



ANNUAL REPORT
2020

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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.

With more than 750,000 square feet of land area, HG Metal has one of the largest steel warehouse and processing facilities in Singapore and Myanmar, storing more than 3,000 varieties of steel products for a wide range of industries and applications. Armed with an extensive network of suppliers and solid sourcing capabilities, HG Metal offers customised solutions for our regional customer base along the entire supply chain.

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



OUR BUSINESS



ONE-STOP CENTRE OFFERING INTEGRATED AND TAILORED SOLUTIONS

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

HG DISTRIBUTION

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

HG CONSTRUCTION STEEL

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

HG COUPLER AND THREAD

With more than 20 years strong background in the steel and construction businesses. We are here together with China Academy of Building Research (CABR) to supply top quality rebars mechanical splice and anchor system to the reinforced concrete construction industry in the South East Asia Region.



INTERNATIONAL NETWORK OF SUPPLIERS AND CLIENTS

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

LARGE-SCALE COMPREHENSIVE FACILITIES

We have approximately 750,000 sq ft of warehousing and processing facilities located at Jalan Buroh and Myanmar. The facilities have a combined steel storage capacity of 200,000 tonnes and a combine monthly handling capacity (in and out) of 80,000 tonnes.

ENSURING QUALITY, ENHANCING VALUE

At HG Metal, everything we do is driven by our desire to ensure quality and enhance value for our clients. Our large-scale facilities and ability to order steel in bulk ensure that we achieve economies of scale, which enable us to offer competitive prices in the market. Together with our one-stop tailored solutions, extensive procurement network and established geographical reach, these key strengths

have helped cement our 40-year position in the steel industry. Supported by highly experienced teams in management, operations and sales, we leverage on our decades of knowledge to deliver steel solutions more efficiently and effectively. From supply chain management, logistics and warehousing operation to quality assurance and dedicated customer service, we go the extra mile to provide greater value for our clients with products of the highest quality.

ADVANCING IN THE MARKET

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

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

MESSAGE TO SHAREHOLDERS

DEAR SHAREHOLDERS,

We are pleased to present to you the annual report of HG Metal Manufacturing Limited (“**HG Metal**”) for the financial year ended 31 December 2020 (“**FY2020**”).

FY2020 FINANCIAL PERFORMANCE

FY2020 was a year marked by extraordinary challenges as a major healthcare crisis caught the world by surprise. The COVID-19 pandemic was a once-in-a-generation crisis that impacted every country worldwide. In such unprecedented times, the Group’s strong fundamentals have helped to see us through, so that we can emerge even stronger from the crisis.

The Group’s revenue for FY2020 decreased by 33% to S\$91.7 million from S\$137.1 million in FY2019 as the Group’s operations was largely affected by the pandemic, which led to suspension of trade and business disruption during the circuit breaker period in FY2020Q2. Our customers only resumed business operations progressively from FY2020Q3 onwards, albeit with many COVID-19 safe management measures in place. The Group was only able to regain much of its business volume in FY2020Q4 after the resumption of most of the construction activities. Adoption of strict control measures implemented by the government to counter the pandemic has also affected our productivity. As such, gross profit dropped to S\$11.1 million in FY2020 from S\$13.3 million in FY2019, while gross profit margin was higher at 12.1%, thereby helped to offset the revenue dip.

Separately, other operating income decreased 6% to S\$4.6 million in FY2020 mainly attributed to the reduction in warehousing and rental income of S\$1.0 million and reduction in other operating income of S\$0.4 million. This was partially offset by government grants received from the Jobs Support Scheme (JSS) and foreign worker levy rebates.

Overall, there was no significant increase in selling and distribution costs as compared to prior year. The Group’s total administrative and other operating

expenses declined by S\$3.4 million in FY2020 compared to last financial year largely due to lower staff cost and reduction in depreciation of right-of-use assets following the expiration of one warehouse lease agreement. However, total finance costs incurred increased to S\$1.1 million in FY2020 from S\$0.9 million in FY2019 mainly due to the increase in construction loans for properties redevelopment in Singapore and Myanmar. Consequently, the Group registered a net profit after tax of S\$1.3 million in FY2020 against a net profit after tax of S\$0.8 million in FY2019.

As at 31 December 2020, the Group’s bank and fixed deposits balance stood at S\$26.2 million, which remained relatively unchanged compared to prior year. Total bank borrowings decreased to S\$19.8 million from S\$23.0 million as at 31 December 2019 as we made loan repayments during the year to reduce our liabilities.

BUSINESS DEVELOPMENT

During the year, the COVID-19 pandemic has posed unprecedented operational challenges to the Group. In response to this, we have established a business continuity plan to address the evolving operational challenges due to regulations implemented by the Singapore government.

In March 2020, most of the steel mills in pandemic-hit China stopped operation due to a sharp drop in demand. China’s economy rebounded strongly in a V-shape recovery path in FY2020Q3, resulting in rising steel demand against the backdrop of limited steel supply, thereby pushing steel prices higher in recent months. This posed a challenge to our material procurement efforts, which was further compounded by slowing steel demand in the local market caused by delayed work schedule at customers’ work sites. Many of our construction company customers experienced stalling work progress due to adoption of safe work management measures and manpower shortage. Nevertheless, we took the opportunity to optimise our inventory and expand our sourcing network, while closely monitoring market trends and seeking



closer co-operation with goods procurement business partners in our efforts to mitigate the challenging situation.

At our end, we have sufficient manpower to maintain our operations and fulfil customers' orders. However, our productivity was affected to a certain extent due to the adoption of COVID-19 safe management measures. Despite this, our inventory holding level was high during this period due to the circuit breaker period which caused construction activities to be suspended in the earlier part of the year. This has inadvertently helped us to cushion the impact of rising steel prices in recent months, providing us with a window period to replenish our stocks progressively.

Despite the unprecedented challenges faced in FY2020, the Group managed to kickstart another new coupler and threading business to complement our principal business in the supply of construction steel solutions.

Meanwhile, the escalating political tension in Myanmar has exposed the Group's local Myanmar operations to increasing uncertainty. We continue to monitor the situation in order to make necessary operational adjustments as well as taking other precautions to ensure our workers remain safe.

PROPOSED DIVIDEND

FY2020 was an extremely difficult year as the world battled against the COVID-19 pandemic. In spite of the challenging circumstances, the Group managed to push through and concluded the financial year with positive financial results. The agility of our business achieved through the business transformation strategies implemented in the past few years and the support from the Singapore government, coupled with the dedication and commitment of our colleagues have enabled us to achieve the encouraging results for FY2020. In order to thank our shareholders for their trust and unwavering support, the Board of Directors is pleased to recommend a final one-tier tax exempt dividend of 0.5 Singapore cents per ordinary share in respect of FY2020, subject to shareholders' approval in the forthcoming Annual General Meeting.

BUSINESS OUTLOOK

The Building and Construction Authority (BCA) of Singapore reported in the beginning of this year that total construction demand in 2021 is projected to recover to between S\$23.0 billion and S\$28.0 billion, which is an improvement from the 2020's demand of S\$21.3 billion based on preliminary estimates. With public projects accounting for about 65% of the total demand, significant government spending is expected

MESSAGE TO SHAREHOLDERS

to continue into 2021 to support Singapore's economic recovery from the COVID-19 pandemic. Given that the domestic pandemic situation is under control and the nationwide vaccination programme well under way, local sentiments have turned optimistic. However, recovery is expected to be uneven across different sectors.

Nevertheless, the Group expects the construction industry to remain challenging due to the competitive environment, continual supply chain disruptions, rising steel prices and volatility in US dollar as witnessed in recent months. These issues will affect the cost of our stock replenishment and put pressure to our business margins.

In the coming year, the Group will continue to work on achieving greater efficiency through streamlining our business operations. At the same time, as the Singapore Construction industry is expected to make moderate recovery in 2021, we will step up our marketing efforts to expand our existing businesses and seize any opportunities as it arises. To this end,

our healthy balance sheet will continue to enable us to grow our order book, given our adequate capacity to deal with an increased deal order flow. Beyond this, we will explore other growth opportunities to further enhance our business capabilities and expand our business activities in order to support the long-term growth of the Group.

At this juncture we continue to monitor the Myanmar political crisis as it evolves. The military coup has led to unfavourable business disruption and posed increased operational risk to our Myanmar business operations. However, as the political situation in Myanmar continues to evolve, the Group is unable to assess the longer term impact of the current political turmoil on the Group's business at this stage. We will continue to monitor the situation and make announcement to shareholders as and when there are material developments on this matter.

IN APPRECIATION

On behalf of the Board, we would like to express our gratitude to our management and staff for their dedication and commitment in working together to achieve the common goals of the Group in this challenging time. We would also like to thank our customers, business associates and shareholders for their unwavering trust and support in us. We will continue to strive for greater achievement, so as to enhance stakeholders' value in the years to come.



OPERATING & FINANCIAL REVIEW

FINANCIAL HIGHLIGHTS

FY2020 was an extraordinary year marked by unprecedented challenges caused by the COVID-19 pandemic. Suspension of operations during the circuit breaker period in FY2020Q2 and the subsequent adoption of safe management measures have affected the Group's performance for the year.

Concurrently in the later part of the year, political tension in the form of a military coup erupted in Myanmar, subjecting our Myanmar operations to certain uncertainty, although the extent of the impact has yet to be ascertained. We have been monitoring the situation closely and will make necessary adjustments as needed.

REVENUE AND GROSS PROFIT

The Group reported a 33% dip in revenue to S\$91.7 million against S\$137.1 million in FY2019 due to disruption of trade and business faced by most of our customers since April 2020 following the circuit breaker period and other control measures implemented by the government to counter the COVID-19 pandemic.

In view of lower sales volume and revenue, the Group's gross profit decreased by 16% to S\$11.1 million in FY2020 from S\$13.3 million in FY2019. Despite this, a higher gross profit margin of 12.1% was achieved during the year, which provided a buffer to offset the reduction in revenue.

OTHER OPERATING INCOME

Other operating income reduced to S\$4.6 million in FY2020 from S\$4.9 million in FY2019 as a result of the reduction in warehousing and rental income of S\$1.0 million, and the absence of one-off gain from disposal of property, plant and machinery recorded in FY2019 and reduction in other miscellaneous operating income amounted to S\$0.4 million. These reductions were partially offset by government grants received from the Jobs Support Scheme (JSS) and foreign worker levy rebates.

EXPENSES

During the year in review, there was no significant increase in selling and distribution costs as compared to the year before. Meanwhile, administrative expenses declined to S\$8.7 million in FY2020 from S\$9.6 million in FY2019. This was mainly due to lower payroll and other administrative costs incurred during the year and reduction in other administrative expenses in tandem with the slowdown in business activities.

Other operating expenses decreased to S\$4.1 million in FY2020 from S\$6.6 million in FY2019. This was mainly attributed to the reduction in depreciation of right-of-use assets following the expiration of one warehouse lease agreement. Separately, total finance costs incurred increased to S\$1.1 million in FY2020 as compared to S\$0.9 million in FY2019 largely caused by a rise in construction loans for the redevelopment of properties in Singapore and Myanmar.

PROFITABILITY

In view of the reasons aforementioned, the Group registered a net profit after tax of S\$1.3 million in FY2020 as compared to a net profit after tax of S\$0.8 million in FY2019.

BALANCE SHEET

As at 31 December 2020, the Group's non-current assets decreased to S\$49.1 million from S\$54.0 million as at 31 December 2019. This was mainly attributed to the reclassification of investment securities maturing in 2021 to current assets.

Concurrently, the Group's inventory on hand also reduced to S\$28.1 million as compared to S\$43.1 million as at 31 December 2019. This was mainly a result of the move to mitigate business risk brought about by the COVID-19 pandemic through reducing the Group's inventory holding and freezing stock replenishment for slow-moving products.

OPERATING & FINANCIAL REVIEW



In line with lower sales activities, trade and other receivables declined to S\$37.7 million as at 31 December 2020 as compared to S\$49.3 million in the previous year, while trade and other payables decreased to S\$13.2 million as at 31 December 2020 against S\$36.0 million as at 31 December 2019 due to payment made to suppliers and less purchase activities during the year.

Bank borrowings contracted to S\$19.8 million as at 31 December 2020 from S\$23.0 million as at 31 December 2019 as repayments were made during the year.

CASH POSITION

Net cash flows generated from operating activities was S\$13.9 million in FY2020 against net cash flows used in operating activities of S\$4.3 million in previous year as a consequence of lower working capital requirements.

Net cash flows used in investing activities during the year was S\$12.9 million. This was mainly attributed to capital expenditure for property, plant and equipment of S\$10.3 million in relation to the redevelopment of the warehouse facilities at 28 Jalan Buroh, Singapore

619484 and; construction of a new steel fabrication facility in Myanmar; and pledged fixed deposit with a bank of S\$3.5 million. This was partially offset by proceeds from disposal of property, plant and equipment of S\$0.4 million, as well as the matured of investment securities of S\$0.5 million.

Net cash flows used in financing activities for FY2020 was S\$4.3 million as a result of net repayment of S\$2.9 million to bank borrowings and repayment of lease of S\$1.5 million.

As at 31 December 2020, the Group's cash and cash equivalents was S\$19.5 million as compared to S\$22.9 million as at 31 December 2019 as a consequence of the increase in bank deposits pledged to secure new banking facilities.

FY2020 FINANCIAL HIGHLIGHTS

REVENUE
S\$91.69
million

LIQUIDITY RATIO
4.09x

NET PROFIT
S\$1.34
million

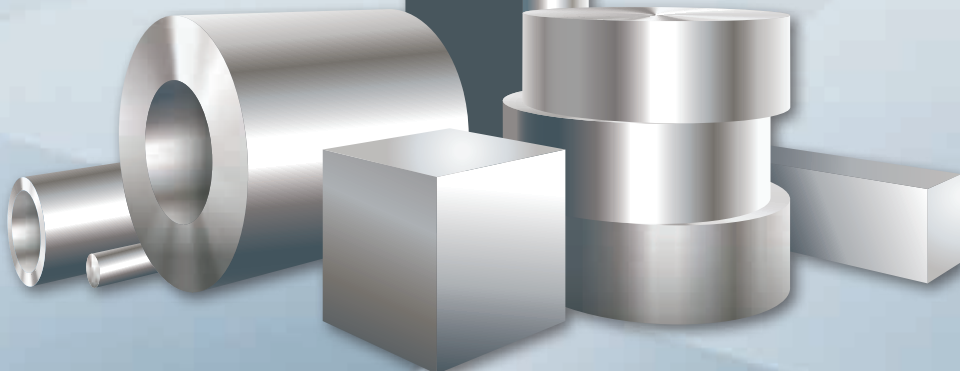
BANK BALANCES AND FIXED DEPOSIT
S\$26.24
million

EARNING PER SHARE
0.81
cents

DEBT-TO-EQUITY
0.27

NET ASSET VALUE PER SHARE
ATTRIBUTABLE TO EQUITY HOLDERS
S\$0.78

NET ASSET VALUE
S\$103.85
million



FIVE-YEAR FINANCIAL SUMMARY

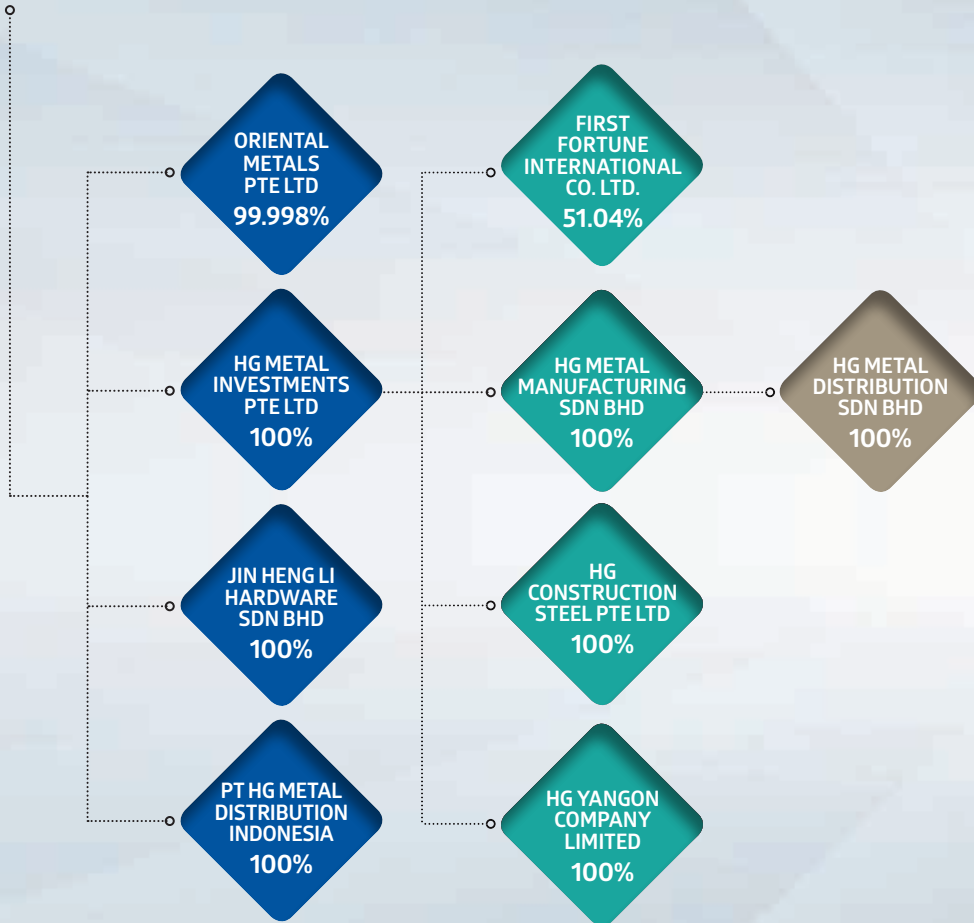
FOR THE YEAR (S\$'m)	FY2020	FY2019	FY2018	FY2017	FY2016
Revenue	91.69	137.12	173.92	162.62	108.53
Gross profit	11.14	13.32	9.87	9.73	6.04
Profit/(loss) Before Tax	1.38	0.80	(3.91)	(11.95)	0.90
Net profit/(loss) After Tax	1.34	0.76	(3.94)	(11.96)	0.91
Profit/(loss) attributable to owners of the Company (PATOC)	1.03	0.76	(3.95)	(11.93)	0.90
Operating Cash Flow	13.88	(4.34)	(13.79)	(13.59)	(8.58)
Cash Flow from Investing	(12.89)	(3.54)	(4.37)	27.90	(5.83)
Free Cash Flow	0.99	(7.88)	(18.16)	14.31	(14.41)
AT YEAR END (S\$'m)					
Total Assets	147.07	172.82	144.49	122.84	151.82
Total Liabilities	43.22	70.15	41.59	18.63	22.12
Shareholders' Funds	99.70	98.74	100.24	104.21	129.43
Bank Balances and Fixed Deposits	26.24	26.20	25.72	48.35	37.74
Total borrowings ¹	27.90	32.10	3.42	-	2.34
Gearing Ratio ²	0.02	0.06	-	-	-
PER SHARE DATA (Singapore Cents)					
Basic Earnings Per Share	0.81	0.59	(3.10)	(9.36)	0.70
SHAREHOLDER'S RETURN					
ROE (%) (PATOC/Average shareholders' Fund)	1.04%	0.76%	(3.85%)	(10.21%)	0.69%
ROA (%) (Net Profit/total assets)	0.91%	0.44%	(2.72%)	(9.74%)	0.60%
Gross Dividend (cents)	0.50	nil	nil	nil	0.50
Share Price at end of year (S\$)	0.184	0.215	0.265	0.395	0.310

¹ Total Borrowings: Bank Borrowings (loan, bills payable) & Lease Liabilities.

² Gearing Ratio: (Total Borrowings - Bank balances & Fixed deposits)/Shareholders' Funds.

CORPORATE STRUCTURE

**HG METAL
MANUFACTURING
LIMITED**
(LISTED ON SGX
MAINBOARD)



BOARD OF DIRECTORS



TEO YI-DAR (ZHANG YIDA)
INDEPENDENT NON-EXECUTIVE CHAIRMAN

Mr Teo Yi-Dar (Zhang Yida), a Non-Executive Chairman, was first appointed to the Board on 13 November 2014. He was appointed as Non-Executive Chairman, as well as a member of Audit and Risk Committee, Nominating Committee and Remuneration Committee to the Board with effect from 8 January 2018. Mr Teo was re-designated as an Independent Non-Executive Chairman on 1 January 2019.

Mr Teo started his career as an Engineer with SGS-Thomson Microelectronics in 1996, and he joined Keppel Corporation Ltd's business development division in 1997. In 1999, Mr Teo joined Boston-based Advent International Private Equity Group, commencing his career in the direct investment business. Mr Teo is currently a Private Equity investor, managing buy-outs and direct investments in Asian Companies in the chemical, engineering, manufacturing, industrial and technology sectors.

Mr Teo sits on the boards of various listed companies.

Mr Teo holds two Masters' degrees; Master of Science Degree in Industrial and Systems Engineering (1998) and Master of Science Degree in Applied Finance (2000) from the National University of Singapore. Mr Teo graduated from the same university with a Bachelor of Electrical Engineering (Honours) in 1996.

Mr Teo was accredited as a Chartered Financial Analyst by the CFA Institute in 2001.

Further Information

Date of first appointment as a Director: 13 November 2014

Date of last re-election as a Director: 26 June 2020

Present Directorships (on 31 December 2020):

Listed companies:

Yangzijiang Shipbuilding (Holdings) Ltd. • China Yuanbang Property Holdings Limited • Asia Vets Holdings Limited (F.K.A Smartflex Holdings Ltd) • Denox Environmental & Technology Holdings Limited • Penyao Environmental Protection Co. Ltd.

Others:

Mr Teo also holds directorships in various non-listed companies.

Past Directorships held over the preceding three years

(from 1 January 2018 to 31 December 2020):

Net Pacific Financial Holdings Limited • Baoling Investments Pte Ltd • Bayston Investments Limited • Pleasant Way Analyse Development Limited • SACLIP Investments Limited • TFSA Investments Ltd • Value Plus Investment Limited



FOO SEY LIANG
EXECUTIVE DIRECTOR

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

Further Information

Date of first appointment as a Director: 10 April 2014

Date of last re-election as a Director: 26 April 2019

Present Directorships (on 31 December 2020):

Listed companies: Nil

Others:

Mr Foo holds directorships in various non-listed companies.

