues to evolve. Our management is currently aligning our risk appetite with HG Metal's overall business strategy. The table below summarizes potential risks for HG Metal and our response to them.

Table 3 Scenario Analysis

RCP 2.6 SCENARIO			
Description		Represents a best-case scenario, where global greenhouse gas emissions are stabilized by mid-century, limiting the average global temperature increase to around 2°C above pre-industrial levels. Intensive climate policies would be required over the next few years globally, including the participation of underdeveloped countries with assistance of governmental aid or a developed, wealthy nation to achieve those climate change reduction policies. In this scenario, transition risks are prevalent, as significant effort and measures are taken to mitigate climate change, strict regulation and policies are required for global temperatures being limited to 2°C by 2100.	
Risk		Increased cost of raw materials due to carbon pricing	Uncertainty in market signals due to changing customer and market demand.
Description & Climate Data		There will be a stronger push for renewable and clean energy sources, potentially increasing the cost of energy for carbon-intensive manufacturing processes. The Carbon Pricing Act passed in 2018 in Singapore prescribes a progressive increase of carbon tax to 'S$50-80/tCO2e by 2030'. This implies that all companies in Singapore are expected to face more stringent carbon taxes in the future and should be prepared for an impact on operational cost. Future predictions of carbon tax from TCFD, in an RCP 2.6 scenario, estimate that carbon prices in the Organisation for Economic Cooperation and Development ("**OECD**") and selected non-OECD countries could rise to USD165/tCO2 and USD135/tCO2 respectively.[2]	There is a growing trend where customers are increasingly making more ethical and sustainable buying practices. This is due to a growing awareness of environmental and social issues, as well as a desire to make purchasing decisions aligned with values such as sustainability, social responsibility, and ethical production. According to International Energy Agency ("**IEA**") 2DS, there is an expected future global increase in demand for low carbon steel and increasing commitments from companies to purchase low carbon steel.[3] In Singapore's market, per BCA, as part of Singapore green plan, there is a regulatory push for green buildings by 2030. Namely 80% of buildings (by gross floor area) must be green and BCA has also raised the mandatory environmental sustainability standards for new buildings and existing buildings that undergo major retrofit.[4]
Impact on HG Metal	**2024-2030**	Given that HG Metal is the under threshold of 25,000TCO2 emissions per Singapore carbon tax regulation. HG Metal will not be affected by direct carbon tax but may feel indirect effects of carbon pricing through Asia.	Singapore's country level regulations and initiatives encourages developers to utilize energy-efficient and low-carbon products and services. With increased awareness of environmental impact and disclosure of scope 3 emissions by both individuals and companies, the choice of raw construction materials, such as steel, becomes a factor in managing scope 3 emissions. Therefore, customer demand for low emission steel might impact HG Metals. Due to the nature of the business, steel encompasses a high percentage of cost of goods sold ("**COGS**"). Any increase in the cost of purchase of low-emission steel will directly impact COGS. Hence, the shift to low-emission steel could result in higher per-unit production costs, potentially reducing gross profit margins.
	2030-2050	A carbon price is meant to encourage people and companies to emit less carbon emissions. In Singapore, the initial carbon prices are relatively low but gradually rise, allowing consumers sufficient time to modify their consumption patterns.	
	2050-2100		
Management Response		Management intends to regularly monitor regulatory changes and global market trends. We are also creating processes to engage our employees in climate action initiatives which help us ensure our staff safety and overall production efficiency.	Global efforts to combat climate change intensify markets for sustainable products may expand, providing new business opportunities. HG Metal is in progress for implementing supplier assessment to ensure upstream steel manufactures meet a green taxonomy criterion, based on their awareness and readiness about assessing climate related impacts before business is conducted. This is to ensure scope 3 emissions of steel are considered.

2 *TCFD estimate of carbon prices https://www.tcfdhub.org/wp-content/uploads/2019/07/Transition-risks-for-steel.pdf.*

3 *https://iea.blob.core.windows.net/assets/a86b480e-2b03-4e25-bae1-da1395e0b620/EnergyTechnologyPerspectives2023.pdf*

4 *https://www1.bca.gov.sg/buildsg/sustainability/green-building-masterplans*

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RCP 8.5 SCENARIO			
Description		Represents a worst-case scenario where greenhouse gas emissions continue to rise rapidly throughout the century, leading to a much higher level of global warming, with an average global temperature increase of 4°C or more by the end of the century. In this scenario, physical risks are prevalent as RCP 8.5 assumes a trajectory with a significant increase in greenhouse gas emissions, particularly carbon dioxide. This results in a more pronounced warming effect on the Earth's climate and secondary effects of other physical risks such as flooding, heavy precipitation are increased.	
Risk		Changes in precipitation patterns and extreme variability in weather patterns	Rising sea levels
Description & Climate Data		Frequent floods in Singapore typically arise from a combination of heavy rainfall, elevated tides, and drainage issues, particularly in low-lying regions. The majority of floods in Singapore are characterised as flash floods, dissipating within a few hours. While many floods lead to minor disruptions, Singapore has encountered significant incidents causing extensive damage to both life and property, including infrastructure and real estate. Changes in precipitation patterns and extreme variability in weather patterns is expected to impact HG Metal through supply chain and logistics disruptions. These risks are prevalent as heavy rainfall, increased flooding, or heavy winds can lead to road closures, disruptions in transportation networks, and delays in the movement of goods. Extreme weather events may also permanently damage infrastructure, assets and corrode raw materials such as steel.	Rising sea levels is expected to impact HG Metal through physical asset damage. Following Singapore's Second & Third National Climate Change Study Singapore's mean sea level is anticipated to increase between 0.23 meters and 1.15 meters by the end of the century, and potentially up to about 2 meters by 2150 in a high emissions scenario.[5] HG Metal is located approximately 600 meters to the coastline in Singapore and at the elevation of 9 meters. Although the factory itself may not be directly threatened by sea level rise, it could still face indirect consequences such as water logging. Rising sea levels elevate the baseline for water levels along coastlines, this would impact low lying facilities close to the coast causing structural damage and compromising the integrity of foundations.
Impact on HG Metal	**2024-2030**	As physical risks are exacerbated in a 4°C scenario, we can expect to face increased supply chain and logistics disruptions. HG Metal is likely to face business disruption, due to changes in precipitation patterns and extreme variability in weather patterns, indirect losses such as productivity loss and supply chain disruptions to POI (perfect order index) & OTD (on time delivery).	
	2030-2050	HG Metal face possible increase in capital costs due to write offs and early retirement of existing assets in a 4°C scenario. Due to compromised infrastructure, as a result of rising sea levels or extreme variability in weather patterns, facilities may be closed temporarily for repair. In the worst case, due to irreparable physical damage, assets may even be written off for early retirement.	
	2050-2100	By 2100, in worst case scenarios, global estimates of insurance premiums are predicted to increase 70%-100%.[6] The insurance costs for HG Metal have already increased between 2021 and 2022, and it is anticipated that we will continue to experience elevated insurance premiums as physical risks become more prominent. Furthermore, there exists a potential for diminished access to insurance coverage for assets located in areas deemed as high-risk.	
Management Response		Building resilient supply chains that can withstand climate-related disruptions can be a strategic advantage. This involves diversifying the procurement channels, planning counter measures to safeguard our premises like collaborating with local governments in projects like coastal protection and other initiatives which help mitigate this risk and other feasible solutions to securing warehouse and operational facilities.	

5 *https://ccrs.weather.gov.sg/wp-content/uploads/2015/04/Publications-Second-National-Climate-Change-Study-Report-for-Stakeholders.pdf*

6 *https://www.adaptationclearinghouse.org/resources/the-impact-of-climate-change-and-population-growth-on-the-national-flood-insurance-program-through-2100.html & https://www.abc.net.au/news/2019-10-23/the-suburbs-facing-rising-insurance-costs-from-climate-risk/11624108*

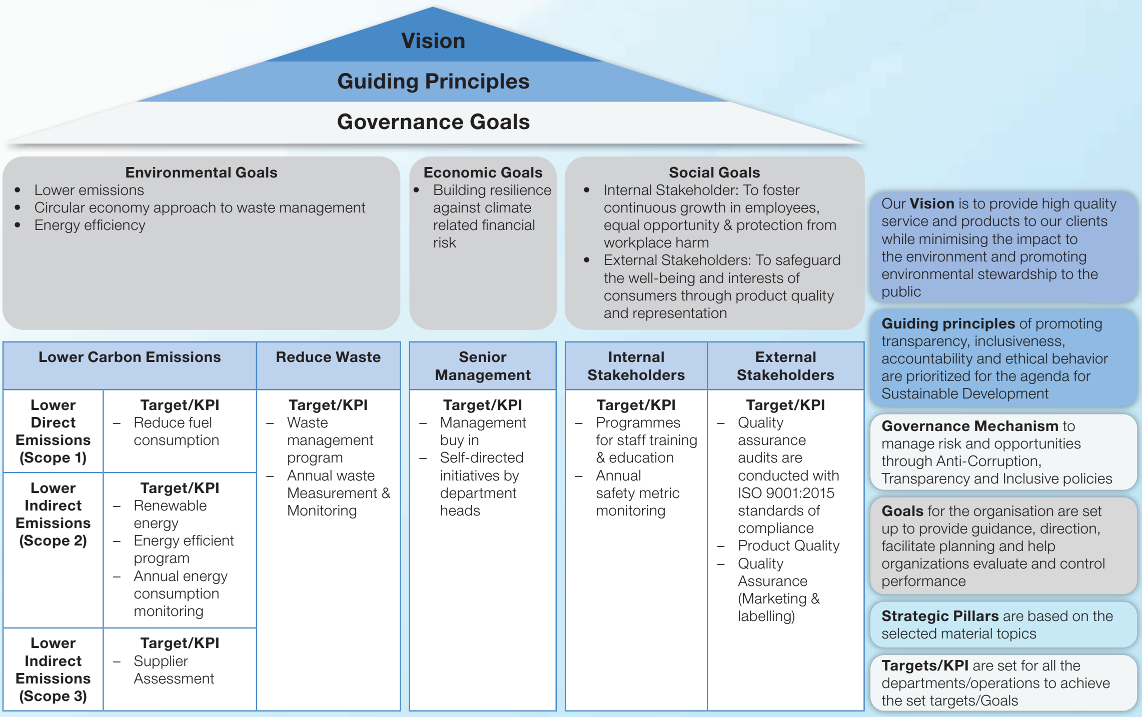
SUSTAINABILITY REPORT

HG Metal's Roadmap

Sustainability road mapping provides guidance on how to integrate sustainability-related goals and strategies across our organisation. HG Metal is committed to this process and this year, using a bottom-up approach, we initiated brainstorming sessions by heads of department to explore sustainable initiatives and projects. Each facility and business unit bears the responsibility for implementing and executing initiatives that align with our environmental, economic, and social objectives. We are dedicated to conducting annual reviews of our initiatives and projects, ensuring that we consistently strive to surpass our targets and meet the expectations of our stakeholders. This year we have also established baseline emissions, scope 1 and 2 emissions totalling 1,268 tCO2e and carbon emission intensity of 8.02 (tCO2e/S$1 million revenue). We plan to utilize this baseline for ongoing monitoring of our environmental, social, and governance objectives on an annual basis.

Figure 2 outlines our management approach for Decarbonization:

Figure 2 Decarbonisation Roadmap



MATERIALITY ASSESSMENT

Stakeholder Engagement

Understanding the perspectives and concerns of our stakeholders is essential for making informed decisions throughout our business operations and shaping our strategic priorities. We are steadfast in our commitment to cultivating positive relationships, and actively fostering engagement with both internal and external stakeholders. We have identified the following to have the most influence on our operations: Business partners, Supplier/Sub-contractor, Customers, Board of Directors, Management and Employees. Along with this, Investors/Shareholders/Media, Regulatory bodies, Trade Associations and the Community are a part of esteemed stakeholders under HG Metal.

Through structured dialogue on an extensive range of topics by using various platforms and feedback mechanisms, we gain a deeper understanding of our stakeholders and their emerging needs and concerns. The table below shows the HG Metal's response to specific stakeholder concerns.

Table 4 HG Metal's list of stakeholders and the Group's response to their concerns

KEY STAKEHOLDERS	ENGAGEMENT PLATFORMS	KEY TOPICS AND RAISED EXPECTATIONS	HG METAL'S RESPONSE
Investors/ Shareholders/Media	• Half-yearly results announcement via SGXNET and website • Annual General Meeting and Extraordinary General Meeting • Annual report via SGXNET, website and publication • News release statements via SGXNET	• Corporate governance • ESG indicators • Financial returns	• Regularly review and enhance governance mechanisms. • Keep shareholders informed on key business direction, financial results, and strategies.
Regulatory Bodies	• Facilitate forums and dialogues through networking events. • Seminars • Conduct briefings and consultations for effective communication and engagement	• Regulatory compliance	• Unwavering commitment to adhering to regulatory requirements
Trade Associations[7]	• 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 website	• Product quality • Customer service and experience • Ethical business practice	• Collaborate closely with customers on products/project delivery timeline. • Develop contingency plans to minimise disruption to production and delivery schedule
Business Partners[8]	• Trade fairs • Site visits • 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 (monthly) • 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
Community	• Community engagement and outreach activities	• Support local community	• Launched community outreach programs

7 Refers to the Singapore Business Federation, BCI Asia Construction Information, Singapore Structural Steel Society, Singapore National Employer Federation, Singapore Metal Machinery and Singapore Iron Works Merchant.

8 Refers to suppliers, distributors, and contractors.

SUSTAINABILITY REPORT

Process of identifying material topics

Through stakeholder engagement, we identify and review material issues that are most relevant and significant to us and our stakeholders. Beyond the routine interactions highlighted in Table 4, we conducted a comprehensive stakeholder engagement process through surveys to facilitate meaningful interactions. The survey garnered participation from a diverse pool of respondents, with 51% representing internal stakeholders and the remaining 49% comprising external stakeholders such as customers, suppliers and business partners. This inclusive approach ensures a holistic understanding of stakeholder perspectives, further enriching our commitment to effective engagement.

To facilitate our materiality analysis, we adopted the 6-step stakeholder engagement process:

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. Validation from the Board

Material topics and management

The materiality assessment serves as a strategic analysis, enabling us to discern the areas where our operations exert the most substantial influence on the economy, environment, and society, and vice versa. This meticulous process ensures that our sustainability initiatives focus on topics that hold the utmost significance to our business. Conducted annually, the materiality assessment for FY2023 involved the identification and prioritization of sustainability topics that carry paramount importance for HG Metal and our stakeholders. Additionally, we reviewed previously reported material topics to further refine and prioritize highly material factors, thereby optimizing the allocation of our resources for enhanced efficiency. The Group has identified and prioritized ten key topics of which nine are GRI disclosure topics that are relevant to its business after considering all aspects, including material topics reported by the Group in the past, stakeholder opinions from stakeholder engagement, reported topics commonly disclosed by the sector, the global trends and the Group's overall business direction.

Among the nine GRI disclosure material topics, we have determined that the eight topics reported in the FY2022 sustainability report remain valid and relevant. One new material topic has been added back to the list, namely "Training and Education", to enhance the importance of training on job-specific activities and attracting and retaining talent.

Table 5 List of material topics and its boundaries

	Material Topics	BOUNDARY, WHERE IMPACT OF THE MATERIAL TOPIC OCCURS										Impacts Addressed in the Report
		Within HG Metal's Operation[9]			Outside HG Metal's Operation[10]							
		Directors	Management	Employees	Suppliers	Investors/ Shareholders/Medias	Business partners	Customers	Regulatory agencies	Trade associations	Community	
GRI MATERIAL TOPICS IDENTIFIED THROUGH THE STAKEHOLDER ENGAGEMENT SURVEY. (Based on the rank from the survey and grouping under economic, social and environment pillars)												
1	Anti-Corruption (GRI 205)	x	x	x	x	x	x	x	x			Marketplace
2	Occupational Health and Safety (GRI 403)		x	x			x	x	x	x		People
3	Diversity and Equal Opportunities (GRI 405)	x	x	x								People
4	Marketing and Labelling (GRI 417)						x	x	x	x		Marketplace
5	Employment (GRI 401)	x	x	x							x	People
6	Emissions (GRI 305)		x	x					x		x	Environment
7	Waste (GRI 306)		x	x					x		x	Environment
8	Energy (GRI 302)		x	x					x		x	Environment
9	Training and Education (GRI 404)	x	x	x								People
NON-GRI MATERIAL TOPICS WHICH HAVE BEEN VOLUNTARILY DISCLOSED BY HG METAL												
10	Product Quality	x	x	x	x	x	x	x				Marketplace

9 HG Metal's operation has contributed directly to this impact.

10 HG Metal contributes indirectly through business relationships, stakeholder legitimacy, etc.

SUSTAINABILITY REPORT

CORPORATE CITIZENSHIP AND PERFORMANCE

MARKETPLACE

Corruption Risk Management

HG Metal recognises its obligation to be responsible and accountable to a diverse array of stakeholders. Upholding elevated standards of business conduct and ethics stands as a cornerstone to our enduring success. Aligned with the principles outlined in the HG Metal's Philosophy & Vision, where one of the five core values emphasises behaving in a trustworthy manner with zero tolerance for corruption and fraud, HG Metal is dedicated to promoting its business ethically and responsibly. The Group places a strong commitment to sustaining a high standard of corporate conduct, with employees guided by a comprehensive governance framework that governs the conduct of business at every level.

Anti-Bribery & Corruption Policy

The Group is unwavering in its commitment to conducting business with the utmost ethics and integrity, strictly adhering to all applicable laws and regulatory requirements to prevent corruption, bribery, and extortion. Our policy reflects a zero-tolerance approach towards any form of corruption or bribery within our business operations and are committed to acting with integrity in all business dealings and relationships. We are dedicated to upholding professionalism, fairness, and integrity in all our business dealings and relationships, regardless of the geographical locations in which we operate.

HG Metal is committed to fostering a shared commitment to zero-tolerance against corruption with its business partners. We actively communicate and reinforce this policy to ensure that our business associates align with our steadfast stance against corruption, thereby fostering a collaborative and ethical business ecosystem. To ensure that all employees are aware of their responsibilities, the Group ensure that all employees, both new and existing receive training in the Anti-Bribery & Corruption policy and regular training will be provided as necessary. In addition to regular communication, we proactively disseminate our anti-corruption policy biannually. Newly appointed directors who do not have prior experience are mandatory to attend courses organised by the Singapore Institute of Directors on their duties and obligation as a director within one year from their appointment. The specialized training that delineates their roles and responsibilities in accordance with the guidelines set forth by SGX further reinforcing our commitment to corporate governance and regulatory compliance.

The employees effectively communicate the Group's anti-bribery and corruption policy to all suppliers, contractors, business partners, and any third parties. This responsibility underscores our commitment to transparency and the collective effort to uphold ethical standards across our network of associations.

SUSTAINABILITY REPORT

In FY2023, we did not receive any reports of any corruption risks or cases of suspected or actual corruption. There were also no whistle-blowing reports received in FY2023.

The Group has implemented a robust grievance mechanism designed to offer stakeholders a clear and transparent framework for expressing concerns and seeking remedies related to the potential and actual impacts of the Group. This mechanism underscores our commitment to accountability and responsiveness to the needs and concerns of those affected by our operations. This may include raising concerns about the Group's business conduct and implementation of the Group's policies.

To instil a culture characterised by the utmost standards of ethical, moral, and legal business conduct, HG Metal has instituted a Whistleblowing Policy. This policy serves as a robust framework empowering employees to voice concerns related to ethical, moral, and legal matters. Importantly, it reassures employees that they will be shielded from reprisals or victimization when whistleblowing is conducted in good faith and without malice, fostering a secure environment for reporting potential issues. Concerns over or reports of Alleged Wrongful Acts shall be reported in writing to the Chairman/members of the ARC of HG Metal. In a commitment to educate and continually update all employees on the Whistleblowing Policy, copies of this policy are readily accessible through publication on the Group's notice board or any other approved means as sanctioned by the ARC. This proactive dissemination ensures that all team members are well-informed and empowered to utilize the Whistleblowing Policy when necessary.

Conflict of Interest Policy

The Group is committed to conducting business in a manner that ensures its officers/employees' business judgment and decision making is not influenced by undue personal interests that create any conflict of interest to the Group. This policy serves as a framework to manage and safeguard any conflicts of interest with all the entities within the Group. All officers/employees of the Group are expected to adhere to the highest standards of personal and professional integrity and shall protect the interests of the Group. This policy is applicable to the Board to set an appropriate tone from the top. Directors facing the conflict of interests recuse themselves from the discussion and decisions involving the issues of conflict.

Throughout the reporting year, the Group is pleased to report a clean record, with no incidents or public legal cases of non-compliance involving corruption, fraud, extortion, or money laundering against the Group or its employees. Furthermore, there were no instances of contract termination or non-renewal with business partners due to corruption-related violations. As we look ahead, the Group is committed to sustaining this positive track record by reinforcing employee awareness through ongoing training programs. These initiatives aim to cultivate an ethical work culture, instilling and upholding high standards of honesty and integrity in both behaviour and decision-making at HG Metal.

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Our Policy Commitment

An organisation's values serve as the bedrock, defining its core principles and priorities. At HG Metal, we embrace a set of foundational values, including quality, value, innovation, and consistent availability, which underpin our unwavering commitment to excellence. Demonstrating our dedication to responsible business conduct, we have secured ISO 9001:2015, 14001:2015 and 45001: 2018 accreditation, showcasing our capability to deliver products that align with both customer expectations and statutory requirements.

Our broader commitment extends beyond mere compliance; we aim to drive long-term business growth and value creation for stakeholders, all while championing purpose and care for our people and the environment. Enshrined in our corporate values-integrity, passion, solution delivery, high-quality service, and humility-these principles guide our actions and are readily available on our corporate website.

Our steadfast commitment includes a zero-tolerance policy for reprisals or any abuse of individual rights.

In our deliberative decision-making process, we steadfastly adhere to the precautionary principle, emphasizing that if our activities pose potentially serious or irreversible threats to the environment, human health, or well-being, alternative approaches must be explored to prevent or mitigate potential harm. Internally, our Group policies are rigorously implemented across all levels, with the responsibility for ensuring compliance with our codes of conduct and internal policies firmly placed in the hands of the Management.

Recognizing the pivotal role of an ethical culture in our organisation, we understand that continual nurturing and development of the ethical ethos at HG Metal is instrumental. This ongoing commitment not only builds trust but also plays a crucial role in the successful execution of our business strategy, aligning our actions with our values and ensuring sustainable and responsible growth.

Compliance with Laws and Regulations

The reporting year was free of significant non-compliance with law or regulation, and no material fines or non-monetary sanctions were paid.

Membership Associations

We acknowledge the substantial influence industry associations can wield in providing expertise on critical sustainability and industry development issues. As industry trends continually evolve, we have aligned ourselves with the following associations to stay abreast of best practices. HG Metal member of trade association list is stated in Table 4, footnote 7.

Product Quality

In our unwavering commitment to delivering superior products to our customers, HG Metal places meticulous emphasis on the pillars of quality, value, innovation, and consistency. This dedication is tangibly demonstrated through our robust Quality Control and Assurance Process, coupled with our comprehensive Quality Check Process. These stringent policies collectively define the meticulous procedures for quality control, ensuring that every material and finished product undergoes thorough inspection, adhering to the exacting specifications and conditions required. This commitment underscores our relentless pursuit of excellence and customer satisfaction. The product quality comes under top priority under the group, and it is driven throughout the entire supply chain. The main objectives set by the group is drive product quality as a top priority under operations, sales, procurement, production and till the delivery to the customers.

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HG Metal is steadfast in its commitment to global standards, as evidenced by its ISO 9001:2015 certification, affirming its capability to meet stringent quality requirements. This certification serves as a hallmark of credibility and trust, fostering confidence among consumers, stakeholders, and business partners alike. Upholding our commitment to delivering high-quality service, we conduct an annual customer satisfaction survey to gauge our customers' satisfaction rates and collect valuable feedback. Upon a thorough review and analysis of the survey results, corrective measures are promptly implemented when necessary, ensuring our continual pursuit of excellence and responsiveness to customer needs.

HG Metal has instituted a stringent Perfect Order System, an initiative designed to attain 100% accuracy at every stage of the product and service delivery process. Rigorous control, monitoring, documentation, and review of product-related activities are meticulously executed throughout the Group. Our gate-to-gate workflow, extending from the receiving dock to the shipping dock, ensures that ready-to-install products are seamlessly transported for distribution to customers.

This comprehensive tracking system enables HG Metal to precisely identify relevant product batches, facilitating quality checks during the manufacturing process. The Group ensures that each delivery to the customer aligns with specified quality requirements. This holistic approach underscores our commitment to precision, accountability, and the seamless delivery of top-notch products and services.

We have met our FY2023 target for all three quality objectives below and have set near- and mid-term targets to achieve our quality standards.

Table 6 HG Metal performance and targets of the product quality

HG Metal	FY2021	FY2022	FY2023	Target (FY2023)	Near-term target (FY2024)	Mid-term target (FY2030)
On-time delivery as per customer schedule, %	99.41	99.63	99.52	99.00	99.00	99.00
Reject or goods returned from customer orders, %	0.10	0.03	0.04	0.10*	0.10	0.10
Average percentage score from customer satisfaction rating from customer surveys, %	89.50	96.00	91.05	90.00	90.00	90.00

* FY2023 revised target set from 0.30 to 0.10

Marketing and Labelling

To foster customer loyalty and attract new patrons, we strive to navigate the impacts under Marketing and Labelling with conscientious consideration, aiming to foster positive outcomes for the broader community and our planet. It is therefore essential that our labelling is comprehensive, accurate and clear, to gain the trust of our customers.

When steel is used in a building project, information from mill tests acts as a quality assurance document that certifies a metal product's chemical and physical properties. All incoming products are pre-tested by suppliers and documented with HEAT numbers from mill test certificates. This process enhances internal traceability within HG Metal's facilities and external traceability when the product goes to the consumers. The risk of consumers misusing defective steel products in their buildings or steel structures is decreased by this tracking and certification system.

HG Metal upholds a commitment to rigorous quality assurance through third-party testing and engagement with accredited inspection bodies, tailored to meet the specific requirements of our valued customers. Adhering to internationally recognized guidelines and standards, such as British Standards ("BS"), Singapore Standards ("SS"), European Standards ("EN"), American Society for Testing and Materials ("ASTM"), and Japanese Industrial Standards ("JIS"), we meticulously verify the origin, steel grades, and specifications of our products. Every product undergoes a comprehensive testing process by the mill, ensuring a 100% assessment for compliance with stringent quality benchmarks.

Throughout the reporting year, reflects our commitment to upholding high standards in disclosure and regulatory adherence. In alignment with our commitment to transparency, the Group's performance not only met the set target for FY2023 but also surpassed expectations, prompting the establishment of more ambitious targets outlined in subsequent table as part of our voluntary disclosure initiatives.

