



## **HG METAL MANUFACTURING LIMITED**

(Company Registration No. 198802660D)

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### **RESPONSE TO SIAS QUERIES ON THE GROUP'S OPERATIONS AND CORRIGENDUM TO THE ANNUAL REPORT FOR THE FINANCIAL PERIOD ENDED 30 SEPTEMBER 2025 ("FP2025")**

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*Unless otherwise defined or the context otherwise requires, all capitalised terms used herein bear the same meanings as in the Annual Report for FP2025 ("AR2025").*

The Board of Directors of HG Metal Manufacturing Limited (the "**Company**", together with its subsidiaries, the "**Group**") wishes to inform that the Company has received certain queries from the Securities Investors Association (Singapore) ("**SIAS**"). The SIAS' queries and the Company's replies are set out below for shareholders' reference.

Other than this, the Company did not receive any substantial and relevant questions from shareholders as at the deadline stated in the Notice of Annual General Meeting ("**AGM**") dated 31 December 2025.

#### **QUESTION 1**

As noted in the company's profile, the group operates state-of-the-art "cut and bend" facilities in Singapore with fully automated production lines, with an annual production capacity of approximately 180,000 tonnes. "Cut and bend" services generated revenue of \$112.6 million, representing 86% of total group revenue.

With the current facilities at 28 Jalan Buroh "operating near full capacity", the group acquired an industrial property at 47 Tuas View Circuit for \$20.8 million, as announced on 16 December 2025.

**(i) What is the incremental production capacity expected once the facility at 47 Tuas View Circuit is fully fitted out and operational, and over what timeframe does management expect this capacity to come onstream?**

#### **Company's Response:**

The facility at 47 Tuas View Circuit is expected to achieve an annual operational capacity of up to 180,000 MT over the next 3 – 5 years.

**(ii) What is the estimated capital expenditure required to fit out and automate the new site?**

#### **Company's Response:**

The estimated investment in the new site is expected to range from S\$15 to S\$20 million, and will be rolled out in phases having regard to the Company's cash flow, market conditions, and operational priorities.

**(iii) As the group seeks to diversify beyond MRT and other public infrastructure projects into private residential developments, high specification industrial buildings, and educational institutions, what specific capabilities or competitive advantages does the group believe it possesses in these segments? To what extent will pricing versus value added differentiation drive the group's growth strategy?**

**Company's Response:**

The Group has long been involved in MRT and other public infrastructure projects and has experience in executing comparable development projects, including private residential developments, high specification industrial buildings, and educational institutions. As a key player in the steel reinforcement sector, the Group has a proven track record of delivering complex projects on time and to high standards. Its operational efficiency, combined with ongoing investments in new facilities and capabilities, enables the Group to effectively meet diverse client requirements.

The Group's growth strategy centers on delivering value to customers through a combination of competitive pricing and differentiated offerings. While market price dynamics are considered, the Group's strategy for differentiation is to provide value to its customers instead of engaging in a price war, by enhancing products and services to meet evolving customer needs. This allows the Group to maintain sustainable margins and foster long-term client relationships.

**QUESTION 2**

On 10 December 2025, the company announced that it will subscribe for RM18 million of Class B Preference Shares in Eden Flame Sdn. Bhd., which are convertible into a 4.4% equity stake in Eden Flames.

Eden Flame is a Malaysian steel manufacturer and a wholly owned subsidiary of Green Esteel Pte. Ltd. (Esteel), the company's majority shareholder. The plant, located in Pasir Gudang, Johor Bahru, is targeted to commence operations by the third quarter of 2026. Utilising electric arc furnace melting technology, the plant has an estimated annual production capacity of approximately 500,000 metric tonnes, focusing on 10mm-40mm rebars produced with reduced carbon intensity by utilising recycled steel scrap as feedstock.

, the investment merits consideration of the assessment process, particularly in terms of capital allocation discipline, governance safeguards, and treatment of minority shareholders."

**(i) Given Esteel's controlling stake and Eden Flame being a wholly owned subsidiary, for better clarity to shareholders, can the board outline the approval process undertaken for this investment, including the role of the independent directors?**

**Company's Response:**

The Company has been evaluating options to utilise funds previously raised from share placements and rights issue and considered various potential investment opportunities. In evaluating this investment, the Board reviewed information provided by management, including the investment rationale, financial implications for the Group, strategic fit, and expected benefits. The review process also included a site visit to gain first-hand insight into the plant.

Independent directors played a critical role in the assessment, applying their judgment to evaluate commercial terms, risks, and strategic alignment. Their input helped ensure that the process was thorough, transparent, and aligned with the interests of shareholders.

The Board adopted a measured approach by taking a strategic, limited stake, allowing the Company to participate in the opportunity while managing investment risk. With guidance from independent directors, the Board considered all relevant factors before granting approval, ensuring that the investment decision supports the Company's long-term objectives and creates value for its shareholders.