Past Directorships held over the preceding three years

(from 1 January 2018 to 31 December 2020): Nil



NG WENG SUI HARRY

INDEPENDENT NON-EXECUTIVE DIRECTOR

Mr Ng is currently the executive director of HLM (International) Corporate Services Pte Ltd, a company that provides business consultancy, accounting and corporate services. Prior to this position, he was the chief financial officer with a number of companies listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

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

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

Further Information

Date of first appointment as a Director: 10 April 2014

Date of last re-election as a Director: 26 June 2020

Present Directorships (on 31 December 2020):

Listed companies:

Artvision Technologies Ltd • IEV Holdings Limited • Oxley Holding Limited • Q&M Dental Group (Singapore) Limited

Others:

HLM (International) Corporate Services Pte. Ltd. (Executive Director)
• IEV Energy Investment Pte. Ltd. • Singapore Dental Council (member of Audit Committee) • NCC Research Fund (member of Audit Committee) • NCCS Cancer Fund (member of Audit Committee)

Past Directorships held over the preceding three years

(from 1 January 2018 to 31 December 2020): Nil



KESAVAN NAIR

INDEPENDENT NON-EXECUTIVE DIRECTOR

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

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

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

Further Information

Date of first appointment as a Director: 17 April 2014

Date of last re-election as a Director: 26 April 2019

Present Directorships (on 31 December 2020):

Listed companies:

IEV Holdings Limited • Kitchen Culture Holdings Ltd. • Arion Entertainment Singapore Limited (F.K.A Elektromotive Group Limited) • Artvision Technologies Ltd

Others:

Genvest Pte Ltd • Bayfront Law LLC

Past Directorships held over the preceding three years

(from 1 January 2018 to 31 December 2020):

Nil

KEY MANAGEMENT PERSONNEL



SHIN TAEYANG
CHIEF EXECUTIVE OFFICER

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

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

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

SHARON TAY
CHIEF FINANCIAL OFFICER

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

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

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

ROYSTON JOHNS
HEAD OF BUSINESS
(HG METAL MANUFACTURING LIMITED)

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

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

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

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

DAN ANG
HEAD OF BUSINESS
(ORIENTAL METALS PTE LTD)

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

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

CORPORATE INFORMATION

BOARD OF DIRECTORS

Teo Yi-Dar (Zhang Yida)
Independent Non-Executive Chairman

Foo Sey Liang
Executive Director

Ng Weng Sui Harry
Independent Non-Executive Director

Kesavan Nair
Independent Non-Executive Director

AUDIT & RISK COMMITTEE

Ng Weng Sui Harry (Chairman)
Kesavan Nair
Teo Yi-Dar (Zhang Yida)

NOMINATING COMMITTEE

Kesavan Nair (Chairman)
Ng Weng Sui Harry
Teo Yi-Dar (Zhang Yida)

REMUNERATION COMMITTEE

Kesavan Nair (Chairman)
Ng Weng Sui Harry
Teo Yi-Dar (Zhang Yida)

COMPANY SECRETARIES

Wee Woon Hong
Srikanth Rayaprolu

REGISTERED OFFICE

28 Jalan Buroh
Singapore 619484

Tel: (65) 6268 2828
Fax: (65) 6268 3838

Web: www.hgmetal.com

SHARE REGISTRAR

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

EXTERNAL AUDITORS

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

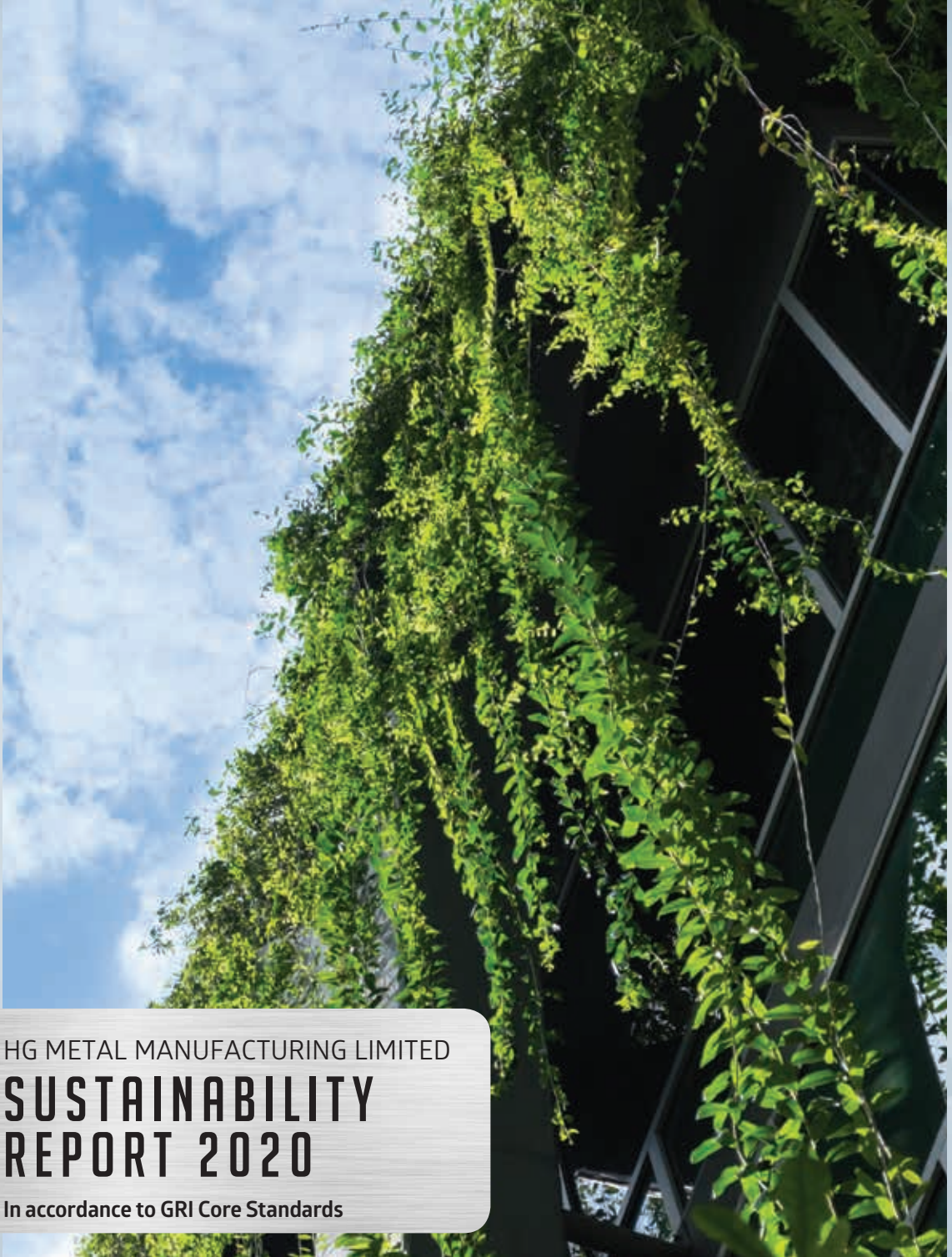
Partner-in-charge:
Andrew Tan Chwee Peng
(With effect from financial year
ended 31 December 2016)

INTERNAL AUDITORS

Deloitte & Touche
Enterprise Risk Services Pte Ltd

PRINCIPAL BANKERS

United Overseas Bank Limited
Oversea-Chinese Banking Corporation Limited
Commerce International Merchant Bankers Berhad
The Hongkong and Shanghai Banking Corporation Limited



HG METAL MANUFACTURING LIMITED

SUSTAINABILITY REPORT 2020

In accordance to GRI Core Standards



OVERVIEW OF REPORT

As an established finished metal provider, our organisation stocks, distributes and processes steel products taken from reliable suppliers to be used as construction material in Singapore and around the region.

At the beginning of FY2020 with the coronavirus outbreak in China and later to Singapore and the rest of the region, the Group put in place the necessary health precautions and operational measures to protect our customers, employees, contractors, suppliers and other stakeholders.

As the pandemic developed in intensity and across the world, the impact of COVID-19 became more pronounced and the management was required to make rapid conscientious actions to secure the sustainability of the Group in the long term.

This report presents our sustainability performance from 1 January 2020 to 31 December 2020 (“FY2020”) with historical performance data included for comparison, where applicable.

REPORTING GUIDELINE AND METHODOLOGY

This Sustainability Report has been prepared in accordance with the internationally recognised Global Reporting Initiative (“GRI”) Standards – Core option, and the Singapore Exchange Securities Trading Limited (“SGX-ST”) Mainboard Listing Rule 711(B).

For this year’s report, we will be taking into account SGX’s special recommendations for disclosures of the COVID-19 pandemic’s impact on our business and operations. Our response to the pandemic is reported in this report as well as in the main section of the Annual Report.

We endeavour to adopt the above guidelines for this report and will present comparisons of our Economic, Environmental, Social and Governance (“ESG”) performance in the past three years.

FEEDBACK

We welcome feedback from internal and external stakeholders to improve on our Sustainability Report. For queries and suggestions, please email to corporate@hgmetal.com.

SUSTAINABILITY REPORT

SUSTAINABILITY STATEMENT

The year 2020 marked an unprecedented and challenging period globally due to the COVID-19 pandemic.

Led by the government in full cooperation with the business sectors and local communities, Singapore has acted fast and responsibly to curb the spread of the disease. At the height of the pandemic here, the country was reduced to only essential services as we persevered throughout the Circuit Breaker period from 7 April 2020 to 1 June 2020.

Like organizations worldwide, the Group had to deal with business disruptions from stoppages in construction projects, restrictions in people movement, supply chains affected by lockdowns, safe distancing measures, remote working, outbreaks in foreign worker dormitories, and change in earnings prospects.

With the gradual resumption of economic activities and reopening of borders, we will restart the business safely in the new environment by managing material social risks and opportunities among our key stakeholder groups.

As at the end of FY2020, it was not possible to predict when the world will return to business as usual and when cross border travels can resume to pre-COVID days. Therefore our top priority is to ensure the health and safety of our employees, customers, suppliers and contractors by taking the necessary precautions.

The economic downturn as a result of the crisis has impacted the Group's business in FY2020 with construction activities being halted. It has also brought about concerns of job security and other related issues. Our customers and suppliers are also facing the effects of the economic slowdown and increasing costs of keeping the organization operational ready in the prolonged pandemic.

On the positive side, our business is not in the hardest-hit industries such as tourism and retail services. Our value chain has been kept lean and efficient, and we maintain excellent relationships with our customers and suppliers. As a result, we were able to operate our business with minimum supply-chain disruption in FY2020.

There will be challenges ahead and the management is putting in place prudent measures and plans to weather this pandemic as we continue to provide our customers with high standard of product quality and service. We will continue our efforts in adapting to changes in work arrangements in line with the evolving situation in order to help us to successfully navigate through this challenging time.

Sincerely

BOARD OF DIRECTORS

HG Metal Manufacturing Limited



STAKEHOLDER ENGAGEMENT

Due to the COVID-19 pandemic, many activities and events have been put on hold since the FY2020Q1. Stakeholder engagements were conducted in line with the government health and safety advisories. Communication channels were mostly done online and physical meetings were restricted to government mandated maximum group size with safe distancing and mask wearing, as well as safe entry and temperature checking for all employees and visitors.

KEY STAKEHOLDERS	ENGAGEMENT METHODS	OBJECTIVES	COVID-19 SPECIFIC CONCERNS	OUR RESPONSE
Investors Shareholders Media	Half-Yearly results announcements via SGXNET and Company website	<ul style="list-style-type: none"> Provide timely and accurate Company disclosures in accordance to SGX-ST and Singapore Code of Corporate Governance to shareholders and potential investors. 	<ul style="list-style-type: none"> Business impact and resilience due to the risks posed by the pandemic 	<ul style="list-style-type: none"> Update shareholders and potential investors on key business risks faced and related business impact via SGXNET To improve on the Company's financial and governance performance Reporting of sustainability policy and practices through Sustainability Reporting
	Annual General Meeting and Extraordinary General Meeting (virtual AGM)	<ul style="list-style-type: none"> Facilitate opportunity for shareholders to put forth questions to the board and management regarding routine and extraordinary business matters. Provide opportunity for shareholders to vote on structural changes and stock ownership. 		
	Annual Report via SGXNET, Company website and publication	<ul style="list-style-type: none"> Provide comprehensive and consistent reporting of financial and operational performance; and overview of business strategies, developments and market outlook. Sustainability report on ESG disclosures. 		
	News Release Statements via SGXNET	<ul style="list-style-type: none"> Provide information on key development activities, update of key business risks such as the COVID-19 pandemic and its related business impact on the Group's business. 		
	Site visits and Investor mailbox	<ul style="list-style-type: none"> Enable bi-lateral communications. Provide reasonable access to analysts, institutional investors and media to enable broader understanding of company's business and operating fundamentals based on publicly available information. 		
Regulatory Bodies ⁽¹⁾	Forums and dialogues Networking events Seminars Briefings and consultation	<ul style="list-style-type: none"> Update on human capital development. Report health and safety compliance. Report environmental and social compliance. Update on industry regulatory trends. 	<ul style="list-style-type: none"> Adherence to government guidelines for safe management measures at workplace. 	<ul style="list-style-type: none"> Implementation of all relevant COVID-19 related measures prescribed by government from time to time.

SUSTAINABILITY REPORT

KEY STAKEHOLDERS	ENGAGEMENT METHODS	OBJECTIVES	COVID-19 SPECIFIC CONCERNS	OUR RESPONSE
Trade Associations ⁽²⁾	Forums and dialogues Networking events Briefings and consultation	<ul style="list-style-type: none"> Update on industry and business trends. Discuss and update on impacts of government policies. 	<ul style="list-style-type: none"> Trends and developments affecting the industry and the supply chain due to the pandemic. 	<ul style="list-style-type: none"> Review the changing trends and developments affecting the business and consider appropriate action plans to address the concerns.
Customers	Quality Survey (annually)	<ul style="list-style-type: none"> Receive feedback on product quality, product knowledge, and customer service standards. 	<ul style="list-style-type: none"> Ensure on-time delivery of quality products and services to customers. 	<ul style="list-style-type: none"> Maintain close and frequent communication with customers on product/project delivery timeline. Prioritise work, health safety of our workers and manpower resource planning to minimise possible disruption to production and delivery schedule.
	Meetings and site visits	<ul style="list-style-type: none"> Enable bi-lateral communications. Provide product and service updates. 		
	Hotline and Company website	<ul style="list-style-type: none"> Receive and respond to feedback. 		
Business Partners ⁽³⁾	Trade fairs, site visits and Company website	<ul style="list-style-type: none"> Assess business needs. Provide Company information. Provide and receive product and service specifications. 	<ul style="list-style-type: none"> Monitoring of trends and developments affecting supply chain due to the challenges posed by the pandemic and devising plans to address possible risks to supply chain disruption. 	<ul style="list-style-type: none"> More frequent communication. Maintain closer working relationship with trading partners and expand the network of sourcing from new suppliers.
Employees	Town hall meetings (quarterly)	<ul style="list-style-type: none"> Enable conversation between CEO and staff. COVID-19 updates. 	<ul style="list-style-type: none"> Job security. Safeguard workplace, health, safety and regular monitoring of employees' wellbeing. Travel restrictions. 	<ul style="list-style-type: none"> Implement safe management measures for COVID-19 in line with government guidelines. Investing in people, performance recognition and rewards. Render full support to foreign workers affected by the Malaysia movement control and those residing in the foreign workers dormitory.
	Social and team-building activities (ad-hoc)	<ul style="list-style-type: none"> Promoting team work and nurturing of positive work environment. 		
	Seminars and training (ad hoc)	<ul style="list-style-type: none"> Provide skills update. On-boarding of new staff. 		
	Toolbox meetings (daily)	<ul style="list-style-type: none"> Highlight risks, hazards, incidents. Communicate safe work procedures. Allow questions and provide answers. Record key concerns. Ensure follow up actions. 		
	Safety meetings (bi-weekly)	<ul style="list-style-type: none"> Provide updates of health and safety. 		
	Performance appraisals (annually)	<ul style="list-style-type: none"> Assess work performance against set targets. 		
Community	Community engagement activities and corporate social responsibility initiatives	<ul style="list-style-type: none"> Continued goodwill with local communities as we believe our participation will help to make a difference to the local community. 	<ul style="list-style-type: none"> Support the community during this challenging period. 	<ul style="list-style-type: none"> Community engagement activity, donation made.

Notes

⁽¹⁾ Regulatory Bodies – Ministry of Manpower ("MOM"), National Environment Agency ("NEA"), Building and Construction Authority ("BCA")

⁽²⁾ Trade Associations – Singapore Business Federation, BCI Asia Construction Information, Singapore Structural Steel Society, Singapore National Employer Federation, Singapore China Business Association, Singapore Chinese Chamber of Commerce & Industry, Singapore Metal Machinery, Singapore Iron Works Merchant

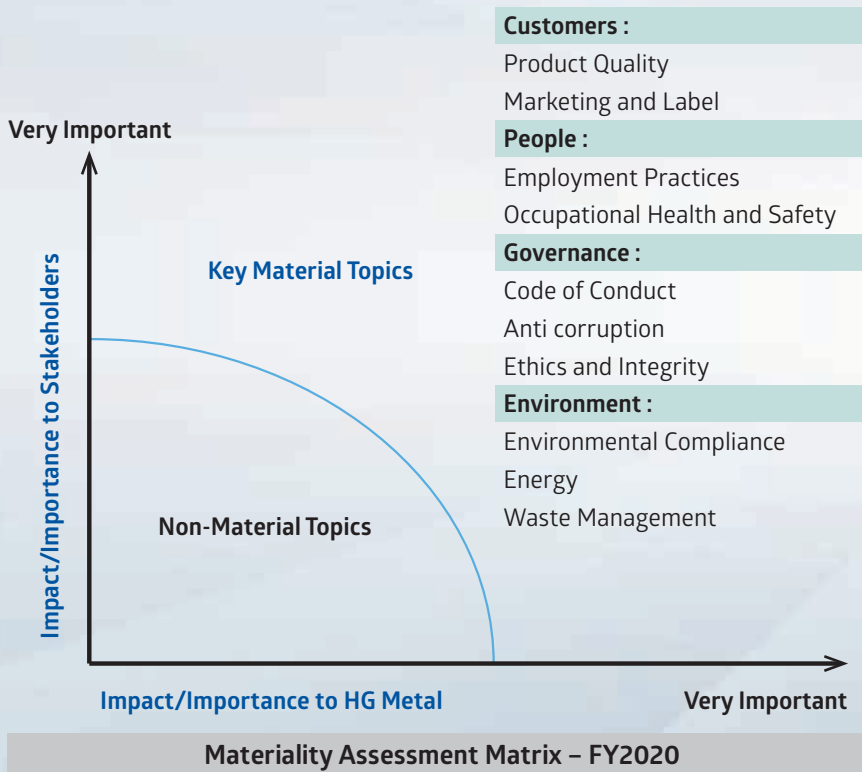
⁽³⁾ Business Partners – Suppliers, Distributors, Contractors

MATERIALITY ASSESSMENT

The year 2020 has dealt the global economy with unprecedented slowdown in business activities with restrictions on travel and operations. In light of the extraordinary circumstances, we have reviewed the existing material topics and assessed its continued relevance to the Group’s business and the emerging trends in our industry.

The outcome of this review is a refreshed materiality assessment as presented in this report. Along with this, we are mindful of the needs to implement measures relevant to the material ESG factors that can help the Group to be agile and to address the challenges posed by the COVID-19 pandemic.

The material topics that are relevant to HG Metal are outlined below:



SUSTAINABILITY REPORT

	MATERIAL TOPICS	CORRESPONDING GRI STANDARD DISCLOSURE
1	Customers <ul style="list-style-type: none"> • Product Quality • Marketing and Labelling 	102: General Disclosures 201: Economic Performance 202: Market Presence 204: Procurement Practices 205: Anti-Corruption 301: Materials 302: Energy 303: Water 414: Supplier Social Assessment 416: Customer Health Safety 417: Marketing and Labelling 418: Customer Privacy
2	People <ul style="list-style-type: none"> • Employment Practices • Occupational Health and Safety 	102: General Disclosures 103: Management Approach 201: Economic Performance 202: Market Presence 205: Anti-Corruption 401: Employment 402: Labour/Management Relations 403: Occupational Health and Safety 404: Training and Education 405: Diversity and Equal Opportunity 406: Non-Discrimination 407: Freedom of Association and Collective Agreement 408: Child Labour 409: Forced or Compulsory Labour 410: Security Practices 412: Human Rights Assessment
3	Governance <ul style="list-style-type: none"> • Code of Conduct • Anti-Corruption • Ethics and Integrity 	102: General Disclosures – Ethics and Integrity; Governance 205: Anti-Corruption 405: Diversity and Equal Opportunity
4	Environment <ul style="list-style-type: none"> • Environmental Compliance • Energy • Waste Management 	102: General Disclosures 302: Energy 306: Effluents and Waste 307: Environmental Compliance 308: Supplier Environmental Assessment



PRODUCT & SERVICE QUALITY

Our Management philosophy is to uphold product quality as our top priority and to create value in the supply chains of all customers.

The role that steel plays in urban construction is absolutely crucial as the success of any facility is dependent on the quality of the steel supporting it. Steel is also considered a green product as it is entirely recyclable. Its strength, durability and ease of maintenance has made it the preferred building material for the construction of infrastructures, residential and commercial buildings, transport systems, industrial facilities and ports as the main structures, reinforcements or aesthetic enhancements.

At HG Metal, high quality steel is available in stock and customizable according to our customers' requirements and timelines. In an extremely competitive industry, HG Metal has been able to maintain a brand of trust and reliability as an integrated quality steel provider for over 40 years.

Throughout the year from the outbreak of the COVID-19 pandemic till the end of the year, we have steadfastly worked on delivering the best product and service quality to our customers, despite the many challenges and restrictions.

SUSTAINABILITY REPORT

OUR QUALITY STANDARDS

HG Metal has been awarded the ISO 9001:2015 certification for quality management system that meets our customers, statutory and regulatory requirements and satisfaction. We have a stringent sourcing policy and adopt close professional relationships with our suppliers and business partners in order to deliver the best quality products to our customers on time.

The ISO 9001:2015 certification sets HG Metal ahead of our competitors and industry peers in being able to consistently provide products and services that meet and exceed expectations and requirements.

OUR QUALITY POLICY

Our commitment to quality is one of HG Metal's core values and underlying success to our customers' projects and construction developments. Our quality standards aim to enhance customer satisfaction through the effective application of our quality management system, including processes for improvement of the system and the assurance of conformity to customer and applicable statutory and regulatory requirements.

Our quality policy is based on these principles:

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

OUR QUALITY OBJECTIVES AND PERFORMANCE

Product quality is our top priority and is applied throughout the entire chain of our operations from sales, procurement, production and delivery to customers.

Traditionally, we have measured our quality objectives for one of our subsidiaries, HG Construction Steel Pte Ltd ("HGCS") as it is the most direct customer oriented business unit. In FY2020, we have extended the quality measurements to the Group and are pleased to present the following metrics.



QUALITY OBJECTIVES FOR HG METAL MANUFACTURING LIMITED ("HG METAL")	Performance FY2020
To achieve 99% on-time delivery as per customer schedule.	100%
To achieve less than 1% reject or goods return from customer order.	0.1%
To achieve 85% of customer satisfaction rating from each customer survey.	93.94%



TARGET AND PERFORMANCE

ESG FACTOR	FY2020 Target	FY2020 Performance	FY2021 Target
Product Quality	<ul style="list-style-type: none"> To achieve 99% on-time delivery as per customer schedule To achieve less than 1% reject or goods return from customer order To improve customer satisfaction and achieve at least 85% of customer satisfaction rate from each customer survey 	<ul style="list-style-type: none"> Achieved 100% on-time delivery as per customer schedule Achieved 0.1% reject or goods return from customer order Achieved 93.94% of customer satisfaction rate from each customer survey 	<ul style="list-style-type: none"> To achieve 99.1% on time delivery as per customer schedule To achieve less than 0.5% reject or goods return from customer order To improve customer satisfaction and achieve at least 90% of customer satisfaction rate from each customer survey

SUSTAINABILITY REPORT

QUALITY OBJECTIVES FOR HG CONSTRUCTION STEEL PTE LTD ("HGCS")	Performance		
	FY2020	FY2019	FY2018
To achieve 98% on-time delivery as per customer schedule.	98.42%	98.3%	98.1%
To achieve less than 1.5% ¹ reject or goods return from customer order.	0.01%	0.01%	0.06%
To achieve 85% of customer satisfaction rating from each customer survey.	91%	85%	89%

¹ FY2018 – FY2019: 2%.

TARGET AND PERFORMANCE

ESG FACTOR	FY2020 Target	FY2020 Performance	FY2021 Target
Product Quality	<ul style="list-style-type: none"> To achieve 98% on-time delivery as per customer schedule To achieve less than 1.5% reject or goods return from customer order To improve customer satisfaction and achieve at least 85% of customer satisfaction rate from each customer survey 	<ul style="list-style-type: none"> Achieved 98.42% on-time delivery as per customer schedule Achieved 0.01% reject or goods return from customer order Achieved 91% of customer satisfaction rate from each customer survey 	<ul style="list-style-type: none"> To achieve 98.3% on time delivery as per customer schedule To achieve less than 0.04%¹ reject or goods return from customer order To improve customer satisfaction and achieve at least 90% of customer satisfaction rate from each customer survey

¹ Target for FY2021 has been updated based on past 3 years historical performance.

CUSTOMER SATISFACTION

Our quality control system tracks the workflow from the arrival of stocks, throughout the processing of material and to the delivery of finished products. This is to ensure the highest product and service quality achievable for our customers.

Customer Complaint Handling Procedure

We keep our customer projects and all related information confidential and secured. Our team of experienced staff is closely involved in the ordering, customization and delivery processes. Customer orders are professionally managed using strict internal work procedures tied to quality control and assurance systems. Every delivery to our customers must meet their stipulated quality requirements to their satisfaction.