HG Metal remains unwavering in its commitment to furnishing quality and accurate marketing information and labelling, contributing significantly to the safety of building and construction design. In line with this commitment, the Group has established near-term and mid-term targets, exemplifying our dedication to both supplier retention and compliance related to incoming products and labelling. These targets serve as tangible milestones, reinforcing our pledge to consistently deliver trustworthy information and uphold the highest standards in our industry. In conclusion, HG Metal's commitment to responsible marketing and labelling demonstrates our focus on safety, transparency, and compliance. By integrating these principles into our daily operations, we not only protect our employees and customers but also contribute positively to our industry and the broader community.

Table 7 HG Metal performance and targets of marketing and labelling

HG Metal	FY2022	FY2023	Target (FY2023)	Near-term target (FY2024)	Mid-term target (FY2030)
No.of incidents of noncompliance concerning product and services information and labelling	–	–	Report on the number of incidents of noncompliance concerning product and services information and labelling		
% of non-compliance concerning of incoming products and labelling in annual schedule.	0.07	0.03	0.80*	0.80	0.80

Note: *Revised target set for FY2023 from 1.50 to 0.80

SUSTAINABILITY REPORT

PEOPLE

Employment

HG Metal understands that people are its assets and that any successful and effective implementation of corporate strategy is due in part to the hard work and extraordinary performance of its people, who contribute to the best of their abilities at all times. At HG Metal, we firmly acknowledge that our employees are pivotal to the long-term growth and success of the Group. We are dedicated to placing ourselves as a holistic employer that focuses on developing the careers of all employees.

We uphold our commitment to compliance with local labour and employment rights regulations by adhering to Singapore's Ministry of Manpower's Employment Act. Our employment practices are meticulously aligned with the tripartite guidelines set forth by the Tripartite Alliance for Fair and Progressive Employment Practices. To empower our employees, we make substantial investments in their professional and personal development. Moreover, we foster positive employee behaviours in the workplace through the embodiment and reinforcement of our corporate core values.

HG Metal has adopted a fair and equitable hiring process to ensure that the right people are hired for the positions based on their expertise regardless of race, gender, age, and nationality. We have a total of 191 employees as of 31 December 2023, of which all are permanent and full-time employees and we do not have any temporary or non-guaranteed hours employees[11].

11 Numbers are based on full-time equivalent and indicate the total number of headcounts at the end of the reporting period.

SUSTAINABILITY REPORT

Table 8 HG Metal's employment indicators

	FY2021	FY2022	FY2023
Employment by gender, (%)			
Male	76.65	79.44	86.39
Female	23.35	20.56	13.61
Employment by age group, (%)			
Under 30 years old	17.97	14.44	22.52
30-50 years old	62.87	67.78	60.73
Over 50 years old	19.16	17.78	16.75
New employee hired, (%)			
Annual rate	24.1	33.89	36.11
Employee turnover, (%)			
Annual rate	18.67	23.89	30.00
Employee by nationality, (%)			
Local	42.00	35.00	25.65
Foreigner	58.00	65.00	74.35
Employee by length of service, (%)			
Less than 5 years	65.27	67.22	67.01
5-10 years	23.95	22.78	18.85
More than 10 years	10.78	10.00	14.14

Note: employment data excludes director

In FY2023, our annual new hire rate and turnover rate stand at 36.11% and 30.00% respectively. Notably, annual new hire rates have seen an increase compared to the previous financial year, primarily attributed to a rise in voluntary turnover.

Table 9 HG Metal Hiring and turnover of FY2023

			Male	Female
Hiring				
Total number of new employee hires	Age	Under 30 years old	35	2
		30-50 years old	14	4
		Over 50 years old	9	1
	Region	Local	10	4
		Foreigner	48	3
Hiring rate (%)				
Total number of new employee hires	Age	Under 30 years old	19.44	1.11
		30-50 years old	7.78	2.22
		Over 50 years old	5.00	0.56
	Region	Local	5.56	2.22
		Foreigner	26.66	1.67
Turnover				
Total number of employee turnover	Age	Under 30 years old	3	4
		30-50 years old	20	13
		Over 50 years old	12	2
	Region	Local	14	14
		Foreigner	21	5
Turnover rate (%)				
Total number of employee turnover	Age	Under 30 years old	1.67	2.22
		30-50 years old	11.11	7.22
		Over 50 years old	6.67	1.11
	Region	Local	7.78	7.78
		Foreigner	11.67	2.77

Note: Directors are excluded

Employee Benefits

In the reporting year, HG Metal undertook several initiatives aimed at solidifying its position as an attractive employer and promoting employee well-being. Notably, we inaugurated the Fitness Gym Club, encouraging self-care through gym exercises within the company premises. Furthermore, recognizing the significance of early childhood development, we actively support parents by fostering an environment that allows them to spend quality time with their children. Table below outlines the number of employees who availed parental leave during the reporting period.

Table 10 Employees who took parental leave for HG Metal

	Male	Female
Total number of employees that were entitled to parental leave in 2023	9	9
Total number of employees that took parental leave in 2023	9	9
Total number of employees that returned to work in the reporting period after parental leave ended	7	4
Total number of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	6	4
Return to work of employees that took parental leave in 2023	77.78%	44.44%
Retention rate: employee retained 12 months after returning to work after parental leave ended	60.00%	40.00%

HG Metal does not participates in collective bargaining agreements. The foundation of our labour-management relationship rests on the shared commitment of the Management and employees to cultivate a robust partnership rooted in mutual trust and respect. Consequently, the Group does not have any employees covered under such agreements, emphasising our dedication to fostering a collaborative and harmonious working environment.

Training and Education

The most important asset of our business is our human capital. Investing in the learning and development of our employees enables the business to achieve its objectives and targets. HG Metal Management acknowledges the fact that a well-trained and motivated workforce is key to the Group's success. The main objective is to attract and retain talents, based on the scope of activities. Through our learning and development programmes for our employees, we hope to:

- Enhance competency through core skills training;
- Cultivate the Group values; and
- Comply with the regulations.

The major initiatives under training and education are as follows:

i. Recruit and select candidates on the basis of merit such as skills, experience, and ability to perform the assigned job.

ii. Provide learning opportunities for employees to have the necessary on-the-job skills.

iii. Provision of awareness training on Safety and Health and specific training programmes such as anti-corruption & bribery.

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Table 11 HG Metal average training hours of FY2023

		Male	Female
Average training hours (hrs)	Senior management	1.00	4.00
	Middle management	5.91	3.00
	General staff	14.11	1.43
	Worker	14.47	–

Diversity and Equal Opportunity

The significance of diversity and equal opportunity has been acknowledged by HG Metal's stakeholders, emerging as a key material topic this year. Integration of diversity and equal opportunity is not just a component but a cornerstone of our business strategy, fostering an inclusive culture where employees collaboratively strive towards a common goal. This commitment not only aligns with our core values but also underscores our dedication to creating a workplace that values and celebrates differences while promoting fairness and equal access to opportunities for all. We understand that employee diversity is essential in broadening the spectrum of abilities, qualities, and viewpoints to encourage innovation and communication of ideas within the workforce, which ultimately leads to the growth of our organisation. We actively foster a workplace culture that promotes diversity of thought, ensuring that every individual feels valued and can contribute actively to our shared goals. Embracing diversity not only enhances our workforce but also cultivates a culture of inclusion. This inclusive environment allows us to tap into a myriad of viewpoints and perspectives, serving as a catalyst for innovation and propelling us forward in our pursuit of excellence. HG Metal aims to eliminate discrimination and continuously promote equal opportunities and a fair working environment for all our employees.

We believe embracing diversity and inclusion is the key factor in attracting the best talent and producing quality work. We value the experience of our senior staff as well as the passion and flexibility of the younger staff. Our unwavering commitment is further articulated through our Board Diversity Policy. Recognizing the profound importance and advantages of fostering diversity at the Board level, the Group actively embraces a diverse representation to bolster support for our strategic objectives in sustainable development. This commitment aims to enrich the decision-making process by integrating various perspectives within the Board. Board diversity is comprehensively evaluated from multiple dimensions, encompassing gender, age, nationalities, ethnicity, cultural background, educational and professional experience, knowledge and skills, independence, length of service, and other pertinent qualities deemed essential for the effective governance of the Group.

We implement tailored measures and initiatives to cultivate a supportive working environment where every employee has the opportunity to flourish and develop to their fullest potential. Our hiring procedures are structured on principles of fairness, meritocracy, and non-discrimination, ensuring that opportunities are extended based on individual capabilities and qualifications. A diverse workforce entails different backgrounds, skillsets, knowledge, and abilities that would expand the business to broader market segments. In FY2023, there were zero number of incidents of discrimination.

Table 12 HG Metal Diversity of Board based on gender

	Male (%)	Female (%)
Independent non-executive and executive director	25.00	75.00

Table 13 HG Metal Diversity of Board based on age group

	Under 30 years old (%)	30-50 years old (%)	Over 50 years old (%)
Independent non-executive and executive director	–	50.00	50.00

Table 14 HG Metal Diversity of employees based on gender

HG Metal		Male (%)	Female (%)	Total (%)
By employee category	Senior management	0.52	0.53	1.05
	Middle management	4.71	3.14	7.85
	General Executive	81.15	9.95	91.10

Table 15 HG Metal Diversity of employees based on age group

	Under 30 years old	30-50 years old	Over 50 years old
Senior management (%)	–	–	1.05
Middle management (%)	–	3.66	4.19
General (%)	22.51	57.07	11.52

Occupational Health and Safety

Safety stands as a cornerstone among our core values, underscoring our commitment to ensuring that every individual returns home safely each day. Both our leadership and employees actively participate in fostering a culture of safety, contributing significantly to our excellence in Health, Safety, and Environment ("**HSE**") performance. The robust safety culture we've cultivated is a direct result of our collective efforts across all levels, as our people collaboratively navigate a dynamically changing work environment.

Our approach to workplace safety encompasses a spectrum of procedures, conditions, and settings, ranging from personal safety to operational and process safety. This comprehensive framework focuses on both individual safety and the equipment and procedures in place to contain or minimise risks. HG Group is resolutely committed to implementing and sustaining a Quality Occupational Health, Safety, and Environmental Management System ("**QHSE**"). This commitment is aimed at continually enhancing the effectiveness and performance of our health, safety, and environmental initiatives.

Our HSE Management System

At HG Metal, the health and safety of its employees is of the highest priority. The main objectives set by the Group are zero accidents, zero occupational illness and to comply with legal and Occupational Health & Safety ("**OHS**") best practices. Our steadfast commitment to high ethical standards, legal compliance, and integrity is not only evident in our safety and environmental policies but is also ingrained in our HSE Management System. We are dedicated to driving continuous improvement

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across all safety and health-related aspects throughout our operations. Having secured ISO 45001:2018 accreditation and achieved BizSAFE STAR status, HG Metal actively strives to provide a safe and healthy workplace for all staff, contractors, and visitors. This commitment extends to all workers, including those who may not be employees but whose work and/or workplace is under the control of HG Metal. Adherence to the requirements outlined in the HSE Management System is mandatory for all.

The HSE Policy and the Management System undergo periodic reviews to ensure ongoing suitability and alignment with the requirements of the Group, our customers, and the broader market. This iterative approach underscores our dedication to maintaining the highest standards of safety and health in all facets of our operations.

Assessing Risks

As an integral component of our BizSafe Star certification, we diligently perform risk assessments for all work activities, adhering to the Workplace Safety and Health (Risk Management) Regulations. In compliance with legal requirements, these risk assessments undergo regular reviews either when work activities change or at least every three years. Additionally, we conduct HSE risk assessments for each activity, meticulously identifying potential risks. Proactive measures are then implemented to eliminate or mitigate these risks. This involves leveraging technology, meticulous planning of activities, enhancing training and awareness programs, and fostering active worker participation and consultation in decision-making processes.

Based on the hazards identified for each step of the activity, the risk levels will be determined and according to the risk levels, a risk control plan will be implemented to eliminate or reduce the risks. We also adopted the Plan-Do-Check-Action (PDCA) approach to enhance our HSE Management System with commitment from the top management.

Occupational Health Services

Occupational health hazards were identified during the hazard analysis and risk assessment process and control measures were implemented to prevent and/or reduce the risk of exposure to health hazards. Occupational Health procedure was established to safeguard employees' health. At HG Metal, the main type of work-related to ill health is noise induced deafness. Employees who are exposed to excessive noise will undergo annual audiometry test. Employees are provided with ear plugs before entering the operation sites, additional hearing protector, earmuffs are provided whenever required.

Employee Participation, Consultation and Communication on OHS

We uphold an open communication policy by actively engaging and consulting with our employees, involving them in the decision-making processes. Drawing insights from our past incidents and near misses, we conduct thorough reviews and ensure that the learnings are effectively communicated to our workers. This proactive approach aims to prevent the recurrence of similar mistakes. We actively encourage and value the participation and consultation of workers in matters pertaining to the HSE performance of the organisation.

To facilitate this engagement, workers' representatives are appointed for each Business Unit. These representatives play a vital role in decision-making by seeking the views and gathering feedback from their peers on matters that impact their health and safety. These valuable insights are then discussed in the Monthly Health, Safety, and Environmental Committee meetings, establishing an effective two-way communication channel that reinforces the fundamentals of safety throughout the organisation.

Employee Training on OHS

Proactive initiatives aimed at reinforcing health and safety training underscore our unwavering commitment to providing a safe workplace. Our HSE Policy is effectively communicated to all business units and their employees through various channels, including prominent displays in key areas, briefings, and emails. As part of our induction process, new employees receive detailed instructions concerning the safety-relevant aspects of their workstations. Subsequently, they actively engage in regular safety-awareness briefings.

To further enhance expertise in specific work areas, we have invested in sending our workers to specialized training courses. These courses cover diverse areas, including offices, production areas, and development units. This strategic investment ensures that our workforce is well-equipped with the necessary skills and knowledge to maintain safety standards in their respective roles.

Some safety-related trainings we conduct are:

– Construction Safety Re-Orientation Course
– Forklift operation training
– Fire Emergency and Rescue training
– First Aid training
– WSH Management in Construction Industry

Promotion of Employee Health

We are dedicated to motivating employees to cultivate healthy lifestyles and foster a strong sense of personal responsibility for their well-being. As part of this commitment, the Group extends health insurance coverage to employees, encompassing a range of medical expenses. The operational support includes qualified first aiders who have undergone intensive training in first aid, ensuring immediate assistance when needed. Additionally, supervisors play a proactive role by engaging in regular weekly conversations with their team members, providing a supportive platform to address any mental health-related concerns that may be affecting them.

Prevention and Mitigation of Occupational Health and Safety Impacts Directly Linked by Business Relationships

Beyond the well-being of our direct employees, HG Metal extends its care to encompass the health and safety of workers within its premises and those engaged in operations with business partners. Stringent health and safety requirements are integrated into the Contractors Management System, providing a systematic approach to evaluating contractors' performance in safety compliance.

Embracing the hierarchy of controls, we implement measures to mitigate risks, including the provision of Personal Protective Equipment ("**PPE**") such as hearing protectors, helmets, gloves, and safety shoes. Our commitment extends to proactive measures like noise mapping and monitoring, ensuring a thorough assessment of workplace environments for excessive noise. This diligence is crucial in identifying and addressing any potential damaging impact on the health and safety of all employees involved.

Employees are Covered by An OHS Management System

All HG Metal staff are encompassed by the QHSE Policy embedded within our comprehensive HSE Management Systems. Our commitment to the continual enhancement of our HSE performance is evident through the establishment of SMART objectives. We actively implement and maintain robust management systems, surpassing mere compliance with legislation and industrial requirements. This proactive stance underscores our dedication to achieving and sustaining a level of excellence that goes beyond the minimum standards, ensuring the well-being and safety of our entire workforce.

Work-related Injuries

All incidents are investigated, and the root cause analysis is conducted before the corrective and preventive actions are proposed. Measures were taken to enhance workers' knowledge and safer work practices. Incidents report and outcomes were shared internally to prevent a recurrence.

Our work-related injuries for FY2021, FY2022 and FY2023 for employees are recorded in Table below. We are delighted to share that there have been zero reported recordable work-related injuries and lost workday as a result of work related injuries in our operations at HG Metal and OM. However, considering the specific nature of operations at HGCS, involving rebar cutting and bending, there have been some reported cases of injuries. In response, HG Metal is committed to a thorough investigation of these cases, reevaluating the risk assessment process, and ensuring the effective implementation of the hierarchy of controls.

To mitigate risks, workers are strongly encouraged to wear appropriate PPE and participate in regular refresher training sessions. Engineering controls further contribute to worker safety by establishing a physical barrier between the worker and potential hazards, reinforcing our commitment to maintaining a safe and secure working environment.

Table 16 Work-related injuries for employees

Operations and reporting year	HG Metal			OM			HGCS		
	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023
Number of fatalities by work-related injury	–	–	–	–	–	–	–	–	–
Rate of fatalities by work-related injury	–	–	–	–	–	–	–	–	–
Number of high-consequence work-related injuries (Excluding fatalities)	–	–	–	–	–	–	–	–	–
Rate of high-consequence work-related injuries (Excluding fatalities)	–	–	–	–	–	–	–	–	–
Number of recordable work-related injuries – Major	–	–	–	–	–	–	2	1	–
Number of recordable work-related injuries – Minor	1	–	–	–	–	–	8	3	9
Rate of recordable work-related injuries[12]	1.43	–	–	–	–	–	8.77	3.15	5.87
% of lost-work days as a result of work-related injuries	0.07	–	–	–	–	–	1.15	0.40	0.67

We are committed to continual improvement our QHSE performance by setting SMART objectives, implementing, maintaining, and monitoring the QHSE management systems, setting new benchmarks and go beyond compliance with the legislation and industrial requirements.

12 Rates have been calculated based on 200,000 hours worked.

Table 17 HG Metal Targets of OHS

Target (FY2023)	Near-term target (FY2024)	Mid-term target (FY2030)
• Strive to improve the safety standards of the workplace environment and strict compliance to WSH Act and Regulations to prevent injuries and aims for zero fatalities and declining trend in workplace accident • To reduce the rate of major work-related injury • Commit to enhancing the stop work policy to maintain ZERO stop workdays.	• Maintain Zero Fatalities • To reduce the rate of major work-related injury	• Maintain Zero Fatalities • To reduce the rate of major work-related injury • To reduce the rate of minor work-related injury

ENVIRONMENT

In the face of escalating mean temperatures and rising sea levels, the pervasive impact of climate change poses a significant threat to both humanity and ecosystems. Projections indicate an exacerbation of these challenges in the coming decade with the continued rise in GHG emissions. Recognising the urgency, sustainable business practices at HG Metal commences with the implementation of a robust Environmental Management System ("**EMS**").

Guided by this EMS, a comprehensive framework of systems and procedures is meticulously instituted. This ensures the efficient utilisation and management of resources while steadfastly adhering to laws, regulations, and other environmental requirements. At HG Metal, our commitment to environmental stewardship is unwavering. We prioritize the mitigation of environmental impacts, reduction of waste generation, and the judicious use of resources in alignment with our EMS and QHSE policy.

Energy

The imperative of addressing climate change and safeguarding the environment holds a paramount position on HG Metal's agenda. Our steadfast commitment is directed towards minimising our environmental footprint while simultaneously delivering enduring value to our stakeholders. Aligned with the international standard ISO 14001, we have implemented a comprehensive EMS framework.

Emphasising shared responsibility, all employees actively contribute to conservation practices within the Company's business premises. This includes conscientious efforts such as turning off lights and equipment when not in use and the adoption of energy-efficient equipment wherever feasible. Through these collective actions, we strive to uphold our commitment to environmental sustainability and responsible resource management.

We remain committed to increasing the adoption of renewable energy and other green initiatives. The major energy source comes from diesel consumption by our vehicles and equipment and by our electricity consumption. Rather than reporting on each gas separately, gases are expressed as a CO_2 equivalent (CO_2e). In the calculation of our carbon emissions, we do so in line with the Greenhouse Gas Protocol Initiative. HG Metal uses the operational control method in the calculation.

We remain committed to increasing the adoption of renewable energy. At the same time, our fuel equipment is regularly maintained to ensure they remain energy efficient. Moving forward, we have set near-and mid-term targets to combat climate change. Our targets reaffirm the Group's priority of transitioning to renewable energy. Diesel and Electricity energy consumption intensity increased due to higher production in FY2023.

SUSTAINABILITY REPORT

Table 18 HG Metal Energy consumption

Year	Diesel Consumption (litres)	Electricity consumption (kWh), Grid + Solar Energy	Diesel Consumption Energy Intensity (litres/S$1 million revenue)	Electricity Consumption Energy Intensity (kWh/S$1 million revenue)
FY2023	232,490	1,587,778	1,551	10,594
FY2022	215,300	1,374,524	1,411	9,006
FY2021	205,844	1,316,087	1,516	9,606

* *Solar Energy without Environmental attribute*

Table 19 HG Metal Energy Target

Target (FY2023)	Near-term target (FY2024)	Mid-term target (FY2030)
• Strategic initiatives such as solar panels and other renewables, to meet 30% of our energy consumption, underscores our dedication to reducing our environmental impact and transitioning towards a more sustainable energy footprint, contributing to a cleaner and greener future	• Switching to renewable energy sources on a phase approach • To maintain solar panel renewal sources as a minimum of 30 % of total energy consumption	• Switching to renewable energy sources on a phase approach • To maintain solar panel renewal sources as 35 % of total energy consumption • In alignment with the SG Green Plan, we are actively monitoring the technological advancements in Electric Vehicles (EVs), particularly focusing on heavy-load lorries.

Emission

We are resolutely committed to optimizing our energy footprint and mitigating the carbon profile associated with our day-to-day operations. Recognizing that efficient energy management and carbon emission reduction are integral to our sustainability, prosperity, and corporate citizenship, we actively pursue strategies in this regard.

Our carbon emissions are meticulously calculated in accordance with the GHG Protocol. At HG Metal, the primary contributors to emissions are diesel and electrical consumption. Carbon emission is factored in all types of GHGs covered by the Kyoto Protocol: carbon dioxide (CO2), methane (CH4), nitrous oxide (N2O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF6) and nitrogen trifluoride (NF3). Each of these gases affects the atmosphere differently and remains in the atmosphere for different lengths of time. Rather than reporting on each gas separately, gases are expressed as a CO2 equivalent (CO2e). In the calculation of our carbon emissions, we do so in line with the Greenhouse Gas Protocol Initiative. HG Metal uses the operational control method in the calculation. Our calculations strictly adhere to the GHG Protocol standards, utilizing the operational control method to ensure accuracy and transparency.

The GHG calculation methodology is a systematic approach used to quantify and measure the emissions of greenhouse gases produced by an organisation or a specific activity. Scope 1 emissions are direct emissions from sources within the operational boundary that are either owned or controlled by the Company. Diesel serves as the fuel for both mobile combustion, powering our fleet of vehicles for transportation, and stationary combustion, fueling equipment.

Scope 2 emission consists of all emissions that occur when the Company purchases and consumes electricity that is generated at a source not owned or reported by the Company. Electricity consumption by location-based was the only Scope 2 emission source relevant to HG Metal. In our offices and fabrication facilities, electricity is used for lighting, equipment and air-conditioning. As our environmental data only covers operations in Singapore, there is no heating, cooling, or steam consumption. Under Scope 2 emissions, approximately 35.88% of our electricity consumed was from our solar energy production. The details of scope 1 & 2 emissions are in Table 20.

Scope 3 emissions are all indirect emissions (not included in Scope 2) that occur in the value chain of the reporting company, including both upstream and downstream emissions. HG Metal recognises the importance of addressing Scope 3 emissions, which are indicators of exposure to climate risks in our supply chain or use of products. We monitor and report Scope 3 emissions to enhance our carbon reduction efforts by identifying the four categories (Cat 4, 5, 6 and 7) along our value chain. Reporting scope-3 is a progressive effort, and we commit to disclose more categories based on the availability of the data. The details of the four Categories and the sources of emission factors are presented in Table 21.

Table 20 HG Metal Carbon Emissions (Scope 1&2)

	Scope 1 – direct emissions (tCO_2e)[13]	Scope 2 – indirect emissions, electricity consumption (tCO_2)[14]	Total carbon Emissions from Scope 1 & 2 (tCO_2e)	Scope 1 & 2 Carbon Emissions Intensity (tCO_2e/ S$1 million revenue)
FY2023	**623.56** (tCO_2e)	**644.16** (tCO_2)	**1,267.72** (tCO_2e)	**8.46** (tCO_2e/S$1 million)
FY2022	**585.14** (tCO_2e)	**557.64** (tCO_2)	**1,142.78** (tCO_2e)	**7.48** (tCO_2e/S$1 million)

13 Emission factor for litres of diesel to $kgCO_2e$ is based on methodology provided by the 2006 IPCC Guidelines for National Greenhouse Gas Inventories

14 Electricity emission factor for FY2023 is based on Singapore's Grid Emission factor (AOM) by the Energy Market Authority (EMA): 0.4057 $kgCO_2$/kWh.
Energy converted by solar panel is using the grid emission factor of the reporting year given that the environmental attribute is not converted by the solar contract agreement

Table 21 HG Metal Carbon Emissions (Scope 3)[15]

Categories	Upstream/Downstream	Scope 3 Emissions (tCO_2e)	Sources of Emission Factors
Category 4	Upstream transportation and distribution	714.53	Supply Chain GHG Emission Factors for US Commodities and Industries v1.1, 2016_Detail_Industry, Industry Code- 331200
Category 5	Waste generated in operations	72,463.92	UK Government GHG Conversion Factors for Company Reporting
Category 6	Business travel	13.14	International Civil Aviation Organisation (ICAO), Carbon Emission Factor
Category 7	Employee commuting	91.99	UK Government GHG Conversion Factors for Company Reporting

Note: Employee Commute Scope-3 GHG Calculations the following assumptions are considered

a. When the actual distance/concise data based on the mode of transportation is not clearly available. We would consider the distance travelled based on the mode of transportation, which has higher emissions to arrive at the final emissions.

b. If the mode of transportation is not clear, we are inclined to consider the mode of transportation which is having higher emission factor.

The total Scope-3 emissions reported for FY2023 is 73,283.58tCO_2e[15].

15 This is the first year of Scope 3 emissions disclosure and only 4 Categories have been chosen in 15 reporting Categories (GHG Protocol Corporate Value Chain Standard) in Scope 3 emission disclosures.

Waste

Our commitment to waste management is grounded in the principles of reducing waste at its source and handling produced waste responsibly, guided by the circular economy approach. Aligned with Singapore's Zero Waste Masterplan, our ambitious objective is to achieve zero landfill waste. To realize this goal, we earnestly adopt the 4R principles, Reduce, Reuse, and Recycle-comprising the waste mitigation hierarchy.

At HG Metal, our recycling performance holds significant value in our sustainability endeavours. Placing sustainability at the core of our business strategy, we actively align our products and services with the aim of creating enduring value for our business and stakeholders. Our dedicated efforts in effective waste management underscore our commitment to the principles of waste prevention and recycling, contributing to a more sustainable and responsible operational footprint.

Our commitment to recycling scrap metal extends beyond conserving natural resources, it significantly contributes to reducing GHGs emissions.