**(ii) As this transaction constitutes an interested person transaction, how were the commercial terms negotiated, and what specific safeguards were put in place to ensure that the transaction was conducted on an arm's length basis and in the best interests of minority shareholders?**

**Company's Response:**

As the transaction constitutes an interested person transaction, the proposed investment was reviewed and approved by the Audit and Risk Committee and the Board, which comprise a majority of independent directors, in accordance with the Company's governance framework.

As the plant has not yet commenced operations and no external comparables or independent valuations were available, the commercial terms were determined based on management's assessment of the projected business plan, anticipated market potential, and the strategic objectives of the Company.

For context, the Group was 1 of many investors in this fund-raising exercise undertaken by Eden Flame, and subscribed only for a minority stake representing 4.4% of Eden Flame's enlarged shares (on an as-converted basis). The commercial terms of subscription applied to all the investors and were mutually agreed following negotiations on an arm's length basis, taking into account prevailing industry practices and the specialised nature of the plant. The independent directors conducted an objective review of the transaction structure, commercial rationale, and key terms, and exercised their judgment in assessing the fairness and reasonableness of the transaction prior to approval.

With due consideration of the associated risks, the Board adopted a measured and a balanced approach by making a strategic and limited investment, which allows the Company to participate in the opportunity while managing its investment exposure. The independent directors were satisfied that the transaction was conducted on normal commercial terms and was not prejudicial to the interests of the Company or its minority shareholders.

Details of the transaction was fully disclosed to shareholders, including the rationale, benefits, and financial effects of the transaction as set out in paragraphs 2 to 7 of the announcement dated 10 December 2025, in accordance with the applicable listing and disclosure requirements, to ensure transparency and enable shareholders to assess the impact of the transaction.

**(iii) What is the expected yield on the Class B Preference Shares and how does this compare with the hurdle rate?**

**Company's Response:**

There is no fixed dividend rate attached to the preference shares. Any distributions are contingent on the project reaching operational maturity and generating distributable cash flows.

The preference shares provide priority over ordinary shares in Eden Flame, including in respect of distributions and returns of capital, notwithstanding that dividends may not be declared during the initial build-out phase.

**(iv) What valuation was ascribed to Eden Flame for the purposes of determining the conversion terms, and what independent due diligence was conducted on the electric arc furnace plant, including assumptions on steel price volatility, scrap feedstock availability, regulatory approvals, and execution risk?**

**Company's Response:**

No formal valuation of Eden Flame or its assets, including plant equipment was conducted, as the plant has not yet commenced operations and reliable market comparables are unavailable. The Group's review on Eden Flame's operations focused on the licences and permits obtained by Eden Flame, and the technical feasibility, operational design, and supplier credentials of the electric arc furnace to be acquired in due course, in order to mitigate project execution risk and, to ensure the setup meets industry standards and supports the plant's operational and strategic objectives.

The conversion terms for the preference shares were mutually agreed, providing certainty and transparency for all parties. The investment reflects the early-stage operational risks while allowing the Company to participate in the potential upside if the project achieves commercial success, with preference shares maintaining priority in distributions and capital return over ordinary shares. The conversion of preference shares to ordinary shares will take place only in the event that the Board,

having reviewed the actual business operations and prospects of Eden Flame, considers it suitable and in the best interests of the Group.

The investment represents less than 5% of the Group's NTA as at 30 September 2025. The Board, is satisfied that, having considered the terms of subscription of the preference shares, the transaction is fair, reasonable and not prejudicial to the interests of the minority shareholders of the Company, taking into account the Company's expected access to a reliable source of low-carbon steel in light of the demand for greener construction materials in Singapore and Southeast Asia, growth potential, and strategic value creation.

Regarding scrap feedstock availability, Eden Flame has the capability to procure feedstock from both local and regional markets, ensuring stable and adaptable feedstock availability. Changes in raw material prices are expected to be reflected in the selling prices of its finished products.

### **QUESTION 3**

At the annual general meeting scheduled to be held on 23 January 2026, the company is seeking shareholders' approval for the renewal of the interested person transaction mandate, which was first approved on 1 November 2024<sup>1</sup>.

As disclosed in the circular to shareholders dated 17 October 2024<sup>2</sup>, BRC Asia Limited has been a major supplier of the group with transactions conducted on a regular basis since 2003. Details of the FP2025 IPTs are set out on page 87 of the annual report (reproduced below).

### **CORPORATE GOVERNANCE REPORT**

Details of the interested person transactions for FP2025 as required pursuant to Rule 907 of the Listing Manual of SGX-ST are as follows:-

Name of Interested Person and Nature of Transaction	Nature of Relationship	Aggregate value of all IPTs during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs during the financial period conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
<b>BRC Asia Limited</b>			
- Purchase	Associate to controlling shareholder of the Company, Green Esteel Pte. Ltd. under Chapter 9 of the Listing Manual	-	47,436
- Sale		-	472

(Source: company annual report)

<sup>1</sup> Pursuant to Rule 904(4) of the Listing Manual, Esteel and its associates (the "Esteel Group") are deemed as interested persons of the company within the meaning of Chapter 9 of the Listing Manual, and transactions between the group and any member of the Esteel Group are deemed interested person transactions within the meaning of Chapter 9 of the Listing Manual.