MARKETING AND LABELLING

HG Metal takes documentation seriously due to the high dependence on safety in manufacturing and construction projects. Every customer order is fully documented and tracked using SOPs. All products supplied are documented with HEAT numbers from mill test certificates. We are pleased to report that we have not encountered any reject or return cases due to mill test certificates to-date.

Upon client requirements, we will conduct additional product qualifications such as SETSCO testing and BCA compliant accreditation. For validation of origins, grades and standards, we follow the guidelines from international standards organisations such as European Standards (EN), American Society for Testing and Materials (ASTM) and Japanese Industrial Standards (JIS).

We constantly listen to our customers and keep ourselves updated with industry developments and trends in order to maintain our position as a leading player for steel in this region.

Our product specifications and documentation to and from customers, suppliers, and operational staff are precise and detailed to ensure high product quality and standards.

TARGET AND PERFORMANCE

ESG FACTOR	FY2020 Target	FY2020 Performance	FY2021 Target
Marketing and Labelling	<ul style="list-style-type: none"> To maintain good records on product tracking and labelling using HEAT numbers on mill test certificates To apply appropriate local product tests and accreditation* upon client requirements To follow international guidelines* when applicable 	<ul style="list-style-type: none"> Consistent labelling policy and procedure resulting in 0% reject rate due to labelling issues Concise and accurate documentation of all products available in public catalogue and upon demand Followed international guidelines* when applicable 	<ul style="list-style-type: none"> To maintain good records on product tracking and labelling using HEAT numbers on mill test certificates To apply appropriate local product tests and accreditation* upon client requirements To follow international guidelines* when applicable

Notes

* Accreditation includes local product tests – SETSCO, BCA compliant

* International guidelines – European Standards (EN), American Society for Testing Materials (ASTM), Japanese Industrial Standards (JIS)



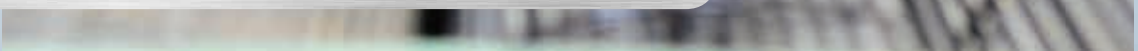
PEOPLE

HG Metal is fully committed to the wellbeing of our people. As part of this commitment, we have implemented ISO 45001:2018, Occupational Health and Safety Management Systems. This allows us to implement the best practices and processes in order to attract and retain skilled and professional workforce to fulfil customers' orders and stakeholders' expectation.

In tandem with good leadership and teamwork, we provide safe and inclusive work environment for all employees.

Work-life balance, professional development and safe work practices are essential in our employees' well-being and security.

We recognise that our employees' welfare and skills development are our top priorities. We are committed in providing training and development opportunities and promote an inclusive culture that allows our people to develop progressive, long-term careers with us.



SUSTAINABILITY REPORT

COMMITTED TO RESPONSIBLE EMPLOYMENT

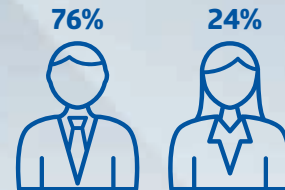
Due to our legacy of responsible employment, we are able to promote a healthy and motivated workforce during a very uncertain and unprecedented year. As a leading steel distributor, we continue to uphold our professional and customer-centric approach through our people whom we have invested in their welfare and skills development in the past 40 years.

As a result of our proactive and stringent HR processes, we have demonstrated that responsible employment yields responsible employees. During the COVID-19 pandemic, our staff have been understanding and cooperative in supporting necessary cost-saving measures by working together with the management to overcome the immediate difficult period for long-term benefits for all.

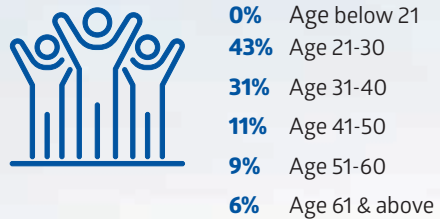
Despite construction stoppages and economic slowdown that directly impact on our business, we are able to retain all Singaporean staff and holders of valid employment passes or work permits with the Government's financial support. However we encountered a reduction in the number of employees due to the following reasons.

1. Malaysian staffs tendered resignation and went back to Malaysia upon announcement of Movement Control Order with effect from 18 March 2020.
2. Migrant workers who went back home country before circuit breaker could not come back to Singapore before their work permit expiry date. Their work permit had lapsed and the Company had to cease employment with them.
3. Recruitment exercise suspended from April to September 2020 due to reducing of business activities. No replacement for resigned staffs and no new headcount was approved.

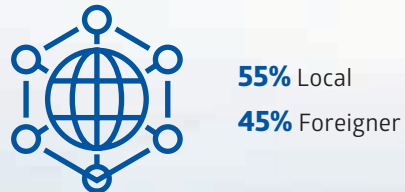
EMPLOYEE BY GENDER



EMPLOYEE BY AGE GROUP



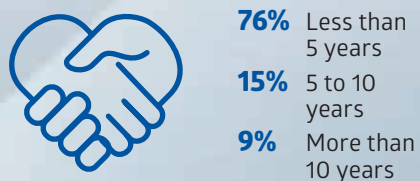
EMPLOYEE BY NATIONALITY



NEW EMPLOYEES HIRED (Annual Rate) 23%

EMPLOYEE TURNOVER (Annual Rate) 33%

EMPLOYEE BY LENGTH OF SERVICE



SUSTAINABILITY REPORT

4. Recruitment exercise resumed from October 2020 when business slowly picking up, but the process was slow and managed with caution in order to control manpower cost.
5. Recruitment of migrant workers from overseas takes longer process although the border reopen in November 2020. There are daily limited quota for migrant workers to enter Singapore.
6. Migrant worker successfully entering Singapore needs to serve stay-home-notice for 14+7 days before they can really commence their employment.

We will continue to work hard to ensure employment for our people as much as possible in the coming years. As the economic environment and general health improves with the planned COVID-19 vaccination, we will cautiously restore our staff strength to meet production and business requirements.

Our HR policy aligns closely to the Tripartite Guidelines on Fair Employment Practices (TAFEP) and our employment contracts adhere to the Singapore Employment Act and market practice on salaries, bonuses, working hours, leave, medical benefits, and terms of appointment and termination. In the event of any trade disputes, the Industrial Relations Act provides for the regulation of labour and management relations and the prevention and settlement of trade disputes by collective bargaining and conciliation and arbitration and for tripartite mediation of individual disputes.

Social security savings plan for all Singaporeans and Permanent Residents are covered under the Central Provident Fund (CPF) Scheme. CPF funds can be used for retirement, healthcare, home ownership, family protection and asset enhancement.

The Company provides Group Hospitalisation and Surgical Insurance policy as well as Workmen Injury Compensation policy covering medical fees, loss of income and one-time compensation if certified permanent incapability as a result of work-related accident. Employees exposed to high noise levels are given annual hearing tests. Standard medical benefits include annual entitlement for outpatient treatment, health checks and dental care.

OUR COVID-19 RESPONSE AND GOVERNMENT'S COVID-19 FINANCIAL SUPPORT

FY2020 had been challenging due to unprecedented business disruptions caused by the COVID-19 pandemic.

Three major disruptions that impact our workforce were the closing of the Malaysian border, the mandatory Work-From-Home arrangements and the isolation of migrant workers in their dormitories.

With the guidance and support from the Singapore government, we were able to keep our workforce in good health and well prepared when we were able to return to work.

Our COVID-19 response team, comprising of the Management, HR team and Heads of Department, has worked tirelessly and constantly communicated with the staff to ensure they were updated of the evolving situations and were meaningfully engaged during the Circuit Breaker and dormitory isolation.

Our priority was to continue to keep our people safe and employed while ensuring continual supplies of goods and services to our valued customers. With safe measures that were put in place, we strive our best to render support to our customers from the essential services sectors which were exempted from COVID-19 operations suspension during the Circuit Breaker Period. Our COVID-19 response team has placed specific focus in driving effective communication, looking after our employees' welfare and activation and execution of business continuity plan to address the threat posed by the pandemic.

COVID-19 MEASURES IMPLEMENTATION

FY2020	Activities
Jan	Precautionary Measures for new Novel Coronavirus (COVID-19) <ul style="list-style-type: none"> Staff health and travel declarations
Feb	Dorscon Orange/Activation of Business Continuity Plan ("BCP") <ul style="list-style-type: none"> Temperature monitoring for all staff and visitors. Staff advised to download Trace Together App. Activation of BCP including split team operations and telecommuting arrangement.
Mar	Support for Malaysian Workers & Split Team Work Arrangement <ul style="list-style-type: none"> Malaysia's Movement Control Order ("MCO") came into effect on 18 March 2020. Alternation accommodation, allowances and telecommuting arrangements offered to Malaysian staff affected by the MCO. Precautionary safe distancing and split-team work arrangements implemented.
Apr – Jul	Work-From-Home ("WFH") Arrangement & Safe Management Measures ("SMM") in Compliance with Government Guidelines <ul style="list-style-type: none"> Singapore's Circuit Breaker ("CB") announced with effect from 7 April 2020. All office staffs were assigned laptops, VPN access to company server, and MS Team platform for communications and WFH. HG Metal Manufacturing Limited ("HG METAL") and our subsidiary HG Construction Steel Pte Ltd ("HGCS") were classified as essential service providers and granted exemption from suspension of business operations during the CB. Selected workers were allowed to resume work during CB. Safe management measures implemented. Support for Migrant Workers <ul style="list-style-type: none"> COVID-19 outbreak in worker dormitories affected 65 migrant workers from HGCS who were put in isolation, of which workers were subsequently infected. Close communications with workers via group chat to monitor their physical and mental wellbeing. Workers continued to receive full salaries and assistance with remittance to their home countries. Delivery of groceries and other daily essentials to the dormitory. (All infected migrant workers had since recovered and returned to work.) Safe Management Measures for Safe Re-Opening in Compliance with Government Guidelines <ul style="list-style-type: none"> Staff briefings and implementation of SMM for Phase 1 Re-opening on 1 June 2020 and Phase 2 Re-Opening on 19 June 2020. Appointment of Safe Management Officers ("SMO") and Safe Distancing Officer ("SDO"). Cost Optimisation and Other Manpower Planning <ul style="list-style-type: none"> Review of costs and adoption of cost optimisation efforts to reduce the Group's operating costs and ensure job security for our employees. Company Directors and CEO volunteered fees and salary cuts. Staff annual leave utilisation.
Aug	Safe Restart and Workplace Precautionary Measures for Migrant Workers in Compliance to Government Guidelines <ul style="list-style-type: none"> Affected worker dormitory declared COVID-19 free on 7 August 2020. Implementation of work resumption precautionary measures include safe transportation, safe worksite guidelines and periodic swab tests.
Sep – Dec	Moving Forward <ul style="list-style-type: none"> Ensure the work health safety of our employees. Stringent monitoring of SMM and BCP. Secure business sustainability through manpower planning, cost control, supply chain management, use of technology and alternative methods of effective business development.

SUSTAINABILITY REPORT

GOVERNMENT COVID-19 SUPPORT RELIEF

Jobs Support Scheme (“JSS”)

- The JSS seeks to provide wage support to employers to help retain local employees. Under the scheme, the government co-funds between 25% to 75% of the first \$4,600 of gross monthly wages paid to each local employee in a 10-month period (up to August 2020) and between 10% to 50% of the first \$4,600 of gross monthly wages paid to each local employee in the subsequent 7-month period (September 2020 to March 2021). The level of support each employer receives depends on the sector in which the employer operates.

Foreign Worker Levy Rebates for work permit or S pass holders based on previous levies paid (“FWL Rebates”)

- The FWL Rebates and FWL Waiver aim to ease labour costs of firms that employ foreign workers. The Group had benefited from the following assistance provided by the government during the year :
\$750 (Apr-Jun 2020)
\$375 (Jul-Sep 2020)
\$90 (Oct 2020-Dec 2021)

Foreign Worker Levy Waiver for work permit or S pass holders (“FWL Waiver”)

- 100% (due Apr-Sep 2020)
- 75% (due Oct 2020)
- 50% (due Nov 2020)
- 20% (due Dec 2020)

Temporary Housing Support (“THS”)

- The payout helped employers to defray the additional costs of housing affected workers in short-term housing by providing a temporary housing support of \$50 per affected worker per night, capped at 14 nights to cover the extra housing costs incurred in relation to the Malaysia’s implementation of a Movement Control Order during the period 18 March 2020 - 31 March 2020.

MOM Leave of Absence (LOA) / Stay-Home Notice (SHN) Support Programme

- The payout from the government helped to mitigate the financial impact for those who had been served, or whose workers had been served, a Quarantine Order, LOA or SHN. A payout of S\$100 per day was provided for employees serving LOA or SHN for travel made before 27 March 2020.

Jobs Growth Incentive (“JGI”)

- The JGI supports employers to expand local hiring from September 2020 to September 2021 (inclusive), so as to create good and long-term jobs for locals. The JGI will provide up to 12 months of salary support for each non-mature local hire and 18 months of salary support for each mature hire, person with disability or ex-offender hired by employers that managed to increase their local workforce within the qualifying window. The Group is actively engaging in local hiring where possible and has therefore benefited from the scheme.

Wage Credit Scheme (“WCS”)

- The WCS was introduced to support wage increases for Singaporean workers by helping businesses to cope with rising wage cost. Under the WCS, the government co-funded 15% of wage increase to Singapore Citizen employees who earned a gross monthly wage of up to \$5,000 in 2020.

Property tax rebate and Passing on of Property Tax Rebate Benefit or Provision of Additional Support to Tenants

- As part of the Resilience Budget announced on 26 March 2020, owners of qualifying other non-residential properties (e.g. offices and industrial properties) are granted a property tax rebate of 30% on their property tax payable from 1 January 2020 to 31 December 2020. As owner of the qualifying properties, the Group had passed on to our tenants the property tax rebate that was attributable to the rented property based on the period it was rented out.

BCA Construction Restart Booster (“CRB”)

- The CRB aims to help construction firms to defray costs in procuring additional material/equipment to comply with COVID-Safe Worksite requirements to ensure works resume safely. The government had provided a one-off payout of \$400 per construction worker employed (i.e. Work Permit Holders and S-Pass holders) for each eligible firm.

OCCUPATIONAL HEALTH AND SAFETY

SAFEGUARDING OUR HUMAN CAPITAL

The main emphasis for health and safety in FY2020 was on the prevention of COVID-19 infections in our workforce. We complied strictly to the Ministry of Manpower and Ministry of Health advisories as they were being announced.

With Phase 1 and Phase 2 Reopening, we focused on the health and safety practices for our workforce as they returned to work or continued with WFH arrangements. COVID-19 Precautionary Measures were implemented and enforced for all staff.

COVID-19 Precautionary Measures

1. Mandatory wearing of masks
2. Safe distancing practice
3. Observe COVID-Safe Workforce measures imposed by BCA
4. Observe COVID-Safe Worksite measures imposed by BCA
5. Observe COVID-Safe Worker Accommodation and Transportation Arrangement for workers residing at dormitory

As we gradually resume our operations, we continue to ensure a safe and healthy environment for all employees as well as visitors to our facilities. With Singapore's COVID-19 vaccination programme planned for 2021, we will encourage all eligible employees to receive the vaccination when they are being offered. This is to ensure the highest percentage of staff that will be protected against infection.

Staff operating to support clients' order fulfilment continues to adhere strictly to our Occupational Health and Safety ("OHS") Policy. The OHS policy complies with the legal safety requirements and code of practice in the MOM Workplace Safety and Health ("WSH") Act and the Singapore Civil Defence Force ("SCDF") regulations.

Our Occupational Health and Safety Policy

1. Comply with all relevant stipulated legal safety requirements and code of practices.
2. To ensure effective use of Risk Management System so as to control and minimise inherent risks and hazards.

Our Occupational Health and Safety Objectives

1. To ensure that awareness is created to all staff in regards to all relevant safety legal requirements and code of practices via tool box meetings and weekly and monthly safety meetings.
2. To minimise risks and hazards in all running projects using the Risk Management System.

We are awarded the highest level bizSAFE STAR status under the WSH Council programme and are ISO 45001:2018 accredited. Together with our ISO 9001:2015 and ISO 14001:2015 certifications on quality and environment management, we are able to achieve a comprehensive workplace health and safety framework that safeguards our most valuable assets – our people.

Our workplace is regularly inspected and our operational processes audited. Employees handling workshop machines must be WSH certified and wear personal protective equipment (PPE). We continue to improve our health and safety environment through pro-active checks and adoption of new or amended regulatory requirements.

WORKPLACE HEALTH & SAFETY INCIDENTS	FY2020 ¹	FY2019
Workplace Injury Rate (WIR) ²	7.01%	6.59%
Accident Frequency Rate (AFR)	0.003%	0.001%
Accident Severity Rate (ASR)	0.04%	0.05%
Fatality Rate (FR)	0%	0%
Disease Incident (DI)	0%	0%

¹ Computed based on latest revision in MOM guidance

² The increase in WIR rate in FY2020 was attributed to reduction in number of employees.

SUSTAINABILITY REPORT

Workplace Injury Rate (WIR)	=	$\frac{\text{Number of fatal and non-fatal accidents}}{\text{Number of employees}}$
Accident Frequency Rate (AFR)	=	$\frac{\text{Number of workplace accidents}}{\text{Man-hours worked}}$
Accident Severity Rate (ASR)	=	$\frac{\text{Number of man-days lost to workplace accidents}}{\text{Man-hours worked}}$
Fatality Rate (FR)	=	$\frac{\text{Number of workplace fatalities}}{\text{Number of persons employed}}$
Disease Incidence (DI)	=	$\frac{\text{Number of chronic confirmed occupational diseases}}{\text{Number of employees}}$

All permanent employees, contract workers, and visitors are ensured of stringent safety guidelines.

Operational staff in our warehouse and production facilities attended skills training on safe handling of tools and machinery.

TARGET AND PERFORMANCE

ESG FACTOR	FY2020 Target	FY2020 Performance	FY2021 Target
Occupational Health and Safety	<ul style="list-style-type: none"> Increase staff awareness of relevant safety legal requirements and code of practices via tool box and safety meetings Endeavour to minimize risks and hazards in all running projects using the Risk Management System Improve on workplace health & safety incidents rate 	<ul style="list-style-type: none"> Conducted Daily toolbox meetings and Bi-weekly safety meetings WSH Council bizSAFE Star commitment to risk management system and audit WIR rate increased to 7.01% due to reduction in number of employees. No change in cases of workplace health & safety incidents 	<ul style="list-style-type: none"> To achieve zero non-compliance on all relevant stipulated legal safety requirements and code of practices To reduce safety incidents rates by using Risk Management System To achieve zero occupation illness and provide a healthy work environment

INVESTING IN OUR PEOPLE

A rapidly changing and challenging business environment means that we have to entrust our employees with the opportunities to acquire innovative ideas and competitive edge through professional enhancement programmes, market updates, personal development and networking.

In our industry and inherent work conditions, it is absolutely essential that our employees are equipped with right health and safety knowledge and skills through rigorous and regular training courses by government approved institutions.

Our employees’ welfare and skills development are our top priorities. We are committed in providing training and development opportunities and promote an inclusive culture that allows our people to develop progressive, long-term careers with us.

Our staff development program comprises of three training initiatives:

1. Fulfilling statutory requirements
2. Updating of industry and market trends and developments
3. Upgrading of knowledge and skills for new job roles and work challenges

TARGET AND PERFORMANCE

ESG FACTOR	FY2020 Target	FY2020 Performance	FY2021 Target
Employment Practices	<ul style="list-style-type: none"> • Enable promising staff with leadership potential through talent management programme • To comply with MOM Safety and Health training • To provide professional and vocational upgrade of courses for all employees • To provide equal opportunities to all our employees 	<ul style="list-style-type: none"> • 31 Employees attended safety course • 33 Employees attended skill improvement programmes to comply with MOM Safety and Health training • 4 employees attended Upgrade course • 1 employee promotion* 	<ul style="list-style-type: none"> • To build a high performing organisation with focus on attracting, retaining, training and development of our people • To comply with MOM Safety and Health training • To provide professional and vocational upgrade of courses for all employees • To provide equal opportunities to all our employees

MANDATORY STAFF DEVELOPMENT PROGRAM

- WSQ – Operate Forklift Course
- WSQ – Supervise Lifting Operations Course
- WSQ – Operate Lorry Crane Course
- Response to Fire Emergency in Building
- Occupational First Aid Course
- Work-At-Height Course for Workers/Supervisors
- Apply Workplace Safety and Health in Construction Sites (Construction Safety Orientation)
- Metalworking Safety Orientation Course
- Mobile Elevated Work Platforms

The Singapore Workforce Skills Qualifications (“WSQ”) is a national credential system that trains, develops, assesses and certifies skills and competencies for the workforce.

Our people have been successful in providing quality standards and fulfilling all business and operational commitments through relevant training, on-the-job experience and continuous learning. We acknowledge talent through our talent management programme.

* only 1 staff being promoted during the year due to COVID-19 crisis

SUSTAINABILITY REPORT

CORPORATE GOVERNANCE

GOVERNANCE AND ETHICS

The Board provides strategic direction and considers sustainability issues as part of its strategic formulation for the long term success of the Group. The Board works closely with management to ensure that governance is properly structured and functioning through the various levels of the organisation.

Good governance provides assurance to all stakeholders of the continued performance of the Group's economic, environmental and social factors and that in the event of a crisis, such as the COVID-19 pandemic, the Group will be able to manage any negative impact and systemic risk.

In HG Metal, we have established a governance structure with people and processes to manage matters relating to economic, environmental and social affairs of the Group.

The Group's sustainability governance is headed by the Chief Executive Officer and supported by other members of the management team.

Interactions and engagements between the Board and management are conducted regularly via emails and in-person on regular basis. During the pandemic outbreak, meetings were conducted online and will be carried out according to the government's health and safety guidelines for the year.

In the event of any crisis, the Board and management will convene to decide and disseminate accurate, concise and timely information to all stakeholders. This will be done by emails, physical or online meetings and updates on social media platforms.

Throughout the FY2020, the Board and management had been in constant and close communications with our stakeholders. The events and actions in response to the COVID-19 pandemic are summarized in the COVID-19 MEASURES IMPLEMENTATION on page 31.

Whistle Blowing, Anti-Corruption and Fraud

In line with our commitment to uphold ethical business conduct and good Corporate Governance, the Group has an internal whistle-blowing policy which aims to provide a framework by which employees may raise concerns about wrongdoing or malpractice within the Group and reassure the employees that they will be protected from reprisals or victimization for whistle blowing in good faith and without malice.

In addition, the Group adopts a "zero-tolerance" approach towards any acts of corruption and fraud by our employees in all of our business dealings, directly or indirectly. There were no known or confirmed incidents of corruption or fraud during the reported period.

TARGET AND PERFORMANCE

ESG FACTOR	FY2020 Target	FY2020 Performance	FY2021 Target
Code of Conduct	To comply with the Code of Conduct Governance so as to ensure greater transparency and to safeguard the interests of all stakeholders	Complied with the Code of Conduct Governance so as to ensure greater transparency and to safeguard the interests of all stakeholders	To comply with the Code of Conduct Governance so as to ensure greater transparency and to safeguard the interests of all stakeholders
Anti-corruption	Zero-tolerance on corruption and fraud	There were no incidents of corruption in FY2020	Zero-tolerance on corruption and fraud
Ethics and Integrity	<ul style="list-style-type: none"> Improve staff's awareness of Company's whistle blowing policy Achieve zero case of serious offence 	<ul style="list-style-type: none"> Whistle blowing policy refresh course conducted for all staff during the year Achieved zero incidents of serious offence 	<ul style="list-style-type: none"> Improve staff's awareness of Company's whistle blowing policy Achieve zero case of serious offence



ENVIRONMENT EFFORTS

Despite the challenges caused by the COVID-19 pandemic, Singapore persists in its climate pledge and Long-Term Low Emissions Development Strategy (LEDS) with an absolute target to peak emissions at 65 MTCO_{2e} (million tonnes of carbon dioxide equivalent) around 2030 and aims to halve the country's emissions from its peak to 33 MTCO_{2e} by 2050, with a view to achieving net zero emissions from 2050.