To reinforce our waste management practices, HG Metal conducted a thorough review of existing waste disposal methods and plans to formalize the waste segregation system. Working with approved waste vendors, a commendable 89.220 tonnes of general waste were responsibly collected and recycled. This exemplifies our dedication to sustainable practices, reflecting our commitment to environmental responsibility and resource conservation.

Table 22 HG Metal performance and targets of material waste

Description	FY2021	FY2022	FY2023	Target (FY2023)	Near-term target (FY2024)	Mid-term target (FY2030)
Material waste from production (%)	3.47	2.94	3.01	<3.9	< 3.5	< 3.5

SUSTAINABILITY REPORT

GRI CONTENT INDEX

Statement of use	HG Metal has reported in accordance with the GRI Standards for the period 1 January 2023 to 31 December 2023.
GRI 1 used	GRI 1: Foundation 2021

GRI STANDARD	DISCLOSURE	REASONS FOR OMISSION	PAGE NUMBER(S) AND/OR URL(S)	SGX REQUIREMENT
GENERAL DISCLOSURES				
GRI 2: General Disclosures 2021	2-1 Organisation details		Page-17	
	2-2 Entities included in the organisation's sustainability reporting		Page-17	
	2-3 Reporting period, frequency, and contact point		Page-17	PN7.6-6.1
	2-4 Restatements of information		Page-17	
	2-5 External assurance		Page-17	PN7.6-5.1
	2-6 Activities, value chain and other business relationships		Page 1 of AR & Page 18	
	2-7 Employees		Page-36	
	2-8 Workers who are not employees	Not applicable		
	2-9 Governance structure and composition		AR, Page-60	PN7.6-3.1,
	2-10 Nomination and selection of the highest governance body		AR, Page-61-64	
	2-11 Chair of the highest governance body		AR, Page-64-65	
	2-12 Role of the highest governance body in overseeing the management of impacts		AR, Page-57, 86 Page-20	
	2-13 Delegation of responsibility for managing impacts		Page-19	
	2-14 Role of the highest governance body in sustainability reporting		Page-19	
	2-15 Conflicts of interest		AR, Page-56	
	2-16 Communication of critical concerns		Page-31	
	2-17 Collective knowledge of the highest governance body		Page-19	

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GRI STANDARD	DISCLOSURE	REASONS FOR OMISSION	PAGE NUMBER(S) AND/OR URL(S)	SGX REQUIREMENT
	2-18 Evaluation of the performance of the highest governance body		AR, Page-69, 70	
	2-19 Remuneration policies		AR, Page-70, 71	
	2-20 Process to determine the remuneration		AR, Page-70, 71	
	2-21 Annual total compensation ratio		AR, Page-93, 95	
	2-22 Statement on sustainable development strategy		Page-18	PN7.6-4.1f
	2-23 Policy commitments		Page-31	
	2-24 Embedding policy commitments		Page-33	
	2-25 Processes to remediate negative impacts		Page-20	
	2-26 Mechanisms for seeking advice and raising concerns		Page-31	
	2-27 Compliance with laws and regulations		Page-33	
	2-28 Membership associations		Page-33	
	2-29 Approach to stakeholder engagement		Page-28	PN7.6-3.6, PN7.6-4.35
	2-30 Collective bargaining agreements		Page-39	
MATERIAL TOPICS				
GRI 3: Material Topics 2021	3-1 Process to determine material topics		Page-29	PN7.6-4.2, PN7.6-4.35
	3-2 List of material topics		Page-30	PN7.6-4.1.a
ANTI-CORRUPTION 2016				
GRI 3: Material Topics 2021	3-3 Management of material topics		Page-32	PN7.6-4.1.c; PN7.6-4.1.d; PN7.6-4.4; LR711B-1 b&c
GRI 205: Anti-corruption 2016	Disclosure 205-1 Operations assessed for risks related to corruption		Page-31	
	Disclosure 205-2 Communication and training about anti-corruption policies and procedures		Page-32	
	205-3: Confirmed incidents of corruption and actions taken		Page-32	
PRODUCT QUALITY				
	Management approach disclosures		Page-33-34	
	Performance of product quality management		Page-34	

SUSTAINABILITY REPORT

GRI STANDARD	DISCLOSURE	REASONS FOR OMISSION	PAGE NUMBER(S) AND/OR URL(S)	SGX REQUIREMENT
MARKETING AND LABELLING 2016				
GRI 3: Material Topics 2021	3-3 Management of material topics		Page-35	PN7.6-4.1.c; PN7.6-4.1.d; LR711B-1 b&c
GRI 417: Marketing and Labelling 2016	417-1 Requirements for product and service information and labelling		Page-35	
	417-2 Incidents of non-compliance concerning product and service information and labelling		Page-35	
	417-3 Incidents of non-compliance concerning marketing communications		Page-35	
EMPLOYMENT 2016				
GRI 3: Material Topics 2021	3-3 Management of material topics		Page-36-37	PN7.6-4.1.c; PN7.6-4.1.d; LR711B-1 b&c
GRI 401: Employment 2016	401-1 New employee hires and employee turnover		Page-38	
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees		Page-39	
	401-3 Parental leave		Page-39	
TRAINING AND EDUCATION 2016				
GRI 3: Material Topics 2021	3-3 Management of material topics		Page-39	PN7.6-4.1.c; PN7.6-4.1.d; LR711B-1 b&c
GRI 404: Training and Education 2016	Disclosure 404-1 Average hours of training per year per employee		Page-40	
	Disclosure 404-2 Programs for upgrading employee skills and transition assistance programs		Page-39	
	Disclosure 404-3 Percentage of employees receiving regular performance and career development reviews	HG Metal will disclose this disclosure once comprehensive data is available		
DIVERSITY AND EQUAL OPPORTUNITY 2016				
GRI 3: Material Topics 2021	3-3 Management of material topics		Page-40	PN7.6-4.1.c; PN7.6-4.1.d; LR711B-1 b&c
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees		Page-41	
	405-2 Ratio of basic salary and remuneration of women to men	Confidential due to commercial sensitivity		

SUSTAINABILITY REPORT

GRI STANDARD	DISCLOSURE	REASONS FOR OMISSION	PAGE NUMBER(S) AND/OR URL(S)	SGX REQUIREMENT
OCCUPATIONAL HEALTH & SAFETY 2018				
GRI 3: Material Topics 2021	3-3 Management of material topics		Page-41	PN7.6-4.1.c; PN7.6-4.1.d; LR711B-1 b&c
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system		Page-41-42	
	403-2 Hazard identification, risk assessment, and incident investigation		Page-42	
	403-3 Occupational health services		Page-42	
	403-4 Worker participation, consultation, and communication on occupational health and safety		Page-42	
	403-5 Worker training on occupational health and safety		Page-43	
	403-6 Promotion of worker health		Page-43	
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		Page-43	
	403-8 Workers covered by an occupational health and safety management system		Page-43	
	403-9 Work-related injuries		Page-44	
	403-10 Work-related ill health	Not applicable		
ENERGY 2016				
GRI 3: Material Topics 2021	3-3 Management of material topics		Page-45-46	PN7.6-4.1.c; PN7.6-4.1.d; LR711B-1 b&c
GRI 302: Energy 2016	302-1 Energy consumption within the organisation		Page-46	
	302-3 Energy intensity		Page-46	
	302-4 Reduction of energy consumption		Page-46	
	302-5 Reductions in energy requirements of products and services		Page-46	

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GRI STANDARD	DISCLOSURE	REASONS FOR OMISSION	PAGE NUMBER(S) AND/OR URL(S)	SGX REQUIREMENT
EMISSIONS 2016				
GRI 3: Material Topics 2021	3-3 Management of material topics		Page-46	PN7.6-4.1.c; PN7.6-4.1.d; LR711B-1 b&c
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions		Page-47	
	305-2 Energy indirect (Scope 2) GHG emissions		Page-47	
	305-3 Other indirect (Scope 3) GHG emissions		Page-47-48	
	305-4 GHG emissions intensity		Page-47-48	
	305-5 Reduction of GHG emissions		Page-46-48	
	305-6 Emissions of ozone-depleting substances (ODS)	Not applicable		
	305-7 Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions	Not applicable		
WASTE 2020				
GRI 3: Material Topics 2021	3-3 Management of material topics		Page-49	PN7.6-4.1.c; PN7.6-4.1.d; LR711B-1 b&c
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts		Page-49	
	306-2 Management of significant waste-related impacts		Page-49	
	306-3 Waste generated		Page-49	
	306-4 Waste diverted from disposal	Not applicable		
	306-5 Waste directed to disposal	Not applicable		

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 Chief Executive Officer, 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.

All Directors are required to disclose their business interests and any potential or actual conflicts of interest that they are aware of, or as soon as such conflicts become apparent. On quarterly basis, each director is required to submit details of his/her associates for the purpose of monitoring interested person transactions ("**IPT**"), and review the list of new suppliers and customers of the Group to confirm that there is no omission in disclosure of his/her associates. Where a director has a conflict or potential conflict of interest in relation to any matter, he/she is required to immediately declare his/her interest, recuse himself/herself and refrain from participating in discussions regarding a transaction or proposed transaction in which he/she has an interest or is conflicted, unless the Board is of the opinion that his/her presence and participation is necessary to enhance the efficacy of such discussion. Nonetheless, he/she should abstain from voting in relation to the conflict-related matters.

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. In addition, Directors are regularly updated on the Group's business activities and regulatory and industry specific environments in which the Group operates during the Board meetings. 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. The Executive Director and Chief Executive Officer ("**CEO**") also updated the Board at each meeting on the business and strategic development.

During the financial year ended 31 December 2023 ("**FY2023**"), newly appointed directors who have no prior experience as a director of an issuer listed on the SGX have attended the Listed Entity Director (LED) training courses organized by the SID. All Directors have also completed the mandated sustainability training course on Environmental, Social and Governance (ESG) Essentials organised by the Institute of Singapore Chartered Accountants (ISCA) as required by the enhanced SGX-ST's sustainability reporting rules.

CORPORATE GOVERNANCE REPORT

<u>Provision 1.3</u> **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 Board has in place an authority matrix to provide guidelines on the approval for material transactions which are reviewed on a regular basis and revised accordingly when necessary. The Board approves transactions exceeding certain threshold amounts while delegating authority to Management for transactions below those limits.

The Company has adopted and documented in its internal guidelines a comprehensive list of matters that are reserved for Board's approval which are clearly communicated to the Management. The Directors have identified a few areas for which the Board has direct responsibility for decision making, such as:

- approval of financial results announcements, annual reports and audited financial statements;
- matters as specified under the SGX-ST's listing rules on interested person transaction;
- annual budgets and business plans of the Group;
- declaration of interim dividends and proposal of final dividends;
- convening of shareholders' meetings;
- approval of corporate strategy;
- authorisation of major transactions;
- approval of Board changes and appointments on Board committees;
- increase in investment in businesses and subsidiaries;
- divestment in any of the Group's companies; and
- commitments to term loans and lines of credit from banks and financial institutions by the Company.

While matters relating in particular to the Company's objectives, strategies and policies require the Board's direction and approval, Management is responsible for the day-to-day operation and administration of the Company in accordance with the objectives, strategies and policies set by the Board. In addition, the Board also considers sustainability issues such as environmental and social factors as part of its strategic formulation, and assuming responsibility for corporate governance.

CORPORATE GOVERNANCE REPORT

<u>**Provision 1.4**</u> **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.

The Board will meet at least twice every year to coincide with the announcement of the Group's half year and full year financial results as well as 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 four scheduled meetings in the FY2023. Board and Board Committees' meetings for the calendar year 2024 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.

If a director is unable to attend a Board or Board Committee meeting, he/she will still receive all the papers and materials for discussion at that meeting. He/She will review them and advise the Chairman of the Board or the Board Committee of his/her views and comments on the matters to be discussed so that they can be conveyed to other members at the meeting.

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.

<u>**Provision 1.5**</u> **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 pages 92 to 93 of this Annual Report for the attendance of the Directors at meetings for FY2023.

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.

CORPORATE GOVERNANCE REPORT

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 also keeps the Board appraised of the Group's operations and performance through quarterly meetings and informal discussions. Management accounts, as well as financial, business and corporate matters of the Group are provided to members of the Board 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 (except where such meetings relate to internal or operational updates), assist the Chairman of the Board's and Board Committee's meetings in ensuring that the relevant procedures, applicable rules and regulations are followed as well as ensuring good information flow within the Board and its Committees, between key management personnel and the Non-Executive Directors. The Company Secretaries also assist in facilitating orientation and professional development, if required. The appointment and removal of the Company Secretaries are matters which are to be approved by the Board.

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.

CORPORATE GOVERNANCE REPORT

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.

During FY2023 and up to the date of this report, the Board comprises the following Directors:

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER
Ms Xiao Xia

INDEPENDENT NON-EXECUTIVE DIRECTORS
Mr Ong Hwee Li (Independent Non-Executive Chairman) (the "**Chairman**")
Ms Ong Lizhen, Daisy
Ms Ng Chuey Peng

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;
- 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.

For the year under review, the NC examined the different relationships that might impair the directors' independence. Based on the confirmation of independence submitted by the Independent Non-Executive Directors, 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.

Any director who has served on the Board beyond nine years from the date of his/her appointment will be subject to more rigorous review, taking into account their continuing contributions and the need for progressive refreshing of the Board and decide if they should continue with the appointment. On 11 January 2023, the SGX RegCo introduced a mandatory nine-year tenure limit for an Independent Director, beyond which such Director will no longer be considered as independent pursuant to Listing Rule 210(5). None of the Director of the Board is subjected to the aforesaid tenure limit at the forthcoming AGM.

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. Following the cessation of Mr Kesavan Nair as Independent Non-Executive Chairman, and Mr Ng Weng Sui Harry and Ms Ng Kate Jain as Independent Non-Executive Director with effect from 22 June 2023, the Board now has 3 Independent Non-Executive Directors, representing a majority: Mr Ong Hwee Li, Ms Ong Lizhen, Daisy, and Ms Ng Chuey Peng.

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

Independent Non-Executive Directors comprise a majority of the Board for FY2023.

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 conducts annual review of its Board composition to ensure the Board comprises an appropriate balance of skills, experience and knowledge required to effectively oversee and support the management and strategic objectives of the Company and that the Board's composition is adequate and meet with the requirements of the Group at the point in time. Any potential conflicts of interest will also be taken into consideration.

In financial year ended 31 December 2022, the NC and Board approved the adoption of Board Diversity Policy and Director Nomination Policy. The policies are made available on the Company's website (https://hgmetal.listedcompany.com/board-diversity-policy.html). The Board Diversity Policy recognises and embraces the importance and benefits of having a diverse Board to better support the Company's strategic objectives for sustainable development by enhancing the decision-making process of the Board through the perspectives garnered from the various skills, business experience, industry discipline, gender, age, ethnicity and other distinguishing qualities of the Directors. We aim to ensure that our Directors, as a group, represent geographically diverse backgrounds and experiences in alignment with the business strategy and the Group's key operations.

To assist the NC in its annual review of the Board composition, the Board has adopted a set of skills matrix which guides the NC in its assessment of skills and diversity that the Board has or is looking for and assists to identify any gaps in skills in the current Board composition, or that may be required going forward, as part of the Company's broader board renewal and succession process.

The Board acknowledges the importance of promoting gender diversity and add a broader perspective on the Board. To this end, the Board is committed to having regard to the profile and timing of the appointment and retirement of Directors, endeavours to have a minimum of one (1) female member on the Board and to include at least one (1) female candidate in any search process for appointment of new director and key management personnel.

CORPORATE GOVERNANCE REPORT

Pursuant to the Board's aim to maintain a diversity of expertise, skills, attributes and gender among its Directors, an executive non-independent female director, Ms Xiao Xia was appointed to the Board on 27 April 2023 while two independent non-executive female directors, Ms Ong Lizhen, Daisy and Ms Ng Chuey Peng, were appointed on 22 June 2023, each possessing a different skill set. The appointments reflect the Company's commitment to promote diversity, especially gender diversity, on its Board.

The Board currently has 4 Board members (including 3 female directors). A majority of the Directors, including the Chairman, are Non-Executive and Independent Directors, and there are no alternate Directors on our Board. The make-up of the Board reflects diversity of gender, ethnicity, skills and knowledge. 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. The Board comprises of business leaders and professionals with diverse expertise and experience in the steel industry, corporate finance, banking and finance, accountancy, corporate mergers and acquisitions and corporate governance knowledge. This diversity enables them, in their collective wisdom, to contribute effectively during 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 avoid to groupthink and foster constructive debate, in accordance with the Company's diversity policy.

Details of Composition of the Board as at 31 December 2023:

	Number of Directors	Proportion of the Board
Board Independence		
Independent Director	3	75%
Non-independent Director	1	25%
Directors' Length of Services		
More Than 9 years	0	0%
Less than 9 years	4	100%
Gender Diversity		
Male	1	25%
Female	3	75%
Age Group		
40 – 49 years old	2	50%
50 – 59 years old	1	25%
60 – 69 years old	1	25%

CORPORATE GOVERNANCE REPORT

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. All Board appointments are made based on merit, in the context of the skills, experience, independence, knowledge and other diversity attributes which the Board as a whole requires to be effective. 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. After the reconstitution of board and board committees of the Company with effect from 22 June 2023, all of the members of the NC, RC and ARC are Independent Non-Executive Directors in FY2023. 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.

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 FY2023.

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.**

Upon the resignation of Mr Kesavan Nair as Independent Non-Executive Chairman with effect from 22 June 2023, and recommendation of the NC, which had reviewed the qualifications and experience of Mr Ong Hwee Li, the Board of Directors approved his appointment as the Independent Non-Executive Chairman, with effect from 22 June 2023.

Following the resignation of Mr Foo Sey Liang, who temporarily assumed the CEO's responsibilities, as Executive Director with effect from 27 April 2023, and remain as Non-Executive Director until 22 June 2023, the Board of Directors approved the recommendation of the NC, which had reviewed the qualifications and experience of Ms Xiao Xia, as Executive Director and CEO, with effect from 27 April 2023.

Mr Ong Hwee Li and Ms Xiao Xia are not related to each other. There is a clear division of responsibilities between Mr Ong Hwee Li and Ms Xiao Xia, ensuring a balance of power and authority at the top of the Group.

CORPORATE GOVERNANCE REPORT

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 Executive Director and CEO, Ms Xiao Xia after Mr Foo Sey Liang resigned, who temporarily assumed the CEO's responsibilities, as Executive Director with effect from 27 April 2023, and remain as Non-Executive Director until 22 June 2023. The Executive Director and CEO 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.

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 Ong Hwee Li 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.

CORPORATE GOVERNANCE REPORT

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;
- 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;
- implementing the Board Diversity Policy and Director Nomination Policy and reviewing their effectiveness;
- 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.

CORPORATE GOVERNANCE REPORT

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, competing time commitments and candour. The details of the Directors seeking re-election are set out on pages 96 to 101 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 Ong Hwee Li (Chairman, Independent Non-Executive Chairman)
Ms Ong Lizhen, Daisy (Member, Independent Non-Executive Director)
Ms Ng Chuey Peng (Member, Independent Non-Executive Director)

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.

CORPORATE GOVERNANCE REPORT

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.

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 FY2023. 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.

CORPORATE GOVERNANCE REPORT

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.

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.

CORPORATE GOVERNANCE REPORT

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 FY2023 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 FY2023.

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.

The RC meets at least once each year and at other times as required to discharge its functions.

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.

CORPORATE GOVERNANCE REPORT

<u>Provision 6.2</u> **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:

Ms Ng Chuey Peng (Chairman, Independent Non-Executive Director)
Mr Ong Hwee Li (Member, Independent Non-Executive Chairman)
Ms Ong Lizhen, Daisy (Member, Independent Non-Executive Director)

<u>Provision 6.3</u> **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.

<u>Provision 6.4</u> **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 FY2023. 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 amongst others, their scope of duties, responsibilities, skills and experience, corporate and individual performances and achievement of annual key performance indicators as well as prevailing market practice and economic situation. The RC considers 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 and other stakeholders and to promote the long-term sustainability of the Group.

The Company does not have any share incentive scheme.

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, number of Board Committees served as well as prevailing market practice and economic situation. 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.

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 FY2023, the CEO, Executive Director and key management personnel have met the relevant performance conditions.

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 93 to 95 of this Annual Report for the remuneration of the Directors and key management personnel for FY2023. The Group had three key management personnel during FY2023.

CORPORATE GOVERNANCE REPORT

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 also be disadvantageous to the Company in relation to its competitors and may affect adversely the cohesion and spirit of teamwork 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 pages 70 to 73. The fee scale for determining the applicable directors' fees payable to the independent directors are also published at page 94. 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.

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 former Executive Director who stepped down from the board on 22 June 2023, and Ms Xiao Xia, the Executive Director and CEO, 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 FY2023. The remuneration of Mr Foo Sey Liang and Ms Xiao Xia is disclosed in bands of S$100,000 in Table B set out on page 93 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 93 to 95 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 FY2023. The Company does not have any share incentive scheme.

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.

<u>Provision 9.2</u> **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 Executive Director and the CFO that (a) the financial records have been properly maintained and the financial statements for FY2023 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.

<u>Provision 10.1</u> **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.

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 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 31 December 2023.

The aggregate amount of fees paid or payable to the external auditors of the Company, broken down into audit and non-audit services during FY2023 are as follows:

Audit fees: S$169,000
Non-audit fees: Nil

The ARC will review all non-audit services provided by the external auditors to the Group, to satisfy that the nature and extent of such services will not affect the independence of the external auditors. There was no non-audit services performed by the external auditors in FY2023. 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.

CORPORATE GOVERNANCE REPORT

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. Save as disclosed in pages 121 to 122 in this Annual Report, 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.

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:

Ms Ong Lizhen, Daisy (Chairman, Independent Non-Executive Director)
Ms Ng Chuey Peng (Member, Independent Non-Executive Director)
Mr Ong Hwee Li (Member, Independent Non-Executive Chairman)

At least 2 members of the ARC (including the ARC chairman), namely Ms Ong Lizhen, Daisy and Ms Ng Chuey Peng 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.

CORPORATE GOVERNANCE REPORT

<u>Provision 10.4</u> **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.

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.

<u>Provision 10.5</u> **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 two 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. 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.

The Company will also address the substantial and relevant questions from shareholders, if any, on 19 April 2024 by electronic means via publication on the Company's website and the SGXNET.

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.

CORPORATE GOVERNANCE REPORT

<u>Provision 11.3</u> **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 the former Directors attended the AGM held on 26 April 2023.

<u>Provision 11.4</u> **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.

<u>Provision 11.5</u> **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.

<u>Provision 11.6</u> **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).

CORPORATE GOVERNANCE REPORT

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 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 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.

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 Companies Act and Singapore Financial Reporting Standards;
- half-yearly 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.

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.

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 FY2023.

CORPORATE GOVERNANCE REPORT

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 28 in this Annual 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 28 to 30 under the "Sustainability Report" section 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 to communicate and engage with stakeholders.

CORPORATE GOVERNANCE REPORT

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.

UPDATE ON USE OF PROCEEDS FROM SHARE PLACEMENT

On 19 September 2023, the Company issued and allotted 25,059,406 new ordinary shares in the capital of the Company (the "**Placement Shares**") pursuant to a private placement at an issue price of S$0.278 for each Placement Share to raise net proceeds of approximately S$6.89 million (after deducting estimated expenses pertaining to the Placement of approximately S$76,000).

In accordance to the announcement released on 12 January 2024, the Company had utilized the net proceeds of approximately S$2.18 million for working capital purposes.

The aforementioned proceeds have been used in accordance with the stated use as set out in the announcement dated 31 August 2023.

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 be 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 FY2023 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 FY2023 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 Group's principal business risks and approaches in managing those risks are outlined below:

STRATEGIC AND BUSINESS RISKS	
Principal Risks	**Management Approach**
Expansion and Investment Risk	
The Group endeavours 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. It is exposed to risks associated with its expansion plans, including the financial burden of setting up new businesses and dealing with unfamiliar rules and regulations in foreign jurisdictions.	The Group is adopting the practice of conducting due diligence assessments and other business analyses for any new investment proposal to minimise any potential risk exposure. All investment proposals are subject to approval from the Board before implementation. Investments are monitored to ensure that they are on track in meeting the Group's strategic intent, investment objectives and returns. On 7 February 2023, the Group announced its intention to cease its business operations in Myanmar due to political and economic uncertainty, and the Financial Action Task Force (FATF) move to place Myanmar on its blacklist of countries since October 2022. The details of this impairment and the Group's financial performance can be found in the announcement released on 21 February 2023. Following the above, on 13 February 2024, the Group announced the disposal of the entire stake in the Company's subsidiary, First Fortune International Company Limited ("**Disposal**"), details of which can be found in the said announcement. The Company will convene an extraordinary general meeting to seek the ratification of the Disposal by the shareholders of the Company.

CORPORATE GOVERNANCE REPORT

STRATEGIC AND BUSINESS RISKS

Principal Risks	Management Approach
Fluctuations in Steel Prices and Supply Chain Risk 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, often resulting from supply disruptions, pent-up demand, or significant peaks and troughs in prices due to pressure from uncertain economic outlook, geopolitical risks etc. 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 and suppliers to address price fluctuation risk. We implement commercial hedging (both buying and selling) to reduce the impact of price volatility in accordance with the sales contracts on hand, planned production volume and general market outlook. We review the need for locking in longer period purchasing pricing contract based on steel debar futures price index. We ensure close monitoring of regulatory changes, market trends and BCA material price index that may impact selling pricing and stock procurement strategies. We also review the appropriate mix of fixed and fluctuating price sales contracts in accordance with BCA material price index to safeguard against fluctuation in raw material prices that will impact on the profit margin. In addition, the Group will explore and build alternative supply chain across geographies to ensure that the business is sufficiently safeguarded against geo-political tension that may cause supply chain disruption.

CORPORATE GOVERNANCE REPORT

OPERATIONAL RISKS	
Principal Risks	**Management Approach**
Product Quality, Delivery and Operational Risks	
The Group remains vigilant against customers' project risks such as schedule delay, equipment failures create disruptions to manufacturing processes, product quality, contractor's capability and performance, as well as contract disputes. Failure to manage these risks will adversely affect operations and customer service levels, reputation and sales.	Product quality is the top priority and applied throughout the entire chain of our operations from sales, procurement, production and delivery to customers. We monitor and ensure procurement of stocks in line with progress of project and product specification, making sure prompt delivery according to customer's project progress schedule. We maintain ISO 9001:2015 certification, affirming our capability to meet quality requirement across all key operations in Singapore. We implement preventive maintenance to minimise machine downtime risk.
Health and Safety	
The nature of the Group's operations can expose employees, subcontractors, customers and other individuals to potential health and safety risks. A significant safety incident could expose the Group to legal liability, and/or significant costs and damage the Group's reputation.	Our health and safety guidelines ensure compliance with local laws, regulations and standards. The primary focus is protecting the employees and communities from harm and operations from business interruptions. We have established a Workplace Safety and Health (WSH) committee to review workplace safety and health matters. We conduct WSH inspection at workplaces to identify hazards and ensure compliance with the WSH Act and relevant regulations. We provide periodic safety training, awareness programme mandatory usage of safety gadgets such as safety shoes, helmets, hand gloves, masks on workshops/plants to ensure safe work procedures. We have in place a pandemic response plan including training and awareness programs to safeguard the health and welfare of employee.