<sup>2</sup>

<https://links.sgx.com/FileOpen/HG%20Metal%20Manufacturing%20Limited%20Circular%20dated%2017%20October%202024.ashx?App=Announcement&FileID=822201>

**(i) For the avoidance of doubt, can the board confirm that the group's purchases from BRC Asia during FP2025 amounted to \$47,436 (and not \$47,436,000)?**

**Company's Response:**

The Company wishes to clarify that the Group's purchases from BRC Asia during FP2025 amounted to \$47,436,000 (instead of S\$47,436), and sales to BRC Asia Limited amounted to S\$472,000 (instead of \$472). The inadvertent typographical error was due to a missing header in the table at page 87 of AR2025, which has been inserted below (in italics) for ease of reference:

Name of Interested Person and Nature of Transaction	Nature of Relationship	Aggregate value of all IPTs during the financial period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs during the financial period conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
		S\$'000	S\$'000
BRC Asia Limited			
- Purchase	Associate to controlling shareholder of the Company, Green Esteel Pte. Ltd. under Chapter 9 of the Listing Manual	-	47,436
- Sale		-	472

(ii) **How has the working relationship with BRC Asia and other suppliers evolved over the past year or so since Esteel became the majority shareholder?**

**Company's Response:**

The working relationship with BRC Asia and other key suppliers has remained positive and collaborative. The company continues to strengthen and maintain stable relationships with all its suppliers, with ongoing focus on reliability, service quality, pricing, just-in-time delivery, and operational efficiency, ensuring that its purchasing requirements are met effectively and supporting smooth operations.

(iii) **Can the audit and risk committee (ARC) explain its process for reviewing and approving transactions under the IPT mandate, including the extent of independent benchmarking performed, the reliance placed on management-provided information, and the proportion of transactions that were pre-approved? For the period between 1 January to 14 August 2024, the IFA estimated that approximately 85% of the contracts would be pre-approved by the ARC prior to entry of the contracts. Does the ARC also monitor and review other factors such as payment terms and service levels?**

**Company's Response:**

The ARC exercises oversight over transactions under the Interested Party Transaction (IPT) mandate, ensuring the Company adheres to the procedures outlined on pages 13 to 20 of the Circular to Shareholders dated 17 October 2024.

Management submits proposed IPTs to the Approving Executives and the ARC, along with supporting information, including the transaction rationale, pricing, terms, quantities, and anticipated financial impact. Each proposed transaction is evaluated by Management in accordance with the procedures set out on Pages 13 to 16 of the Circular, which cover:

- Purchase of goods from the Mandated Interested Person
- Sale of goods to the Mandated Interested Person
- Receipt of services from the Mandated Interested Person
- Provision of services to the Mandated Interested Person
- Combination of mandated transactions

Transactions requiring approval are submitted to the relevant Approving Executive and the ARC, in accordance with the threshold limits set out on page 16 and 18 of the Circular for the relevant type of transactions. Management's evaluation includes relevant external market comparisons, or, where such comparisons are unavailable, internal benchmarks based on the Group's transactions with unrelated third parties. Where no comparable transactions exist, the Management, apply the procedures in the Circular to assess whether the terms are commercially reasonable and consistent with the Group's usual business practices before submission to the Approving Officer and ARC for approval.

The ARC, comprising members with no direct or indirect interest in the transaction, assesses whether transaction terms are consistent with normal commercial practices and do not prejudice the interests of the Company or its minority shareholders. The ARC reviews key aspects of each transaction, including payment terms and service levels, and evaluates them against industry standards and comparable arrangements.

In addition to the foregoing, the ARC has the discretion to also request additional clarification or analysis. Following deliberation, the ARC may approve or reject a transaction, documenting its rationale and any conditions attached to the approval or rejection. While the ARC relies on management to provide accurate and necessary information, it maintains independent oversight by evaluating data critically, benchmarking against market practices, and exercising judgment to ensure transactions are conducted on arm's-length terms and in the best interests of the Company.

Management, together with the ARC, ensures that any Approving Executive or ARC member with a direct or indirect interest in a transaction abstains from decision-making related to the Mandated Transaction.

Additionally, the Company maintains an IPT Register, which is submitted to the ARC quarterly. All IPTs are subject to annual internal and external audits to ensure compliance with the IPT mandate and corporate governance standards.

This framework ensures that Board oversight under the IPT mandate is rigorous, proportionate, and aligned with sound corporate governance practices, covering both the approval of individual transactions and ongoing monitoring through the IPT Register and periodic audits.

The proportion of transactions that were pre-approved by the ARC during FP2025 was 59.8%, reflecting an increase in smaller purchase quantities during the financial period, as the Company adopted a cautious procurement approach by procuring materials in small batches in response to falling steel prices.

## **BY ORDER OF THE BOARD**

Xiao Xia  
Executive Director and Chief Executive Officer  
16 January 2026