SUSTAINABILITY REPORT

Singapore's low-carbon future is planned on the transformation of the power generation; industry; transport; buildings; households; and waste and water sectors. There will be a push for energy efficiency and conservation, as well as opportunities for green technologies.

To prepare for a climate resilient nation, it is estimated to cost S\$100 billion over the next 100 years protecting different parts of our coastline by building sea walls, tide gates, polders and nature-based solutions to safeguard the country from rising sea levels.

The long term infrastructure plans provide new windows of opportunities for the steel-based construction industry in the coming years.

The Group's plan to transition into a low-carbon operations using solar energy was disrupted due to COVID-19 restrictions when we had to delay the solar panel installation on the rooftop of our new building complex. We expect to implement the use of solar power in 2021 and are confident our investment in renewable energy will contribute to Singapore's climate pledge.

CARING FOR OUR ENVIRONMENT

As a major player in the steel business, we are involved in the storage, customization and delivery of steel products. As such, our main environmental efforts are to minimize wastage and reduce carbon footprint.

Our operational practices follow the ISO 14001:2015 guidelines for environmental management system ("EMS"). Our EMS framework aims to minimize negative impact on the environment; comply with applicable laws, regulations, and other environmentally oriented requirements; and maintain the efforts of environmentally-friendly and compliant operations.

Our Environmental Management System Policy

We are committed to continual improvements in our environmental performances and prevention of pollution through establishment of Environmental Management System.

- We strive to implement good Environmental Management System by creating environmental awareness among all employees and providing courses in relevant environmental aspects of all activities and services.
- We shall comply with regulatory authorities and with applicable environmental legislation and regulations at all times via government websites.
- We strive to conduct at least one Environmental Management System training (internal or external) per annum for maintaining good Environmental Management System.
- To update latest EMS requirements on a quarterly basis via
 - a. Nea.gov.sg
 - b. Mom.gov.sg
 - c. Ecitizen.gov.sg;

We conduct regular audits on our EMS and rely on good planning practices to maximize our operational capacities and minimize wastage.

Our production team devises the best option for customization with maximum output and minimum offcuts or remnant steel which is used in fabrication of other products. We monitor our scrap volume and constantly work towards reducing material wastage during our production process. To reduce our impact on the environment and manage limited resources efficiently, we dispose damaged, defective and metal scraps to licensed waste management contractors for recycling purposes.

Our delivery service unit works on a fuel efficient route scheduling and practises zero emission when the vehicles are on idle mode. This helps to prevent noise and air pollution in clients' and our own premises.

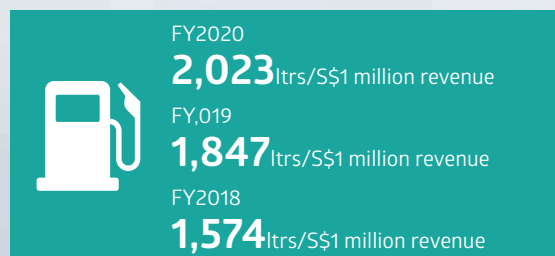
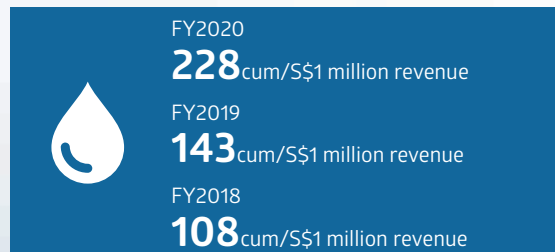
We understand that in order to minimise the impact on our environment, we need to conduct our business operations in a resource efficient and eco-friendly manner, and optimise the use of resources in our business operations. Our employees are encouraged to practise conservation and optimisation of resources in the office building, warehouses and workshops. We promote the use of low energy consumption appliances and lightings throughout our premises.

ENERGY AND WATER CONSUMPTION AND INTENSITY

ENERGY AND WATER CONSUMPTION



ENERGY INTENSITY



The increase of water consumption and energy intensity is mainly due to:

- 1) Reduction of revenue due to COVID-19 pandemic.
- 2) Increase in water consumption was due to underground water leakage issue which was subsequently resolved.

SUSTAINABILITY REPORT

WASTE MANAGEMENT

Environmental sustainability is an issue business must consider. At HG Metal we endeavour to ensure our operations do not harm the environment. Our steel fabrication operations work towards efficient use of material and minimising material wastage. We ensure our products are produced in accordance with customer or project specifications to avoid material scrap due to customer returns. We optimise the use of any remnant steel throughout our steel fabrication operations and any scrap that remains will be disposed and sold to recycling companies.

In line with this objective, we track and monitor our material waste level to align with the target set. This is the first year that we are reporting waste management target and performance, and will provide more information in coming years.

ESG Factor	FY2020	FY2019	FY2018
Material Waste not more than 4% of production	3.94%	3.65%	3.94%

The increase of the material waste is mainly due to reduction of revenue due to COVID-19.

TARGET AND PERFORMANCE

ESG FACTOR	FY2020 Target	FY2020 Performance	FY2021 Target
Environmental Compliance	To minimise negative impact of our operations on environment through uphold of ISO 14001:2015 environment management system standards	Complied with ISO 14001:2015 environment management system standards	To minimise negative impact of our operations on environment through uphold of ISO 14001:2015 environment management system standards
Energy	<ul style="list-style-type: none"> To maintain same level of total energy consumption for our business operations To maintain same level of total water consumption for our business operations 	Maintained same level of total energy consumption and water consumption for our business operations	To maintain same level of total energy consumption for our business operations
Waste Management	Material Waste not more than 4% of production	3.94%	Material Waste not more than 4% of production



COMMUNITY

CARING FOR COMMUNITY

As a good corporate citizen, we recognise that we play an important role in contributing to the society. Hence, while community investment is not regarded as a material topic for HG Metal, we believe that we can make a difference by our participation in such community efforts. We aim to give back to the society and over the years, we have contributed monetary donations to many different charities that help the needy of all ages. At the same time, we encourage our employees to volunteer their time and effort to help the less fortunate of the society and to support any other corporate social responsibility initiatives.

This year, the Group donated S\$10,000 to the “1000 Enterprises for Children-in-Need” programme. Spearheaded by the Singapore Children’s Society, this programme aims to raise funds to help the under-

privileged children in the community. FY2020 has been a year of adversities due to the COVID-19 and many people have suffered from job insecurities. We hope our humble contribution will be a source of support to the children from families that have suffered financial hardship due to this pandemic.

Meanwhile, the “Old Shoes New Hope Campaign” organized by ActiveSg is a nationwide effort to recycle used sports shoes into materials that could be used for jogging tracks, fitness corners and playgrounds. In order to provide support towards the shoe collection campaign and raise awareness among HG Metal staffs on such nature and conservation effort, we have organized a one-day in house old shoes collection campaign, where all the shoes donated by our staffs were delivered to the ActiveSg designated collection point.



SUSTAINABILITY REPORT

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SUSTAINABILITY REPORT

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409	Forced or Compulsory Labour	29-30
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411	Rights of Indigenous People	Not applicable
412	Human Rights Assessment	Not applicable
413	Local Communities	41
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CORPORATE GOVERNANCE REPORT

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

BOARD MATTERS

THE BOARD’S CONDUCT OF AFFAIRS

Principle 1

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

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

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

- (a) approving the Group’s corporate and strategic directions taking into account the key investor relations of the Group;
- (b) establishing goals for the Management and monitoring the achievement of these goals;
- (c) ensuring the quality, effectiveness and integrity of management leadership;
- (d) approving annual budgets, investment and divestment proposals;
- (e) appointment of Board Directors and key managerial personnel;
- (f) ensuring an effective risk management framework is in place to safeguard shareholders’ interests and the Group’s assets;
- (g) reviewing financial performance and implementing financial policies which incorporate risk management, internal controls and reporting compliance;
- (h) consider sustainability issues such as environmental and social factors as part of its strategic formulation; and
- (i) assuming responsibility for corporate governance.

CORPORATE GOVERNANCE REPORT

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

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

Our Directors are provided with extensive background information about our Group's history, mission, values and business operations. Changes to regulations and accounting standards are monitored closely by Management. To keep pace with such regulatory changes, the Company provides opportunities for ongoing education on Board processes and best practices as well as updates on relevant new laws and regulations. Directors also have the opportunity to visit the Group's operational facilities and meet with Management to gain a better understanding of the business operations. The Company will issue appointment letters to new Non-Executive Directors and service agreements to Executive Directors (as the case may be) setting out the Directors' duties and obligations. Newly appointed Directors shall also be briefed on the business and organisational structure of the Group and its strategic directions. The Company encourages Directors to attend training courses organized by the Singapore Institute of Directors ("SID") or other training institutions in connection with their duties at the Company's expense. 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 ARC meeting by the Company Secretaries and the external auditor each year. During the financial year ended 31 December 2020 ("FY2020"), a Director attended a seminar on Anti-Money Laundering organised by a third party consulting firm.

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

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

- approval of the half-yearly results announcements;
- approval of the annual report and accounts;
- declaration of interim dividends and proposal of final dividends;
- convening of shareholders' meetings;
- approval of corporate strategy;
- authorisation of major transactions;

CORPORATE GOVERNANCE REPORT

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

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

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

Provision 1.4

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

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

Formal Board meetings are held on a half-yearly basis to oversee the business affairs of the Group and approve any financial or business decisions and/or strategies. Where necessary, additional Board meetings are held to deliberate on urgent substantive matters. Telephone and video-conference attendance at Board meetings is allowed under the Company's Constitution. The Board also approves transactions through written resolutions which are circulated to the Board together with all relevant information relating to the proposed transaction.

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

CORPORATE GOVERNANCE REPORT

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

Please refer to Table A set out on page 74 of this Annual Report for the attendance of the Directors at meetings for FY2020.

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

BOARD COMPOSITION AND GUIDANCE

Principle 2

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

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

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

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

EXECUTIVE DIRECTOR

Mr Foo Sey Liang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Teo Yi-Dar (Zhang Yida) (Independent Non-Executive Chairman) (the "Chairman")

Mr Kesavan Nair

Mr Ng Weng Sui Harry

The Company does not have any alternate director.

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

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

- to form a strong independent element on the Board, at least one-third of the Board should be Independent Non-Executive Directors;
- the Board should have enough Directors to serve on various committees of the Board without over-burdening the Directors or making it difficult for them to fully discharge their responsibilities;

CORPORATE GOVERNANCE REPORT

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

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

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

As at 31 December 2020, no Independent Non-Executive Directors on the Board had served for more than nine years from the date of his initial appointment.

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

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

The Chairman is independent. During FY2020, the Board had 3 Independent Non-Executive Directors, representing a majority of the Board: Mr Teo Yi-Dar (Zhang Yida), Mr Kesavan Nair and Mr Ng Weng Sui Harry.

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

Independent Non-Executive Directors comprise a majority of the Board for FY2020.

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.

CORPORATE GOVERNANCE REPORT

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

While the Board and NC have not implemented a fixed diversity policy, the composition of the Board is reviewed on an annual basis by the NC to ensure that the Board has the appropriate mix of expertise and experience to enable Management to benefit from a diverse perspective in reviewing the issues that are brought before the Board. This assists the NC in identifying and nominating suitable candidates for appointment to the Board.

Notwithstanding that the Board does not have a fixed diversity policy, the NC is satisfied that the Board has the appropriate mix of expertise to lead and govern the Group effectively as the Board comprises members with diverse expertise and experience in the steel, finance and legal industries which enables them, in their collective wisdom, to contribute effectively at Board and Board Committee meetings. In addition, the current Board comprises Directors from different age groups spanning a range of approximately 15 years.

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

Major proposals and decisions made by the Board are subject to majority approval by the members of the Board. The appointment of new Board members, nomination of directors for re-election and review of the Board and individual Directors' performance are carried out by the NC. The remuneration packages of the Executive Director and key management personnel, as well as the Directors' fees payable to the Non-Executive Directors are reviewed by the RC. Members of the ARC, NC and RC are Independent Non-Executive Directors in FY2020. 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, led 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 FY2020.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Principle 3

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

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

During FY2020, Mr Teo Yi-Dar (Zhang Yida) is the Independent Non-Executive Chairman, while Mr Shin Taeyang is the CEO. Mr Shin Taeyang assumes and bears overall daily operational responsibility for the Group’s business. Mr Teo Yi-Dar (Zhang Yida) and Mr Shin Taeyang are not related to each other. There is a clear division of responsibilities between Mr Teo Yi-Dar (Zhang Yida) and Mr Shin Taeyang, which ensures there is a balance of power and authority at the top of the Group.

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

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

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

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 Teo Yi-Dar (Zhang Yida) 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.

CORPORATE GOVERNANCE REPORT

BOARD MEMBERSHIP

Principle 4

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

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

- (a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;
- (b) the process and criteria for evaluation of the performance of the Board, its board committees and directors;
- (c) the review of training and professional development programmes for the Board and its directors; and
- (d) the appointment and re-appointment of directors (including alternate directors, if any).

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

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

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

CORPORATE GOVERNANCE REPORT

- reviewing the appointment of immediate family members (spouse, child, adopted child, step-child, sibling and parent) of any of the Company's Directors or substantial shareholders to managerial positions in the Company;
- determining whether a Director who has multiple board representations is able to and has been adequately carrying out his duties as Director of the Company;
- reporting to the Board on its activities and proposals (including succession and/or replacements plans for the Chairman, CEO and key management personnel); and
- carrying out such other duties as may be agreed to by the NC and the Board.

The Company's Constitution provides that, at each AGM, one-third of the Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation. A retiring Director is eligible for re-election by the shareholders of the Company at the AGM, and prior to nominating a retiring Director for re-election, the NC will evaluate the Director's contribution and performance taking into consideration factors such as attendance, preparedness, participation and candour. The details of the Directors seeking re-election are set out on pages 76 to 77 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, all of whom are independent:

Mr Kesavan Nair (Chairman, Independent Non-Executive Director)
Mr Ng Weng Sui Harry (Member, Independent Non-Executive Director)
Mr Teo Yi-Dar (Zhang Yida) (Member, Independent Non-Executive Chairman)

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, 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. 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 which is mostly made up of Independent Non-Executive Directors.

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 FY2020 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.

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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 FY2020.

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.

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

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

As at the date of this report, the RC comprises solely of Independent Non-Executive Directors, which comprises the following members:

Mr Kesavan Nair (Chairman, Independent Non-Executive Director)
Mr Ng Weng Sui Harry (Member, Independent Non-Executive Director)
Mr Teo Yi-Dar (Zhang Yida) (Member, Independent Non-Executive Chairman)

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

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

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

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

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

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

No remuneration consultant was engaged by the Company during FY2020. The RC may consider utilising external expert advice and data, as and when necessary, to assist in the evaluation of its compensation recommendations.

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.

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

An employee share option scheme ("ESOS") was approved by the shareholders of the Company at the Extraordinary General Meeting of the Company held on 12 January 2012 as a compensation scheme for selected employees of the Group who, in the opinion of the appointed committee under the ESOS, have contributed or will contribute to the success of the Group. The ESOS is administered by the RC.

Since the commencement of the ESOS and up to the date of this report, no options were granted under the ESOS to Directors of the Company and/or employees of the Group.

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

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

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

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.

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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 FY2020, 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 74 to 75 of this Annual Report for the remuneration of the Directors and key management personnel for FY2020. The Group had two key management personnel during FY2020.

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

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

Save for Mr Foo Sey Liang, the Executive Director and substantial shareholder of the Company, there is no employee who is a substantial shareholder or is related to a Director, CEO or substantial shareholder of the Company, whose remuneration exceeds S\$100,000 in the Group's employment for FY2020. The remuneration of Mr Foo Sey Liang is disclosed in Table B set out on pages 74 to 75 of the 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 74 to 75 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 FY2020. Please refer to Provision 7.1 for details of the Company's ESOS.

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;

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- 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.

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

- (a) the CEO and the Chief Financial Officer ("CFO") that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and
- (b) the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.

The Board has received assurance from the CEO and the CFO that (a) the financial records have been properly maintained and the financial statements for FY2020 give a true and fair view of the Company's operations and finances; and (b) the Company's risk management and internal control systems are adequate and effective.

AUDIT COMMITTEE

Principle 10

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

Provision 10.1 The duties of the AC include:

- (a) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;
- (b) reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;

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- (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;

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- reviewing non-audit services provided by the external auditors to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors;
- nominating external auditors for appointment or re-appointment and approve the remuneration and terms of engagement of the external auditor;
- reviewing the Group's compliance with such functions and duties as may be required under the relevant statutes or the Listing Manual issued by SGX-ST, and by such amendments made thereto from time to time;
- reviewing interested person transactions ("IPT") (as defined in Chapter 9 of the Listing Manual issued by SGX-ST) to ensure that they are on normal commercial terms and arms' length basis and not prejudicial to the interests of the Company or its shareholders in any way;
- 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 FY2020.

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The aggregate amount of fees paid or payable to the external auditors of the Company, broken down into audit and non-audit services during FY2020 are as follows:

Audit fees: S\$168,780

Non-audit fees: Nil

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

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

It is the Company's practice for the external auditor to present to the ARC its audit plan and with updates relating to any change of accounting standards impacting on the financial statements before an audit commences. Save as disclosed in pages 96 to 97 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:

Mr Ng Weng Sui Harry (Chairman, Independent Non-Executive Director)

Mr Kesavan Nair (Member, Independent Non-Executive Director)

Mr Teo Yi-Dar (Zhang Yida) (Member, Independent Non-Executive Chairman)

At least 2 members of the ARC (including the ARC chairman), namely Mr Ng Weng Sui Harry and Mr Teo Yi-Dar (Zhang Yida) 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.

CORPORATE GOVERNANCE REPORT

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

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

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

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

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.

CORPORATE GOVERNANCE REPORT

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

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

SHAREHOLDER RIGHTS AND ENGAGEMENT

SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

Principle 11

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

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

Shareholders are encouraged to attend the AGM to ensure a high level of accountability and to be updated on the Company's strategies and goals. The Company's Constitution allows a shareholder to appoint up to 2 proxies to attend a shareholder's meeting on his behalf. In line with the amendments to the Singapore Companies Act, 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.

Please refer to the disclosure in Provision 12.2 in relation to the procedures for convening meetings via electronic means.

CORPORATE GOVERNANCE REPORT

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

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

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

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

All Directors attended the annual general meeting held on 26 June 2020.

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

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

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

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

The minutes for the upcoming AGM will be published within one month from the date of the meeting via SGXNET.

CORPORATE GOVERNANCE REPORT

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

The Company does not have a fixed dividend policy at present. The issue of payment of dividends is deliberated by the Board annually, having regards to various factors (e.g. Company's profit, cash flow, capital requirements for investment and growth, general business conditions and other factors as the Board deems appropriate). For FY2020, the Board has proposed a final tax-exempt (one-tier) dividend of 0.5 Singapore cents per ordinary share, subject to shareholders' approval at the forthcoming AGM on 26 April 2021. If approved, the dividend will be paid on 18 May 2021.

ENGAGEMENT WITH SHAREHOLDERS

Principle 12

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

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

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

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

- annual reports that are prepared and issued to all shareholders. The Board ensures that the annual report includes all relevant information about the Company and the Group, including future developments and other disclosures required by the Singapore Companies Act and Singapore Financial Reporting Standards;
- half-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;
- press releases on major developments of the Company and the Group;
- disclosure to the SGX-ST; and
- the Company's website at <http://www.hgmetal.com> at which our shareholders can access information on the Group.

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

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

The Company also releases half-yearly announcements containing a summary of the financial information and affairs of the Group for that period, and announcements requiring disclosures as required by the Mainboard Rules 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 guideline 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.

CORPORATE GOVERNANCE REPORT

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.

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 pages 19 to 20 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 (ESG) 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 21 to 22 of this Annual Report.

CORPORATE GOVERNANCE REPORT

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

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

DEALINGS IN SECURITIES

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

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

INTEREST 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 FY2020 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 FY2020 or have been entered into since the end of the previous financial year.

RISK MANAGEMENT

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

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

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

CORPORATE GOVERNANCE REPORT

FLUCTUATIONS IN STEEL PRICES

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

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

CREDIT RISK OF ITS CUSTOMERS

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

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

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

FOREIGN EXCHANGE EXPOSURE

The purchases and sales of the Group are mainly denominated in United States Dollar ("USD"). As a result, the Group is exposed to fluctuations in foreign exchange rates. For FY2020, approximately 78% of its total purchases were made in USD, whilst approximately 83% and 8% of its total sales were denominated in Singapore Dollar and USD respectively. Hence, the Group may be exposed to any significant fluctuation of the USD.

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

EXPANSION AND INVESTMENT RISK

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

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

CORPORATE GOVERNANCE REPORT

TABLE A

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

TABLE B

The remuneration of the Directors and CEO from the Company for FY2020 is as follows:

Directors and CEO	Base Salary (%)	Bonus (%)	Director Fees* (%)	Allowances and Others (%)	TOTAL (%)
S\$400,000 to S\$499,999					
Foo Sey Liang	63.42	36.58	-	-	100
S\$250,000 to S\$499,999					
Shin Taeyang	61.59	35.92	-	2.49	100
Below S\$250,000					
Teo Yi-Dar (Zhang Yida)	-	-	100	-	100
Ng Weng Sui Harry	-	-	100	-	100
Kesavan Nair	-	-	100	-	100

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

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

CORPORATE GOVERNANCE REPORT

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

	S\$
Basic fee	48,400
Board chairmanship	7,260
ARC chairmanship	7,260
NC chairmanship	4,840
RC chairmanship	4,840
ARC membership	3,630
NC membership	2,420
RC membership	2,420

The annual aggregate remuneration paid and directors' fees accrued for the financial year ended 31 December 2020 were S\$960,352 and S\$162,920 respectively.

A breakdown of the remuneration of key management personnel for FY2020 is set out below:

Name of Executive Officers ¹	Base Salary (%) ²	Bonus (%) ²	Allowances and Others (%)	TOTAL (%)
Below S\$250,000				
Sharon Tay Hong Kiang	81.42	18.26	0.32	100
Royston Johns	83.29	14.88	1.83	100

Notes:

1. The remuneration of Mr Ang Thiam Kwee is not included as he was only appointed as an Executive Officer of the Company with effect from 1 January 2021.
2. The salary and bonus amounts shown are inclusive of Central Provident Fund Contribution.

The total remuneration paid to the top two key management personnel during FY2020 was S\$406,167.

CORPORATE GOVERNANCE REPORT

ADDITIONAL INFORMATION AND DETAILS OF DIRECTORS SEEKING RE-ELECTION

Mr Foo Sey Liang and Mr Kesavan Nair 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:

	FOO SEY LIANG	KESAVAN NAIR
Date of appointment	10 April 2014	17 April 2014
Date of last re-appointment (if applicable)	26 April 2019	26 April 2019
Age	51	57
Country of principal residence	Singapore	Singapore
The Board’s comments on this appointment (including rationale, selection criteria, and the search and nomination process)	After reviewing the recommendation of the NC and Mr Foo Sey Liang’s qualifications and experience, the Board approved his appointment as Executive Director	After reviewing the recommendation of the NC and Mr Kesavan Nair’s qualifications and experience, the Board approved his appointment as Independent Director
Whether appointment is executive, and if so, the area of responsibility	As disclosed in Mr Foo Sey Liang’s profile at page 12 of this Annual Report	Not applicable
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director	Independent Non-Executive Director and Chairman of the Nominating Committee and Remuneration Committee and member of Audit & Risk Committee
Professional qualifications	1989 – Diploma in Electronics Engineering, Nanyang Polytechnic	1990 – Barrister-at-Law, Middle Temple 1991 – Barrister and Solicitor of the Supreme Court of the Australian Capital Territory 1992 – Advocate and Solicitor the Supreme Court of Singapore

CORPORATE GOVERNANCE REPORT

Working experience and occupation(s) during the past 10 years	2002 to 2012 – Director, Oasis Logistic (S) Pte. Ltd. 2014 to Present – Director, HG Metal Manufacturing Limited and its subsidiaries	2008 to 2017 – Director, Genesis Law Corporation 2018 to Present – Director, Bayfront Law LLC
Shareholding interest in the listed issuer and its subsidiaries	Deemed interest in 28,405,000 shares	None
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Deemed to be interested in the 28,405,000 Shares held by Flame Gold International Limited, by virtue of Section 7 of the Companies Act	None
Conflict of interest (including any competing business)	None	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	<u>Past</u> (for the last 5 years) Directorships: BRC Asia Limited Other Principal Commitments: Nil <u>Present</u> Directorships: Unicos Tech Pte. Ltd. Visworx Sdn Bhd. Other Principal Commitments: Nil	<u>Past</u> (for the last 5 years) Directorships: Genesis Law Corporation Other Principal Commitments: Nil <u>Present</u> Directorships: Bayfront Law LLC IEV Holdings Limited Kitchen Culture Holdings Ltd. Arion Entertainment Singapore Limited Genvest Pte Ltd Other Principal Commitments: Nil

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

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DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of 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 2020.