CORPORATE GOVERNANCE REPORT

OPERATIONAL RISKS	
Principal Risks	**Management Approach**
IT Security Risk	
The Group relies on a robust IT infrastructure for its daily business operations, internal communications, reporting and communications with customers and suppliers. There is a constant threat of significant and sophisticated cyber-attacks including phishing, ransomware, malware and social engineering.	The Group adopts necessary and up-to-date IT controls and governance practices, including the strengthening of network security such as updating security patches to the system and encrypting workstations. We have in place outsource contract with credible vendor, supporting cost-efficient, secure and availability of systems and networks. Regular system performance monitoring, active capacity planning, maintenance and drills (including disaster recovery).
Climate-related Risks	
The Group recognizes the significant environmental challenges the world faces due to climate change and the implications that this can have for our business and supply chains. Apart from physical risks arising from extreme weather events, there are also other transitional risks that we have to consider as we move towards a low-carbon economy.	For more information on our approach to managing climate-related risks, please refer to pages 22 to 27 under the Sustainability Report section of this Annual Report.

FINANCIAL RISKS	
Principal Risks	**Management Approach**
Liquidity Risk	
The Group seeks to maintain sufficient liquidity to fund our day-to-day operations, to meet liquidity requirements and service debts.	The Group actively manages liquidity risks through cashflow forecasts, monitoring and maintaining sufficient cash and cash equivalent to finance operations and meeting funding requirements. We maintain good relationships with the financing banks, ensuring funding flexibility with credit facilities available to meet short-term obligations as they fall due.

CORPORATE GOVERNANCE REPORT

FINANCIAL RISKS

Principal Risks	Management Approach
Foreign Exchange Exposure	
The risk of fluctuations in exchange rates impacting on the cost of goods purchased. We incur costs in one currency (mainly USD) and generate sales in another (mainly SGD), thus profit margins may be affected by changes in the exchange rates between the two currencies.	The Group is constantly reviewing foreign currency exposure from fluctuations arising from the Group's operations. The Group monitors the US$ exchange rates closely and has in place a hedging policy to manage its exposure. We match currency exposure and hedging instruments using a judicious mix of forwards and options to hedge known exposure from foreign currency exchange rate fluctuations.
Credit Risk	
The Group extends credit terms ranging from 30 to 90 days to its customers, depending on their creditworthiness. 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 regular 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. Majority of the Group's customers are insured by third party credit insurance to reduce the Group's credit risk exposure.

CORPORATE GOVERNANCE REPORT

COMPLIANCE RISK

Principal Risks	Management Approach
Legal and Compliance Risks	
The risk of loss resulting from breaching or non-compliance with applicable laws, regulations, or contractual obligations. Evolving regulatory framework may have material impact on financial and operations.	We seek to comply with applicable laws and regulatory requirements. We track compliances, understand changes to regulatory standards in a timely manner and integrate these changes into the business strategies and processes. We have established necessary compliance frameworks, putting in place the relevant internal controls processes, policies and procedures, delegation of authority matrix, risk management initiatives and corporate governance practices to prevent any lapses. We review and maintain the necessary liability insurance coverage where applicable to mitigate risk exposure. We do not condone fraudulent and corrupt activities and operate a grievance mechanism for reporting any compliance issues or concerns.

TABLE A

	Board of Directors		Audit & Risk Committee		Remuneration Committee		Nominating Committee	
Name of Director	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**	**Held**	**Attended**
Foo Sey Liang[1]	4	2	4	2	1	1	1	1
Ng Weng Sui Harry[2]	4	2	4	2	1	1	1	1
Kesavan Nair[3]	4	2	4	2	1	1	1	1
Ng Kate Jain[4]	4	2	4	2	1	1	1	1
Xiao Xia[5]	4	3	4	3	1	–	1	–
Ong Hwee Li[6]	4	2	4	2	1	–	1	–
Ong Lizhen, Daisy[7]	4	2	4	2	1	–	1	–
Ng Chuey Peng[8]	4	2	4	2	1	–	1	–

Notes:

1. Mr Foo Sey Liang ceased as Executive Director with effect from 27 April 2023, and remain as Non-Executive Director until 22 June 2023.
2. Mr Ng Weng Sui Harry ceased as Independent Non-Executive Director with effect from 22 June 2023.
3. Mr Kesavan Nair ceased as Independent Non-Executive Chairman with effect from 22 June 2023.
4. Ms Ng Kate Jain ceased as Independent Non-Executive Director with effect from 22 June 2023.
5. Ms Xiao Xia appointed as Executive Director and CEO with effect from 27 April 2023.
6. Mr Ong Hwee Li appointed as Independent Non-Executive Chairman with effect from 22 June 2023.
7. Ms Ong Lizhen, Daisy appointed as Independent Non-Executive Director with effect from 22 June 2023.
8. Ms Ng Chuey Peng appointed as Independent Non-Executive Director with effect from 22 June 2023.

TABLE B

The remuneration of the Directors and CEO from the Company for FY2023 is as follows:

Directors and CEO	Base Salary (%)	Bonus (%)	Director Fees* (%)	Allowances and Others (%)	TOTAL (%)
S$300,000 to S$399,999					
Xiao Xia[1]	78	16	–	6	100
S$100,000 to S$199,999					
Foo Sey Liang[2]	87	–	5	8	100
Below S$250,000					
Shin Taeyang[3]	94	–	–	6	100
Ng Weng Sui Harry[4]	–	–	100	–	100
Kesavan Nair[5]	–	–	100	–	100
Ng Kate Jain[6]	–	–	100	–	100
Ong Hwee Li[7]	–	–	100	–	100
Ong Lizhen, Daisy[8]	–	–	100	–	100
Ng Chuey Peng[9]	–	–	100	–	100

Notes:

1. Ms Xiao Xia appointed as Executive Director and CEO with effect from 27 April 2023.
2. Mr Foo Sey Liang ceased as Executive Director with effect from 27 April 2023, and remain as Non-Executive Director until 22 June 2023.
3. Mr Shin Taeyang ceased as CEO with effect from 28 February 2023.
4. Mr Ng Weng Sui Harry ceased as Independent Non-Executive Director with effect from 22 June 2023.
5. Mr Kesavan Nair ceased as Independent Non-Executive Chairman with effect from 22 June 2023.
6. Ms Ng Kate Jain ceased as Independent Non-Executive Director with effect from 22 June 2023.
7. Mr Ong Hwee Li appointed as Independent Non-Executive Chairman with effect from 22 June 2023.
8. Ms Ong Lizhen, Daisy appointed as Independent Non-Executive Director with effect from 22 June 2023.
9. Ms Ng Chuey Peng appointed as Independent Non-Executive Director with effect from 22 June 2023.

* Directors' fees are subject to Shareholders' approval at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

Although the Code recommends full disclosure in aggregate to the nearest thousand dollars of the total remuneration paid to each individual Director and the CEO (or equivalent) on a named basis as well as the aggregate remuneration paid to the top three key management personnel (who are not Directors or the CEO), 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.

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$ (Prior to June 2023)	**S$ (With Effect June 2023)**
Basic fee	53,240	50,000
Board chairmanship	7,986	8,000
ARC chairmanship	7,986	8,000
NC chairmanship	5,324	5,000
RC chairmanship	5,324	5,000
ARC membership	3,993	4,000
NC membership	2,662	2,500
RC membership	2,662	2,500

The annual aggregate remuneration paid and Directors' fees accrued for financial year ended 31 December 2023 were S$207,567 and S$208,156 respectively.

CORPORATE GOVERNANCE REPORT

The Company had only three Key Executive Officers for the financial year ended 31 December 2023. A breakdown of the remuneration of key management personnel for FY2023 is set out below:

Name of Executive Officers	Base Salary (%)[1]	Bonus (%)[1]	Allowances and Others (%)	TOTAL (%)
Below S$250,000				
Sharon Tay Hong Kiang	83	16	1	100
Royston Johns[2]	78	2	20	100
Ang Thiam Kwee[3]	89	7	4	100

Notes:

1. The salary and bonus amounts shown are inclusive of Central Provident Fund Contribution.
2. Royston Johns ceased as Head of Business of HG Metal Manufacturing Limited with effect from 8 September 2023.
3. Ang Thiam Kwee ceased as Head of Business of Oriental Metals Pte Ltd with effect from 29 February 2024.

The total remuneration paid to the top three key executive officers during FY2023 was S$514,900.

CORPORATE GOVERNANCE REPORT

DETAILS OF DIRECTORS SEEKING RE-ELECTION

Mr Ong Hwee Li, Ms Xiao Xia, Ms Ong Lizhen, Daisy and Ms Ng Chuey Peng 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:

	ONG HWEE LI	**XIAO XIA**
Date of first appointment	22 June 2023	27 April 2023
Date of last re-appointment (if applicable)	–	–
Age	51	47
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Upon the recommendation of the Nominating Committee and the Board, which had reviewed the qualification and experience of Mr Ong Hwee Li, the Board of Directors approved his appointment as the Independent Non-Executive Chairman, Chairman of Nominating Committee and member of Remuneration Committee and Audit and Risk Committee of the Company. The Board considered Mr Ong Hwee Li to be independent for the purpose of Rule 704(8) of the Listing Manual.	Upon the recommendation of the Nominating Committee, which had reviewed the qualification and experience of Ms Xiao Xia, the Board of Directors approved her appointment as Executive Director and Chief Executive Officer.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Executive. Ms Xiao Xia will be responsible for managing and overseeing the overall business strategy and development of the Group.

CORPORATE GOVERNANCE REPORT

	ONG HWEE LI	XIAO XIA
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Chairman Chairman of Nominating Committee Member of Remuneration Committee Member of Audit and Risk Committee	Executive Director and Chief Executive Officer
Professional qualifications	Bachelor of Business (Banking & Finance), Monash University Chartered Valuer and Appraiser	Bachelor of Business Administration from the East China University of Science and Technology
Working experience and occupation(s) during the past 10 years	July 2004 to Present Chief Executive Officer – SAC Capital Private Limited	January 2023 to April 2023 Bright Point Trading Pte Ltd Commodities Trader November 2022 to January 2023 Esteel Enterprise Pte Ltd Commodities Trader (Financial) March 2019 to November 2022 Shanghai Emetal Hong Energy Co., Ltd General Manager September 2013 to March 2019 Zhejiang Future Investment Co., Ltd General Manager of the Business unit
Shareholding interest in the listed issuer and its subsidiaries	No	35,642,600 shares in the listed issuer (deemed interest)
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	No	No

CORPORATE GOVERNANCE REPORT

	ONG HWEE LI	XIAO XIA
Conflict of interest (including any competing business)	No	None
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other principal commitments including directorships	Past (for the last 5 years) NA Present Directorship: SAC Advisors Private Limited Other Principal Commitment: SAC Capital Private Limited	Past (for the last 5 years) Shanghai Emetal Hong Energy Co. Ltd Dongming Emetal Hong Energy Trading (Fujian) Co. Ltd Present Directorship: NA Other Principal Commitments – Supervisor: Shanghai Hongyi Investment Management Co., Ltd Shanghai Huazang Electric Fuel Co., Ltd

CORPORATE GOVERNANCE REPORT

	ONG LIZHEN, DAISY	NG CHUEY PENG
Date of first appointment	22 June 2023	22 June 2023
Date of last re-appointment (if applicable)	–	–
Age	40	62
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	Upon the recommendation of the Nominating Committee and the Board, which had reviewed the qualification and experience of Ms Ong Lizhen, Daisy, the Board of Directors approved her appointment as the Independent Non-Executive Director, Chairman of Audit and Risk Committee and member of Nominating Committee and Remuneration Committee of the Company. The Board considered Ms Ong Lizhen, Daisy to be independent for the purpose of Rule 704(8) of the Listing Manual.	Upon the recommendation of the Nominating Committee and the Board, which had reviewed the qualification and experience of Ms Ng Chuey Peng, the Board of Directors approved her appointment as the Independent Non-Executive Director, Chairman of Remuneration Committee and member of Nominating Committee and Audit and Risk Committee of the Company. The Board considered Ms Ng Chuey Peng to be independent for the purpose of Rule 704(8) of the Listing Manual.
Whether appointment is executive, and if so, the area of responsibility	Non-Executive	Non-Executive
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Non-Executive Director Chairman of Audit and Risk Committee Member of Nominating Committee Member of Remuneration Committee	Independent Non-Executive Director Chairman of Remuneration Committee Member of Nominating Committee Member of Audit and Risk Committee

CORPORATE GOVERNANCE REPORT

	ONG LIZHEN, DAISY	NG CHUEY PENG
Professional qualifications	Bachelor of Accountancy, Nanyang Technological University Chartered Accountant, Institute of Singapore Chartered Accountants	Bachelor of Accountancy, National University of Singapore IBF Fellowship
Working experience and occupation(s) during the past 10 years	Jan 2023 to Present Chief Financial Officer – Fu Yu Corporation Limited Feb 2019 to Dec 2022 Chief Financial Officer – Allied Technologies Limited Nov 2015 to Jan 2019 Associate Director Investment – Centurion Corporation Limited Mar 2015 to Feb 2016 Financial Controller Singapore Operations (Contract) – Terracom Limited May 2012 to Mar 2014 Financial Controller – Sino Construction Limited	June 2014 to Present Head, Global Commodities Finance/ Trade Solutions – OCBC Ltd Singapore June 2022 to June 2023 Board Director – Komgo SA October 2009 to June 2014 Executive Director, Energy, Commodities & Transportation – Commodities – Fortis Bank Nederland N.V.Singapore/ABN AMRO Bank N.V., Singapore Branch
Shareholding interest in the listed issuer and its subsidiaries	No	No
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	No	No
Conflict of interest (including any competing business)	No	No

CORPORATE GOVERNANCE REPORT

	ONG LIZHEN, DAISY	NG CHUEY PENG
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other principal commitments including directorships	Past (for the last 5 years) Allied Technologies Holdings Pte. Ltd. ABO Labs Pte. Ltd. Activpass Holdings Pte. Ltd. Asia Box Office Pte. Ltd. Asia Box Office (HK) Limited Centurion US Student Accommodation US REIT LLC Present Dolz Business Consulting Pte. Ltd. Fu Yu Investment Pte. Ltd. Fu Yu Ventures Pte. Ltd. Fu Yu Supply Chain Solutions Pte. Ltd. LCTH Corporation Sdn Bhd Classic Advantage Sdn Bhd Fu Hao Manufacturing Sdn Bhd Fu Yu Moulding & Tooling (Zhuhai) Co., Ltd. Fu Yu Moulding & Tooling (Dongguan) Co., Ltd. Fu Yu Moulding & Tooling (Suzhou) Co., Ltd.	Past (for the last 5 years) Komgo SA Present NA

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 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 2023.

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 2023 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:

Ong Hwee Li (Chairman)	(Appointed on 22 June 2023)
Xiao Xia	(Appointed on 27 April 2023)
Ong Lizhen Daisy	(Appointed on 22 June 2023)
Ng Chuey Peng	(Appointed on 22 June 2023)

In accordance with Regulation 88 of the Company's Constitution, Ong Hwee Li, Xiao Xia, Ong Lizhen Daisy and Ng Chuey Peng 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 or date of appointment**	**At the end of financial year**	**At the beginning of financial year or date of appointment**	**At the end of financial year**
Ordinary shares of the Company				
Xiao Xia	–	–	35,642,600	35,642,600

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2024.

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, date of appointment, of later, 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.

DIRECTORS' STATEMENT

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

- 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 four 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.

DIRECTORS' STATEMENT

Auditor

Ernst & Young LLP has expressed its willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Ong Hwee Li
Director

Xiao Xia
Director

Singapore

27 March 2024

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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 2023, 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 material accounting policy information.

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 2023 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 2023

Key audit matters (cont'd)

Accounting for discontinued operations and disposal group classified as held for sale

The Group's subsidiary, First Fortune International Company Limited ("FFI"), which has business operations in Myanmar, has been classified as a discontinued operation that is held for sale.

On 13 February 2024, the Group announced that it had entered into a sale and purchase agreement (the "SPA") with Aung Tin Htut (the "Buyer"), in relation to the disposal of shares in FFI, as disclosed in Note 36 – Events occurring after the reporting period.

Management has measured the disposal group classified as held for sale at the lower of its carrying amount and fair value less costs to sell. Accordingly, the Group recognised an impairment loss of $685,000 for the financial year ended 31 December 2023, after taking into account the obligation to settle FFI's bank borrowings.

Significant management estimation is required in the impairment review and estimation of fair value less cost to sell, as well as the Company's obligations as guarantor of FFI's bank borrowings. Given the magnitude of the amount and the significant management estimation involved in the impairment assessment, we have identified this as a key audit matter.

Our audit procedures included, amongst others, reviewing management's impairment assessment and evaluating the reasonableness of key assumptions used in the estimation, taking reference from the SPA signed subsequent to the year end. This includes the determination of the provision for net loss on disposal of FFI based on consideration received and terms of the SPA. We also reviewed the Group's exposure arising from the Company's corporate guarantee for the bank borrowings of FFI by checking to the loan agreement, terms of the SPA, as well as the outstanding loan amount.

In addition, we assessed the adequacy of the disclosures in Note 15 – Discontinued operations.

Carrying amount of inventories at lower of cost and net realisable value

The carrying amount of the Group's inventories of $24,228,000 (2022: $58,851,000) as at 31 December 2023 is significant to the Group as it represented 22% of the Group's total current assets. The inventories mainly comprise trading inventories and raw materials. Significant management judgement is required in estimating the net realisable value of these inventories, which is affected by fluctuations in market prices and demand for steel. As such, we determined that this is a key audit matter.

Management assesses net realisable value based on expected selling price which factors in management's estimate of future market demand and price changes, Building and Construction Authority steel price index and adjustments for slow-moving inventories.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Key audit matters (cont'd)

Carrying amount of inventories at lower of cost and net realisable value (cont'd)

Our audit procedures included, amongst others, testing the costing of these inventories in accordance with the Group's weighted average inventory valuation accounting policy. We performed net realisable value testing by comparing the carrying amounts of these inventories with sales transactions made subsequent to financial year end. We also performed a sensitivity analysis on the net realisable value of these inventories, taking into account possible future changes in steel selling prices with reference to the market steel price index.

In addition, we assessed the adequacy of the Group's disclosure on inventories in the financial statements.

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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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.

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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

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

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

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

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

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

27 March 2024

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 $'000	2022 $'000
Continuing operations			
Revenue	4	**149,755**	152,617
Cost of sales		**(136,968)**	(132,113)
Gross profit		**12,787**	20,504
Other operating income	5	**951**	2,267
Selling and distribution costs		**(862)**	(344)
Administrative expenses		**(7,437)**	(10,306)
Other operating expenses		**(4,227)**	(5,045)
Finance costs	6	**(987)**	(1,366)
Impairment loss on financial assets	7	**(80)**	(236)
Profit before income tax	8	**145**	5,474
Income tax credit/(expense)	9	**308**	(530)
Net profit for the year from continuing operations		**453**	4,944
Discontinued operations			
Net loss for the year after tax from discontinued operations	15	**(2,224)**	(10,719)
Net loss for the year		**(1,771)**	(5,775)
Profit/(loss) attributable to:			
Owners of the Company			
Profit from continuing operations		**453**	4,944
Loss from discontinued operations		**(1,471)**	(5,471)
		(1,018)	(527)
Non-controlling interests			
Loss from discontinued operations		**(753)**	(5,248)
		(753)	(5,248)
Items that may be reclassified subsequently to profit or loss:			
Foreign currency translation		**33**	162
Other comprehensive income for the year, net of tax		**33**	162
Total comprehensive income for the year		**(1,738)**	(5,613)
Total comprehensive income attributable to:			
Owners of the Company			
Profit from continuing operations		**406**	4,861
Loss from discontinued operations		**(1,430)**	(5,346)
		(1,024)	(485)
Non-controlling interests			
Loss from discontinued operations		**(714)**	(5,128)
		(714)	(5,128)
Earnings per share:			
Basic (cents)			
Profit from continuing operations	10	**0.34**	3.94
Loss from discontinued operations	10	**(1.11)**	(4.36)
Diluted (cents)			
Profit from continuing operations	10	**0.34**	3.94
Loss from discontinued operations	10	**(1.11)**	(4.36)

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

BALANCE SHEETS
AS AT 31 DECEMBER 2023

		Group		Company	
	Note	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Assets					
Non-current assets					
Property, plant and equipment	11	**19,423**	21,723	**4,510**	4,329
Right-of-use assets	12	**6,034**	8,195	**47**	176
Intangible assets	13	**163**	238	**154**	145
Investment in subsidiaries	14	**–**	–	**13,028**	13,028
Investment securities	16	**250**	3,810	**250**	3,810
Fixed deposits pledged with banks	17	**–**	2,500	**–**	2,500
Restricted deposits	17	**142**	142	**–**	–
		26,012	36,608	**17,989**	23,988
Current assets					
Investment securities	16	**3,560**	3,861	**3,560**	3,861
Cash and cash equivalents	17	**16,382**	15,407	**8,258**	7,923
Fixed deposits pledged with banks	17	**12,750**	6,516	**8,750**	2,500
Inventories	18	**24,228**	58,851	**5,000**	23,030
Trade and other receivables	19	**50,383**	36,578	**49,770**	44,062
Income tax recoverable		**–**	139	**–**	–
Prepaid expenses		**215**	315	**65**	132
		107,518	121,667	**75,403**	81,508
Assets of disposal group classified as held for sale	15	**3,528**	–	**–**	–
		111,046	121,667	**75,403**	81,508
Total assets		**137,058**	158,275	**93,392**	105,496
Equity and liabilities					
Current liabilities					
Lease liabilities	12	**537**	600	**29**	155
Trade and other payables	20	**10,422**	11,474	**22,073**	29,359
Bank borrowings	21	**2,064**	23,621	**413**	8,425
Provision for income tax		**14**	498	**–**	–
Provision for reinstatement costs	22	**–**	241	**–**	241
Derivative financial instruments	23	**314**	423	**201**	38
		13,351	36,857	**22,716**	38,218
Liabilities directly associated with disposal group classified as held for sale	15	**4,811**	–	**–**	–
		18,162	36,857	**22,716**	38,218

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

BALANCE SHEETS

AS AT 31 DECEMBER 2023

	Note	Group 2023 $'000	Group 2022 $'000	Company 2023 $'000	Company 2022 $'000
Non-current liabilities					
Lease liabilities	12	**4,865**	5,253	**35**	64
Bank borrowings	21	**6,668**	11,556	**353**	766
Deferred tax liabilities	24	**631**	574	**–**	–
Provision for reinstatement costs	22	**1,572**	972	**–**	–
		13,736	18,355	**388**	830
Total liabilities		**31,898**	55,212	**23,104**	39,048
Net assets		**105,160**	103,063	**70,288**	66,448
Equity attributable to owners of the Company					
Share capital	25	**77,463**	70,496	**77,463**	70,496
Treasury shares	26	**(3,034)**	(3,034)	**(3,034)**	(3,034)
Other reserves	27	**2,997**	3,003	**2,527**	2,527
Accumulated profits/(losses)		**30,238**	34,388	**(6,668)**	(3,541)
		107,664	104,853	**70,288**	66,448
Non-controlling interests		**(2,504)**	(1,790)	**–**	–
Total equity		**105,160**	103,063	**70,288**	66,448
Total equity and liabilities		**137,058**	158,275	**93,392**	105,496

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 2023

	Equity attributable to owners of the Company								
2023 Group	**Share capital $'000**	**Treasury shares $'000**	**Capital reserve $'000**	**Premium paid on acquisition of non-controlling interest $'000**	**Foreign currency translation reserve $'000**	**Accumulated profits $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
At 1 January 2023	70,496	(3,034)	2,527	(212)	688	34,388	104,853	(1,790)	103,063
Loss for the year	–	–	–	–	–	(1,018)	(1,018)	(753)	(1,771)
Other comprehensive income									
Foreign currency translation	–	–	–	–	(6)	–	(6)	39	33
Other comprehensive income for the year, net of tax	–	–	–	–	(6)	–	(6)	39	33
Total comprehensive income for the year	–	–	–	–	(6)	(1,018)	(1,024)	(714)	(1,738)
Contributions by and distributions to owners									
Issuance of ordinary shares	6,967	–	–	–	–	–	6,967	–	6,967
Dividend on ordinary shares	–	–	–	–	–	(3,132)	(3,132)	–	(3,132)
Total contributions by and distributions to owners	6,967	–	–	–	–	(3,132)	3,835	–	3,835
Total transactions with owners in their capacity as owners	6,967	–	–	–	–	(3,132)	3,835	–	3,835
At 31 December 2023	77,463	(3,034)	2,527	(212)	682	30,238	107,664	(2,504)	105,160

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 2023

	Equity attributable to owners of the Company								
2022 Group	**Share capital $'000**	**Treasury shares $'000**	**Capital reserve $'000**	**Premium paid on acquisition of non-controlling interest $'000**	**Foreign currency translation reserve $'000**	**Accumulated profits $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
At 1 January 2022	70,496	(2,636)	2,527	(212)	646	39,927	110,748	3,338	114,086
Loss for the year	–	–	–	–	–	(527)	(527)	(5,248)	(5,775)
Other comprehensive income									
Foreign currency translation	–	–	–	–	42	–	42	120	162
Other comprehensive income for the year, net of tax	–	–	–	–	42	–	42	120	162
Total comprehensive income for the year	–	–	–	–	42	(527)	(485)	(5,128)	(5,613)
Contributions by and distributions to owners									
Purchase of treasury shares	–	(398)	–	–	–	–	(398)	–	(398)
Dividend on ordinary shares	–	–	–	–	–	(5,012)	(5,012)	–	(5,012)
Total contributions by and distributions to owners	–	(398)	–	–	–	(5,012)	(5,410)	–	(5,410)
Total transactions with owners in their capacity as owners	–	(398)	–	–	–	(5,012)	(5,410)	–	(5,410)
At 31 December 2022	70,496	(3,034)	2,527	(212)	688	34,388	104,853	(1,790)	103,063

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 2023

	Equity attributable to owners of the Company				
2023 Company	**Share capital $'000**	**Treasury shares $'000**	**Capital reserve $'000**	**Accumulated (losses)/profits $'000**	**Total equity $'000**
At 1 January 2023	**70,496**	**(3,034)**	**2,527**	**(3,541)**	**66,448**
Profit for the year, representing total comprehensive income for the year	**–**	**–**	**–**	**5**	**5**
Contributions by and distributions to owners					
Issuance of ordinary shares	**6,967**	**–**	**–**	**–**	**6,967**
Dividend on ordinary shares	**–**	**–**	**–**	**(3,132)**	**(3,132)**
Total contributions by and distributions to owners	**6,967**	**–**	**–**	**(3,132)**	**3,835**
Total transactions with owners in their capacity as owners	**6,967**	**–**	**–**	**(3,132)**	**3,835**
At 31 December 2023	**77,463**	**(3,034)**	**2,527**	**(6,668)**	**70,288**
2022 Company					
At 1 January 2022	70,496	(2,636)	2,527	(1,689)	68,698
Profit for the year, representing total comprehensive income for the year	–	–	–	3,160	3,160
Contributions by and distributions to owners					
Purchase of treasury shares	–	(398)	–	–	(398)
Dividend on ordinary shares	–	–	–	(5,012)	(5,012)
Total contributions by and distributions to owners	–	(398)	–	(5,012)	(5,410)
Total transactions with owners in their capacity as owners	–	(398)	–	(5,012)	(5,410)
At 31 December 2022	70,496	(3,034)	2,527	(3,541)	66,448

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 2023

	Note	2023 $'000	2022 $'000
Cash flows from operating activities			
Profit before income tax from continuing operations		**145**	5,474
Loss before income tax from discontinued operations		**(2,167)**	(10,719)
Adjustments for:			
Bad debts write-off/(recovered), net		**28**	(1)
Depreciation of property, plant and equipment	11	**2,093**	3,540
Depreciation of right-of-use assets	12	**1,251**	1,320
Amortisation of intangible assets	13	**34**	32
Gain on disposal of property, plant and equipment		**(183)**	(91)
Gain on lease modification	5	**–**	(336)
Write-off of intangible assets	13	**63**	–
Write-off of property, plant and equipment	8	**–**	5
Impairment of property, plant and equipment		**–**	7,813
Impairment of right-of-use assets		**–**	997
Write-down of inventories		**557**	99
Impairment loss on financial assets		**268**	1,212
Fair value (gain)/loss on derivatives, net	8	**(109)**	384
Finance costs		**1,324**	1,765
Interest income	5	**(413)**	(185)
Unrealised foreign exchange loss/(gain), net		**187**	(226)
Operating cash flows before changes in working capital		**3,078**	11,083
Working capital changes:			
Restricted deposits		**–**	642
Inventories		**33,482**	(13,583)
Trade and other receivables		**(14,118)**	(207)
Prepaid expenses		**95**	(99)
Trade and other payables		**954**	(10,703)
Cash generated from/(used in) operations		**23,491**	(12,867)
Interest received		**433**	269
Interest paid		**(1,500)**	(1,561)
Income tax paid		**(119)**	(779)
Net cash flows generated from/(used in) operating activities		**22,305**	(14,938)
Cash flows from investing activities			
Fixed deposits pledged with banks		**(3,734)**	(1,765)
Purchase of property, plant and equipment	A	**(1,652)**	(796)
Proceeds from disposal of property, plant and equipment	B	**362**	27
Purchase of intangible assets		**(22)**	(9)
Proceeds from maturity of investment securities		**3,750**	1,000
Net cash flows used in investing activities		**(1,296)**	(1,543)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	2023 $'000	2022 $'000
Cash flows from financing activities			
Purchase of treasury shares		**–**	(398)
Proceeds from issuance of ordinary shares in the Company		**6,967**	–
Dividends paid on ordinary shares of the Company		**(3,132)**	(5,012)
Proceeds from bank borrowings	C	**21,351**	112,774
Repayment of bank borrowings	C	**(44,464)**	(102,469)
Principal element of lease payments		**(714)**	(1,134)
Net cash flows (used in)/generated from financing activities		**(19,992)**	3,761
Net increase/(decrease) in cash and cash equivalents		**1,017**	(12,720)
Effects of exchange rate changes on cash and cash equivalents		**69**	251
Cash and cash equivalents at beginning of financial year		**15,407**	27,876
Cash and cash equivalents at end of financial year	17	**16,493**	15,407

For the purpose of the statement of cash flow, the consolidated cash and cash equivalents at end of reporting period comprised of the following:

		2023 $'000	2022 $'000
Cash and cash equivalents			
Continuing operations	17	**16,382**	15,407
Discontinued operations	15	**111**	–
		16,493	15,407

Note A: Purchase of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of $2,200,000 (2022: $1,104,000). The additions were by way as follows:

	Note	2023 $'000	2022 $'000
Settled in cash		**1,624**	664
Transfer from inventories		**576**	412
Other payables		**–**	28
	11	**2,200**	1,104

Cash outflows for the year also include payments in respect of the purchase of property, plant and equipment in the previous year of $28,000 (2022: $132,000).