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 2020 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:

Teo Yi-Dar (Zhang Yida) – Chairman
Foo Sey Liang
Ng Weng Sui Harry
Kesavan Nair

In accordance with Regulation 88 and 89 of the Company's Constitution, Foo Sey Liang and Kesavan Nair retire and, being eligible, offer themselves for re-election.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

Name of director	Direct interest		Deemed interest	
	At the beginning of financial year	At the end of financial year	At the beginning of financial year	At the end of financial year
<i>Ordinary shares of the Company</i>				
Foo Sey Liang	-	-	28,405,000	28,405,000
Ng Weng Sui Harry	10,000	10,000	-	-

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2021.

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

OPTIONS

There were no share options granted during the financial year to subscribe for unissued shares of the Company.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company.

There were no unissued shares of the Company under options as at the end of the financial year.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee ("ARC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Chapter 50, 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 effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor

DIRECTORS' STATEMENT

AUDIT AND RISK COMMITTEE (CONT'D)

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

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

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

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

AUDITOR

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

On behalf of the board of directors,

Teo Yi-Dar (Zhang Yida)
Director

Foo Sey Liang
Director

Singapore
31 March 2021

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

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 2020, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (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 2020 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 2020

Key audit matters (cont'd)

Impairment assessment of trade receivables

As at 31 December 2020, the Group's trade receivable balances amounted to \$36,593,000, representing 37% of the total current assets of the consolidated balance sheet as of 31 December 2020. The provision for expected credit losses ("ECL") on trade receivable balances amounted to \$2,203,000 as of 31 December 2020.

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

Our audit procedures included, amongst others, obtaining an understanding of the Group's processes and controls relating to the monitoring of trade receivables and review of credit risks of customers. We evaluated the provision matrix used and assessed whether the historical rate is an appropriate basis to estimate the probabilities of default, through analysing of receivables ageing, assessment of material overdue trade receivables, review of customer historical payment pattern and correspondences with the customers on expected settlement dates. We reviewed the key assumptions used by management in determining the forward-looking rate such as macro-economic data and external information, including the potential impact of the COVID-19 pandemic. We checked the data and inputs used and arithmetic accuracy of ECL computation. We also requested, on a sample basis, trade receivable confirmations and obtained evidence of receipts from the customers subsequent to balance sheet date. In addition, we assessed the adequacy of the disclosures on the trade receivables, and the related credit and liquidity risks in Note 18 Trade and other receivables and Note 33 Financial risk management respectively..

Carrying amount of inventories

The carrying amount of the Group's inventories of \$28,138,000 as at 31 December 2020 was significant to the Group as it represented 29% of the Group's total current assets, after considering the allowance for inventory obsolescence of \$17,000. In addition, the current economic outlook brought on by the COVID-19 pandemic further heightened the level of management judgement in estimating the net realisable value of inventories, which is affected by fluctuations in market prices and demand for steel. As such, we determined that this is a key audit matter.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

Key audit matters (cont'd)

Carrying amount of inventories (cont'd)

Our audit procedures included, amongst others, attending inventory counts at selected inventory locations to observe the physical conditions of the inventories on sample basis. We reviewed the basis of the inventory allowances and the consistency of providing for inventory allowances with the Group's policy. We evaluated the appropriateness of the process, methods and assumptions used by management in estimating the net realisable value of inventories. In particular, we evaluated the assumptions and estimates used by management in determining the inventory write down amount, taking into consideration the impact of COVID-19 on the demand for steel. We assessed the adequacy of the Group's inventory allowances by checking on a sample basis that inventory items were categorised appropriately in the relevant ageing bracket, analysing the ageing profile of inventories to identify slow and obsolete inventories, and assessing the reasonableness of the allowance percentages applied. We also assessed the appropriateness of the inventory allowances by considering the historical accuracy of allowances and sales patterns subsequent to financial year end. In addition, we assessed the adequacy of the Group's disclosure on inventories in Note 17 Inventories.

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 2020

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.

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.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2020

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

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 Andrew Tan Chwee Peng.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

31 March 2021

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
Revenue	4	91,693	137,120
Cost of sales		(80,554)	(123,798)
Gross profit		11,139	13,322
Other operating income	5	4,622	4,927
Selling and distribution costs		(562)	(554)
Administrative expenses		(8,683)	(9,595)
Other operating expenses		(4,147)	(6,627)
Finance costs	6	(1,104)	(892)
Reversal of impairment on financial assets	7	111	220
Profit before income tax	8	1,376	801
Income tax expense	9	(41)	(37)
Net profit for the year		1,335	764
Other comprehensive income:			
<i>Items that may be reclassified subsequently to profit or loss:</i>			
Foreign currency translation		(151)	(80)
Other comprehensive income for the year, net of tax		(151)	(80)
Total comprehensive income for the year		1,184	684
Profit attributable to:			
Owners of the Company		1,027	758
Non-controlling interests		308	6
		1,335	764
Total comprehensive income attributable to:			
Owners of the Company		958	720
Non-controlling interests		226	(36)
		1,184	684
Earnings per share:			
Basic (cents)	10	0.81	0.59
Diluted (cents)	10	0.81	0.59

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

BALANCE SHEETS

As at 31 December 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Assets					
Non-current assets					
Property, plant and equipment	11	33,963	32,236	6,458	7,284
Right-of-use assets	12	11,209	11,295	1,551	1,674
Intangible assets	13	117	124	30	26
Investment in subsidiaries	14	–	–	13,113	13,113
Investment securities	15	3,005	9,520	3,005	9,520
Restricted deposits	16	784	784	–	–
		49,078	53,959	24,157	31,617
Current assets					
Investment securities	15	6,515	524	6,515	524
Inventories	17	28,138	43,052	15,981	30,207
Trade and other receivables	18	37,674	49,294	43,414	54,529
Income tax recoverable		44	45	–	–
Prepaid expenses		167	532	121	301
Fixed deposits pledged with banks	16	6,000	2,500	2,500	2,500
Cash and cash equivalents	16	19,452	22,911	8,769	13,787
		97,990	118,858	77,300	101,848
Total assets		147,068	172,817	101,457	133,465
Equity and liabilities					
Current liabilities					
Trade and other payables	19	13,237	36,038	31,903	45,943
Lease liabilities	12	950	1,308	579	922
Bank borrowings	20	2,658	19,813	586	19,585
Provision for income tax		13	14	–	–
Provision for reinstatement costs	21	–	467	–	467
Deferred grant income	22	197	–	88	–
Derivative financial instruments	23	43	341	35	341
		17,098	57,981	33,191	67,258
Net current assets		80,892	60,877	44,109	34,590
Non-current liabilities					
Lease liabilities	12	7,122	7,789	1,492	1,976
Bank borrowings	20	17,172	3,192	1,558	–
Deferred tax liabilities	24	57	25	–	–
Provision for reinstatement costs	21	1,772	1,167	800	500
		26,123	12,173	3,850	2,476
Total liabilities		43,221	70,154	37,041	69,734
Net assets		103,847	102,663	64,416	63,731

BALANCE SHEETS

As at 31 December 2020

	Note	Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Equity attributable to owners of the Company					
Share capital	25	70,496	70,496	70,496	70,496
Treasury shares	26	(2,215)	(2,215)	(2,215)	(2,215)
Other reserves	27	2,916	2,985	2,527	2,527
Accumulated profits/(losses)		28,499	27,472	(6,392)	(7,077)
		99,696	98,738	64,416	63,731
Non-controlling interests		4,151	3,925	-	-
Total equity		103,847	102,663	64,416	63,731
Total equity and liabilities		147,068	172,817	101,457	133,465

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 2020

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

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

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 31 December 2020

2019 Group	Attributable to owners of the Company						Equity attributable to owners of the Company, total		Total equity \$'000
	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Other reserves \$'000	Foreign currency translation reserve \$'000	Accumulated profits \$'000	Non-controlling interests \$'000	Total equity \$'000	
At 31 December 2018	70,496	(2,215)	2,527	(212)	708	28,940	2,660	102,904	
Effects of adopting SFRS(I) 16	-	-	-	-	-	(2,226)	-	(2,226)	
At 1 January 2019	70,496	(2,215)	2,527	(212)	708	26,714	2,660	100,678	
Profit for the year	-	-	-	-	-	758	6	764	
Other comprehensive income	-	-	-	-	-	-	(42)	(42)	
Foreign currency translation	-	-	-	-	(38)	-	(38)	(38)	
Other comprehensive income for the year, net of tax	-	-	-	-	(38)	-	(42)	(42)	
Total comprehensive income for the year	-	-	-	-	(38)	758	(36)	684	
Change in ownership interest in subsidiary	-	-	-	-	-	-	-	-	
Issuance of ordinary shares in a subsidiary	-	-	-	-	-	-	1,301	1,301	
Total change in ownership interest in subsidiary	-	-	-	-	-	-	1,301	1,301	
Total transaction with owners in their capacity as owners	-	-	-	-	-	-	1,301	1,301	
At 31 December 2019	70,496	(2,215)	2,527	(212)	670	27,472	3,925	102,663	

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 2020

2020 Company	Attributable to owners of the Company				
	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated (losses)/profit \$'000	Total equity \$'000
At 1 January 2020	70,496	(2,215)	2,527	(7,077)	63,631
Profit for the year, representing total comprehensive income for the year	-	-	-	685	685
At 31 December 2020	70,496	(2,215)	2,527	(6,392)	64,416

2019 Company	Attributable to owners of the Company				
	Share capital \$'000	Treasury shares \$'000	Capital reserve \$'000	Accumulated losses \$'000	Total equity \$'000
At 31 December 2018	70,496	(2,215)	2,527	(6,805)	64,003
Effects of adopting SFRS(I) 16	-	-	-	(2,225)	(2,225)
At 1 January 2019	70,496	(2,215)	2,527	(9,030)	61,778
Profit for the year, representing total comprehensive income for the year	-	-	-	1,953	1,953
At 31 December 2019	70,496	(2,215)	2,527	(7,077)	63,731

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 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from operating activities			
Profit before income tax		1,376	801
<i>Adjustments for:</i>			
Bad debts recovered, net	5	(6)	(108)
Depreciation of property, plant and equipment	11	2,774	2,919
Depreciation of right-of-use assets	12	1,149	2,788
Amortisation of intangible assets	13	15	7
Reversal of reinstatement cost	5, 21	-	(133)
Gain on disposal of property, plant and equipment	5	(10)	(269)
Gain on termination of lease	5	(18)	-
Write-off of property, plant and equipment	8	217	4
(Reversal of allowance)/allowance for inventories obsolescence	5, 8	(8)	19
Reversal of impairment on financial assets	7, 18	(111)	(220)
Fair value (gain)/loss on derivatives	5, 8	(298)	299
Finance costs	6	1,104	892
Interest income	5	(417)	(432)
Unrealised foreign exchange (loss)/gain, net		530	(415)
Operating cash flows before changes in working capital		6,297	6,152
<i>Working capital changes:</i>			
Inventories		14,312	(12,927)
Trade and other receivables		11,196	2,979
Prepaid expenses		365	(401)
Trade and other payables		(17,630)	385
Cash generated from/(used in) operations		14,540	(3,812)
Interest received		341	360
Interest paid		(995)	(879)
Income tax paid		(10)	(13)
Net cash flows generated from/(used in) operating activities		13,876	(4,344)
Cash flows from investing activities			
Fixed deposit withdrawn from/(pledged with) banks		(3,500)	7,000
Purchase of right-of-use assets		(41)	-
Purchase of property, plant and equipment	A	(10,278)	(10,442)
Proceeds from disposal of property, plant and equipment	B	435	8
Purchase of intangible assets	C	(9)	(108)
Proceeds from disposal of intangible assets		-	4
Proceeds from maturity of investment securities		500	-
Net cash flows used in investing activities		(12,893)	(3,538)

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2020

	Note	2020 \$'000	2019 \$'000
Cash flows from financing activities			
Contribution of share capital by minority shareholders	D	–	770
Proceeds from bank borrowings	E	56,882	82,699
Repayment of bank borrowings	E	(59,753)	(62,877)
Principal element of lease payments	E	(1,475)	(5,259)
Net cash flows (used in)/generated from financing activities		(4,346)	15,333
Net (decrease)/increase in cash and cash equivalents		(3,363)	7,451
Effects of exchange rate changes on cash and cash equivalents		(96)	25
Cash and cash equivalents at beginning of financial year		22,911	15,435
Cash and cash equivalents at end of financial year	16	19,452	22,911

Note A: Purchase of property, plant and equipment

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$5,028,000 (2019: \$12,494,000). The additions were by way as follows: -

	Note	2020 \$'000	2019 \$'000
Cash and bank balances		3,582	7,550
Inventories		610	11
Prepaid expenses		–	515
Other payables		836	4,418
	11	5,028	12,494

Cash outflows for the year also include payments in respect of the purchase of property, plant and equipment in the previous years of \$6,696,000 (2019: \$2,892,000).

Note B: Disposal of property, plant and equipment

During the financial year, the Group disposed property plant and equipment for \$68,000 (2019: \$380,000). Proceeds of \$63,000 (2019: \$8,000) were collected with balance of \$5,000 (\$2019: \$372,000) remaining in other receivables.

Cash inflows for the year also include receipts in respect of disposal of property, plant and equipment in the previous year of \$372,000 (2019: \$Nil).

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2020

Note C: Purchase of intangible assets

During the financial year, the Group acquired intangible assets with an aggregate cost of \$9,000 (2019: \$127,000). The additions were by way as follows: -

	Note	2020 \$'000	2019 \$'000
Cash and bank balances		9	108
Prepaid expenses		-	19
	12	9	127

Note D: Contribution of share capital by minority shareholders

In the prior year, the Group, together with minority shareholders had further subscribed for shares towards the increase in the paid-up share capital of its subsidiary, First Fortune International Co. Ltd ("FFI"). The minority shareholders subscribed for shares amounting to \$1,301,000. These comprised cash contribution of \$770,000 and contribution in kind of \$531,000 in relation to the land use right for FFI.

Note E: Reconciliation of liabilities arising from financing activities

	1 January 2020 \$'000	Cash flows \$'000	Non-cash changes				31 December 2020 \$'000
			Addition during the year \$'000	Foreign exchange movement \$'000	Accretion of interest \$'000	Termination of lease \$'000	
Bank borrowings	23,005	(2,871)	-	(304)	-	-	19,830
Lease liabilities	9,097	(1,694)	507	-	219	(57)	8,072
Total	32,102	(4,565)	507	(304)	219	(57)	27,902

	1 January 2019 \$'000	Cash flows \$'000	Non-cash changes				31 December 2019 \$'000
			Adoption of SFRS(I) 16 \$'000	Additions during the year \$'000	Foreign exchange movement \$'000	Accretion of interest \$'000	
Bank borrowings	3,420	19,822	-	-	(237)	-	23,005
Lease liabilities	-	(5,660)	8,130	6,226	-	401	9,097
Total	3,420	14,162	8,130	6,226	(237)	401	32,102

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 2020

1. CORPORATE INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

2.2 Changes in accounting polices

The accounting policies adopted are consistent with those of the previous financial year except that in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2020. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.3 Standards issued but not yet effective

The Group has not adopted the following standards that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
Amendment to SFRS(I) 16: COVID-19-Related Rent Concessions	1 June 2020
Amendments to SFRS(I) 9, SFRS(I) 1-39, SFRS(I) 7, SFRS(I) 4, SFRS(I) 16: Interest Rate Benchmark Reform – Phase 2	1 January 2021
Amendments to SFRS(I) 3: Reference to the Conceptual Framework	1 January 2022
Amendments to SFRS(I) 1-16: Property, Plant and Equipment—Proceeds before Intended Use	1 January 2022
Amendments to SFRS(I) 1-37: Onerous Contracts—Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to SFRS(I)s 2018-2020	1 January 2022
Amendments to SFRS(I) 1-1: Classification of Liabilities as Current or Non-current	1 January 2023
SFRS(I) 17 Insurance Contracts	1 January 2023
Amendments to SFRS(I) 10 and SFRS(I) 1-28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

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

2.4 Basis of consolidation and business combinations

(a) *Basis of consolidation*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

(b) Business combinations and goodwill

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

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

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

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

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

2.5 Transactions with non-controlling interests

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

2.7 Property, plant and equipment

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.7 Property, plant and equipment (cont'd)

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

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

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

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

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

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

2.8 Intangible assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.8 Intangible assets (cont'd)

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

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

(a) *Computer software*

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

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

(b) *Club membership*

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

2.9 Impairment of non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

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

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

2.10 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

2.11 Financial instruments

(a) *Financial assets*

Initial recognition and measurement

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.11 Financial instruments (cont'd)

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

Subsequent measurement

Investments in debt instruments

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

Derivatives

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

Derecognition

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income for debt instruments is recognised in profit or loss.

(b) *Financial liabilities*

Initial recognition and measurement

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.11 Financial instruments (cont'd)

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

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

Derecognition

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

2.12 Impairment of financial assets

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.13 Cash and cash equivalents

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

2.14 Inventories

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

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

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

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

2.15 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

Provision for reinstatement costs

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.16 Financial guarantees

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

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

2.17 Government grants

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

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

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

2.18 Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.19 Employee benefits

(a) *Defined contribution plans*

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) *Employee leave entitlement*

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

2.20 Leases

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

(a) *As a lessee*

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

i) *Right-of-use assets*

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.20 Leases (cont'd)

(a) As a lessee (cont'd)

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

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

· Office equipment	5 years
· Motor vehicles	10 years
· Worker dormitory	2 years
· Land	6.25 to 20 years

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

ii) Lease liabilities

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.20 Leases (cont'd)

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

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

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

(b) *As lessor*

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

2.21 Revenue recognition

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

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

(a) *Sale of goods*

The Group supplies steel products to the customers.

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.21 Revenue recognition (cont'd)

(b) *Cut and bend services*

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

(c) *Rental of steel plates*

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

(d) *Dividend income*

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

(e) *Warehouse and handling fee income*

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

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

2.22 Taxes

(a) *Current income tax*

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.22 Taxes (cont'd)

(b) Deferred tax

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

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

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

2.22 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

(c) Sales tax

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

- where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

2.23 Share capital and share issue expenses

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

2.24 Treasury shares

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

2.25 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

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

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

Key sources of estimation uncertainty

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

Key sources of estimation uncertainty (cont'd)

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

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

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

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivable is disclosed in Note 33.

The carrying amount of trade receivables as at 31 December 2020 are \$36,593,000 (2019: \$48,055,000) respectively.

A 5% increase/decrease in the allowance for expected credit losses estimated by the management would result in a decrease/increase of \$110,000 (2019: \$119,000) in the Group's profit before income tax.

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

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

The carrying amount of the inventories as at 31 December 2020 is \$28,138,000 (2019: \$43,052,000) respectively.

A 5% increase/decrease in the allowance for stock obsolescence estimated by the management would result in a decrease/increase of \$850 (2019: \$2,500) in the Group's profit before income tax.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

4. REVENUE

Disaggregation of revenue

	Group	
	2020 \$'000	2019 \$'000
Sale of goods (<i>at a point in time</i>)	42,595	62,215
Cut and bend (<i>at a point in time</i>)	47,257	73,306
Rental of steel plates (<i>over time</i>)	1,841	1,599
	91,693	137,120

5. OTHER OPERATING INCOME

	Group	
	2020 \$'000	2019 \$'000
Bad debts recovered	6	108
Claims and compensation received	-	112
Gain on disposal of property, plant and equipment	10	269
Gain on termination of lease	18	-
Interest income		
– Fixed deposits	86	167
– Current accounts with banks	-	14
– Investment securities	250	251
– Late payment from customers	81	-
Operating lease income	27	27
Income from subleasing	901	506
Warehouse and handling fee income	1,285	2,710
Electricity charges income	107	146
Government grant income	1,236	27
Reversal of reinstatement costs	-	133
Fair value gain on derivatives, net	298	-
Foreign exchange gain, net	266	281
Reversal of allowance for inventories obsolescence	8	-
Sundry income	43	176
	4,622	4,927

Government grant income relates mainly to foreign worker levy rebate and wage support under job support scheme provided by Singapore Government.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

6. FINANCE COSTS

	Note	Group	
		2020 \$'000	2019 \$'000
Interest on lease liabilities	12	219	401
Interest expense			
– Bridge loan		24	–
– Trust receipts		475	481
– Construction loans		375	10
– Others		11	–
		1,104	892

7. REVERSAL OF IMPAIRMENT ON FINANCIAL ASSETS

	Note	Group	
		2020 \$'000	2019 \$'000
Trade receivables	18	111	220

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

8. PROFIT BEFORE INCOME TAX

Profit before income tax is arrived at after charging the following:

	Group	
	2020	2019
	\$'000	\$'000
Depreciation of property, plant and equipment recognised as an expense in cost of sales	1,673	1,276
Inventories recognised as an expense in cost of sales (Note 17)	72,848	114,521
Audit fees paid/payable to:		
– Auditors of the Company	169	165
– Other auditors	3	3
Directors fees payable to:		
– Directors of the Company	163	186
Staff cost (including directors)		
– Salaries, bonuses and allowances	7,395	7,431
– Employer's contributions to defined contribution plan	516	545
– Other staff welfare expenses	104	261
Legal and professional fees	261	163
<i>Included in other operating expenses:</i>		
Depreciation of property, plant and equipment	1,101	1,643
Depreciation of right-of-use assets	1,149	2,788
Amortisation of intangible assets	15	7
Short-term lease expenses	330	389
Fair value loss on derivatives, net	–	299
Allowance for inventories obsolescence (Note 17)	–	19
Write-off of property, plant and equipment	217	4

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

9. INCOME TAX EXPENSE

(a) Major components of income taxes

The major components of income taxes for the years ended 31 December 2020 and 2019 are:

	Group	
	2020	2019
	\$'000	\$'000
Current income tax		
– Current financial year	9	12
Deferred tax		
– Current financial year	57	25
– Over provision in respect of prior year	(25)	–
Total income tax expense recognised in the statement of comprehensive income	41	37

(b) Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2020 and 2019 is as follows:

	Group	
	2020	2019
	\$'000	\$'000
Profit before income tax	1,376	801
Tax at the domestic rates applicable to profits in the countries where the Group operates	273	125
Tax effect of:		
– Expenses not deductible for tax purposes	439	1,194
– Income not subject to tax	(330)	(962)
Deferred tax assets not recognised	–	606
Over provision in respect of prior year	(25)	–
Tax exemption and tax relief	(1)	–
Benefits from previously unrecognised deferred tax assets	(317)	(927)
Others	2	1
Total income tax expenses recognised in the statement of comprehensive income	41	37

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

9. INCOME TAX EXPENSE (CONT'D)

At the balance sheet date, the Group has tax losses of approximately \$99,497,000 (2019: \$101,508,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. Tax rates of the jurisdictions the Group operates in are ranging from 17% to 25%.

10. EARNINGS PER SHARE

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

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

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

	Group	
	2020	2019
	\$'000	\$'000
Profit for the year attributable to owners of the Company	1,027	758
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings per share computation and diluted earnings per share computation	127,417	127,417

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

11. PROPERTY, PLANT AND EQUIPMENT

Group	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
Cost										
At 1 January 2019	198	261	16,203	16,652	835	839	1,052	2,656	10,596	49,292
Additions	-	125	-	66	7	52	-	81	12,163	12,494
Disposals/write off	-	-	-	(838)	(209)	(74)	(100)	-	-	(1,221)
Reclassifications	-	9,800	2,307	2,789	-	-	-	-	(14,896)	-
Exchange differences	(1)	(117)	-	(21)	-	(1)	-	(2)	(7)	(149)
At 31 December 2019 and 1 January 2020	197	10,069	18,510	18,648	633	816	952	2,735	7,856	60,416
Additions	-	-	-	887	7	16	-	-	4,118	5,028
Disposals/write off	-	(63)	(200)	(351)	(345)	(256)	(650)	(166)	-	(2,031)
Reclassifications	-	-	10,244	1,680	28	9	-	-	(11,961)	-
Exchange differences	(1)	(173)	-	(34)	-	-	-	(2)	-	(210)
At 31 December 2020	196	9,833	28,554	20,830	323	585	302	2,567	13	63,203
Accumulated depreciation and impairment loss										
At 1 January 2019	-	46	13,563	8,624	640	692	947	1,859	-	26,371
Charge for the year	-	153	732	1,532	56	55	69	322	-	2,919
Disposals/write off	-	-	-	(727)	(208)	(71)	(100)	-	-	(1,106)
Exchange differences	-	(2)	-	(2)	-	-	-	-	-	(4)
At 31 December 2019 and 1 January 2020	-	197	14,295	9,427	488	676	916	2,181	-	28,180
Charge for the year	-	204	678	1,563	43	37	4	245	-	2,774
Disposals/write off	-	-	(200)	(207)	(284)	(218)	(618)	(166)	-	(1,693)
Exchange differences	-	(10)	-	(9)	-	-	-	(2)	-	(21)
At 31 December 2020	-	391	14,773	10,774	247	495	302	2,258	-	29,240
Net carrying amount										
At 31 December 2019	197	9,872	4,215	9,221	145	140	36	554	7,856	32,236
At 31 December 2020	196	9,442	13,781	10,056	76	90	-	309	13	33,963

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

	Leasehold buildings \$'000	Plant and machinery \$'000	Furniture and fittings \$'000	Office equipment \$'000	Renovation \$'000	Motor vehicles \$'000	Construction in progress \$'000	Total \$'000
Company Cost								
At 1 January 2019	9,372	9,730	616	577	912	2,347	-	23,554
Additions	-	-	4	21	-	32	-	57
Disposals/write off	-	(717)	-	-	-	-	-	(717)
At 31 December 2019 and 1 January 2020	9,372	9,013	620	598	912	2,379	-	22,894
Additions	-	610	7	6	-	-	153	776
Disposals/write off	(200)	(56)	(336)	(242)	(610)	(166)	-	(1,610)
Reclassifications	-	153	-	-	-	-	(153)	-
At 31 December 2020	9,172	9,720	291	362	302	2,213	-	22,060
Accumulated depreciation and impairment loss								
At 1 January 2019	6,987	3,970	435	462	842	1,758	-	14,454
Charge for the year	474	869	49	46	68	280	-	1,786
Disposals/write off	-	(630)	-	-	-	-	-	(630)
At 31 December 2019 and 1 January 2020	7,461	4,209	484	508	910	2,038	-	15,610
Charge for the year	433	800	36	28	2	198	-	1,497
Disposals/write off	(200)	(38)	(282)	(210)	(610)	(165)	-	(1,505)
At 31 December 2020	7,694	4,971	238	326	302	2,071	-	15,602
Net carrying amount								
At 31 December 2019	1,911	4,804	136	90	2	341	-	7,284
At 31 December 2020	1,478	4,749	53	36	-	142	-	6,458

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

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

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Leasehold properties	13,781	4,215	1,478	1,911

12. RIGHT-OF-USE ASSETS/LEASE LIABILITIES

As a lessee

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

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

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

	Group					Total \$'000
	Buildings \$'000	Land \$'000	Workers dormitories \$'000	Office equipment \$'000	Motor vehicles \$'000	
Effect of SFRS(I) 16	2,294	1,792	-	71	-	4,157
Reclass from land use rights*	-	3,069	-	-	-	3,069
At 1 January 2019	2,294	4,861	-	71	-	7,226
Additions	-	6,676	218	-	-	6,894
Depreciation	(2,118)	(549)	(98)	(23)	-	(2,788)
Exchange differences	-	(37)	-	-	-	(37)
At 31 December 2019 and 1 January 2020	176	10,951	120	48	-	11,295
Additions	-	834	118	121	80	1,153
Depreciation	(176)	(804)	(151)	(16)	(2)	(1,149)
Termination of lease	-	-	-	(39)	-	(39)
Exchange differences	-	(51)	-	-	-	(51)
At 31 December 2020	-	10,930	87	114	78	11,209

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

As a lessee (cont'd)

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

	Buildings \$'000	Land \$'000	Company Workers dormitories \$'000	Office equipment \$'000	Total \$'000
At 1 January 2019	2,294	1,792	–	62	4,148
Depreciation	(2,118)	(336)	–	(20)	(2,474)
At 31 December 2019 and 1 January 2020	176	1,456	–	42	1,674
Addition	–	300	60	97	457
Depreciation	(176)	(336)	(20)	(14)	(546)
Termination of lease	–	–	–	(34)	(34)
At 31 December 2020	–	1,420	40	91	1,551

* Upon the adoption of SFRS(I) 16, the Group reclassified land use rights of \$3,069,000 to right-of-use assets as of 1 January 2019.

(b) Lease liabilities

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

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
At 1 January	9,097	8,130	2,898	8,120
Addition	507	6,226	158	–
Accretion of interest	219	401	95	139
Payments	(1,694)	(5,660)	(1,029)	(5,361)
Termination of lease	(57)	–	(51)	–
At 31 December	8,072	9,097	2,071	2,898
Current	950	1,308	579	922
Non-current	7,122	7,789	1,492	1,976

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

As a lessee (cont'd)

(c) Amounts recognised in profit or loss

	Group	
	2020 \$'000	2019 \$'000
Depreciation expense of right-of-use assets	1,149	2,788
Interest expense on lease liabilities (Note 6)	219	401
Lease expense not capitalised in lease liabilities:		
– Expense relating to short-term leases (included in other operating expenses)	137	389
– Expense relating to short-term leases (included in cost of goods sold)	193	–
Total amount recognised in profit or loss	1,698	3,578

(d) Total cash outflow

During the financial year, the Group had total cash outflows for leases of \$2,024,000 (2019: \$6,049,000).

As a lessor

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

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

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Not later than one year	1,661	1,761	1,562	1,705
Later than one year but not later than five years	94	317	83	312
	1,755	2,078	1,645	2,017

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

13. INTANGIBLE ASSETS

Group	Computer software \$'000	Club membership \$'000	Total \$'000
Cost			
At 1 January 2019	990	–	990
Additions	103	24	127
Write off	(8)	–	(8)
Exchange differences	(3)	–	(3)
At 31 December 2019 and 1 January 2020	1,082	24	1,106
Additions	9	–	9
Exchange differences	(2)	–	(2)
At 31 December 2020	1,089	24	1,113
Accumulated amortisation			
At 1 January 2019	983	–	983
Amortisation	7	–	7
Write off	(8)	–	(8)
At 31 December 2019 and 1 January 2020	982	–	982
Amortisation	15	–	15
Exchange differences	(1)	–	(1)
At 31 December 2020	996	–	996
Net carrying amount			
At 31 December 2019	100	24	124
At 31 December 2020	93	24	117

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

13. INTANGIBLE ASSETS (CONT'D)

	Computer software \$'000	Club membership \$'000	Total \$'000
Company			
Cost			
At 1 January 2019 and 31 December 2019 and 1 January 2020	909	24	933
Additions	8	-	8
At 31 December 2020	917	24	941
Accumulated amortisation			
At 1 January 2019	906	-	906
Amortisation	1	-	1
At 31 December 2019 and 1 January 2020	907	-	907
Amortisation	4	-	4
At 31 December 2020	911	-	911
Net carrying amount			
At 31 December 2019	2	24	26
At 31 December 2020	6	24	30

14. INVESTMENT IN SUBSIDIARIES

	Company	
	2020 \$'000	2019 \$'000
Unquoted equity shares, at cost	14,346	14,346
Less: impairment losses	(1,233)	(1,233)
	13,113	13,113

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(a) *Composition of the Group*

The Group has the following investment in subsidiaries:

Name of subsidiaries	Principal activities	Country of incorporation/ business	Proportion of ownership interest	
			2020 %	2019 %
Held by the Company				
Jin Heng Li Hardware Sdn Bhd ⁽²⁾	Dormant	Malaysia	100.00	100.00
Oriental Metals Pte Ltd ⁽¹⁾	Manufacturing and supply of steel material to the construction industry	Singapore	99.99	99.99
HG Metal Investments Pte Ltd ⁽¹⁾	Investment holding	Singapore	100.00	100.00
PT HG Metal Distribution Indonesia ⁽³⁾	Dormant	Indonesia	100.00	100.00
Held by HG Metal Investments Pte Ltd				
Niho (Singapore) Pte Ltd ⁽⁵⁾	Liquidated	Singapore	-	100.00
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 Metal Pte Ltd ⁽⁵⁾	Liquidated	Singapore	-	100.00
HG Yangon Company Limited ⁽³⁾	Trading and distribution of steel products	Myanmar	100.00	100.00
First Fortune International Company Limited ⁽⁴⁾	Manufacturing, trading and fabrication of steel structures and parts	Myanmar	51.04	51.04
Held by HG Metal Manufacturing Sdn Bhd				
HG Metal Distribution Sdn Bhd ⁽²⁾	Dormant	Malaysia	100.00	100.00

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

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

- (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
- (5) Under voluntary liquidation in the last financial year and the liquidation process was completed during the financial year

(b) *Interest in subsidiaries with material non-controlling interest (NCI)*

Name of subsidiaries	Principal place of business	Proportion of ownership interest held by NCI	Gain allocated to NCI during the reporting period \$'000	Accumulated NCI at the end of reporting period \$'000
31 December 2020				
First Fortune International Company Limited	Myanmar	51.04%	308	324
31 December 2019:				
First Fortune International Company Limited	Myanmar	51.04%	6	16

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

14. INVESTMENT IN SUBSIDIARIES (CONT'D)

(c) Summarised financial information about subsidiaries with material NCI

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

Summarised balance sheets

	First Fortune International Company Limited	
	2020	2019
	\$'000	\$'000
<i>Current</i>		
Assets	10,964	10,952
Liabilities	(9,870)	(17,457)
Net current assets/(liabilities)	1,094	(6,505)
<i>Non-current</i>		
Assets	13,816	14,513
Liabilities	(6,438)	-
Net non-current assets	7,378	14,513
Net assets	8,472	8,008

Summarised statement of comprehensive income

	First Fortune International Company Limited	
	2020	2019
	\$'000	\$'000
Revenue	13,908	14,394
Profit before income tax	630	12
Income tax expense	-	-
Profit after income tax	630	12
Other comprehensive income	-	-
Total comprehensive income	630	12
<u>Other summarised information</u>		
Net cash flows (used in)/generated from operations	(7,361)	2,541

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

15. INVESTMENT SECURITIES

	Group and Company	
	2020	2019
	\$'000	\$'000
<i>At amortised cost</i>		
- 2.72% p.a. SGD corporate bonds due 3 September 2021	3,510	3,519
- 2.23% p.a. SGD government bonds due 21 February 2022	1,000	1,000
- 2.10% p.a. SGD government bonds due 3 November 2020	-	499
- 3.21% p.a. SGD corporate bonds due 9 November 2023	2,005	2,010
- 2.78% p.a. SGD corporate bonds due 11 January 2021	1,750	1,756
- 2.72% p.a. SGD corporate bonds due 3 September 2021	1,255	1,260
	9,520	10,044
Net carrying amount		
Current	6,515	524
Non-current	3,005	9,520
Balance at 31 December	9,520	10,044

Investments pledged as security

The Group's investments in corporate and government bonds amounting to \$9,520,000 (2019: \$10,044,000) have been pledged as partial security to secure trade facilities during the year. Under the terms and conditions of the trade facilities, the Group is prohibited from disposing of these investments or subjecting them to further charges without furnishing a replacement security of similar value.

16. CASH AND CASH EQUIVALENTS

	Group		Company	
	2020	2019	2020	2019
	\$'000	\$'000	\$'000	\$'000
Cash and bank balances	18,289	21,781	8,767	13,772
Fixed deposits with banks	1,163	1,130	2	15
Cash and cash equivalents	19,452	22,911	8,769	13,787
Fixed deposits pledged with banks	6,000	2,500	2,500	2,500
Restricted deposits	784	784	-	-
Bank balances and fixed deposits	26,236	26,195	11,269	16,287

Fixed deposits earn weighted average effective interest rate of 2.1% as at 31 December 2020 (2019: 3.38%) per annum and for tenures ranging from 1 to 9 months (2019: 9 to 12 months).

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

16. CASH AND CASH EQUIVALENTS (CONT'D)

Restricted deposits are cash deposits placed as collateral with a bank to guarantee satisfactory of supply and delivery of goods as sub-contractor. These deposits are restricted in its use for more than 12 months.

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

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
United States Dollar	846	1,720	757	1,682
Malaysian Ringgit	46	46	46	46
Myanmar Kyat	685	1,287	-	-

17. INVENTORIES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trading inventories	15,867	30,024	15,981	30,207
Finished goods	689	739	-	-
Work-in-progress	472	78	-	-
Raw materials	11,110	12,211	-	-
Inventories (at lower of cost and net realisable value)	28,138	43,052	15,981	30,207

Included in the above balances is an allowance for inventory obsolescence of \$17,000 (2019: \$51,000).

	Group	
	2020 \$'000	2019 \$'000
Inventories recognised as an expense in cost of sales (Note 8)	72,848	114,521
- inclusive of write-back of inventories	(26)	(24)
(Reversal of allowance)/allowance for inventories obsolescence (Note 5, 8)	(8)	19

The write-back of inventories recognised in cost of sales was due to the inventories being sold above the carrying amounts in 2020.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

18. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade receivables (current)				
Third parties	36,593	48,052	12,922	21,587
Amounts due from related party	-	3	-	3
Amounts due from subsidiaries	-	-	25,585	28,187
	36,593	48,055	38,507	49,777
Other receivables (current)				
Third parties	238	1,036	219	770
Rental, utilities and other deposits	138	185	65	53
Government grant receivables	163	-	64	-
Amounts due from subsidiaries	-	-	4,419	3,929
Sundry receivables	89	-	-	-
Advance to suppliers for purchase of inventories	453	18	140	-
	1,081	1,239	4,907	4,752
	37,674	49,294	43,414	54,529

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

Other receivables, excluding government grant receivables, are unsecured, interest-free, repayable in cash on demand.

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

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

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
United States Dollar	4,980	11,698	8,116	11,698
Myanmar Kyat	2,519	3,833	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

18. TRADE AND OTHER RECEIVABLES (CONT'D)

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 movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group	
	2020	2019
	\$'000	\$'000
Movement in allowance accounts:		
Balance at 1 January	2,375	2,611
Reversal of expected credit losses (Note 7)	(111)	(220)
Bad debts written off against allowance	(60)	(14)
Exchange differences	(1)	(2)
Balance at 31 December	<u>2,203</u>	<u>2,375</u>

	Company	
	2020	2019
	\$'000	\$'000
Movement in allowance accounts:		
Balance at 1 January	631	574
(Reversal of)/provision for expected credit losses	(92)	58
Bad debts written off against allowance	-	(1)
Balance at 31 December	<u>539</u>	<u>631</u>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

19. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Trade payables				
Third parties	5,505	21,902	1,842	12,401
Amounts due to subsidiaries	-	-	371	18
	5,505	21,902	2,213	12,419
Other payables				
Deposits from customers	573	913	325	582
Accrued operating expenses	1,919	5,857	722	1,051
Other payables	2,469	5,089	202	623
Amounts due to subsidiaries	-	-	28,058	30,089
Amount due to a shareholder of a subsidiary	1,466	1,493	-	-
GST payable	1,305	784	383	1,179
	7,732	14,136	29,690	33,524
	13,237	36,038	31,903	45,943

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

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

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

Trade payables denominated in foreign currencies are as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
United States Dollar	206	10,226	517	10,226
Myanmar Kyat	-	110	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

20. BANK BORROWINGS

		Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current					
Secured					
- Trust receipts	USD	206	19,585	206	19,585
- Construction loans	SGD	760	228	-	-
- Construction loans	USD	741	-	-	-
- Bridge loans	SGD	951	-	380	-
Total current borrowings		2,658	19,813	586	19,585
Non-current					
Secured					
- Construction loans	SGD	6,840	3,192	-	-
- Construction loans	USD	6,438	-	-	-
- Bridge loans	SGD	3,894	-	1,558	-
Total non-current borrowings		17,172	3,192	1,558	-
Total		19,830	23,005	2,144	19,585

Secured

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

- (i) legal mortgage over leasehold properties (Note 11) of the Group and of the Company with net carrying amount of \$13,781,000 and \$1,478,000 (2019: \$4,215,000 and \$1,911,000) respectively as at 31 December 2020;
- (ii) investment securities pledged with a bank (Note 15);
- (iii) fixed deposits pledged with a bank (Note 16).

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

		Interest rates per annum	
		2020	2019
Trust receipts	(Floating rate)	1.85% – 3.39%	3.32% – 3.59%
Construction loans (SGD)	(Floating rate)	2.17% – 3.88%	3.78% – 3.88%
Construction loans (USD)	(Floating rate)	3.48% – 4.46%	-
Bridge loan	(Fixed rate)	2.75%	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

21. PROVISION FOR REINSTATEMENT COSTS

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current	-	467	-	467
Non-current	1,772	1,167	800	500
Total	1,772	1,634	800	967

The movement in provision for reinstatement costs is as follows:

	Group \$'000	Company \$'000
At 1 January 2019	1,100	800
Provision capitalised under right-of-use assets	667	-
Provision charged to profit or loss	167	167
Reversal of provision	(300)	-
At 31 December 2019 and 1 January 2020	1,634	967
Provision capitalised under right-of-use assets	605	300
Reclassified to other payables	(467)	(467)
At 31 December 2020	1,772	800

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

22. DEFERRED GRANT INCOME

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

Deferred grant income is classified as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Current	197	-	88	-
	197	-	88	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

23. DERIVATIVE FINANCIAL INSTRUMENTS

	Group					
	Contract/ Notional Amount	2020 \$'000 Assets	Liabilities	Contract/ Notional Amount	2019 \$'000 Assets	Liabilities
Forward currency contracts	6,189	-	43	35,949	-	341

	Company					
	Contract/ Notional Amount	2020 \$'000 Assets	Liabilities	Contract/ Notional Amount	2019 \$'000 Assets	Liabilities
Forward currency contracts	5,746	-	35	35,949	-	341

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

Movements in deferred tax during the financial year were as follows:

	Group				
	At 1 January 2019 \$'000	Recognised in profit or loss (Note 9) \$'000	31 December 2019 and 1 January 2020 \$'000	Recognised in profit or loss (Note 9) \$'000	At 31 December 2020 \$'000
Deferred tax liabilities/ (assets):					
- Differences in depreciation for tax purposes	-	65	65	(8)	57
- Provisions	-	(40)	(40)	40	-
	-	25	25	32	57

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

25. SHARE CAPITAL

	Group and Company			
	2020		2019	
	No. of shares '000	\$'000	No. of shares '000	\$'000
<i>Issued and fully-paid:</i>				
Ordinary shares				
At 1 January and 31 December	130,611	70,496	130,611	70,496

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

26. TREASURY SHARES

	Group and Company			
	2020		2019	
	No. of shares '000	\$'000	No. of shares '000	\$'000
<i>Issued and fully-paid:</i>				
Ordinary shares				
At 1 January and 31 December	3,193	2,215	3,193	2,215

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

27. OTHER RESERVES

		Group		Company	
		2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Capital reserve	(a)	2,527	2,527	2,527	2,527
Foreign currency translation reserve	(b)	601	670	-	-
Premium paid on acquisition of non-controlling interest	(c)	(212)	(212)	-	-
		2,916	2,985	2,527	2,527

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

27. OTHER RESERVES (CONT'D)

(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.

(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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

28. 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 on rates and terms agreed between the parties during the financial year:

	Company	
	2020 \$'000	2019 \$'000
<i>With subsidiaries</i>		
Sales	22,868	59,026
Purchases	439	93
Rental income	33	428
Dividend income	2,318	1,962
Interest income	110	68
Other income	170	523
Rental expenses	1,224	-

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
<i>With companies related to directors of the Company</i>				
Sales	62	32	62	32
Other charges	-	1	-	1

Compensation of key management personnel

The remuneration of Directors and other members of key management of the Group and of the Company during the financial year are as follows:

	Group	
	2020 \$'000	2019 \$'000
<i>Directors of the Company</i>		
Salaries and other short-term employee benefits	482	461
Employer's contributions to defined contribution plan	17	17
<i>Key management personnel (non-directors)</i>		
Salaries and other short-term employee benefits	816	1,021
Employer's contributions to defined contribution plan	53	42
	1,368	1,541

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

29. COMMITMENTS AND CONTINGENT LIABILITIES

(a) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Capital commitments in respect of property, plant and equipment	-	1,828	-	-
	-	1,828	-	-

(b) Contingent liabilities

Guarantees

- (i) Intra-group financial guarantees comprise corporate guarantees granted by the Company to banks in respect of banking facilities amounting to \$46,108,890 (2019: \$11,110,000) 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. Amounts included in liabilities in respect of guarantee are disclosed in Note 20 to the financial statements.

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 of supply and delivery of goods as sub-contractor. The performance bonds remain in full force until year 2021. At the end of the reporting period, no liability is expected to arise.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

30. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- (i) The trading segment is a supplier of steel products and includes the holding of investments in subsidiaries in the business of steel distribution and provision of industrial steel services.
- (ii) The manufacturing segment produces construction steel products and provides related engineering services.
- (iii) Others include those which do not fall in trading and manufacturing segment.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

30. SEGMENT INFORMATION (CONT'D)

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

	Trading \$'000	Manu- facturing \$'000	Others \$'000	Adjustment/ elimination \$'000	Group \$'000
Financial year ended 31 December 2020					
Revenue					
Sales to external customers	31,329	60,364	-	-	91,693
Inter-segment sales (Note A)	22,868	1,251	-	(24,119)	-
Total	54,197	61,615	-	(24,119)	91,693
Results					
Other income	2,463	3,225	35	(3,076)	2,647
Dividend income	2,318	-	-	(2,318)	-
Government grant income	694	542	-	-	1,236
Interest income	382	129	16	(110)	417
Bad debts recovered	-	6	-	-	6
Gain from disposal of property, plant and equipment	22	-	(12)	-	10
Fair value gain/(loss) from derivatives	306	(8)	-	-	298
Reversal of allowance for inventories obsolescence	8	-	-	-	8
Interest expenses	(277)	(936)	-	109	(1,104)
Depreciation and amortisation of assets	(1,501)	(1,281)	(7)	-	(2,789)
Depreciation of right-of-use assets	(546)	(603)	-	-	(1,149)
Segment profit/(loss)	685	3,152	2,805	(5,266)	1,376
Income tax expense					(41)
Profit for the year					1,335
Assets and liabilities					
Additions to non-current assets (Note B)	1,241	4,949	-	-	6,190
Segment assets (Note A)	101,459	94,537	31,179	(80,151)	147,024
Income tax recoverable					44
Total assets					147,068
Segment liabilities (Note A)	37,042	64,582	2,276	(60,749)	43,151
Tax payable					13
Deferred tax liabilities					57
Total liabilities					43,221

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

30. SEGMENT INFORMATION (CONT'D)

	Trading \$'000	Manu- facturing \$'000	Others \$'000	Adjustment/ elimination \$'000	Group \$'000
Financial year ended 31 December 2019					
Revenue					
Sales to external customers	45,583	91,537	-	-	137,120
Inter-segment sales (Note A)	59,026	93	-	(59,119)	-
Total	104,609	91,630	-	(59,119)	137,120
Results					
Other income	4,571	162	346	(961)	4,118
Dividend income	1,962	-	-	(1,962)	-
Interest income	464	-	36	(68)	432
Bad debts recovered	108	-	-	-	108
Gain from disposal of property, plant and equipment	264	5	20	(20)	269
Fair value loss from derivatives	(299)	-	-	-	(299)
Interest expenses	(271)	(75)	(265)	(281)	(892)
Allowance for inventories obsolescence	(19)	-	-	-	(19)
Depreciation and amortisation of assets	(1,786)	(839)	(301)	-	(2,926)
Depreciation of right-of-use assets	(2,474)	(163)	(151)	-	(2,788)
Segment profit/(loss)	1,953	4,608	(1,118)	(4,642)	801
Income tax expense					(37)
Profit for the year					764
Assets and liabilities					
Additions to non-current assets (Note B)	81	3,759	15,721	(46)	19,515
Segment assets (Note A)	133,466	65,135	58,707	(84,536)	172,772
Income tax recoverable					45
Total assets					172,817
Segment liabilities (Note A)	69,734	50,085	14,677	(64,381)	70,115
Tax payable					14
Deferred tax liabilities					25
Total liabilities					70,154

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

30. 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	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
Myanmar	13,904	17,306	13,816	14,574
Singapore	74,780	114,830	31,071	28,673
Malaysia	900	608	402	408
Indonesia	2,109	4,347	-	-
Others	-	29	-	-
	91,693	137,120	45,289	43,655

Information about a major customer

Revenues of \$4,330,000 are derived from a single external customer which made up 4.7% of total revenue for 2020. These revenues are attributable to the manufacturing segment.