CONSOLIDATED CASH FLOW STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Note B: Disposal of property, plant and equipment

During the financial year, the Group disposed property plant and equipment for $284,000 (2022: $105,000). Proceeds of $284,000 (2022: $27,000) were collected during the financial year with $Nil remaining in other receivables (2022: $78,000).

Cash inflows of S$362,000 for the current year also include receipts in respect of disposal of property, plant and equipment in the financial year ended 31 December 2022 of $78,000.

Note C: Reconciliation of liabilities arising from financing activities

		Cash flows		Non-cash changes				
	1 January	Proceeds received	Repayment made	Addition during the year	Foreign exchange movement	Accretion of interest	Others	31 December
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
2023								
Bank borrowings	**35,177**	**21,351**	**(44,464)**	**–**	**(47)**	**–**	**(3,285)***	**8,732**
Lease liabilities	**5,853**	**–**	**(969)**	**268**	**–**	**255**	**(5)**	**5,402**
Total	**41,030**	**21,351**	**(45,433)**	**268**	**(47)**	**255**	**(3,290)**	**14,134**
2022								
Bank borrowings	24,903	112,774	(102,469)	–	(31)	–	–	35,177
Lease liabilities	7,305	–	(1,413)	410	–	279	(728)	5,853
Total	32,208	112,774	(103,882)	410	(31)	279	(728)	41,030

* The amounts pertain to bank borrowings which have been reclassified as liabilities directly associated with disposal group classified as held for sale in the current financial year.

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 2023

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION

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 2023. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

2. MATERIAL ACCOUNTING POLICY INFORMATION (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) 1-1 *Presentation of Financial Statements: Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to SFRS(I) 16 *Leases: Lease Liability in a Sale and Leaseback*	1 January 2024
Amendments to SFRS(I) 1-1 *Presentation of Financial Statements: Non-current Liabilities with Covenants*	1 January 2024
Amendment to SFRS(I) 1-7 and SFRS(I) 7 *Financial Instruments: Disclosure and Statement of Cash Flows: Supplier Finance Arrangements*	1 January 2024
Amendments to SFRS(I) 1-21 *The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability*	1 January 2025

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.

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.5 Transactions with non-controlling interests (cont'd)

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.

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 Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.7 Non-current assets held for sale and discontinued operations (cont'd)

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

A disposal group qualifies as a discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:

- Represents a separate major line of business or geographical area of operations;
- Is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
- Is a subsidiary acquired exclusively with a view to resale

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 15. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

2.8 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.8 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.

2.9 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.9 Intangible assets (cont'd)

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.

2.10 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.11 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.

2.12 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.

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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.12 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.13 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.

2.14 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.

2.15 Inventories

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

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

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.15 Inventories (cont'd)

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

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

2.16 Provisions

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.

2.17 Financial guarantees

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit losses determined in accordance with the policy set out in Note 2.13 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.18 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.

2.19 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 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.19 Leases (cont'd)

(a) As 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 2.10 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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.19 Leases (cont'd)

(a) *As 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 2.20. Contingent rents are recognised as revenue in the period in which they are earned.

2.20 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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.20 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) Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentive provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(f) 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.

2.21 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 2023

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.21 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, 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, 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.

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.21 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.

(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.

2.22 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.

2.23 Treasury shares

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

2. MATERIAL ACCOUNTING POLICY INFORMATION (CONT'D)

2.24 Contingencies

A contingent liability is:

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

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

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

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

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

Contingent liabilities and assets are not recognised on the balance sheet of the Group.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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.

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

Key sources of estimation uncertainty

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

(a) 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 19 and Note 34 respectively.

A 5% increase/decrease in the allowance for expected credit losses estimated by the management would result in an increase/decrease of $84,000 in the Group's loss before income tax (2022: an increase/decrease of $213,000 in the Group's loss 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 18.

A 5% increase/decrease in the allowance for stock obsolescence estimated by the management would result in an increase/decrease of $25,000 in the Group's loss before income tax (2022: an increase/decrease of $4,950 in the Group's loss before income tax).

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

Key sources of estimation uncertainty (cont'd)

(c) Impairment review of property, plant and equipment and right-of-use assets

The carrying amounts of property, plant and equipment and right-of-use assets are reviewed for impairment when there are indicators of impairment. An impairment exists when the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, whichever is the higher of its fair value less cost to sell and its value in use ("VIU"). The carrying amounts of the Group's property, plant and equipment and right-of-use assets for the continuing operations of the Group at the end of the reporting period are disclosed in Note 11 and Note 12 respectively.

As there was an indication of impairment for these property, plant and equipment and right-of-use assets, the recoverable amounts were determined based on the value in use of the Singapore operations which was determined to be a separate cash generating unit ("CGU"). No impairment provision is required based on estimated recoverable amount. The estimated recoverable amount is highly dependent on the discount rate, terminal growth factor and future forecasted revenue and gross profit margins used in the VIU computation. Changes in these could result in revisions to the estimated recoverable amount.

4. REVENUE

Disaggregation of revenue

	Group	
	2023	**2022**
	$'000	**$'000**
Sale of goods *(at a point in time)*	**34,236**	53,312
Cut and bend *(at a point in time)*	**113,267**	97,137
Rental of steel plates *(over time)*	**2,252**	2,168
	149,755	152,617

5. OTHER OPERATING INCOME

	Group	
	2023	**2022**
	$'000	**$'000**
Bad debts recovered	**–**	1
Gain on disposal of property, plant and equipment	**167**	91
Gain on lease modification	**–**	336
Interest income		
– Cash held with banks	**308**	80
– Investment securities	**105**	105
Rental income	**14**	27
Income from subleasing	**12**	341
Warehouse and handling fee income	**100**	684
Electricity charges income	**–**	9
Government grant income	**51**	324
Fair value gain on derivatives, net	**109**	–
Sundry income	**85**	269
	951	2,267

In prior year, government grant income related mainly to foreign worker levy rebate.

6. FINANCE COSTS

		Group	
	Note	**2023**	**2022**
		$'000	**$'000**
Interest on lease liabilities	12	**255**	279
Interest expense			
– Bridging loans		**68**	95
– Trust receipts		**295**	825
– Construction loans		**335**	111
– Term loans		**23**	34
– Others		**11**	22
		987	1,366

7. IMPAIRMENT LOSS ON FINANCIAL ASSETS

	Note	Group 2023 $'000	Group 2022 $'000
Trade receivables	19	**74**	227
Other receivables	19	**6**	9
		80	236

8. PROFIT BEFORE INCOME TAX FROM CONTINUING OPERATIONS

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

	Group 2023 $'000	Group 2022 $'000
Depreciation of property, plant and equipment recognised as an expense in cost of sales	**925**	1,086
Inventories recognised as an expense in cost of sales (Note 18)	**118,768**	120,346
Audit fees paid/payable to:		
– Auditors of the Company	**158**	164
– Other auditors	**2**	3
Directors' fees	**208**	208
Staff cost (including directors):		
– Salaries, bonuses and allowances	**7,114**	8,887
– Employer's contributions to defined contribution plan	**476**	619
– Other staff welfare expenses	**330**	325
Legal and professional fees	**325**	333
Fair value (gain)/loss on derivatives, net	**(109)**	384
Depreciation of property, plant and equipment	**972**	2,049
Depreciation of right-of-use assets (Note 12)	**1,251**	1,258
Amortisation of intangible assets	**29**	22
Short-term lease expenses (Note 12)	**407**	380
Foreign exchange loss, net	**192**	88
Write-down of inventories (Note 18)	**492**	99
Write-off of property, plant and equipment	**–**	5

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

9. INCOME TAX EXPENSE

(a) *Major components of income tax expense*

The major components of income tax expense for the years ended 31 December 2023 and 2022 were:

	Group	
	2023	**2022**
	$'000	**$'000**
Current income tax		
– Current financial year		
– Attributable to continuing operations	**13**	493
– (Over)/under-provision in respect of prior year		
– Attributable to continuing operations	**(378)**	(59)
– Attributable to discontinued operations	**57**	–
	(308)	434
Deferred income tax		
– Origination and reversal of temporary differences (Note 24)		
– Attributable to continuing operations	**57**	96
Total income tax (credit)/expense recognised in the statement of comprehensive income	**(251)**	530

(b) *Relationship between tax expense and accounting (loss)/profit*

The reconciliation between tax expense and the accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2023 and 2022 were as follows:

	Group	
	2023	**2022**
	$'000	**$'000**
Profit before income tax from continuing operations	**145**	5,474
Loss before income tax from discontinued operations	**(2,167)**	(10,719)
Tax at the domestic rates applicable to profits in the countries where the Group operates	**(466)**	(1,755)
Non-deductible expenses	**587**	3,120
Non-taxable income	**(46)**	(23)
Over-provision in respect of prior year	**(321)**	(59)
Tax exemption and tax relief	**(9)**	(35)
Utilisation of previously unrecognised deferred tax assets	**–**	(712)
Others	**4**	(6)
Total income tax (credit)/expense recognised in the statement of comprehensive income	**(251)**	530

9. INCOME TAX EXPENSE (CONT'D)

(b) *Relationship between tax expense and accounting (loss)/profit (cont'd)*

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

At the balance sheet date, the Group has tax losses of approximately $100,973,000 (2022: $101,105,000) 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. The tax losses have no expiry date. Tax rates of the jurisdictions the Group operates in are ranging from 17% to 25%.

Under the Group Relief Scheme, a company belonging to a group may transfer its current year unabsorbed capital allowances, current year unabsorbed trade losses and current year unabsorbed donations (loss items) to another company belonging to the same group, to be deducted against the assessable income of the latter company.

For the financial year ended 31 December 2023, the Company transferred unutilised current year tax losses of $2,542,000 (2022: $2,953,000) to subsidiaries, subjected to compliance with the relevant rules and procedures and agreement of the Inland Revenue Authority of Singapore.

10. EARNINGS PER SHARE

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

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

The (loss)/profit and share data are presented in the table below

	Group	
	2023	**2022**
	$'000	**$'000**
Profit/(loss) for the year attributable to owners of the Company		
Profit from continuing operations	**453**	4,944
Loss from discontinued operations	**(1,471)**	(5,471)
	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	**132,685**	125,376

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 2022	194	10,032	28,554	20,915	340	634	358	2,473	23	63,523
Additions	–	–	–	456	4	41	–	251	352	1,104
Disposals and write-off	–	–	(9,172)	(944)	(37)	(127)	(302)	(206)	–	(10,788)
Reclassifications	–	–	–	345	14	2	14	–	(375)	–
Exchange differences	(12)	(87)	–	(13)	–	(1)	–	(1)	–	(114)
At 31 December 2022 and 1 January 2023	**182**	**9,945**	**19,382**	**20,759**	**321**	**549**	**70**	**2,517**	**–**	**53,725**
Additions	**–**	**–**	**–**	**1,712**	**1**	**77**	**–**	**117**	**293**	**2,200**
Disposals and write-off	**–**	**–**	**–**	**(182)**	**(2)**	**(10)**	**–**	**(24)**	**–**	**(218)**
Assets of disposal group classified as held for sale	**–**	**(9,559)**	**–**	**(755)**	**(6)**	**(42)**	**–**	**(106)**	**–**	**(10,468)**
Exchange differences	**(10)**	**(158)**	**–**	**(10)**	**–**	**(1)**	**–**	**(2)**	**–**	**(181)**
At 31 December 2023	**172**	**228**	**19,382**	**21,524**	**314**	**573**	**70**	**2,502**	**293**	**45,058**
Accumulated depreciation and impairment loss										
At 1 January 2022	–	599	15,867	12,005	277	528	309	2,070	–	31,655
Charge for the year	–	205	1,708	1,422	36	49	13	107	–	3,540
Disposals and write-off	–	–	(9,172)	(929)	(37)	(126)	(302)	(203)	–	(10,769)
Impairment losses	–	6,944	–	869	–	–	–	–	–	7,813
Exchange differences	–	(202)	–	(33)	–	(1)	–	(1)	–	(237)
At 31 December 2022 and 1 January 2023	**–**	**7,546**	**8,403**	**13,334**	**276**	**450**	**20**	**1,973**	**–**	**32,002**
Charge for the year	**–**	**102**	**662**	**1,157**	**16**	**47**	**14**	**95**	**–**	**2,093**
Disposals and write-off	**–**	**–**	**–**	**(96)**	**–**	**(10)**	**–**	**(11)**	**–**	**(117)**
Assets of disposal group classified as held for sale	**–**	**(7,463)**	**–**	**(673)**	**(2)**	**(17)**	**–**	**(59)**	**–**	**(8,214)**
Exchange differences	**–**	**(117)**	**–**	**(9)**	**(1)**	**(1)**	**–**	**(1)**	**–**	**(129)**
At 31 December 2023	**–**	**68**	**9,065**	**13,713**	**289**	**469**	**34**	**1,997**	**–**	**25,635**
Net carrying amount										
At 31 December 2022	182	2,399	10,979	7,425	45	99	50	544	–	21,723
At 31 December 2023	**172**	**160**	**10,317**	**7,811**	**25**	**104**	**36**	**505**	**293**	**19,423**

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	Total $'000
Company							
Cost							
At 1 January 2022	9,172	9,129	301	392	358	2,187	21,539
Additions	–	412	–	26	–	251	689
Disposals and write-off	(9,172)	(549)	(37)	(51)	(302)	(206)	(10,317)
At 31 December 2022 and 1 January 2023	**–**	**8,992**	**264**	**367**	**56**	**2,232**	**11,911**
Additions	**–**	**576**	**–**	**77**	**–**	**80**	**733**
Disposals and write-off	**–**	**(149)**	**–**	**–**	**–**	**–**	**(149)**
At 31 December 2023	**–**	**9,419**	**264**	**444**	**56**	**2,312**	**12,495**
Accumulated depreciation and impairment loss							
At 1 January 2022	8,126	5,225	261	346	309	1,921	16,188
Charge for the year	1,046	481	26	31	11	82	1,677
Disposals and write-off	(9,172)	(519)	(37)	(50)	(302)	(203)	(10,283)
At 31 December 2022 and 1 January 2023	**–**	**5,187**	**250**	**327**	**18**	**1,800**	**7,582**
Charge for the year	**–**	**343**	**5**	**32**	**11**	**79**	**470**
Disposals and write-off	**–**	**(67)**	**–**	**–**	**–**	**–**	**(67)**
At 31 December 2023	**–**	**5,463**	**255**	**359**	**29**	**1,879**	**7,985**
Net carrying amount							
At 31 December 2022	–	3,805	14	40	38	432	4,329
At 31 December 2023	**–**	**3,956**	**9**	**85**	**27**	**433**	**4,510**

The net carrying amounts of property, plant and equipment of the Group and the Company that were mortgaged as security for bank borrowings (Note 21) were as follows:

	Group		Company	
	2023 $'000	2022 $'000	2023 $'000	2022 $'000
Leasehold buildings	**10,317**	10,979	**–**	–

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12. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

As lessee

The Group has lease contracts for various items of land, 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. The Group applies the 'short-term lease' recognition exemptions for these leases.

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

			Group		
	Land	**Workers dormitories**	**Office equipment**	**Motor vehicles**	**Total**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**
At 1 January 2022	11,076	141	93	150	11,460
Additions	155	255	–	–	410
Depreciation	(1,055)	(218)	(26)	(21)	(1,320)
Reversal of provision for reinstatement costs	(975)	–	–	–	(975)
Lease modification	(392)	–	–	–	(392)
Impairment losses	(997)	–	–	–	(997)
Exchange differences	9	–	–	–	9
At 31 December 2022 and 1 January 2023	**7,821**	**178**	**67**	**129**	**8,195**
Additions	**–**	**268**	**–**	**–**	**268**
Provision of reinstatement costs	**600**	**–**	**–**	**–**	**600**
Depreciation	**(947)**	**(259)**	**(24)**	**(21)**	**(1,251)**
Lease modification	**–**	**(5)**	**–**	**–**	**(5)**
Reclassification to assets of disposal group classified as held for sale	**(1,748)**	**–**	**–**	**–**	**(1,748)**
Exchange differences	**(25)**	**–**	**–**	**–**	**(25)**
At 31 December 2023	**5,701**	**182**	**43**	**108**	**6,034**

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

As lessee (cont'd)

(a) Carrying amounts of right-of-use assets (cont'd)

	Company			
	Land	**Workers dormitories**	**Office equipment**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January 2022	1,996	10	72	2,078
Additions	–	81	–	81
Depreciation	(560)	(37)	(19)	(616)
Reversal of provision for reinstatement costs	(975)	–	–	(975)
Lease modification	(392)	–	–	(392)
At 31 December 2022 and 1 January 2023	**69**	**54**	**53**	**176**
Depreciation	**(69)**	**(41)**	**(19)**	**(129)**
At 31 December 2023	**–**	**13**	**34**	**47**

(b) Lease liabilities

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

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	**5,853**	7,305	**219**	1,491
Additions	**268**	410	**–**	81
Accretion of interest	**255**	279	**3**	31
Payments	**(969)**	(1,413)	**(158)**	(656)
Lease modification	**–**	(728)	**–**	(728)
Termination of lease	**(5)**	–	**–**	–
At 31 December	**5,402**	5,853	**64**	219
Current	**537**	600	**29**	155
Non-current	**4,865**	5,253	**35**	64
	5,402	5,853	**64**	219

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

As lessee (cont'd)

(c) Amounts recognised in profit or loss

	Group	
	2023	**2022**
	$'000	**$'000**
Depreciation expense of right-of-use assets	**1,251**	1,320
Interest expense on lease liabilities (Note 6)	**255**	279
Lease expense not capitalised in lease liabilities:		
– Expense relating to short-term leases (included in other operating expenses)	**407**	380
Total amount recognised in profit or loss	**1,913**	1,979

(d) Total cash outflows

During the financial year, the Group had total cash outflows for leases of $1,376,000 (2022: $1,793,000).

As 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 for periods ranging 12 to 36 months. The sublease periods do not form a major part of the remaining lease terms under the head leases and there are no options for renewal. Accordingly, the subleases are classified as operating leases. Income from subleasing is disclosed in Note 5.

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

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Not later than one year	**100**	100	**–**	–
Later than one year but not later than five years	**100**	201	**–**	–
	200	301	**–**	–

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13. INTANGIBLE ASSETS

	Computer software $'000	Club membership $'000	Total $'000
Group			
Cost			
At 1 January 2022	1,136	143	1,279
Additions	9	–	9
Exchange differences	(1)	–	(1)
At 31 December 2022 and 1 January 2023	**1,144**	**143**	**1,287**
Additions	**22**	**–**	**22**
Write-off	**(104)**	**–**	**(104)**
Exchange differences	**(1)**	**–**	**(1)**
At 31 December 2023	**1,061**	**143**	**1,204**
Accumulated amortisation			
At 1 January 2022	1,018	–	1,018
Amortisation	32	–	32
Exchange differences	(1)	–	(1)
At 31 December 2022 and 1 January 2023	**1,049**	**–**	**1,049**
Amortisation	**34**	**–**	**34**
Write-off	**(41)**	**–**	**(41)**
Exchange differences	**(1)**	**–**	**(1)**
At 31 December 2023	**1,041**	**–**	**1,041**
Net carrying amount			
At 31 December 2022	95	143	238
At 31 December 2023	**20**	**143**	**163**
Company			
Cost			
At 1 January 2022, 31 December 2022 and 1 January 2023	**922**	**143**	**1,065**
Additions	**22**	**–**	**22**
At 31 December 2023	**944**	**143**	**1,087**
Accumulated amortisation			
At 1 January 2022	916	–	916
Amortisation	4	–	4
At 31 December 2022 and 1 January 2023	**920**	**–**	**920**
Amortisation	**13**	**–**	**13**
At 31 December 2023	**933**	**–**	**933**
Net carrying amount			
At 31 December 2022	2	143	145
At 31 December 2023	**11**	**143**	**154**

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2023	**2022**
	$'000	**$'000**
Unquoted equity shares, at cost	**14,346**	14,346
Less: accumulated impairment losses	**(1,318)**	(1,318)
	13,028	13,028
Movement in allowance on impairment losses		
Balance at 1 January	**1,318**	1,233
Charge during the year	**–**	85
Balance at 31 December	**1,318**	1,318

For the financial year ended 31 December 2023, the Company recognised additional impairment losses of $Nil (2022: $85,000) on an investment in subsidiary in Malaysia as the recoverable amount did not support the carrying amount of the investment.

(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 2023 %	2022 %
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]	Under voluntary liquidation	Indonesia	**100.00**	100.00

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

The Group has the following investment in subsidiaries (cont'd):

Name of subsidiary	Principal activities	Country of incorporation and principal place of business	Proportion of ownership interest 2023 %	2022 %
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)]	Under voluntary liquidation	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)]	Under voluntary liquidation	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.

15. DISCONTINUED OPERATIONS

On 7 February 2023, the Group announced its plan to cease the business operations of its subsidiary, First Fortune International Company Limited ("**FFI**"), in Myanmar, in view that the economic conditions of Myanmar are not expected to improve in the near future, especially after the Financial Action Task Force moved to place Myanmar on its blacklist of countries since October 2022. Accordingly, this has been classified as a disposal group held for sale and the related operations in Myanmar is presented as discontinued operations.

On 13 February 2024, the Group announced that it had entered into a sale and purchase agreement with Aung Tin Htut (the "**Buyer**"), in relation to the disposal of all the ordinary shares it owns in the capital of its subsidiary, namely FFI to the Buyer.

The results of FFI for the year are presented below:

	2023 **$'000**	**2022** **$'000**
Revenue	**2,380**	5,756
Cost of sales	**(2,067)**	(5,106)
Gross profit	**313**	650
Other operating income	**41**	68
Selling and distribution costs	**(1)**	(14)
Administrative expenses	**(394)**	(682)
Other operating expenses	**(916)**	(556)
Finance costs	**(337)**	(399)
Impairment loss on assets of disposal group classified as held for sale	**(685)**	–
Impairment loss on non-financial assets	**–**	(8,810)
Impairment loss on financial assets	**(188)**	(976)
Loss before income tax	**(2,167)**	(10,719)
Income tax expenses		
Under provision in respect of previous years	**(57)**	–
Net loss for the year from discontinued operations	**(2,224)**	(10,719)

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15. DISCONTINUED OPERATIONS (CONT'D)

The major classes of assets and liabilities of FFI classified as held for sale as at 31 December 2023 are as follows:

	2023
Assets	**$'000**
Property, plant and equipment	**1,868**
Right-of-use assets	**1,449**
Inventories	**8**
Trade and other receivables	**3**
Prepaid expenses	**4**
Income tax recoverable	**85**
Cash and bank balances	**111**
Assets of disposal group classified as held for sale	**3,528**
Liabilities	
Trade and other payables	**(1,526)**
Bank borrowings*	**(3,285)**
Liabilities directly associated with disposal group classified as held for sale	**(4,811)**
Net liabilities directly associated with disposal group classified as held for sale	**(1,283)**

* The bank borrowings are secured by fixed charges over property, plant and equipment that are pledged to the bank and under a corporate guarantee provided by the Company.

The Company has provided a corporate guarantee for the bank borrowings extended to FFI. On 13 February 2024, the Company disposed all the ordinary shares it owns in the capital of FFI to the Buyer. Based on the Share Purchase Agreement, the responsibility of FFI's outstanding bank loan will be settled by the Company. With that, the Group has recognised the provision for net loss on disposal of FFI amounting to $685,000 after taking into consideration the corporate guarantee for the bank borrowings amounting to $3,285,000 in its FY2023 financial statements.

The net cash flows incurred for discontinued operations are as follows:

	2023 $'000	2022 $'000
Operating	**934**	1,192
Investing	**134**	–
Financing	**(1,616)**	(2,858)
Net cash outflow	**(548)**	(1,666)

15. DISCONTINUED OPERATIONS (CONT'D)

Earnings per share for discontinued operations:

	2023	2022
Basic (cents)	**(1.11)**	(4.36)
Diluted (cents)	**(1.11)**	(4.36)

16. INVESTMENT SECURITIES

	Group and Company	
	2023	2022
	$'000	$'000
At amortised cost		
– 2.59% p.a. SGD corporate bonds due 5 April 2023	**–**	1,006
– 3.21% p.a. SGD corporate bonds due 9 November 2023	**–**	2,768
– 3.10% p.a. SGD government bonds due 24 July 2024	**3,551**	3,636
– 2.32% p.a. SGD government bonds due 24 January 2028	**259**	261
	3,810	7,671
Net carrying amount		
Current	**3,560**	3,861
Non-current	**250**	3,810
	3,810	7,671

Investments pledged as security

The Group's investments in corporate and government bonds amounting to $3,810,000 (2022: $7,671,000) 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.

17. CASH AND CASH EQUIVALENTS

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Cash and bank balances	**15,854**	14,242	**8,150**	7,899
Fixed deposits with banks	**528**	1,165	**108**	24
Cash and cash equivalents	**16,382**	15,407	**8,258**	7,923
Fixed deposits pledged with banks	**12,750**	9,016	**8,750**	5,000
Restricted deposits	**142**	142	**–**	–
Bank balances and fixed deposits	**29,274**	24,565	**17,008**	12,923

Fixed deposits pledged with banks mainly comprise:

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Current	**12,750**	6,516	**8,750**	2,500
Non-current	**–**	2,500	**–**	2,500

For the financial year ended 31 December 2023, fixed deposits earn weighted average effective interest rate of 2.69% per annum (2022: 2.63% per annum) and for tenures ranging from 1 month to 24 months (2022: 2 months to 24 months).

The purpose of the pledged fixed deposits is to secure credit facilities with the banks as disclosed in Note 21.

Restricted deposits are cash deposits placed as collateral with a bank to guarantee satisfactory supply and delivery of goods as sub-contractor. These deposits are restricted in use until 31 January 2029.

Cash and bank balances denominated in foreign currencies mainly comprise:

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	**1,323**	5,383	**702**	4,061
Myanmar Kyat	**4**	619	**–**	–
Malaysia Ringgit	**11**	10	**11**	10

18. INVENTORIES

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Trading inventories	**4,940**	22,921	**5,000**	23,030
Finished goods	**1,223**	1,334	**–**	–
Work-in-progress	**76**	50	**–**	–
Raw materials	**17,989**	34,546	**–**	–
Inventories (at lower of cost and net realisable value)	**24,228**	58,851	**5,000**	23,030

Included in the above balances is an allowance of write-down of inventory of $492,000 (2022: $99,000).

	Group	
	2023	2022
	$'000	$'000
Inventories recognised as an expense in cost of sales (Note 8)	**118,768**	120,346

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023	2022	2023	2022
	$'000	$'000	$'000	$'000
Trade receivables				
Third parties	**41,030**	35,323	**4,424**	8,732
Amounts due from subsidiaries	**–**	–	**28,987**	24,621
	41,030	35,323	**33,411**	33,353
Other receivables				
Third parties	**25**	36	**24**	23
Rental, utilities and other deposits	**207**	279	**117**	179
Amounts due from subsidiaries	**–**	–	**3,089**	10,360
Loan due from a subsidiary	**–**	–	**5,381**	–
GST receivables, net	**147**	–	**–**	–
Advance to suppliers for purchase of inventories	**8,974**	940	**7,748**	147
	9,353	1,255	**16,359**	10,709
Total trade and other receivables	**50,383**	36,578	**49,770**	44,062

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

19. TRADE AND OTHER RECEIVABLES (CONT'D)

Trade receivables 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 loan due from a subsidiary and advance to suppliers for purchase of inventories, are unsecured, interest-free, repayable in cash on demand. Loan due from a subsidiary is unsecured, bears interest at 6% per annum and repayable on demand.

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

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	**–**	61	**–**	1,571
Myanmar Kyat	**–**	160	**–**	–

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		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Movement in allowance accounts (trade receivables):				
Balance as at 1 January	**4,253**	5,636	**2,145**	2,870
Reclassification to assets of disposal group classified as held for sale	**(2,207)**	–	**–**	–
Provision/(reversal) for expected credit losses (Note 7)	**74**	1,203	**(31)**	1,647
Bad debts written off against allowance	**(430)**	(2,534)	**(278)**	(2,372)
Exchange differences	**(5)**	(52)	**–**	
Balance as at 31 December	**1,685**	4,253	**1,836**	2,145
Movement in allowance accounts (other receivables):				
Balance as at 1 January	**31**	24	**4,471**	1,334
Provision/(reversal) for expected credit losses (Note 7)	**6**	9	**(15)**	3,137
Exchange differences	**(2)**	(2)	**–**	–
Balance as at 31 December	**35**	31	**4,456**	4,471

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Trade payables				
Third parties	**7,731**	4,899	**5,211**	2,828
	7,731	4,899	**5,211**	2,828
Other payables				
Accrued operating expenses	**1,156**	3,101	**661**	1,640
Amounts due to subsidiaries	**–**	–	**15,850**	23,702
Amounts due to a shareholder of a subsidiary	**–**	1,486	**–**	–
Deposits from customers	**23**	44	**9**	18
GST payables	**–**	792	**–**	764
Sundry payables	**1,401**	1,068	**287**	375
Provision for unutilised leave	**111**	84	**55**	32
	2,691	6,575	**16,862**	26,531
Total trade and other payables	**10,422**	11,474	**22,073**	29,359

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 GST payables and provision for unutilised leave, 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	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
United States Dollar	**3**	2,401	**–**	2,401
Myanmar Kyat	**–**	90	**–**	–

21. BANK BORROWINGS

		Group		Company	
		2023	**2022**	**2023**	**2022**
		$'000	**$'000**	**$'000**	**$'000**
Current					
Secured					
– Trust receipts	SGD	**–**	13,662	**–**	7,395
– Trust receipts	USD	**–**	5,719	**–**	629
– Construction loan	SGD	**616**	560	**–**	–
– Construction loan	USD	**–**	1,476	**–**	–
– Bridging loans	SGD	**1,032**	1,004	**413**	401
– Term loans	SGD	**416**	479	**–**	–
– Receivables financing	SGD	**–**	721	**–**	–
Total current borrowings		**2,064**	23,621	**413**	8,425
Non-current					
Secured					
– Construction loan	SGD	**5,118**	5,703	**–**	–
– Construction loan	USD	**–**	3,522	**–**	–
– Bridging loans	SGD	**882**	1,914	**353**	766
– Term loans	SGD	**668**	417	**–**	–
Total non-current borrowings		**6,668**	11,556	**353**	766
Total		**8,732**	35,177	**766**	9,191

The bank borrowings of the Group and the Company as at 31 December 2023 and 31 December 2022 are secured by way of:

(i) legal mortgage over leasehold buildings (Note 11) held by Oriental Metals Pte Ltd, a subsidiary of the Group with net carrying amount of $10,317,000 (2022: $10,979,000) as at 31 December 2023;

(ii) investment securities pledged with a bank (Note 16); and

(iii) fixed deposits pledged with a bank (Note 17).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

21. BANK BORROWINGS (CONT'D)

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

		Interest rates per annum	
		2023	**2022**
Trust receipts	(Floating rate)	**–**	3.50% – 6.65%
Construction loan (SGD)	(Floating rate)	**5.49 – 5.85%**	1.95% – 5.86%
Construction loan (USD)	(Floating rate)	**–**	3.41% – 7.98%
Bridging loans	(Fixed rate)	**2.75%**	2.75%
Term loans	(Fixed rate)	**1.40% – 4.00%**	1.40% – 4.00%
Receivables financing	(Floating rate)	**–**	1.79% – 5.60%

22. PROVISION FOR REINSTATEMENT COSTS

	Group		Company	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Current	**–**	241	**–**	241
Non-current	**1,572**	972	**–**	–
Total	**1,572**	1,213	**–**	241

The movements in provision for reinstatement costs were as follows:

	Group	Company
	$'000	**$'000**
At 1 January 2022	2,772	1,800
Reversal of provision for reinstatement costs	(975)	(975)
Utilisation during the year	(584)	(584)
At 31 December 2022 and 1 January 2023	**1,213**	**241**
Additional provision of reinstatement costs	**600**	**–**
Utilisation during the year	**(241)**	**(241)**
At 31 December 2023	**1,572**	**–**

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.

23. DERIVATIVE FINANCIAL INSTRUMENTS

	2023			2022		
	Contract notional amount $'000	**Assets $'000**	**Liabilities $'000**	**Contract notional amount $'000**	**Assets $'000**	**Liabilities $'000**
Group						
Forward currency contracts	**18,469**	**–**	**314**	24,319	–	423
Company						
Forward currency contracts	**12,629**	**–**	**201**	3,357	–	38

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.

24. DEFERRED TAX LIABILITIES

The movements in deferred tax liabilities were as follows:

	Group				
	At 1 January 2022 $'000	**Recognised in profit or loss (Note 9) $'000**	**At 31 December 2022 and 1 January 2023 $'000**	**Recognised in profit or loss (Note 9) $'000**	**At 31 December 2023 $'000**
Deferred tax liabilities					
– Differences in depreciation for tax purposes	478	96	**574**	**57**	**631**

25. SHARE CAPITAL

	Group and Company			
	2023		2022	
	No. of shares		No. of shares	
	’000	$’000	’000	$’000
Issued and fully-paid:				
Ordinary shares				
At 1 January	**130,611**	**70,496**	130,611	70,496
Issuance from share placement	**25,059**	**6,967**	–	–
At 31 December	**155,670**	**77,463**	130,611	70,496

Issuance from share placement

On 19 September 2023, the Company completed the allotment and issuance of an aggregate of 25,059,406 Placement Shares to Mr. Xue Jun and Mr. Zheng Dazhai, each with 12,529,703 new ordinary shares at an issue price of $0.278 per placement share for respective cash considerations of $3,483,000. The newly issued shares rank pari passu in all aspects with the previously issued shares.

The Company has utilised an amount of $2,183,000 out of the total proceeds from the placement of shares for the purpose of purchase of inventories.

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			
	2023		2022	
	No. of shares		No. of shares	
	’000	$’000	’000	$’000
Issued and fully-paid:				
Ordinary shares				
At 1 January	**5,314**	**3,034**	4,317	2,636
Acquired during the financial year	**–**	**–**	997	398
At 31 December	**5,314**	**3,034**	5,314	3,034

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

27. OTHER RESERVES

		Group		Company	
		2023	**2022**	**2023**	**2022**
		$'000	**$'000**	**$'000**	**$'000**
Capital reserve	(a)	**2,527**	2,527	**2,527**	2,527
Foreign currency translation reserve	(b)	**682**	688	**–**	–
Premium paid on acquisition of non-controlling interest	(c)	**(212)**	(212)	**–**	–
		2,997	3,003	**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.

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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	
	2023	**2022**
	$'000	**$'000**
Ordinary dividend proposed but not recognised as a liability as at 31 December:		
Final tax-exempt (one-tier) dividend of $Nil and $0.025 per ordinary share in respect of the financial year ended 31 December 2023 and 31 December 2022, subject to shareholders' approval at the AGM	**–**	3,132
Ordinary dividend paid:		
Final tax-exempt (one-tier) dividend of $0.025 per ordinary share (2022: S$0.040 per ordinary share) in respect of the financial year ended 31 December 2022 and 31 December 2021, approved and paid during the financial year	**3,132**	5,012

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	
	2023	**2022**
	$'000	**$'000**
With subsidiaries		
Sales	**38,068**	34,071
Dividend income	**1,567**	8,011
Management fee income	**1,344**	1,580
Interest income	**66**	190
Other income	**875**	865
Disposal of fixed assets	**–**	32
Rental expenses	**(766)**	(779)
Other expenses	**(77)**	–

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

	Group	
	2023	**2022**
	$'000	**$'000**
With companies related to directors of the Company		
Sales	**–**	5
Other charges	**(2)**	(17)

	Company	
	2023	**2022**
	$'000	**$'000**
Sales	**–**	5
Other charges	**(2)**	(9)

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	
	2023	**2022**
	$'000	**$'000**
Directors of the Company		
Salaries and other short-term employee benefits	**496**	714
Employer's contributions to defined contribution plan	**4**	17
Key management personnel (non-directors)		
Salaries and other short-term employee benefits	**536**	1,569
Employer's contributions to defined contribution plan	**36**	74
	1,072	2,374

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 $42,088,000 (2022: $42,296,000) to secure banking facilities provided to certain subsidiaries. The financial guarantees will expire when the loans have been paid and discharged and/or when the banking facilities are no longer available to the subsidiaries.

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

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.

(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 31 January 2029. As at the end of the reporting period, no liability is expected to arise.

31. SEGMENT INFORMATION

In the current year, the Group's operations have been classified into continuing and discontinued operations (Note 15).

For management purposes, the Group's continuing operations 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.

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

NOTES TO THE FINANCIAL STATEMENTS

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31. SEGMENT INFORMATION (CONT'D)

2023	Continuing operations Trading $'000	Manufacturing $'000	Others $'000	Adjustment/ elimination $'000	Total $'000	Discontinued operations Manufacturing $'000	Group $'000
Revenue							
Sales to external customers	25,855	123,900	–	–	149,755	2,380	152,135
Inter-segment sales (Note A)	38,068	3,759	–	(41,827)	–	–	–
Total	63,923	127,659	–	(41,827)	149,755	2,380	152,135
Results							
Other operating income	2,277	3,260	14	(5,340)	211	25	236
Government grant income	28	23	–	–	51	–	51
Interest income	329	135	15	(66)	413	–	413
Gain from disposal of property, plant and equipment	176	–	–	(9)	167	16	183
Fair value (loss)/gain from derivatives	(163)	272	–	–	109	–	109
Write-down/(write-back) of inventories	(505)	13	–	–	(492)	(65)	(557)
Bad debts write-off	(28)	–	–	–	(28)	–	(28)
Interest expenses	(75)	(978)	–	66	(987)	(337)	(1,324)
Depreciation and amortisation of assets	(482)	(1,439)	(5)	–	(1,926)	(201)	(2,127)
Depreciation of right-of-use assets	(129)	(1,092)	–	–	(1,221)	(30)	(1,251)
Segment profit/(loss)	13	1,805	(56)	(1,617)	145	(2,167)	(2,022)
Income tax credit/(expenses)					308	(57)	251
Profit/(loss) for the year					453	(2,224)	(1,771)
Assets and liabilities							
Additions to non-current assets (Note B)	755	2,445	–	(111)	3,089	1	3,090
Segment assets (Note A)	93,393	99,526	13,739	(73,128)	133,530	3,528	137,058
Total assets					133,530	3,528	137,058
Segment liabilities (Note A)	23,104	62,362	2,377	(61,387)	26,456	4,811	31,267
Deferred tax liabilities					631	–	631
Total liabilities					27,087	4,811	31,898

31. SEGMENT INFORMATION (CONT'D)

	Continuing Operations					Discontinued operations	
2022	**Trading $'000**	**Manufacturing $'000**	**Others $'000**	**Adjustment/ elimination $'000**	**Total $'000**	**Manufacturing $'000**	**Group $'000**
Revenue							
Sales to external customers	47,692	104,925	–	–	152,617	5,756	158,373
Inter-segment sales (Note A)	34,071	2,275	–	(36,346)	–	–	–
Total	81,763	107,200	–	(36,346)	152,617	5,756	158,373
Results							
Other operating income	3,841	3,234	63	(5,472)	1,666	68	1,734
Government grant income	138	186	–	–	324	–	324
Interest income	322	39	14	(190)	185	–	185
Bad debts recovered	–	1	–	–	1	–	1
Gain from disposal of property, plant and equipment	58	43	–	(10)	91	–	91
Fair value loss from derivatives	(4)	(380)	–	–	(384)	–	(384)
Allowance for inventories obsolescence	(73)	(26)	–	–	(99)	–	(99)
Interest expenses	(343)	(1,213)	–	190	(1,366)	(399)	(1,765)
Depreciation and amortisation of assets	(1,682)	(1,470)	(5)	–	(3,157)	(415)	(3,572)
Depreciation of right-of-use assets	(617)	(641)	–	–	(1,258)	(62)	(1,320)
Segment profit/(loss)	3,160	5,639	(4,234)	909	5,474	(10,719)	(5,245)
Income tax expense					(530)	–	(530)
Profit/(loss) for the year					4,944	(10,719)	(5,775)
Assets and liabilities							
Additions to non-current assets (Note B)	774	781	–	(32)	1,523	–	1,523
Segment assets (Note A)	105,498	107,100	23,037	(77,499)	158,136	–	158,136
Income tax recoverable					139	–	139
Total assets					158,275	–	158,275
Segment liabilities (Note A)	39,048	71,602	9,696	(66,206)	54,140	–	54,140
Tax payable					498	–	498
Deferred tax liabilities					574	–	574
Total liabilities					55,212	–	55,212

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	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
Indonesia	**587**	1,382	**–**	–
Malaysia	**1,036**	3,264	**337**	362
Myanmar	**–**	–	**–**	4,474*
Singapore	**148,132**	147,971	**25,283**	25,320
	149,755	152,617	**25,620**	30,156

* The amounts pertaining to non-current assets of the discontinued operations in Myanmar in 2022.

Information about a major customer

Revenues of $24,227,000 (2022: $14,317,000) are derived from a single external customer which made up 16% (2022: 9%) of total revenue for 2023. These revenues are attributable to the manufacturing segment.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

32. FINANCIAL INSTRUMENTS

Classification of financial instruments

	Group	
	Fair value through profit and loss $'000	Assets/ liabilities at amortised cost $'000
31 December 2023		
Assets		
Investment securities (Note 16)	**–**	**3,810**
Bank balances and fixed deposits (Note 17)	**–**	**29,274**
Trade and other receivables[1] (Note 19)	**–**	**41,262**
Total	**–**	**74,346**
Liabilities		
Trade and other payables[2] (Note 20)	**–**	**10,311**
Bank borrowings (Note 21)	**–**	**8,732**
Derivative financial instruments (Note 23)	**314**	**–**
Total	**314**	**19,043**
31 December 2022		
Assets		
Investment securities (Note 16)	–	7,671
Bank balances and fixed deposits (Note 17)	–	24,565
Trade and other receivables[1] (Note 19)	–	35,638
Total	–	67,874
Liabilities		
Trade and other payables[2] (Note 20)	–	10,598
Bank borrowings (Note 21)	–	35,177
Derivative financial instruments (Note 23)	423	–
Total	423	45,775

(1) Excludes advances to suppliers for purchase of inventories and GST receivables
(2) Excludes GST payables and provision for unutilised leave

NOTES TO THE FINANCIAL STATEMENTS

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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 2023		
Assets		
Investment securities (Note 16)	**–**	**3,810**
Bank balances and fixed deposits (Note 17)	**–**	**17,008**
Trade and other receivables[1] (Note 19)	**–**	**42,022**
Total	**–**	**62,840**
Liabilities		
Trade and other payables[2] (Note 20)	**–**	**22,018**
Bank borrowings (Note 21)	**–**	**766**
Derivative financial instruments (Note 23)	**201**	**–**
Total	**201**	**22,784**
31 December 2022		
Assets		
Investment securities (Note 16)	–	7,671
Bank balances and fixed deposits (Note 17)	–	12,923
Trade and other receivables[1] (Note 19)	–	43,915
Total	–	64,509
Liabilities		
Trade and other payables[2] (Note 20)	–	28,563
Bank borrowings (Note 21)	–	9,191
Derivative financial instruments (Note 23)	38	–
Total	38	37,754

(1) Excludes advances to suppliers for purchase of inventories

(2) Excludes GST payables and provision for unutilised leave

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 2023		
Financial liabilities:		
Derivative financial instruments (forward currency contracts)	**(314)**	**(314)**
As at 31 December 2022		
Financial liabilities:		
Derivative financial instruments (forward currency contracts)	(423)	(423)

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 2023		
Financial liabilities:		
Derivative financial instruments (forward currency contracts)	**(201)**	**(201)**
As at 31 December 2022		
Financial liabilities:		
Derivative financial instruments (forward currency contracts)	(38)	(38)

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 2023		
Assets		
Investment securities	**3,733**	**3,810**
As at 31 December 2022		
Assets		
Investment securities	7,415	7,671

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

(c) Assets and liabilities not measured at fair value

The carrying amounts of trade and other receivables, trade and other payables, bank balances and fixed deposits reasonably approximate their fair values as these are either short term in nature or are subject to normal trade credit terms.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

34. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

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 2023

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
Group						
Singapore:						
31 December 2023						
Gross amount	**18,348**	**20,689**	**1,291**	**807**	**1,476**	**42,611**
Loss allowance provision	**(11)**	**(34)**	**(33)**	**(135)**	**(1,472)**	**(1,685)**
	18,337	**20,655**	**1,258**	**672**	**4**	**40,926**
31 December 2022						
Gross amount	14,847	18,887	572	515	1,395	36,216
Loss allowance provision	(15)	(56)	(14)	(133)	(1,392)	(1,610)
	14,832	18,831	558	382	3	34,606
Other geographical areas:						
31 December 2023						
Gross amount	**55**	**49**	**–**	**–**	**–**	**104**
Loss allowance provision	**–**	**–**	**–**	**–**	**–**	**–**
	55	**49**	**–**	**–**	**–**	**104**
31 December 2022						
Gross amount	70	345	–	–	2,945	3,360
Loss allowance provision	–	(2)	–	–	(2,641)	(2,643)
	70	343	–	–	304	717

34. FINANCIAL RISK MANAGEMENT (CONT'D)

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

Trade receivables (cont'd)

	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
Company						
Singapore:						
31 December 2023						
Gross amount	**26,896**	**6,305**	**75**	**203**	**215**	**33,694**
Loss allowance provision	**(4)**	**(18)**	**(18)**	**(131)**	**(215)**	**(386)**
	26,892	**6,287**	**57**	**72**	**–**	**33,308**
31 December 2022						
Gross amount	8,694	18,140	5,857	452	152	33,295
Loss allowance provision	(12)	(47)	(13)	(132)	(152)	(356)
	8,682	18,093	5,844	320	–	32,939
Other geographical areas:						
31 December 2023						
Gross amount	**54**	**49**	**–**	**–**	**–**	**103**
Loss allowance provision	**–**	**–**	**–**	**–**	**–**	**–**
	54	**49**	**–**	**–**	**–**	**103**
31 December 2022						
Gross amount	41	345	–	–	1,817	2,203
Loss allowance provision	–	–	–	–	(1,789)	(1,789)
	41	345	–	–	28	414

Information regarding loss allowance movement of trade receivables are disclosed in Note 19.

During the financial year, the Group wrote off $430,000 (2022: $2,534,000) 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.

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 $42,088,000 (2022: $42,296,000) 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	
	2023	**2022**	**2023**	**2022**
	$'000	**$'000**	**$'000**	**$'000**
By country:				
– Indonesia	**63**	219	**63**	219
– Malaysia	**41**	195	**40**	195
– Myanmar	**–**	303	**–**	–
– Singapore	**40,926**	34,606	**33,308**	32,939
	41,030	35,323	**33,411**	33,353
By industry sectors:				
– Trading	**565**	390	**565**	390
– Construction	**39,954**	34,202	**32,336**	32,232
– Others	**511**	731	**510**	731
	41,030	35,323	**33,411**	33,353

34. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

Credit risk concentration profiles (cont'd)

At the end of the reporting period, approximately 35% (2022: 21%) of the Group's trade receivables were due from 3 (2022: 3) major customers who are located in Singapore (2022: Singapore).

(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 2023				
Financial assets:				
Trade and other receivables	41,262	–	–	41,262
Bank balances and fixed deposits	29,132	–	142	29,274
Investment securities	3,565	274	–	3,839
Total undiscounted financial assets	73,959	274	142	74,375
Financial liabilities:				
Trade and other payables	10,311	–	–	10,311
Derivative financial instruments	314	–	–	314
Bank borrowings	2,478	5,121	2,688	10,287
Lease liabilities	771	2,077	4,479	7,327
Total undiscounted financial liabilities	13,874	7,198	7,167	28,239
Total net undiscounted financial assets/(liabilities)	60,085	(6,924)	(7,025)	46,136

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 2022				
Financial assets:				
Trade and other receivables	35,638	–	–	35,638
Bank balances and fixed deposits	21,923	2,500	142	24,565
Investment securities	3,945	3,588	251	7,784
Total undiscounted financial assets	61,506	6,088	393	67,987
Financial liabilities:				
Trade and other payables	10,598	–	–	10,598
Derivative financial instruments	423	–	–	423
Bank borrowings	24,414	9,689	3,694	37,797
Lease liabilities	840	2,094	5,075	8,009
Total undiscounted financial liabilities	36,275	11,783	8,769	56,827
Total net undiscounted financial assets/(liabilities)	25,231	(5,695)	(8,376)	11,160
Company				
As at 31 December 2023				
Financial assets:				
Trade and other receivables	**42,022**	**–**	**–**	**42,022**
Bank balances and fixed deposits	**17,008**	**–**	**–**	**17,008**
Investment securities	**3,565**	**274**	**–**	**3,839**
Total undiscounted financial assets	**62,595**	**274**	**–**	**62,869**
Financial liabilities:				
Trade and other payables	**22,018**	**–**	**–**	**22,018**
Derivative financial instruments	**201**	**–**	**–**	**201**
Bank borrowings	**429**	**357**	**–**	**786**
Lease liabilities	**37**	**33**	**–**	**70**
Total undiscounted financial liabilities	**22,685**	**390**	**–**	**23,075**
Total net undiscounted financial assets/(liabilities)	**39,910**	**(116)**	**–**	**39,794**

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 2022				
Financial assets:				
Trade and other receivables	43,915	–	–	43,915
Bank balances and fixed deposits	10,423	2,500	–	12,923
Investment securities	3,945	3,588	251	7,784
Total undiscounted financial assets	58,283	6,088	251	64,622
Financial liabilities:				
Trade and other payables	28,563	–	–	28,563
Derivative financial instruments	38	–	–	38
Bank borrowings	8,457	786	–	9,243
Lease liabilities	158	66	–	224
Total undiscounted financial liabilities	37,216	852	–	38,068
Total net undiscounted financial assets	21,067	5,236	251	26,554

(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 (2022: 50) basis points lower/higher with all other variables held constant, the Group's loss before income tax would have been approximately $21,000 lower/higher (2022: loss before income tax would have been approximately $125,000 lower/higher), arising mainly as a result of lower/higher interest expense on debt obligations with financial institutions.