Revenues of \$16,773,000 are derived from a single external customer which made up 12% of total revenue for 2019. These revenues are attributable to the manufacturing segment.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

31. FINANCIAL INSTRUMENTS

Classification of financial instruments

	Fair value through profit and loss \$'000	Assets/ liabilities at amortised cost \$'000
Group		
31 December 2020		
Assets		
Trade and other receivables ⁽¹⁾ (Note 18)	-	37,132
Bank balances and fixed deposits (Note 16)	-	26,236
Investment securities (Note 15)	-	9,520
Total	-	72,888
Liabilities		
Trade and other payables ⁽²⁾ (Note 19)	-	11,932
Derivative financial instruments (Note 23)	43	-
Lease liabilities (Note 12)	-	8,072
Bank borrowings (Note 20)	-	19,830
Total	43	39,834
31 December 2019		
Assets		
Trade and other receivables ⁽¹⁾ (Note 18)	-	49,276
Bank balances and fixed deposits (Note 16)	-	26,195
Investment securities (Note 15)	-	10,044
Total	-	85,515
Liabilities		
Trade and other payables ⁽²⁾ (Note 19)	-	35,254
Derivative financial instruments (Note 23)	341	-
Lease liabilities (Note 12)	-	9,907
Bank borrowings (Note 20)	-	23,005
Total	341	68,166

(1) Excludes sundry receivables and advance to suppliers for purchase of inventories

(2) Excludes of GST payable

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

31. FINANCIAL INSTRUMENTS (CONT'D)

Classification of financial instruments (cont'd)

	Fair value through profit and loss \$'000	Assets/ Liabilities at amortised cost \$'000
Company		
31 December 2020		
Assets		
Trade and other receivables ⁽¹⁾ (Note 18)	-	43,274
Bank balances and fixed deposits (Note 16)	-	11,269
Investment securities (Note 15)	-	9,520
Total	-	64,063
Liabilities		
Trade and other payables ⁽²⁾ (Note 19)	-	31,520
Derivative financial instruments (Note 23)	35	-
Lease liabilities (Note 12)	-	2,071
Bank borrowings (Note 20)	-	2,144
Total	35	35,735
31 December 2019		
Assets		
Trade and other receivables ⁽¹⁾ (Note 18)	-	54,529
Bank balances and fixed deposits (Note 16)	-	16,287
Investment securities (Note 15)	-	10,044
Total	-	80,860
Liabilities		
Trade and other payables ⁽²⁾ (Note 19)	-	44,764
Derivative financial instruments (Note 23)	341	-
Lease liabilities (Note 12)	-	2,898
Bank borrowings (Note 20)	-	19,585
Total	341	67,247

(1) Excludes advance to suppliers for purchase of inventories

(2) Excludes of GST payable

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

32. FAIR VALUE OF ASSETS AND LIABILITIES

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

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

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	
	2020	
	\$'000	
	Significant observable inputs other than quoted prices (Level 2)	Total
Recurring fair value measurements		
Liabilities		
Financial liabilities:		
Derivative financial instruments		
– Forward currency contracts	(43)	(43)
As at 31 December 2020	(43)	(43)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

(a) *Assets and liabilities measured at fair value (cont'd)*

	Company	
	2020	
	\$'000	
	Significant observable inputs other than quoted prices (Level 2)	Total
Recurring fair value measurements		
Liabilities		
Financial liabilities:		
Derivative financial instruments		
– Forward currency contracts	(35)	(35)
As at 31 December 2020	(35)	(35)
	Group and Company	
	2019	
	\$'000	
	Significant observable inputs other than quoted prices (Level 2)	Total
Recurring fair value measurements		
Liabilities		
Financial liabilities:		
Derivative financial instruments		
– Forward currency contracts	(341)	(341)
As at 31 December 2019	(341)	(341)

Level 2 fair value measurements

The following is the description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within level 2 of the fair value hierarchy:

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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

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

(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 Group's assets and liabilities not measured at fair value at the end of reporting period but for which fair value is disclosed:

	Group and Company	
	2020 \$'000	
	Quoted prices in active markets for identical assets (Level 1)	Carrying amount
Assets		
Investment securities	9,705	9,520

	Group and Company	
	2019 \$'000	
	Quoted prices in active markets for identical assets (Level 1)	Carrying amount
Assets		
Investment securities	10,151	10,044

(c) Assets and liabilities not measured at fair value

Bank balances and fixed deposits, other receivables and other payables

The carrying amounts of these balances approximate their fair values due to the short-term nature of these balances.

Trade receivables and trade payables

The carrying amounts of these receivables and payables (including trade balances due from/to holding and related companies) approximate their fair values as they are subject to normal trade credit terms.

Bank borrowings

The carrying amounts of bank borrowings approximate their fair values as they are subject to interest rates close to market rate of interests for similar arrangements with financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. 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 are derived based on the Group's historical information.

The Group considers available reasonable and supportive forwarding-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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

- 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.

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:

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

Singapore:

	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
31 December 2020						
Gross carrying amount	13,125	11,660	608	418	1,552	27,363
Loss allowance provision	41	43	6	144	1,348	1,582

	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
31 December 2019						
Gross carrying amount	13,408	15,753	649	591	1,341	31,742
Loss allowance provision	101	95	143	120	1,286	1,745

Other geographical areas:

	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
31 December 2020						
Gross carrying amount	1,455	721	1,948	1,807	5,502	11,433
Loss allowance provision	-	-	-	-	621	621

	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
31 December 2019						
Gross carrying amount	3,476	1,990	168	8,604	4,450	18,688
Loss allowance provision	-	-	-	-	630	630

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

Information regarding loss allowance movement of trade receivables are disclosed in Note 18.

During the financial year, the Group wrote-off \$60,000 (2019: \$14,000) of trade receivables which are more than 120 days past due as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written-off.

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 \$46,108,890 (2019: \$11,110,000) 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 Group's trade receivables at the end of the reporting period is as follows:

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
By country:				
- Myanmar	10,239	17,160	4,963	10,909
- Singapore	25,781	29,997	32,971	37,970
- Malaysia	181	133	181	133
- Indonesia	392	765	392	765
	36,593	48,055	38,507	49,777

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. FINANCIAL RISK MANAGEMENT (CONT'D)

(a) Credit risk (cont'd)

Credit risk concentration profiles (cont'd)

	Group		Company	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
By industry sectors:				
- Trading	5,231	11,311	8,367	11,311
- Construction	27,466	30,616	26,244	32,338
- Others	3,896	6,128	3,896	6,128
	36,593	48,055	38,507	49,777

At the end of the reporting period, approximately:

- 5% (2019: 15%) of the Group's trade receivables were due from 3 (2019: 3) major customers who are located in Singapore (2019: 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. FINANCIAL RISK MANAGEMENT (CONT'D)

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

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 2020				
Financial assets:				
Trade and other receivables	37,132	–	–	37,132
Bank balances and fixed deposits	25,452	784	–	26,236
Investment securities	6,515	3,005	–	9,520
Total undiscounted financial assets	69,099	3,789	–	72,888
Financial liabilities:				
Trade and other payables	11,932	–	–	11,932
Derivative financial instruments	43	–	–	43
Bank borrowings	3,084	14,925	4,185	22,194
Lease liabilities	1,245	3,750	5,778	10,773
Total undiscounted financial liabilities	16,304	18,675	9,963	44,942
Total net undiscounted financial assets/(liabilities)	52,795	(14,886)	(9,963)	27,946

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. 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 2019				
Financial assets:				
Trade and other receivables	49,276	-	-	49,276
Bank balances and fixed deposits	25,411	784	-	26,195
Investment securities	524	9,520	-	10,044
Total undiscounted financial assets	75,211	10,304	-	85,515
Financial liabilities:				
Trade and other payables	35,254	-	-	35,254
Derivative financial instruments	341	-	-	341
Bank borrowings	19,903	1,730	2,018	23,651
Lease liabilities	1,648	4,178	6,021	11,847
Total undiscounted financial liabilities	57,146	5,908	8,039	71,093
Total net undiscounted financial assets/(liabilities)	18,065	4,396	(8,039)	14,422

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. FINANCIAL RISK MANAGEMENT (CONT'D)

(b) Liquidity risk (cont'd)

	Within one year \$'000	Two to five years \$'000	After five years \$'000	Total \$'000
Company				
As at 31 December 2020				
Financial assets:				
Trade and other receivables	43,274	-	-	43,274
Bank balances and fixed deposits	11,269	-	-	11,269
Investment securities	6,515	3,005	-	9,520
Total undiscounted financial assets	61,058	3,005	-	64,063
Financial liabilities:				
Trade and other payables	31,520	-	-	31,520
Derivative financial instruments	35	-	-	35
Bank borrowings	622	1,663	-	2,285
Lease liabilities	649	1,548	-	2,197
Total undiscounted financial liabilities	32,826	3,211	-	36,037
Total net undiscounted financial assets/(liabilities)	28,232	(206)	-	28,026
As at 31 December 2019				
Financial assets:				
Trade and other receivables	54,529	-	-	54,529
Bank balances and fixed deposits	16,287	-	-	16,287
Investment securities	524	9,520	-	10,044
Total undiscounted financial assets	71,340	9,520	-	80,860
Financial liabilities:				
Trade and other payables	44,764	-	-	44,764
Derivative financial instruments	341	-	-	341
Bank borrowings	19,598	-	-	19,598
Lease liabilities	1,016	2,096	-	3,112
Total undiscounted financial liabilities	65,719	2,096	-	67,815
Total net undiscounted financial assets	5,621	7,424	-	13,045

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2020

33. FINANCIAL RISK MANAGEMENT (CONT'D)

(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 (2019: 50) basis points lower/higher with all other variables held constant, the Group's profit before income tax would have been approximately \$63,000 (2019: \$97,000) higher/lower, arising mainly as a result of lower/higher interest expense on debt obligations with financial institutions.

A similar change in interest rates would have increased/decreased the Company's income by approximately \$2,000 (2019: \$85,000).

(d) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of the Group entities, primarily the SGD and USD.

The Group is exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia and Myanmar. The Group's net investments in Malaysia and Myanmar are not hedged as currency positions in Malaysian Ringgit and USD are considered to be long-term in nature.

The Group manages foreign currency risks by monitoring the timing of the inception and settlement of foreign currency transactions and ensuring that net exposure is kept to an acceptable level. The Group uses forward currency contracts to hedge its exposure to foreign currency exchange risk.

Sensitivity analysis for foreign currency risk

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

APPENDIX

APPENDIX DATED 9 APRIL 2021

This Appendix is circulated to Shareholders of HG Metal Manufacturing Limited (the “**Company**”) together with the Company’s 2020 Annual Report. Its purpose is to provide Shareholders with information on, and to explain the rationale for, the proposed renewal of the Share Purchase Mandate to be tabled at the Annual General Meeting to be held by way of electronic means on 26 April 2021 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 2020 Annual Report.

The Singapore Exchange Securities Trading Limited (“**SGX-ST**”) assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Appendix.



HG METAL MANUFACTURING LIMITED

Registration Number 198802660D

(Incorporated in the Republic of Singapore)

**APPENDIX IN RELATION TO THE PROPOSED
RENEWAL OF THE SHARE PURCHASE MANDATE**

APPENDIX

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

1. INTRODUCTION

- 1.1 The Directors wish to seek Shareholders' approval for the proposed renewal of the Share Purchase Mandate previously approved by Shareholders on 26 June 2020 (the "**Share Purchase Mandate**").
- 1.2 The purpose of this Appendix, to be circulated to Shareholders together with the Company's 2020 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 2021. 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 June 2020. Particulars of the Share Purchase Mandate were set out in the Appendix to the 2019 Annual Report to Shareholders dated 15 April 2020.

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 2021. Accordingly, the Directors propose that the Share Purchase Mandate be renewed at the AGM, to take effect until the next AGM of the Company. The terms of the Share Purchase Mandate which are sought to be renewed remain unchanged.

2.2 Rationale for Share Purchase Mandate

The approval of the Share Purchase Mandate authorising the Company to purchase or acquire its Shares would give the Company the flexibility to undertake share purchases or acquisitions up to the three per cent. (3%) limit described in paragraph 2.4.1 below at any time, during the period when the Share Purchase Mandate is in force.

The rationale for the Company to undertake the purchase or acquisition of its issued Shares is as follows:

- (a) In managing the business of the Group, the management team strives to increase Shareholders' value by improving, *inter alia*, the return on equity of the Group. In addition to growth and expansion of business, share purchase is one of the ways through which the return on equity of the Group may be enhanced.

APPENDIX

- (b) The Share Purchase Mandate is an expedient, effective and cost-efficient way for the Company to return surplus cash/funds over and above its ordinary capital requirements, if any, which is in excess of the financial and investment needs of the Company to its Shareholders. In addition, the Share Purchase Mandate will allow the Company to have greater flexibility over, *inter alia*, the Company's share capital structure, cash reserves and its dividend policy.
- (c) The Share Purchase Mandate will provide the Company the flexibility to undertake share purchases at any time, subject to market conditions, during the period when the Share Purchase Mandate is in force.
- (d) The Share Purchase Mandate will help buffer short-term share price volatility and offset the effects of short-term share price speculation, thereby boosting Shareholders' confidence.

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares up to the said three per cent. (3%) limit during the duration referred to in paragraph 2.4.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full three per cent. (3%) limit as authorised and the purchases or acquisitions of Shares pursuant to the Share Purchase Mandate would be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect to the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best efforts to ensure that after a purchase or acquisition of Shares pursuant to the Share Purchase Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

2.3 Issued Shares as at the Latest Practicable Date

As at 6 April 2021 ("**Latest Practicable Date**"), the total number of issued Shares of the Company (excluding treasury shares and subsidiary holdings) is 127,417,735 Shares.

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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, 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 127,417,735 Shares in issue (excluding treasury shares and subsidiary holdings) assuming that (a) no further Shares are issued on or prior to the AGM, and (b) the Company does not reduce its share capital, not more than 3,822,532 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).

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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 2021, 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

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- (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.

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2.4.4 *Maximum Purchase Price*

The purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) ("**related expenses**") to be paid for a Share will be determined by the Directors or a committee of Directors that may be constituted for the purposes of effecting purchases or acquisitions of Shares by the Company under the Share Purchase Mandate. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

- (a) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price (as defined hereinafter); and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme, one hundred and twenty per cent. (120%) of the Average Closing Price (as defined hereinafter),

(the "**Maximum Price**") in either case, excluding related expenses of the purchase or acquisition.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, and is deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days.

2.5 **Status of Purchased Shares**

A Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares. At the time of each purchase of Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company at that time.

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2.6 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act, are summarised below:

2.6.1 Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed ten per cent. (10%) of the total number of issued Shares.

2.6.2 Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of Shares as fully paid bonus Shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

2.6.3 Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time:

- (a) sell the treasury shares for cash;
- (b) transfer the treasury shares for the purposes of or pursuant to an employees' share scheme;
- (c) transfer the treasury shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (d) cancel the treasury shares; or
- (e) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

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2.7 Reporting Requirements

Within 30 days of the passing of a Shareholders' resolution to approve the purchases of Shares by the Company, the Company shall lodge a copy of such resolution with the Registrar.

The Company shall notify the Registrar within 30 days of a purchase of Shares by the Company on the SGX-ST or otherwise. Such notification shall include details of the purchases including the date of the purchases, the total number of Shares purchased by the Company, the number of Shares cancelled and the number of Shares held as treasury shares, the Company's issued ordinary share capital before and after the purchase of Shares, the amount of consideration paid by the Company for the purchases and such other information as required by the Companies Act.

Rule 886(1) of the Listing Manual specifies that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9.00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and
- (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the closing of acceptances of the offer for the Off-Market Purchase.

The notification of such purchases or acquisitions of Shares to the SGX-ST shall include details of the total number of Shares authorised for purchase, the date of purchase, prices paid for the total number of Shares purchased, the purchase price per Share or the highest and lowest purchase price per Share and the number of issued Shares excluding treasury shares after purchase, in the form prescribed under the Listing Rules. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

The Company, upon undertaking any sale, transfer, cancellation and/or use of treasury shares, will comply with Rule 704(28) of the Listing Manual, which provides that an issuer must make an immediate announcement thereof, stating the following:

- (i) date of the sale, transfer, cancellation and/or use;
- (ii) purpose of such sale, transfer, cancellation and/or use;
- (iii) number of treasury shares sold, transferred, cancelled and/or used;
- (iv) number of treasury shares before and after such sale, transfer, cancellation and/or use;
- (v) percentage of the number of treasury shares against the total number of Shares outstanding before and after such sale, transfer, cancellation and/or use; and
- (vi) value of the treasury shares if they are used for a sale or transfer, or cancelled.

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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 NTA and EPS as the resultant effect would depend on, *inter alia*, the aggregate number of Shares purchased or acquired, whether the purchase or acquisition is made out of capital or profits, the purchase prices paid for such Shares and the amount (if any) borrowed by the Company to fund the purchases or acquisitions and whether the Shares purchased or acquired are cancelled or held as treasury shares.

The Company's total issued share capital will be diminished by the total number of the Shares purchased by the Company and which are cancelled. The NTA of the Group will be reduced by the aggregate purchase price paid by the Company for the Shares.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or profits so long as the Company is solvent. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (excluding related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount available for the distribution of cash dividends by the Company will not be reduced. For the purposes of the Share Purchase Mandate, it is intended that purchases or acquisitions of the Shares by the Company, if any, will be made out of the Company's capital and the foregoing has been assumed in the preparation of the financial effects illustrated below.

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

For illustrative purposes only, the financial effects of the Share Purchase Mandate on the Company and the Group, based on the audited financial statements of the Group for the financial year ended 31 December 2020 are based on the assumptions set out below:

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- (a) based on 127,417,735 Shares in issue (excluding treasury shares and subsidiary holdings) and assuming that (i) no further Shares are issued, and (ii) no Shares are held by the Company as treasury shares on or prior to the AGM, not more than 3,822,532 Shares (representing three per cent. (3%) of the total number of issued Shares (excluding treasury shares and subsidiary holdings) as at that date) may be purchased by the Company pursuant to the proposed Share Purchase Mandate;
- (b) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires the 3,822,532 Shares at the Maximum Price of S\$0.257 for one (1) Share (being the price equivalent to five per cent. (5%) above the Average Closing Price of the Shares for the last five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 3,822,532 Shares (excluding related expenses) is approximately S\$982,000; and
- (c) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires the 3,822,532 Shares at the Maximum Price of S\$0.294 for one (1) Share (being the price equivalent to twenty per cent. (20%) above the Average Closing Price of the Shares on the five (5) consecutive Market Days on which the Shares were traded on the SGX-ST immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 3,822,532 Shares (excluding related expenses) is approximately S\$1,124,000.

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 2020, and (iii) the Company had purchased or acquired the 3,822,532 Shares (representing three per cent. (3%)) of its issued ordinary share capital at the Latest Practicable Date, the financial effects of the purchase or acquisition of the 3,822,532 Shares by the Company pursuant to the Share Purchase Mandate:

- (i) by way of purchases made entirely out of capital and held as treasury shares; and
- (ii) by way of purchases made entirely out of capital and cancelled, or as summarised for ease of reference in the following table:

	Purchased out of:	Type of purchase	Held as Treasury Shares or Cancelled	Maximum Price per Share (S\$)
1(A)	Capital	Market Purchase	Held as treasury shares	0.257
1(B)	Capital	Off-Market Purchase	Held as treasury shares	0.294
2(A)	Capital	Market Purchase	Cancelled	0.257
2(B)	Capital	Off-Market Purchase	Cancelled	0.294

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on the audited financial statements of the Group for the financial year ended 31 December 2020, 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 2020				
Share capital	70,496	70,496	70,496	70,496
Capital and other reserves	2,916	2,916	2,527	2,527
Retained earnings	28,499	28,499	(6,392)	(6,392)
	101,911	101,911	66,631	66,631
Treasury share	(2,215)	(3,197)	(2,215)	(3,197)
Shareholders' funds	99,696	98,714	64,416	63,434
Net tangible assets	99,579	98,597	64,386	63,404
Minority interests	4,151	4,151	-	-
Current assets	97,990	97,008	77,300	76,318
Current liabilities	17,098	17,098	33,191	33,191
Working capital	80,892	79,910	44,109	43,127
Number of issued Shares	127,417,735	123,595,203	127,417,735	123,595,203
Weighted average number of Shares	127,417,735	123,595,203	127,417,735	123,595,203
Financial ratios				
Net tangible assets/Share (S\$)	0.78	0.80	0.51	0.51
Current ratio (times)	5.73	5.67	2.33	2.30
Earnings per Share (cents)	0.81	0.83	0.54	0.55

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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 2020				
Share capital	70,496	70,496	70,496	70,496
Capital and other reserves	2,916	2,916	2,527	2,527
Retained earnings	28,499	28,499	(6,392)	(6,392)
	101,911	101,911	66,631	66,631
Treasury shares	(2,215)	(3,339)	(2,215)	(3,339)
Shareholders' funds	99,696	98,572	64,416	63,292
Net tangible assets	99,579	98,455	64,386	63,262
Minority interests	4,151	4,151	-	-
Current assets	97,990	96,866	77,300	76,176
Current liabilities	17,098	17,098	33,191	33,191
Working capital	80,892	79,768	44,109	42,985
Number of issued Shares	127,417,735	123,595,203	127,417,735	123,595,203
Weighted average number of Shares	127,417,735	123,595,203	127,417,735	123,595,203
Financial ratios				
Net tangible assets/Share (S\$)	0.78	0.80	0.51	0.51
Current ratio (times)	5.73	5.67	2.33	2.30
Earnings per Share (cents)	0.81	0.83	0.54	0.55

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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 2020				
Share capital	68,281	67,299	68,281	67,299
Capital and other reserves	2,916	2,916	2,527	2,527
Retained earnings	28,499	28,499	(6,392)	(6,392)
Shareholders' funds	99,696	98,714	64,416	63,434
Net tangible assets	99,579	98,597	64,386	63,404
Minority interests	4,151	4,151	–	–
Current assets	97,990	97,008	77,300	76,318
Current liabilities	17,098	17,098	33,191	33,191
Working capital	80,892	79,910	44,109	43,127
Number of issued Shares	127,417,735	123,595,203	127,417,735	123,595,203
Weighted average number of Shares	127,417,735	123,595,203	127,417,735	123,595,203
Financial ratios				
Net tangible assets/Share (S\$)	0.78	0.80	0.51	0.51
Current ratio (times)	5.73	5.67	2.33	2.30
Earnings per Share (cents)	0.81	0.83	0.54	0.55

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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 2020				
Share capital	68,281	67,157	68,281	67,157
Capital and other reserves	2,916	2,916	2,527	2,527
Retained earnings	28,499	28,499	(6,392)	(6,392)
Shareholders' funds	99,696	98,572	64,416	63,292
Net tangible assets	99,579	98,455	64,386	63,262
Minority interests	4,151	4,151	-	-
Current assets	97,990	96,866	77,300	76,176
Current liabilities	17,098	17,098	33,191	33,191
Working capital	80,892	79,768	44,109	42,985
Number of issued Shares	127,417,735	123,595,203	127,417,735	123,595,203
Weighted average number of Shares	127,417,735	123,595,203	127,417,735	123,595,203
Financial ratios				
Net tangible assets/Share (S\$)	0.78	0.80	0.51	0.51
Current ratio (times)	5.73	5.67	2.33	2.30
Earnings per Share (cents)	0.81	0.83	0.54	0.55

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.