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 (loss)/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) (Loss)/profit before income tax	
		2023	**2022**
		$'000	**$'000**
Group			
USD/SGD	– strengthened 2% (2022: 2%)	**26**	61
	– weakened 2% (2022: 2%)	**(26)**	(61)
MMK/SGD	– strengthened 2% (2022: 2%)	**4**	14
	– weakened 2% (2022: 2%)	**(4)**	(14)
Company			
USD/SGD	– strengthened 2% (2022: 2%)	**14**	65
	– weakened 2% (2022: 2%)	**(14)**	(65)

35. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2023 and 2022.

The Group will continue to be guided by prudent financial policies which are to finance the operations and repayment of borrowings mainly through cash generated from operating activities.

	Group	
	2023	**2022**
	$'000	**$'000**
Total gross debt*	**8,732**	35,177
Equity attributable to owners of the Company	**107,664**	104,853
Gross debt equity ratio	**8.11%**	33.55%
Cash and cash equivalents	**16,382**	15,407
Less: Total gross debt*	**(8,732)**	(35,177)
Net borrowing position	**7,650**	(19,770)

* Gross debt relates to principal amount of borrowings for continuing operations

36. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 13 February 2024, the Group announced that it had entered into a sale and purchase agreement ("SPA") with Aung Tin Htut (the "Buyer"), in relation to the disposal of shares in FFI.

37. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 27 March 2024.

APPENDIX

APPENDIX

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 DATED 4 APRIL 2024

This Appendix is circulated to Shareholders of HG Metal Manufacturing Limited (the "**Company**") together with the Company's 2023 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 held at 28 Jalan Buroh, Singapore 619484 on 26 April 2024 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 2023 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.

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 2023 (the "**Share Purchase Mandate**").

1.2 The purpose of this Appendix, to be circulated to Shareholders together with the Company's 2023 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 26 April 2024. 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 2023. Particulars of the Share Purchase Mandate were set out in the Appendix to the 2022 Annual Report to Shareholders dated 4 April 2023.

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 26 April 2024. 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.

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(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 18 March 2024 ("**Latest Practicable Date**"), the total number of issued Shares of the Company (excluding treasury shares and subsidiary holdings) is 150,356,441 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

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(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.

For illustrative purposes only, on the basis of 150,356,441 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 4,510,693 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 26 April 2024, at which the Share Purchase Mandate is approved, up to:

(a) the date on which the next AGM is held or required by law to be held;

(b) the date on which the purchases or acquisitions of Shares pursuant to the proposed Share Purchase Mandate are carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Purchase Mandate is revoked or varied by the Shareholders in a general meeting,

whichever is the earliest.

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

2.4.3 Manner of Purchases or Acquisitions of Shares

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

(a) on-market purchases ("**Market Purchase**"), transacted on the SGX-ST through the ready market, and which may be transacted through one or more duly licensed stock brokers appointed by the Company for the purpose; and/or

(b) off-market purchases ("**Off-Market Purchase**") effected pursuant to an equal access scheme in accordance with Section 76C of the Companies Act.

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

(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.

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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.

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;

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(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.

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;

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(iv) number of treasury shares before and after such sale, transfer, cancellation and/or use;

(v) percentage of the number of treasury shares against the total number of Shares outstanding before and after such sale, transfer, cancellation and/or use; and

(vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

2.8 Source of Funds

The Company may only apply funds for the purchase or acquisition of the Shares as provided in the 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.

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The Directors do not propose to exercise the Share Purchase Mandate to such an extent that it would have a material adverse effect on the working capital requirements of the Group. The purchase or acquisition of the Shares will only be effected after considering relevant factors such as the working capital requirement, availability of financial resources, the expansion and investment plans of the Group and the prevailing market conditions. The proposed Share Purchase Mandate will be exercised with a view to enhance the earnings and/or the NTA value per Share of the Group.

For illustrative purposes only, the financial effects of the Share Purchase Mandate on the Company and the Group, based on the unaudited financial statements of the Group for the financial year ended 31 December 2023 are based on the assumptions set out below:

(a) based on 150,356,441 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 4,510,693 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 4,510,693 Shares at the Maximum Price of S$0.2982 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 4,510,693 Shares (excluding related expenses) is approximately S$1,345,089; and

(c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires the 4,510,693 Shares at the Maximum Price of S$0.3408 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 4,510,693 Shares (excluding related expenses) is approximately S$1,537,244.

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 2023, and (iii) the Company had purchased or acquired the 4,510,693 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 4,510,693 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

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(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	0.2982
1(B)	Capital	Off-Market Purchase	Held as treasury shares	0.3408
2(A)	Capital	Market Purchase	Cancelled	0.2982
2(B)	Capital	Off-Market Purchase	Cancelled	0.3408

on the unaudited financial statements of the Group for the financial year ended 31 December 2023, 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 2023				
Share capital	77,463	77,463	77,463	77,463
Capital and other reserves	2,997	2,997	2,527	2,527
Retained earnings	30,238	30,238	(6,668)	(6,668)
	110,698	110,698	73,322	73,322
Treasury share	(3,034)	(4,379)	(3,034)	(4,379)
Shareholders' funds	107,664	106,319	70,288	68,943
Net tangible assets	107,501	106,156	70,134	68,789
Minority interests	(2,504)	(2,504)	–	–
Current assets	111,046	109,701	75,403	74,058
Current liabilities	18,162	18,162	22,716	22,716
Working capital	92,884	91,539	52,687	51,342
Number of issued Shares	150,356,441	145,845,748	150,356,441	145,845,748
Weighted average number of Shares	132,684,778	128,174,085	132,684,778	128,174,085
Financial ratios				
Net tangible assets/Share (S$)	0.71	0.73	0.47	0.47
Current ratio (times)	6.11	6.04	3.32	3.26
Earnings per Share (cents)	(0.77)	(0.79)	0.00	0.00

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(B) Off-Market Purchases

	Group Before Share Purchase S$'000	Group After Share Purchase S$'000	Company Before Share Purchase S$'000	Company After Share Purchase S$'000
As at 31 December 2023				
Share capital	77,463	77,463	77,463	77,463
Capital and other reserves	2,997	2,997	2,527	2,527
Retained earnings	30,238	30,238	(6,668)	(6,668)
	110,698	110,698	73,322	73,322
Treasury shares	(3,034)	(4,571)	(3,034)	(4,571)
Shareholders' funds	107,664	106,127	70,288	68,751
Net tangible assets	107,501	105,964	70,134	68,597
Minority interests	(2,504)	(2,504)	–	–
Current assets	111,046	109,509	75,403	73,866
Current liabilities	18,162	18,162	22,716	22,716
Working capital	92,884	91,347	52,687	51,150
Number of issued Shares	150,356,441	145,845,748	150,356,441	145,845,748
Weighted average number of Shares	132,684,778	128,174,085	132,684,778	128,174,085
Financial ratios				
Net tangible assets/Share (S$)	0.71	0.73	0.47	0.47
Current ratio (times)	6.11	6.03	3.32	3.25
Earnings per Share (cents)	(0.77)	(0.79)	0.00	0.00

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(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 2023				
Share capital	74,429	73,084	74,429	73,084
Capital and other reserves	2,997	2,997	2,527	2,527
Retained earnings	30,238	30,238	(6,668)	(6,668)
Shareholders' funds	107,664	106,319	70,288	68,943
Net tangible assets	107,501	106,156	70,134	68,789
Minority interests	(2,504)	(2,504)	–	–
Current assets	111,046	109,701	75,403	74,058
Current liabilities	18,162	18,162	22,716	22,716
Working capital	92,884	91,539	52,687	51,342
Number of issued Shares	150,356,441	145,845,748	150,356,441	145,845,748
Weighted average number of Shares	132,684,778	128,174,085	132,684,778	128,174,085
Financial ratios				
Net tangible assets/Share (S$)	0.71	0.73	0.47	0.47
Current ratio (times)	6.11	6.04	3.32	3.26
Earnings per Share (cents)	(0.77)	(0.79)	0.00	0.00

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(B) Off-Market Purchases

	Group Before Share Purchase S$'000	Group After Share Purchase S$'000	Company Before Share Purchase S$'000	Company After Share Purchase S$'000
As at 31 December 2023				
Share capital	74,429	72,892	74,429	72,892
Capital and other reserves	2,997	2,997	2,527	2,527
Retained earnings	30,238	30,238	(6,668)	(6,668)
Shareholders' funds	107,664	106,127	70,288	68,751
Net tangible assets	107,501	105,964	70,134	68,597
Minority interests	(2,504)	(2,504)	–	–
Current assets	111,046	109,509	75,403	73,866
Current liabilities	18,162	18,162	22,716	22,716
Working capital	92,884	91,347	52,687	51,150
Number of issued Shares	150,356,441	145,845,748	150,356,441	145,845,748
Weighted average number of Shares	132,684,778	128,174,085	132,684,778	128,174,085
Financial ratios				
Net tangible assets/Share (S$)	0.71	0.73	0.47	0.47
Current ratio (times)	6.11	6.03	3.32	3.25
Earnings per Share (cents)	(0.77)	(0.79)	0.00	0.00

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.

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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;

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(g) partners; and

(h) an individual, his close relatives, his related trusts, and any person who is accustomed to act according to his instructions, companies controlled by any of the above persons and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above companies for the purchase of voting rights.

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

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

2.10.3 Effect of Rule 14 and Appendix 2

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

(a) the voting rights of such Directors and their concert parties would increase to thirty per cent. (30%) or more; or

(b) in the event that such Directors and their concert parties hold between thirty per cent. (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.

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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 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.

Based on the Register of Directors’ Shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 72,892,672 Shares, representing approximately 48.48% 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 68,381,979 Shares, representing approximately 46.89% 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

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

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)
Ong Hwee Li	–	–	–	–
Xiao Xia	–	–	35,642,600(2)	23.71
Ong Lizhen, Daisy	–	–	–	–
Ng Chuey Peng	–	–	–	–

Notes:

(1) Based on total issued and paid-up ordinary share capital (excluding treasury shares and subsidiary holdings) comprising 150,356,441 Shares as at the Latest Practicable Date.

(2) Xiao Xia is deemed to be interested in the 35,642,600 Shares held by Dhu Holding Pte. Ltd., by virtue of Section 4 of the Securities and Futures Act 2001 of Singapore.

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Based on information in the Register of Substantial Shareholders maintained by the Company, as at the Latest Practicable Date, the Substantial Shareholders and the number of Shares in which they have an interest are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	(%)[1]	Number of Shares	(%)[1]	Number of Shares	(%)[1]
Dhu Holding Pte. Ltd.	35,642,600	23.71	–	–	35,642,600	23.71
Xiao Xia	–	–	35,642,600[2]	23.71	35,642,600	23.71
Yu Zengqiang	–	–	35,642,600[3]	23.71	35,642,600	23.71
Xue, Jun	12,529,703	8.33	–	–	12,529,703	8.33
Zheng Dazhai	12,529,703	8.33	–	–	12,529,703	8.33
Regroup Holdings Pte. Ltd.	8,608,657	5.73	–	–	8,608,657	5.73
Yap Boon San	143,106	0.09	8,608,657[4]	5.73	8,751,763	5.82
Green Esteel Pte. Ltd.	8,010,000	5.33	–	–	8,010,000	5.33
You Zhenhua	–	–	8,010,000[5]	5.33	8,010,000	5.33
Advance Venture Investments Limited	–	–	8,010,000[5]	5.33	8,010,000	5.33

Notes:

(1) Based on total issued and paid-up ordinary share capital (excluding treasury shares and subsidiary holdings) comprising 150,356,441 Shares as at the Latest Practicable Date.

(2) Xiao Xia is deemed to be interested in the 35,642,600 Shares held by Dhu Holding Pte. Ltd., by virtue of Section 4 of the Securities and Futures Act 2001 of Singapore.

(3) Yu Zengqiang is deemed to be interested in the 35,642,600 Shares held by Dhu Holding Pte. Ltd., by virtue of Section 4 of the Securities and Futures Act 2001 of Singapore.

(4) Yap Boon San is deemed to be interested in the 8,608,657 Shares held by Regroup Holdings Pte. Ltd. by virtue of Section 7 of the Act.

(5) Each of You Zhenhua and Advance Venture Investments Limited is deemed interested in the Shares held by Green Esteel Pte. Ltd. pursuant to Section 4 of the Securities and Futures Act 2001 of Singapore.

APPENDIX

4. DIRECTORS' RECOMMENDATION

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

5. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and 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 sg.is.proxy@sg.tricorglobal.com in either case, by **10.00 a.m. on 24 April 2024** (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.

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.

APPENDIX

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 2023; and

(b) the Constitution of the Company.

Yours faithfully

For and on behalf of
the Board of Directors of
HG Metal Manufacturing Limited

Xiao Xia
Executive Director and Chief Executive Officer
Singapore

APPENDIX

HG METAL MANUFACTURING LIMITED

(Registration Number 198802660D)
(Incorporated in the Republic of Singapore)

APPENDIX TO SHAREHOLDERS ACCOMPANYING THE NOTICE OF ANNUAL GENERAL MEETING DATED 4 APRIL 2024

This Appendix is circulated to shareholders ("**Shareholders**") of HG Metal Manufacturing Limited (the "**Company**" and together with the subsidiaries of the Company, "**Group**") together with the Company's annual report for the financial year ended 31 December 2023 ("**FY2023 Annual Report**"). Its purpose is to explain to the Shareholders the rationale and provide information for the Ratification (as defined in this Appendix) to be tabled at the Annual General Meeting of the Company (the "**AGM**") to be held on 26 April 2024 at 10.00 a.m. at 28 Jalan Buroh, Singapore 619484.

The Notice of AGM and a Proxy Form are enclosed with the Annual Report. The Singapore Exchange Securities Trading Limited ("**SGX-ST**") assumes no responsibility for the accuracy of any of the statements made, reports contained or opinions expressed in this Appendix.

Rajah & Tann Singapore LLP has been appointed as the legal adviser to the Company as to Singapore law in relation to the Ratification and Disposal.

Dear Sir/Madam,

RATIFICATION OF THE DISPOSAL OF SHARES IN THE COMPANY'S SUBSIDIARY IN MYANMAR, FIRST FORTUNE INTERNATIONAL COMPANY LIMITED

1. INTRODUCTION

1.1 The Disposal

The Board of the Company had on 13 February 2024 announced that HG Metal Investments Pte. Ltd. ("**HGMI**"), a wholly-owned subsidiary of the Company, had entered into a sale and purchase agreement ("**SPA**") with Aung Tin Htut ("**Buyer**") in relation to the disposal by HGMI of 30,486 ordinary shares ("**Sale Shares**") in the capital of its subsidiary, namely First Fortune International Company Limited ("**Target**" or "**FFI**"), to the Buyer ("**Disposal**").

The completion of the Disposal under the terms of the SPA ("**Completion**") has taken place concurrently with the signing of the SPA on 13 February 2024. Following Completion, the beneficial shareholding of HGMI in the Target has been reduced from 51.04% to nil and accordingly, the Target has ceased to be a subsidiary of the Company.

The Disposal is not an interested person transaction under Chapter 9 of the Listing Manual of the SGX-ST (the "**Listing Manual**").

APPENDIX

1.2 SGX RegCo Waiver and Completion

The Company had sought a waiver from the Singapore Exchange Regulation ("**SGX RegCo**") from the requirement to obtain prior shareholders' approval for the Disposal under Rule 1014(2) of the Listing Manual read with Practice Note 10.1 (the "**Waiver**") and the SGX RegCo had by way of a letter dated 30 January 2024 informed the Company that it had no objection to the Company's application for the Waiver, subject to certain conditions. Please refer to Section 5 of the Company's announcement dated 13 February 2024 and Sections 4.2 and 4.3 of this Appendix for further details on the Waiver.

1.3 Ratification

The Disposal was completed and the directors of the Company ("**Directors**") are seeking Shareholders' approval for the Disposal by way of ratification (the "**Ratification**") by way of ordinary resolution, notice of which is set out in this Appendix.

1.4 **Undertakings provided by certain Shareholders.** The Company has obtained irrevocable undertakings from certain of its Shareholders to, *inter alia*, vote in favour of the Ratification. As at 18 March 2024 ("**Latest Practicable Date**"), they collectively hold approximately 40.37% of the total issued number of Shares (excluding treasury Shares). Please refer to Section 6 of this Appendix for further information.

1.5 Appendix

The Board refers to the Notice of Annual General Meeting of the Company dated 4 April 2024 ("**Notice of AGM**") convening the AGM of the Company to be held on 26 April 2024 at 10.00 a.m., and Ordinary Resolution 11 under the heading "Special Business: Ratification of the disposal of shares in the Company's subsidiary in Myanmar, First Fortune International Company Limited" set out in the Notice of AGM.

The purpose of this Appendix is to provide Shareholders with relevant information relating to the Disposal and the Ratification, including the rationale for the Disposal and the Ratification and to seek Shareholders' approval for the ordinary resolution to ratify the Disposal.

2. THE DISPOSAL

2.1 Information on the Target

The Target was established in Myanmar on 19 February 2019 and was an indirect subsidiary of the Company prior to the completion of the Disposal. Prior to its cessation of operations in February 2023, the Target had primarily operated a one-stop steel fabrication factory in Yangon, Myanmar.

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Immediately prior to the Disposal, the total paid-up capital of the Target was USD5,973,000, comprising 59,730 ordinary shares, of which (a) 30,486 ordinary shares representing 51.04% of the total issued share capital in the Target was held by HGMI, and (b) 29,244 ordinary shares representing 48.96% of the total issued share capital in the Target was held by Fortune Peak Investments Pte Ltd, Hanwa Singapore Pte Ltd and YNJ Engineering Co., Ltd in the following proportions: 18.96%, 10.00% and 20.00%. Fortune Peak Investments Pte Ltd and YNJ Engineering Co., Ltd are independent third parties with no shareholding interest, directly or indirectly, in the Company. Hanwa Singapore Pte Ltd is a subsidiary of Hanwa Co Ltd, which holds an indirect interest of 2.42% in the Company, arising from 3,638,800 shares held by Daiwa Capital Markets Singapore Limited

The Target recorded a net loss of S$10.7 million in financial year ended 31 December 2022 ("**FY2022**") after recognising an impairment loss of S$9.8 million on its assets due to the adverse political situation and difficult operating environment in Myanmar.

Based on the unaudited consolidated financial statements of the Target for the 6-month financial period ended 30 June 2023:

(a) the book value and net tangible assets ("**NTA**") of the Target was negative S$4.7 million. The adjusted NTA would be negative S$0.16 million, after deducting an amount of S$4.6 million comprising a waiver of debt owing by the Target to the Company. The waiver of debt will not have any impact to the Group's net assets and earnings for the financial year ending 31 December 2023, as the impairment of debt had already been fully recognised by the Group in FY2022; and

(b) the net loss attributable to the Target was S$1.01 million.

As the shares of the Target are not publicly listed on any stock exchange, there is no available open market value of the Sale Shares. The Company diligently pursued opportunities to source for potential buyers after the Target ceased its business operations. Despite these efforts, the Company was unable to secure any firm interest from potential buyers apart from the Buyer. Having considered (a) the current financial condition of the Target, and in particular, its negative NTA and lossmaking position, (b) the prospects and challenges of the Target in view of Myanmar's recent political and economic climate, and (c) the rationale and benefits for the Disposal, as further described under Section 3 below, the Company determined that the Consideration was the best deal that was proposed and was at fair value even though the Company had not undertaken any valuation of the Sale Shares prior to the Disposal.

As the Sale Shares represented the entire equity interest held by HGMI in the Target at the time of completion of the Disposal, HGMI has ceased to have any interest in the Target and the Target has ceased to be an indirect subsidiary of the Company following the completion of the Disposal.

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2.2 Information on the Buyer

The Buyer is a Myanmar citizen and businessman, and had been a substantial shareholder of the Company, holding a deemed interest of approximately 5.33% in the ordinary shares in the capital of the Company ("**Shares**") (excluding treasury shares), through his investment holding vehicle, Rise Capital Ventures Limited ("**Rise Capital**"), which is wholly held by him.

In this regard, concurrent with the Disposal, the Buyer has also sold all his shares in the Company owned via Rise Capital to Green Esteel Pte. Ltd. ("**Green Esteel**").

Green Esteel is a majority shareholder of BRC Asia Limited, another company listed on the Mainboard, which is a major supplier of the Company. It is an investment holding company, with substantial investments locally, including the aforementioned majority stake in BRC Asia Limited.

The Company had introduced the Buyer to Green Esteel, when in the course of negotiation on the Disposal, the Buyer had expressed his intention to sell his shares in the Company held via Rise Capital.

Other than the mutual introduction of the Buyer and Green Esteel, the Company was not otherwise involved in the sale and purchase of shares between the Buyer and Green Esteel.

Save as disclosed above, the Buyer (i) does not hold, directly or indirectly, any ordinary shares in the issued and paid-up capital of the Company; and (ii) is not related to the Directors or substantial Shareholders and their respective associates.

The Company had sought interest for its interest in the Target, but none had materialised, save from the Buyer (in view of the turmoil in Myanmar).

2.3 Key Terms of the Disposal

Consideration

Pursuant to the SPA, the consideration for the Disposal ("**Consideration**") is S$2,427,030 in cash.

The Consideration was determined following negotiations between the parties on an arm's length basis, taking into consideration:

(a) the current financial condition of the Target, and in particular, its negative NTA and lossmaking position, as set out in further detail in Section 2.1 above;

(b) the prospects and challenges of the Target in view of Myanmar's recent political and economic climate; and

(c) the rationale and benefits for the Disposal, as further described under Section 3 below.

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Terms of Disposal

Pursuant to the SPA, all of HGMI's beneficial interest in the Sale Shares had passed to the Buyer on Completion and, and the Parties agreed to extend all assistance and co-operation to each other to effect the registration of the legal title to the Buyer. The process for the registration of the legal title to the Buyer requires, in particular, the approval of the Myanmar Investment Commission ("**MIC**") which is anticipated to be provided in June 2024.

In addition, HGMI has agreed that:

(a) within 30 days from the date of Completion, it will use its best endeavours to, inter alia, make full payment of the outstanding amounts owing by the Target to the external lender pursuant to a corporate guarantee executed in favour of the lender by the Company and to procure the discharge of existing mortgage(s) executed by the Target in favour of the external lender; and

(b) in the event that the Target fails to obtain the formal consent from the board of MIC in respect of the change of address of the Company within 3 months from Completion, or the MIC board approval is subject to conditions and/or rulings which will result in a material change in the terms of the MIC licence granted to the Target, the parties will work together in good faith to (i) resolve such non-issuance of the MIC board approval or concerns raised on the terms of the MIC licence, and (ii) failing which, work together in good faith to legally terminate the disposal of the Sale Shares and HGMI is to refund the Consideration to the Buyer within 30 days of such termination, or take such actions as may be mutually agreed between the parties.

As at the Latest Practicable Date, HGMI has (i) received payment of the Consideration, (ii) made full payment of the outstanding amounts owing by the Target to the external lender, (iii) discharged the existing mortgage(s) executed by the Target in favour of the external lender, and (iv) effected the change of address following the formal consent from the board of MIC.

3. RATIONALE FOR AND BENEFITS OF THE DISPOSAL

On 7 February 2023, the Group announced its plan to cease the business operations of the Target, in Myanmar in view that the economic conditions of Myanmar are not expected to improve in the near future, especially after the Financial Action Task Force ("**FATF**") moved to place Myanmar on its blacklist of countries since October 2022. This resulted in added scrutiny required for entities dealing with Myanmar and operationally, businesses also have to deal with electricity shortages, logistics disruptions, trade and foreign exchange restrictions, and persistent regulatory uncertainty.

The Group is of the view that ceasing and divesting its Myanmar operations is in the best interest of its business. Myanmar is undoubtedly, and remains, a losing proposition for many foreign corporates in the foreseeable future. Upon the Disposal, the Group's management will be able to devote, focus and conserve its resources for better use in other more profitable areas of businesses.

Reference is further made to the Group's condensed interim financial statements for the half year ended 30 June 2023 ("**HY2023**") announced by the Company on 11 August 2023. As of 30 June 2023, FFI was classified as discontinued operations and assets as held for sale and the Disposal was being undertaken in line with the Group's intention to dispose of the Target within a year from the reporting date and fully exit from its investment in Myanmar, in line with its plans to cease operations in Myanmar.

Following Completion, the entire sum of the Consideration was applied towards the partial release and discharge of liabilities and securities owing to the Target's external lender by the Company, pursuant to a corporate guarantee executed in favour of the lender by the Company. As the sum required to fully settle the liabilities exceeded the amount of Consideration, the Company satisfied the balance sum of approximately S$0.9 million payable to the external lender using the Company's internal working capital, in order to secure the full discharge of the corporate guarantee. As at Completion, the Company has ceased to have any liabilities or exposure whatsoever associated with the Target and/or Myanmar.

4. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANUAL AND WAIVER BY SGX REGCO

4.1 Relative bases under Rule 1006 of the Listing Manual

Based on (i) the unaudited consolidated financial statements of the Group for HY2023, and (ii) the unaudited financial statements of the Target for HY2023, the relative figures of the Disposal computed on the bases set out in Rule 1006 of the Listing Manual are as follows:

Rule 1006	Bases	Relative Figure
(a)	The net asset value of the assets to be disposed of[1], compared with the group's net asset value[2]. This basis is not applicable to an acquisition of assets.	(2.5%)
(b)	The net profits/loss attributable to the assets acquired or disposed of, compared with the group's net profits/loss.	13.1%[3]
(c)	The aggregate value of the consideration given or received, compared with the issuer's market capitalisation based on the total number of issued shares excluding treasury shares.	6.33%[4]
(d)	The number of equity securities issued by the issuer as consideration for an acquisition, compared with the number of equity securities previously in issue.	Not applicable to the Disposal.
(e)	The aggregate volume or amount of proved and probable reserves to be disposed of, compared with the aggregate of the group's proved and probable reserves.	Not applicable to the Disposal, as the Company is not a mineral, oil and gas company.

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Notes:

(1) The net liabilities value attributable to the Disposal is S$2,410,000, being 51.04% of S$4,723,000, prior to waiver of amount due to the Company based on the unaudited financial statements of the Target for HY2023.

(2) The Group's net asset value was S$96,068,000 based on the unaudited HY2023 financial results released on 11 August 2023.

(3) "Net profits" means profit or loss before income tax and non-controlling interests. Based on 51.04% of the net loss attributable to the Disposal of S$947,000 and net loss attributable to the Group of S$3,678,000 per the unaudited HY2023 financial results released on 11 August 2023.

(4) Based on the Consideration of S$2,427,030 and the Company's market capitalisation of S$38,355,928 (determined by multiplying 150,356,441 Shares being the Company's existing total number of Shares in issue (excluding treasury Shares) by the volume weighted average price of S$0.2551 per Share transacted on 7 February 2024, being the last full market day preceding the date of execution of the SPA.

The Disposal involves the disposal of a loss-making company with negative net asset value. The Disposal resulted in a loss on disposal of S$0.8 million, representing 25.8% of the net loss attributable to the Group per the unaudited HY2023 financial results.

The absolute relative figures computed involve negative figures which do not fall within the situations in Practice Note 10.1 of the Listing Manual. In particular, with reference to Paragraphs 4.4(c) and (e) of Practice Note 10.1, (i) the absolute relative figures computed on the basis of Rule 1006(c) of the Listing Manual exceed 5% but do not exceed 20%; but (ii) the Disposal resulted in a loss on disposal exceeding 10% of the consolidated net loss of the Group. As such, Rule 1014 of the Listing Manual would apply to the Disposal, and the Company is typically required to seek Shareholders' approval for the same.

4.2 Application for Waiver by the Company

In this regard, the Board had made an application to the SGX RegCo seeking a waiver from the requirement to obtain prior shareholders' approval for the Disposal under Rule 1014(2) of the Listing Manual read with Practice Note 10.1 (the "**Waiver**"), on the following grounds:

(a) *Disposal involves a non-core asset of the Group*

The Target is no longer in operation. As of 30 June 2023, the Target has already been classified as discontinued operations and assets held for sale. To this end, the Group has already incurred a one-time impairment loss on non-financial assets of S$8.8 million in relation to the property, plant and equipment and right-of-use assets ("**ROU**") held by a subsidiary in Myanmar as well as an impairment loss on financial assets of S$1.0 million with regard to amounts owed by customers in Myanmar.

Taking into consideration the foregoing, the Target represented a non-core asset of the Group, and thereby met the following criteria set out in Paragraph 7.3 of Practice Note 10.1:

(i) it was not critical to the principal business activity of the Company;

(ii) it was ancillary to the principal business activity of the Company; and

(iii) it was no longer part of an existing principal business of the Group, notwithstanding that it had been reported in the Company's audited FY2022 financial statements within the Group's HG distribution business unit.

(b) *No material change to risk profile of the Group*

The Board is of the view that there will be no material change to the risk profile of the Group as a result of the Disposal, in view of the 2 main factors as follows:

(i) the Disposal was being undertaken after taking into consideration the various factors affecting the Myanmar economic condition after two years of military coup. The Group, along with various other businesses, has had to deal with various operational difficulties and persistent regulatory uncertainty. Having already ceased operations in Myanmar, undertaking the Disposal is in the best interests of the Group and allows the Group to conserve its resources for better use in other areas of businesses; and

(ii) the Target has been loss-making since the financial year ended 31 December 2021 and is in a net liability position as of 30 June 2023. The Disposal will allow the Group to channel its financial and capital resources towards its current and viable businesses, thereby optimising its balance sheet and improving the Group's future financial and operational performance in the long run.

(c) *Costs of holding an extraordinary general meeting*

It was submitted on behalf of the Company, taking into consideration the current financial position of the Company, that the Company would also derive significant costs savings if it is not required to hold an extraordinary general meeting to approve the Disposal.

4.3 Waiver by the SGX RegCo

On 30 January 2024, the Waiver was granted by the SGX RegCo subject to the following conditions ("**Conditions**"):

(a) the Company announcing the Waiver granted, the reasons for seeking the Waiver, the conditions as required under Rule 107 of the Mainboard listing rules and if the Waiver conditions have been satisfied. If the Waiver conditions have not been met on the date of the announcement, the Company must make an update announcement when the conditions have all been met;

(b) submission of a written confirmation from the Company that it is not aware of any information that will have a material bearing on investors' decision which has yet to be announced by the Company;

(c) submission of a written confirmation from the Company that the Waiver is/will not be in contravention of any laws and regulations governing the issuer and its constitution (or equivalent in the issuer's country of incorporation);

(d) disclosure via SGXNet and the shareholders' circular of the Board's assessment that there will be no material change to the risk profile of the Group as a result of the Disposal and the bases for the Board's assessment; and

(e) the Company seeking shareholders' ratification of the Disposal within 3 months from the date of completion of the Disposal.

The Company had made an announcement on 13 February 2024 pursuant to Conditions (a) and (d) and the Company has submitted the written confirmations in accordance with Conditions (b) and (c).

5. FINANCIAL EFFECTS OF THE DISPOSAL

5.1 Bases and assumptions

The financial effects of the Disposal on the NTA per share and the loss per Share ("**LPS**") of the Group are set out below. The financial effects for the Disposal have been prepared based on the audited consolidated financial statements of the Group and the Target for the financial year ended 31 December 2022 ("**FY2022**") and are purely for illustrative purposes only and should not be taken as an indication of the actual financial position of the Group nor a projection of the future financial performance or position of the Group since the completion of the Disposal.

The financial effects have also been prepared based on the following assumptions:

(a) the Disposal had been effected on (i) 31 December 2022 for illustrating the financial effects on the NTA below; and (ii) 1 January 2022 for illustrating the financial effects on the EPS below;

(b) estimated expenses for the Disposal are not material and have not been included in the financial effects; and

(c) the NTA per share is computed based on 125,297,035 Shares in the capital of the Company in issue (excluding 5,314,330 treasury shares) as at 31 December 2022 and the LPS of the Group is computed based on the weighted average number of 125,375,785 Shares in issue for FY2022.

For the avoidance of doubt, Shareholders should note that nothing in this Appendix may be treated as a representation by the Company as to the trading price of the Shares for any period of time.

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5.2 NTA(1)

	Before the Disposal	After the Disposal
NTA attributable to Shareholders (S$'000)	104,615	103,775
NTA per Share attributable to Shareholders (cents)	83.49	82.82

Note:
(1) NTA refers to total assets less the sum of total liabilities, non-controlling interests and intangible assets.

5.3 LPS

	Before the Disposal	After the Disposal
Net profit/(loss) attributable to Shareholders (S$'000)	(527)	4,103
Earnings per Share/(LPS) (cents)	(0.42)	3.27

5.4 Loss on Disposal

Based on the Consideration of S$2,427,030 and taking into account that an amount of approximately S$0.9 million was additionally incurred by the Company toward the full release and discharge of the liabilities owing to the Target's external lender, the Disposal resulted in a loss on disposal of S$0.8 million, representing 25.8% of the net loss attributable to the Group per the unaudited HY2023 financial results.

6. IRREVOCABLE UNDERTAKINGS

In connection with the Disposal and the Ratification, the Company had approached and obtained irrevocable undertakings dated 13 February 2024 from certain of its Shareholders ("**Undertaking Parties**") to, *inter alia*, vote and/or procure to vote all the shares of which each Shareholder holds in favour of the Disposal at the AGM ("**Irrevocable Undertakings**").

The Undertaking Parties and their respective Shareholding percentages (excluding treasury Shares) as at the Latest Practicable Date are as follows:

(a) Dhu Holdings Pte Ltd which directly holds 35,642,600 Shares, representing 23.71%;

(b) Zheng Dazhai who directly holds 12,529,703 Shares, representing 8.33%; and

(c) Xue Jun who directly holds 12,529,703 Shares, representing 8.33%.

The Undertaking Parties further agreed to maintain their interests in the Shares subject to the Irrevocable Undertakings and will not at least until and including the date of the AGM sell, transfer or otherwise dispose of, or of any interest in, any of such Shares.

APPENDIX

7. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of Directors and substantial Shareholders as recorded in the Register of Directors' Shareholdings and Register of Substantial Shareholders respectively, as at the Latest Practicable Date, are as follows:

	Direct Interest		Deemed Interest	
	No. of Shares	**%[(1)]**	**No. of Shares**	**%[(1)]**
Directors				
Ong Hwee Li	–	–	–	–
Ng Chuey Peng	–	–	–	–
Ong Lizhen, Daisy	–	–	–	–
Xiao Xia[(2)]	–	–	35,642,600	23.71
Substantial Shareholders				
Dhu Holdings Pte. Ltd.	35,642,600	23.71	–	–
Yu Zengqiang[(3)]	–	–	35,642,600	23.71
Zheng Dazhai	12,529,703	8.33	–	–
Xue Jun	12,529,703	8.33	–	–
Regroup Holdings Pte. Ltd.	8,608,657	5.73	–	–
Yap Boon San[(4)]	143,106	0.09	8,608,657	5.73
Green Esteel Pte. Ltd.	8,010,000	5.33	–	–
You Zhenhua[(5)]	–	–	8,010,000	5.33
Advance Venture Investments Limited[(5)]	–	–	8,010,000	5.33

Notes:–

(1) Based on the issued share capital of 150,356,441 Shares as at the Latest Practicable Date.

(2) Xiao Xia is deemed to be interested in the 35,642,600 Shares held by Dhu Holdings Pte. Ltd., by virtue of Section 4 of the Securities and Futures Act 2001 of Singapore.

(3) Yu Zengqiang is deemed to be interested in the 35,642,600 Shares held by Dhu Holdings Pte. Ltd., by virtue of Section 4 of the Securities and Futures Act 2001 of Singapore.

(4) Yap Boon San is deemed to be interested in 8,608,657 Shares held by Regroup Holdings Pte. Ltd. by virtue of Section 7 of the Securities and Futures Act 2001 of Singapore.

(5) Each of You Zhenhua and Advance Venture Investments Limited is deemed interested in the Shares held by Green Esteel Pte. Ltd. pursuant to Section 4 of the Securities and Futures Act 2001 of Singapore.

None of the Directors or the controlling shareholders of the Company or their respective associates has any interest, direct or indirect, in the Disposal, other than through their respective directorships and/or shareholdings in the Company.

APPENDIX

8. DIRECTORS' SERVICE CONTRACTS

No Director is proposed to be appointed to the Company in connection with the Disposal. Accordingly, there is no service contract proposed to be entered into between the Company and any such person.

9. DIRECTORS' RECOMMENDATION

Having fully considered, *inter alia*, the terms, rationale and benefits of the Disposal, the Board is of the view that it would be beneficial to and in the interests of the Company to proceed with the Disposal. Accordingly, the Board recommends that the Shareholders **vote in favour** of Ordinary Resolution 11 relating to the Ratification under the heading "Special Business" set out in the Notice of AGM.

10. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wish to vote must submit the accompanying Proxy Form to this Annual Report in advance and appoint the Chairman of Meeting as their proxy.

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.

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 sg.is.proxy@sg.tricorglobal.com;

in each case, by **10.00 a.m. on 24 April 2024**.

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.

The completion and return of a Proxy Form by a Shareholder will not prevent him from attending and voting at the AGM if he so wishes.

APPENDIX

11. DIRECTORS' 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 Ratification, the Disposal and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information contained in this 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 this Appendix in its proper form and context.

12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 28 Jalan Buroh, Singapore 619484 during normal business hours from the date of this Announcement up to and including the date falling three months after the date of this Appendix:

(a) the SPA;

(b) the FY2023 Annual Report for the Company; and

(c) the Irrevocable Undertakings.

Yours faithfully,
For and on behalf of
HG METAL MANUFACTURING LIMITED

Xiao Xia
Executive Director and Chief Executive Officer

SHAREHOLDINGS STATISTICS

AS AT 18 MARCH 2024

Total number of shares issued	–	155,670,771
Number of Shares	–	150,356,441 (excluding treasury shares)
Treasury Shares	–	5,314,330
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

ANALYSIS OF SHAREHOLDINGS

Range of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	477	12.42	22,321	0.01
100 – 1,000	625	16.28	398,408	0.27
1,001 – 10,000	2,115	55.08	8,756,381	5.82
10,001 – 1,000,000	611	15.91	34,365,956	22.86
1,000,001 and above	12	0.31	106,813,375	71.04
	3,840	**100.00**	**150,356,441**	**100.00**

SHAREHOLDING HELD IN HANDS OF PUBLIC

As at 18 March 2024 the percentage of shareholdings held in the hands of the public was approximately 48.48% 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	57,899,160	38.51
2	Xue Jun	12,529,703	8.33
3	Green Esteel Pte Ltd	8,010,000	5.33
4	Aye Ko Ko	6,200,000	4.12
5	Chua Sze Bok	3,647,100	2.43
6	Daiwa Capital Markets Singapore Limited	3,638,800	2.42
7	Tan Nah	3,600,000	2.39
8	Htay Htay Naing	3,359,100	2.23
9	Phillip Securities Pte Ltd	2,451,603	1.63
10	Moomoo Financial Singapore Pte Ltd	2,295,700	1.53
11	DBS Nominees Pte Ltd	2,030,203	1.35
12	Raffles Nominees (Pte) Limited	1,152,006	0.77
13	Citibank Nominees Singapore Pte Ltd	998,231	0.66
14	Ong Chee Khoon	910,000	0.61
15	United Overseas Bank Nominees (Private) Limited	876,597	0.58
16	Lew Wing Kit	795,200	0.53
17	Maybank Securities Pte Ltd	741,423	0.49
18	Sia Ling Sing	723,000	0.48
19	David Leoric	666,600	0.44
20	Ng Hwee Koon	662,650	0.44
		113,187,076	**75.27**

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 18 March 2024 of 150,356,441 shares (which excludes 5,314,330 shares which are held as treasury shares representing approximately 3.53% of the total number of issued shares excluding treasury shares and subsidiary holdings).

SHAREHOLDINGS STATISTICS

AS AT 18 MARCH 2024

Any discrepancies in this Annual Report between the sum of the figures stated and the total thereof are due to rounding. Accordingly, figures shown as totals in this Annual Report may not be an arithmetic aggregation of the figures which precede them.

SUBSTANTIAL SHAREHOLDERS

	Direct Interest		Deemed Interest	
Substantial Shareholder	**No. of Shares**	**Percentage (%)[1]**	**No. of Shares**	**Percentage (%)[1]**
Dhu Holding Pte. Ltd.	35,642,600	23.71	–	–
Xiao Xia	–	–	35,642,600[2]	23.71
Yu Zengqiang	–	–	35,642,600[3]	23.71
Xue, Jun	12,529,703	8.33	–	–
Zheng Dazhai	12,529,703	8.33	–	–
Regroup Holdings Pte. Ltd.	8,608,657	5.73	–	–
Yap Boon San	143,106	0.09	8,608,657[4]	5.73
Green Esteel Pte. Ltd.	8,010,000	5.33	–	–
You Zhenhua	–	–	8,010,000[5]	5.33
Advance Venture Investments Limited	–	–	8,010,000[5]	5.33

Notes:

(1) Based on total issued and paid-up ordinary share capital (excluding treasury shares and subsidiary holdings) comprising 150,356,441 Shares as at the Latest Practicable Date.

(2) Xiao Xia is deemed to be interested in the 35,642,600 Shares held by Dhu Holding Pte. Ltd., by virtue of Section 4 of the Securities and Futures Act 2001 of Singapore.

(3) Yu Zengqiang is deemed to be interested in the 35,642,600 Shares held by Dhu Holding Pte. Ltd., by virtue of Section 4 of the Securities and Futures Act 2001 of Singapore.

(4) Yap Boon San is deemed to be interested in the 8,608,657 Shares held by Regroup Holdings Pte. Ltd. by virtue of Section 7 of the Act.

(5) Each of You Zhenhua and Advance Venture Investments Limited is deemed interested in the Shares held by Green Esteel Pte. Ltd. pursuant to Section 4 of the Securities and Futures Act 2001 of Singapore.

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 at 28 Jalan Buroh, Singapore 619484 on Friday, 26 April 2024 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 2023 together with the Independent Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to the Regulation 88 of the Company's Constitution:

   Mr Ong Hwee Li *[See explanatory note (i)]* **(Resolution 2)**
   Ms Xiao Xia *[See explanatory note (ii)]* **(Resolution 3)**
   Ms Ong Lizhen, Daisy *[See explanatory note (iii)]* **(Resolution 4)**
   Ms Ng Chuey Peng *[See explanatory note (iv)]* **(Resolution 5)**

3. To approve the payment of Directors' fees of S$208,156 for the financial year ended 31 December 2023 (previous financial year: S$207,567). **(Resolution 6)**

4. To approve the payment of Directors' fees of up to S$203,700 to be paid quarterly in arrears for the financial year ending 31 December 2024. *[See explanatory note (v)]* **(Resolution 7)**

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 8)**

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 pursuant to Section 161 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 pursuant to Section 161 of 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

NOTICE OF ANNUAL GENERAL MEETING

(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,

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

(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 (vi)] **(Resolution 9)**

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;

NOTICE OF ANNUAL GENERAL MEETING

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;

(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 (vii)] **(Resolution 10)**

9. **Ratification of the disposal of shares in the Company's subsidiary in Myanmar, First Fortune International Company Limited**

That:

(a) the entering into of a sale and purchase agreement ("**SPA**") with Aung Tin Htut ("**Buyer**") in relation to the disposal by HG Metal Investments Pte. Ltd. ("**HGMI**") of 30,486 ordinary shares in the capital of its subsidiary, namely First Fortune International Company Limited to the Buyer ("**Disposal**") be hereby confirmed, approved and ratified;

(b) the execution by HGMI of the SPA, be hereby confirmed, approved and ratified; and

(c) any acts, matters and things done or performed and/or documents signed, executed and/or delivered by any Director of the Company in connection with the Disposal, the SPA as he/she deem desirable, necessary or expedient to give effect to the matters referred to in this Ordinary Resolution as he/she may in their absolute discretion deem fit in the interest of the Company, be and are approved, confirmed and ratified.

[See Explanatory Note (viii)] **(Resolution 11)**

By Order of the Board

Wee Woon Hong
Sim Yok Teng
Company Secretaries
Singapore
4 April 2024

Explanatory Notes:

(i) Mr Ong Hwee Li will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Chairman and Chairman of the Nominating Committee and a member of the Audit and Risk 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 Mr Ong Hwee Li pursuant to Rule 720(6) of the Listing Manual can be found on pages 96 to 98 in the Annual Report 2023.

(ii) Ms Xiao Xia will, upon re-election as a Director of the Company, remain as an Executive Director and Chief Executive Officer. Detailed information of Ms Xiao Xia pursuant to Rule 720(6) of the Listing Manual can be found on pages 96 to 98 in the Annual Report 2023.

(iii) Ms Ong Lizhen, Daisy will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director and Chairman of the Audit and 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 accordance with the Code of Corporate Governance 2018. Detailed information of Ms Ong Lizhen, Daisy pursuant to Rule 720(6) of the Listing Manual can be found on pages 99 to 101 in the Annual Report 2023.

(iv) Ms Ng Chuey Peng will, upon re-election as a Director of the Company, remain as an Independent Non-Executive Director and Chairman of the Remuneration Committee and a member of the Audit and Risk Committee and Nominating 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 Chuey Peng pursuant to Rule 720(6) of the Listing Manual can be found on pages 99 to 101 in the Annual Report 2023.

(v) The Ordinary Resolution 7 above is to seek approval for the payment of up to S$203,700 as directors' fees on a current year basis, that is for the financial year ending 31 December 2024. In the event that the amount proposed is insufficient, approval will be sought at next year's AGM for payments to meet the shortfall.

NOTICE OF ANNUAL GENERAL MEETING

(vi) The Ordinary Resolution 9 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.

(vii) The Ordinary Resolution 10 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 2023 Annual Report of the Company.

(viii) The Ordinary Resolution 11 above is to seek ratification for the Disposal, which has been completed under the SPA. Details of the Disposal, including information on the parties, key terms of the Disposal, rationale for the Disposal, relative figures computed based on Rule 1006 of the Listing Manual and the Waiver granted by SGX RegCo may be found at Sections 2 to 4 of the Appendix to AGM.

Notes:

1. All Members of the Company are invited to **attend the AGM physically**. There will be no option for Members to participate virtually. The Notice of AGM, Proxy Form, Request Form, and the Annual Report (including the Appendix) will be made available on the Company website (http://hgmetal.listedcompany.com/newsroom.html) and the SGXNET (https://www.sgx.com/securities/company-announcements). Printed copies of the Notice of AGM, Proxy Form and the Request Form will be despatched to Members.

2. A Member entitled to attend and vote at the AGM is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

3. Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member.

4. Members who wish to submit Proxy/Proxies Forms (duly executed together with the power of attorney or other authority, if any, under which the Proxy/Proxies Form is signed or notarially certified copy of that power of attorney or other authority, falling previous registration with the Company) must do so in the following manner:

   (i) by email to sg.is.proxy@sg.tricorglobal.com; or

   (ii) by post to the Registered Office of the Company at 28 Jalan Buroh, Singapore 619484

   in each case by **10.00 a.m. on 24 April 2024** (being not less than forty-eight (48) hours before the time appointed for holding the AGM).

5. The instrument appointing a proxy/proxies must be signed by the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it must be executed either under its common seal or under the hand of any officer or attorney duly authorised.

6. 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.

7. Persons who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act), including CPF or SRS Investors may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, in which case they should approach their respective relevant intermediaries (including CPF and SRS Operators) to submit their votes at least seven (7) business days before the AGM (i.e. by **10.00 a.m. on 17 April 2024**), to enable their respective relevant intermediaries to in turn submit the proxy forms to appoint the Chairman of the AGM to vote on their behalf by **10.00 a.m. on 24 April 2024**.

NOTICE OF ANNUAL GENERAL MEETING

8. A proxy need not be a member of the Company. The Chairman of the AGM, as proxy, need not be a member of the Company. The Company shall be entitled to reject a Proxy Form 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 Proxy Form (such as in the case where the appointor submits more than one Proxy Form). If no specific direction as to voting is given in respect of a resolution, the appointed proxy/proxies will vote or abstain from voting at his/her/their discretion. If the appointor is a corporate, the Proxy Form must be executed under seal or the hand of its duly authorised officer or attorney.

9. Please bring along your NRIC/passport so as to enable the Company to verify your identity. Member are requested to arrive early to facilitate the registration process and are advised not to attend the AGM if they are feeling unwell. Members are strongly encourage to exercise social responsibility to rest at home and consider appoint/appoint proxy(ies) to attend the Meeting.

Submission of Questions

(a) Members, including CPF and SRS Investors, can submit substantial and relevant questions related to the resolutions to be tabled for approval at the AGM, in advance of the AGM, in the following manner:

(i) by email to agm@hgmetal.com; or

(ii) by post to the Registered Office of the Company at 28 Jalan Buroh, Singapore 619484

Members, including CPF and SRS Investors, who wish to submit their questions via email or by post are required to indicate their full names (for individuals)/company names (for corporates), NRIC/passport number/company registration numbers, contact numbers, shareholding types and number of shares held together with their submission of questions, to the office address or email address provided. Persons who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act) (excluding CPF and SRS Investors) should contact their respective relevant intermediaries through which they hold such Shares to submit their questions related to the resolutions to be tabled for approval at the AGM based on the abovementioned instructions.

All questions submitted in advance of the AGM via any of the above channels must be received by **5.00 p.m. on 12 April 2024**.

(b) The Company will endeavour to address all substantial and relevant questions received from members prior to the AGM by publishing the responses to such questions on the Company website (http://hgmetal.listedcompany.com/newsroom.html) and the SGXNET (https://www.sgx.com/securities/company-announcements) on **19 April 2024**. If substantial and relevant written questions are submitted after the abovementioned cut-off time, they will be addressed during the AGM. Where substantially similar questions are received, the Company will consolidate such questions and consequently not all questions may be individually addressed.

(c) The Company will publish the minutes of the AGM on the Company website (http://hgmetal.listedcompany.com/newsroom.html) and the SGXNET (https://www.sgx.com/securities/company-announcements) within one (1) month after the date of its AGM held.

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.

HG METAL MANUFACTURING LIMITED
Registration Number 198802660D
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. Central Provident Fund Investment Scheme ("**CPF Investor**") and Supplementary Retirement Scheme ("**SRS Investor**") may attend and vote at the AGM in person. CPF and SRS investors who are unable to attend the AGM but would like to vote, may approach their respective CPF agent banks and SRS operators at least seven (7) business days before the AGM (i.e. by **10.00 a.m. on 17 April 2024**) to appoint the Chairman of the AGM to act as their proxy and submit their votes, in which case, such CPF and SRS investors shall be precluded from attending the AGM.
2. This proxy form is not valid for use by CPF and SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

ANNUAL GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this Form)

*I/We, ______________________________ (Name) ____________________ (NRIC/Passport No./Company Registration No.)

of ____ (Address)

being a member/members of HG Metal Manufacturing Limited (the "**Company**"), hereby appoint:

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

*and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or if no proxy is named, the Chairman of the Annual General Meeting ("**AGM**") of the Company as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the AGM of the Company to be held at 28 Jalan Buroh, Singapore 619484 on Friday, 26 April 2024 at 10.00 a.m. and at any adjournment thereof. I/We* direct my/our* proxy/proxies* to vote for, vote against or abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/their* discretion, as he/they* will on any other matter arising at the AGM and at any adjournment thereof. 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 2023			
2	Re-election of Mr Ong Hwee Li as a Director			
3	Re-election of Ms Xiao Xia as a Director			
4	Re-election of Ms Ong Lizhen, Daisy as a Director			
5	Re-election of Ms Ng Chuey Peng as a Director			
6	Approval of Directors' fees amounting to S$208,156 for the financial year ended 31 December 2023			
7	To approve the payment of Directors' fees of up to S$203,700 for the financial year ending 31 December 2024			
8	Re-appointment of Ernst & Young LLP as Auditors			
9	Authority to issue shares and convertible securities pursuant to Section 161 of the Companies Act 1967			
10	Renewal of the Share Purchase Mandate			
11	Ratification of the disposal of shares in the Company's subsidiary in Myanmar, First Fortune International Company Limited			

Dated this _______ day of ______________________ 2024

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 proxy form will be deemed to relate to all the shares held by the member.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies. Where such member's proxy form appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form; and

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

   "Relevant intermediary" shall have the meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore.

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

4. This proxy form, duly executed, must be submitted to the Company in the following manner:

   (i) by email to sg.is.proxy@sg.tricorglobal.com; or

   (ii) by post to the Registered Office of the Company at 28 Jalan Buroh, Singapore 619484

   in each case, by **10.00 a.m. on 24 April 2024** (being not less than forty-eight (48) hours before the time appointed for holding the AGM).

5. This proxy form must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.

6. Where this proxy form is signed on behalf of the appointor by an attorney, the power of attorney or a notarially certified copy thereof (failing previous registration with the Company) must be lodged with this proxy form, failing which this proxy form may be treated as invalid.

7. A corporation which is a member may authorise by a 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 Section 179 of the Companies Act 1967 of Singapore.

8. Persons who hold shares through relevant intermediaries (including CPF and SRS Investors) and wish to exercise their votes may appoint the Chairman of the AGM as their proxy to vote on their behalf at the AGM, in which case they should approach their respective relevant intermediaries (which would include CPF and SRS operators) to submit their votes at least seven (7) business days before the AGM (i.e. by **10.00 a.m. on 17 April 2024**), to enable their respective relevant intermediaries to in turn submit the proxy forms to appoint the Chairman of the AGM to vote on their behalf by **10.00 a.m. on 24 April 2024**.

9. The Company shall be entitled to reject this proxy form if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this proxy form (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any proxy form lodged 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 4 April 2024.

HG METAL MANUFACTURING LIMITED
28 Jalan Buroh
Singapore 619484
T: 6 268 2828
F: 6 268 3838
E: sales@hgmetal.com
www.hgmetal.com