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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.

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;

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- (f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer or where they have reason to believe a bona fide offer for their company may be imminent;
- (g) partners; and
- (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 half-yearly and annual results; and
- (b) (if required by the Exchange to release quarterly results) two (2) weeks immediately preceding the announcement of the Company's quarterly results for the first three quarters.

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.

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Based on the Register of Directors' Shareholdings and the Register of Substantial Shareholders maintained by the Company as at the Latest Practicable Date, approximately 74,603,115 Shares, representing approximately 58.55% of the issued Shares (excluding treasury shares and subsidiary holdings), are in the hands of the public. Assuming that the Company purchases its Shares through Market Purchases up to the full three per cent. (3%) limit pursuant to the Share Purchase Mandate, the number of Shares in the hands of the public would be reduced to 70,780,583 Shares, representing approximately 57.27% 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⁾
Teo Yi-Dar (Zhang Yida)	-	-	-	-
Foo Sey Liang	-	-	28,405,000 ⁽²⁾	22.29
Ng Weng Sui Harry	10,000	0.01	-	-
Kesavan Nair	-	-	-	-

Notes:

- (1) Based on total issued and paid-up ordinary share capital (excluding treasury shares and subsidiary holdings) comprising 127,417,735 Shares as at the Latest Practicable Date.
- (2) Foo Sey Liang is deemed to be interested in the 28,405,000 Shares held by Flame Gold International Limited, by virtue of Section 7 of the Companies Act.

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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⁾
Flame Gold International Limited	28,405,000	22.29	–	–	28,405,000	22.29
Foo Sey Liang	–	–	28,405,000 ⁽²⁾	22.29	28,405,000	22.29
Rise Capital Ventures Ltd	8,010,000	6.29	–	–	8,010,000	6.29
Aung Tin Htut	–	–	8,010,000 ⁽³⁾	6.29	8,010,000	6.29
Regroup Holdings Pte. Ltd.	8,608,657	6.76	–	–	8,608,657	6.76
Yap Xi Ming	571,000	0.45	8,918,612 ⁽⁴⁾	7.00	9,489,612	7.45
Tan Kim Seng	400,008	0.31	8,608,657 ⁽⁵⁾	6.76	9,008,665	7.07
Aye Ko Ko	6,500,000	5.10	–	–	6,500,000	5.10

Notes:

- (1) Based on total issued and paid-up ordinary share capital (excluding treasury shares and subsidiary holdings) comprising 127,417,735 Shares as at the Latest Practicable Date.
- (2) Foo Sey Liang is deemed to be interested in the 28,405,000 Shares held by Flame Gold International Limited, by virtue of Section 7 of the Act.
- (3) Aung Tin Htut is deemed to be interested in the 8,010,000 Shares held by Rise Capital Ventures Ltd by virtue of Section 7 of the Act.
- (4) Yap Xi Ming holds approximately 33.33% in the share capital of Regroup Holdings Pte. Ltd. ("**Regroup**") and is therefore deemed interested in the 8,608,657 Shares held by Regroup by virtue of Section 7 of the Act. He is also deemed to be interested in 3,655 Shares held by CIMB Securities (S) Pte Ltd and 306,300 Shares held by UOB Kay Hian Pte Ltd as his nominees.
- (5) Tan Kim Seng holds approximately 25% in the share capital of Regroup and is therefore deemed interested in the 8,608,657 Shares held by Regroup by virtue of Section 7 of the Act.

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4. DIRECTORS' RECOMMENDATION

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

5. ACTION TO BE TAKEN BY SHAREHOLDERS

If a Shareholder is unable to attend the AGM and wish to vote must submit their proxy forms in advance and appoint "Chairman of the Meeting" as their proxy.

- (i) Shareholders (whether individual or corporate) appointing the Chairman of the Meeting as proxy must give specific instructions as to his manner of voting, or abstentions from voting, in proxy form, failing which the appointment will be treated as invalid.
- (ii) The proxy form must be submitted in the following manner:
 - a) if submitted by post, be deposited at the Registered Office of the Company at 28 Jalan Buroh, Singapore 619484; or
 - b) if submitted by email, the proxy form must be sent to gpb@mncsingapore.com

in either case, by **10.00 a.m. on 24 April 2021** (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.

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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 2020; and
- (b) the Constitution of the Company.

Yours faithfully

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

Foo Sey Liang
Executive Director
Singapore

SHAREHOLDINGS STATISTICS

As at 19 March 2021

Number of Shares	- 127,417,735 (excluding treasury shares)
Treasury Shares	- 3,193,630
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	466	11.04	21,472	0.02
100 – 1,000	658	15.59	424,800	0.32
1,001 – 10,000	2,396	56.78	9,942,182	7.61
10,001 – 1,000,000	684	16.21	32,009,521	24.51
1,000,001 and above	16	0.38	88,213,390	67.54
	4,220	100.00	130,611,365	100.00

SHAREHOLDING HELD IN HANDS OF PUBLIC

As at 19 March 2021, the percentage of shareholdings held in the hands of the public was approximately 58.55% and Rule 723 of the Listing Manual is complied with.

SHAREHOLDINGS STATISTICS

As at 19 March 2021

TOP 20 SHAREHOLDERS LIST

S/No	Name of Shareholder	Number of Shares	%*
1	UOB Kay Hian Pte Ltd	37,689,957	29.58
2	Rise Capital Ventures Limited	8,010,000	6.29
3	Aye Ko Ko	6,500,000	5.10
4	Tan Nah	6,200,000	4.87
5	Chua Sze Bok	4,297,700	3.37
6	Ng Joo Yow	4,083,700	3.20
7	Daiwa Capital Markets Singapore Limited	3,638,800	2.86
8	Phillip Securities Pte Ltd	3,047,136	2.39
9	DBS Nominees Pte Ltd	2,402,135	1.89
10	Htay Htay Naing	2,036,300	1.60
11	Sia Ling Sing	1,840,000	1.44
12	ABN Amro Clearing Bank N.V.	1,497,000	1.17
13	Ang Gim Teck	1,442,100	1.13
14	Citibank Nominees Singapore Pte Ltd	1,298,332	1.02
15	Ang Gim Thian	1,036,600	0.81
16	OCBC Securities Private Ltd	782,890	0.61
17	Tan Wai See	655,000	0.51
18	Maybank Kim Eng Securities Pte.Ltd	634,123	0.50
19	CGS-CIMB Securities (Singapore) Pte Ltd	581,055	0.46
20	Ong King Sin	580,000	0.46
		88,252,828	69.26

* The percentage of shareholdings was computed based on the issued share capital of the Company as at 19 March 2021 of 127,417,735 shares (which excludes 3,193,630 shares which are held as treasury shares representing approximately 2.51% of the total number of issued shares excluding treasury shares and subsidiary holdings).

SHAREHOLDINGS STATISTICS

As at 19 March 2021

SUBSTANTIAL SHAREHOLDERS

Substantial Shareholder	Direct Interest		Deemed Interest	
	No. of Shares	Percentage (%) ⁽¹⁾	No. of Shares	Percentage (%) ⁽¹⁾
Flame Gold International Limited	28,405,000	22.29	-	-
Foo Sey Liang	-	-	28,405,000 ⁽²⁾	22.29
Rise Capital Ventures Ltd	8,010,000	6.29	-	-
Aung Tin Htut	-	-	8,010,000 ⁽³⁾	6.29
Regroup Holdings Pte. Ltd.	8,608,657	6.76	-	-
Yap Xi Ming	571,000	0.45	8,918,612 ⁽⁴⁾	7.00
Tan Kim Seng	400,008	0.31	8,608,657 ⁽⁵⁾	6.76
Aye Ko Ko	6,500,000	5.10	-	-

Notes:

- (1) Based on total issued and paid-up ordinary share capital (excluding treasury shares and subsidiary holdings) comprising 127,417,735 Shares as at 19 March 2021.
- (2) Foo Sey Liang is deemed to be interested in the 28,405,000 Shares held by Flame Gold International Limited, by virtue of Section 7 of the Act.
- (3) Aung Tin Htut is deemed to be interested in the 8,010,000 Shares held by Rise Capital Ventures Ltd by virtue of Section 7 of the Act.
- (4) Yap Xi Ming holds approximately 33.33% in the share capital of Regroup Holdings Pte. Ltd. ("Regroup") and is therefore deemed interested in the 8,608,657 Shares held by Regroup by virtue of Section 7 of the Act. He is also deemed to be interested in 3,655 Shares held by CIMB Securities (S) Pte Ltd and 306,300 Shares held by UOB Kay Hian Pte Ltd as his nominees.
- (5) Tan Kim Seng holds approximately 25% in the share capital of Regroup and is therefore deemed interested in the 8,608,657 Shares held by Regroup by virtue of Section 7 of the Act.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting (“AGM”) of HG Metal Manufacturing Limited (the “Company”) will be held by way of electronic means on Monday, 26 April 2021 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 2020 together with the Independent Auditors’ Report thereon. (Resolution 1)
2. To declare a final tax-exempt (one-tier) dividend of 0.5 Singapore cents per ordinary share for the financial year ended 31 December 2020. (Resolution 2)
3. To re-elect the following Directors of the Company retiring pursuant to Regulation 89 of the Company’s Constitution:
 - Mr Foo Sey Liang [*See explanatory note (i)*] (Resolution 3)
 - Mr Kesavan Nair [*See explanatory note (ii)*] (Resolution 4)
4. To approve the payment of Directors’ fees of S\$162,920 for the financial year ended 31 December 2020 (previous financial year: S\$186,340). (Resolution 5)
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 6)
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, Cap. 50 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, Cap. 50 and Rule 806 of the Listing Manual of the SGX-ST, the Directors of the Company be authorised and empowered to:

- (a) (i) allot and issue shares in the capital of the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

NOTICE OF ANNUAL GENERAL MEETING

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may at their absolute discretion deem fit; and

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

(the “**Share Issue Mandate**”)

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) and Instruments to be issued pursuant to this Resolution shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares and Instruments to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares and Instruments that may be issued under sub-paragraphs (1) above, the percentage of issued shares and Instruments shall be based on the number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of convertible securities which were issued and outstanding or subsisting at the time this Resolution is passed;
 - (b) new shares arising from exercising share options or vesting of share awards which were issued and outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the Share Issue Mandate conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

NOTICE OF ANNUAL GENERAL MEETING

- (4) unless revoked or varied by the Company in a general meeting, the Share Issue Mandate shall continue in force (i) until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the Instruments.

[See Explanatory Note (iii)]

(Resolution 7)

8. **Renewal of the Share Purchase Mandate**

That:

- (a) for the purposes of the Companies Act (Chapter 50 of Singapore) (the "**Companies Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares fully paid in the capital of the Company (the "**Shares**") not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price(s) as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:
- (i) market purchase(s) (each a "**Market Purchase**") on the Singapore Exchange Securities Trading Limited ("**SGX-ST**"); and/or
 - (ii) off-market purchase(s) (each an "**Off-Market Purchase**") in accordance with any equal access scheme(s) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act;

and otherwise in accordance with all other laws and regulations, including but not limited to, the provisions of the Companies Act and listing rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

- (b) unless varied or revoked by the members of the Company in a general meeting, the authority conferred on the Directors of the Company pursuant to the Share Purchase Mandate may be exercised by the Directors of the Company at any time and from time to time during the period commencing from the date of the passing of this Ordinary Resolution and expiring on the earlier of:
- (i) the date on which the next AGM is held or required by law to be held; or

NOTICE OF ANNUAL GENERAL MEETING

- (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

NOTICE OF ANNUAL GENERAL MEETING

- (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 (iv)]

(Resolution 8)

By Order of the Board

Wee Woon Hong
Srikanth Rayaprolu
Company Secretaries
Singapore
9 April 2021

Explanatory Notes:

- (i) Mr Foo Sey Liang will, upon re-election as a Director of the Company, remain as an Executive Director. Detailed information of Mr Foo Sey Liang pursuant to Rule 720(6) of the Listing Manual can be found on pages 76 to 77 in the Annual Report 2020.
- (ii) Mr Kesavan Nair will, upon re-election as a Director of the Company, remain as a Chairman of the Nominating Committee and Remuneration Committee and member of Audit & Risk 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 Kesavan Nair pursuant to Rule 720(6) of the Listing Manual can be found on pages 76 to 77 in the Annual Report 2020.
- (iii) The Ordinary Resolution 7 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.
- (iv) The Ordinary Resolution 8 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 Annual Report 2020 of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the above AGM may appoint the Chairman of the AGM as proxy to vote on his behalf. Please refer to the section entitled "Submission of Proxy Forms to Vote" of the Measures to Minimise Risk of Community Spread of 2019 Novel Coronavirus ("COVID-19") on the Notice of AGM for further information.
2. If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.
3. The instrument appointing a proxy must be (a) submitted by mail to the Registered Office of the Company at 28 Jalan Buroh Singapore 619484; or (b) submitted by email to gpb@mncsingapore.com not less than forty-eight (48) hours before the time appointed for the AGM.
4. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at seventy-two (72) hours before the time fixed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative(s)'s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"); and (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes.

Measures to Minimise Risk of Community Spread of 2019 Novel Coronavirus ("COVID-19"):

In view of the current COVID-19 restriction orders in Singapore, the Company is arranging for a live webcast of the AGM proceedings (the "Live AGM Webcast") which will take place on Monday, 26 April 2021 at 10.00 a.m.. The Live AGM Webcast will take place at 28 Jalan Buroh Singapore 619484. **Shareholders will be able to watch the AGM proceedings through the Live AGM Webcast, and the Company will not accept any physical attendance by Shareholders. Any Shareholder seeking to attend the AGM physically in person will be turned away.** Printed copies of this notice of AGM ("Notice"), the proxy form and the FY2020 Annual Report will not be sent to Shareholders. Instead, the documents will be made available to Shareholders via publication on the Company's corporate website (<http://hgmetal.listedcompany.com/publications.html>) and on the SGX website (<https://www.sgx.com/securities/company-announcements>).

Shareholders will be able to participate in the AGM in following manner set out in the paragraphs below.

Live Webcast:

1. Shareholders may watch the AGM proceedings through the Live AGM Webcast. To do so, Shareholders will need to register at <http://bit.ly/hgmetal-agm> (the "Registration Link") by **10.00 a.m. on 21 April 2021** (the "Registration Deadline") to enable the Company to verify their status.
2. Following verification, authenticated Shareholders will receive an email by **10.00 a.m. on 23 April 2021** containing a link to access the live visual of the AGM proceedings.
3. Shareholders must not forward the abovementioned link to other persons who are not Shareholders of the Company and who are not entitled to attend the AGM. This is also to avoid any technical disruptions or overload to the Live AGM Webcast.
4. Shareholders who register by the Registration Deadline but do not receive an email response by **10.00 a.m. on 23 April 2021** may contact the Company by email at gpb@mncsingapore.com.

NOTICE OF ANNUAL GENERAL MEETING

Submission of Proxy Forms to Vote:

1. Shareholders who wish to vote at the AGM may submit a proxy form to appoint the Chairman of the AGM to cast votes on their behalf.
2. The proxy form (a copy of which is also attached hereto), duly completed and signed, must be: (a) submitted by mail to the Registered Office of the Company at 28 Jalan Buroh Singapore 619484; or (b) submitted by email to gpb@mncsingapore.com, in either case, by **10.00 a.m. on 24 April 2021, being forty-eight (48) hours before the time appointed for holding the AGM.**
3. CPF or SRS investors who wish to vote should approach their respective banks approved by CPF to be their agent banks ("CPF Agent Banks") or agent banks approved by CPF under the Supplementary Retirement Scheme ("SRS Operators") to submit their votes at least seven (7) working days before the AGM (i.e. by **10.00 a.m. on 15 April 2021**) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

Please note that Shareholders will not be able to vote through the live webcast and can only vote with their proxy forms which are required to be submitted in accordance with the foregoing paragraphs.

Submission of Questions:

1. Shareholders may submit questions relating to the items on the Notice of AGM, in the following manner:
 - by email to agm@hgmatal.com; or
 - by post to the Company's Address at 28 Jalan Buroh, Singapore 619484.

When sending in your questions, please provide your full name and NRIC/FIN/Company Registration Number, whichever is applicable. All questions must be submitted by the Registration Deadline.

2. The Company will endeavour to address the substantial and relevant questions at or before the AGM. The Company will publish the minutes of the AGM, on the SGXNET and the Company's website within one month after the date of the AGM.
3. As the COVID-19 pandemic continues to evolve, further measures and/or changes to the AGM arrangements may be made on short notice in the ensuing days, even up to the day of the AGM. Please check our Company website at <http://www.hgmatal.com> or SGXNET for updates.

The Company seeks the understanding and cooperation of all members to minimise the risk of community spread of COVID-19.

HG METAL MANUFACTURING LIMITED

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

ANNUAL GENERAL MEETING PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. This proxy form is not valid for use by the investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investor") and shall be ineffective for all intents and purported to be used by them.
2. CPF and SRS Investors who wish to appoint the Chairman of the Annual General Meeting ("AGM") as proxy should approach their respective approved CPF Agent Banks or SRS Operators to submit their votes by **10.00 a.m. on 15 April 2021**, being at least seven (7) working days before the AGM.
3. Please read the notes overleaf which contain instructions on, amongst others, the appointment of the Chairman of the AGM as a member's proxy to attend, speak and vote on his/her/its behalf at the AGM.

*I/We, _____ (Name) _____ (NRIC/Passport No.) of _____ (Address) being a

member/members of HG Metal Manufacturing Limited (the "**Company**"), hereby appoint the Chairman of the AGM of the Company as my/our* proxy to vote for me/us* on my/our* behalf at the AGM of the Company to be held by electronic means on Monday, 26 April 2021 at 10.00 a.m. and at any adjournment thereof.

I/We* direct the Chairman of the AGM to vote for or against or abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder.

All resolutions put to the vote at the AGM shall be decided by way of poll.

(Please indicate your vote "For" or "Against" or "Abstain" with a tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.)

No.	Resolutions relating to:	For	Against	Abstain
1	Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2020			
2	Approval of a final tax-exempt (one-tier) dividend of 0.5 Singapore cents per ordinary share for the financial year ended 31 December 2020			
3	Re-election of Mr Foo Sey Liang as a Director			
4	Re-election of Mr Kesavan Nair as a Director			
5	Approval of Directors' fees amounting to S\$162,920/-			
6	Re-appointment of Ernst & Young LLP as Auditors			
7	Authority to issue shares and convertible securities pursuant to Section 161 of the Companies Act, Chapter 50.			
8	Renewal of the Share Purchase Mandate			

Dated this _____ day of _____ 2021

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s) or,
Common Seal of Corporate Shareholder

* Delete where inapplicable



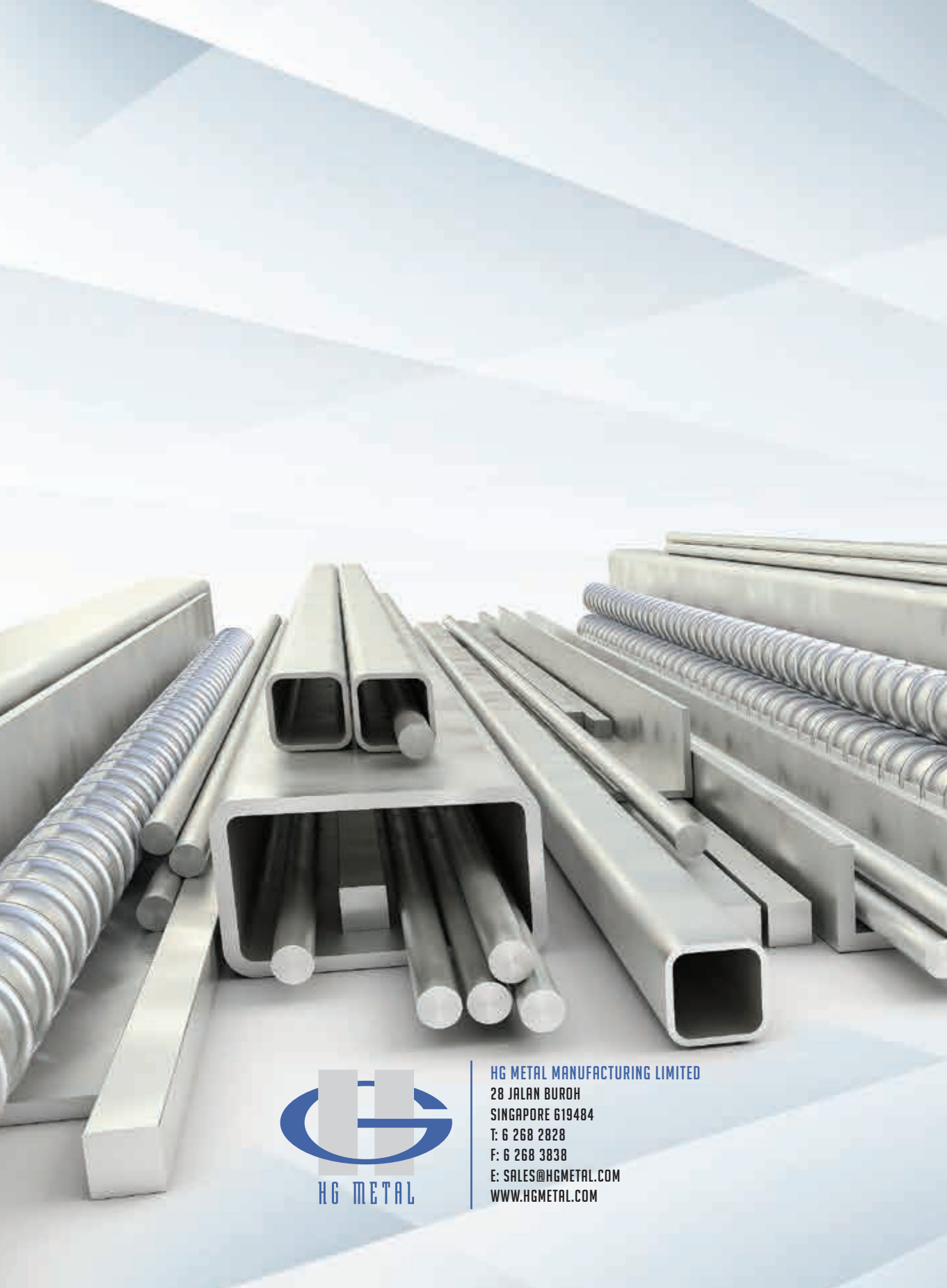
Notes:

1. If the member has shares entered against his name in the Depository Register, he should insert that number of shares. If the member has shares registered in his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by the member.
2. A Shareholder of the Company entitled to attend and vote at the AGM of the Company may appoint the Chairman of the AGM as proxy to vote on his behalf. Please refer to section entitled "Submission of Proxy Forms to Vote" of the Measures to Minimise Risk of Community Spread of 2019 Novel Coronavirus ("**COVID-19**") on the Notice of AGM for further information.
3. The instrument appointing a proxy must be (a) submitted by mail to the Registered Office of the Company at 28 Jalan Buroh Singapore 619484; or (b) submitted by email to gpb@mncsingapore.com, in either case, by **10.00 a.m.** on **24 April 2021**, being not less than forty-eight (48) hours before the time appointed for the AGM.
4. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or by an officer on behalf of the corporation.
5. CPF or SRS investors who wish to vote should approach their respective banks approved by CPF to be their agent banks ("**CPF Agent Banks**") or agent banks approved by CPF under the Supplementary Retirement Scheme ("**SRS Operators**") to submit their votes at least seven (7) working days before the AGM (i.e. by **10.00 a.m.** on **15 April 2021**) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.
6. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney or other authority, the power of attorney or authority or a notarially certified copy thereof must be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
8. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 April 2021.





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