



HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

First Quarter Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2019

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3& Q4), HALF YEAR AND FULL YEAR RESULTS

1(a)(i) A Statement of Comprehensive Income for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		
	1Q 2019 S\$'000	1Q 2018 S\$'000	% (+/-)
Revenue	31,221	46,962	(34)
Cost of sales	(29,086)	(44,406)	(34)
Gross profit	2,135	2,556	(16)
Gross margin	6.8%	5.4%	
Other operating income	1,238	1,987	(38)
Selling and distribution costs	(133)	(217)	(39)
Administrative expenses	(2,057)	(2,156)	(5)
Other operating expenses	(1,726)	(2,561)	(33)
Finance costs	(181)	(4)	nm*
(Impairment loss)/reversal of impairment on financial assets	(3)	27	nm*
Loss before income tax	(727)	(368)	98
Income tax expense	(2)	(1)	nm*
Net loss for the year	(729)	(369)	98
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss :			
Foreign currency translation	(24)	65	nm*
Other comprehensive income for the year, net of tax	(24)	65	nm*
Total comprehensive income for the year	(753)	(304)	148
Loss attributable to:			
Owners of the Company	(708)	(369)	92
Non-controlling interests	(21)	-	nm*
	(729)	(369)	98
Total comprehensive income attributable to:			
Owners of the Company	(713)	(304)	135
Non-controlling interests	(40)	-	nm*
	(753)	(304)	148

*nm denotes not meaningful

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1(a)(ii) Notes to the Statement of Comprehensive Income for the Group

	Group	Group
	1Q 2019	1Q 2018
Loss before tax is arrived at after crediting/(charging) the following:	S\$'000	S\$'000
(Impairment loss)/reversal of impairment on financial assets	(3)	27
Bad debts recovered	103	4
Amortisation of intangible assets	(1)	(2)
Amortisation of land use right	(15)	-
Recognition of deferred income	-	357
Depreciation of property, plant and equipment	(707)	(676)
Depreciation of right-of-use assets*	(635)	-
Fair value gain on derivatives, net	15	12
Foreign exchange loss, net	(56)	(371)
Interest income	120	75
Finance costs	(181)	(4)
Gain on disposal of property, plant and equipment	-	57
Inventories write-back	2	-

* The depreciation expense arose from the recognition of right-of-use assets upon adoption of SFRS(I) 16 on 1 January 2019. (Please refer to Paragraph 5 on Pages 10 - 11 for further details).

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1(b)(i) A Statement of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	31.03.2019 S\$'000	31.12.2018 S\$'000	31.03.2019 S\$'000	31.12.2018 S\$'000
Non-current assets				
Property, plant and equipment	25,735	22,921	8,627	9,100
Right-of-use assets	3,685	-	3,529	-
Intangible assets	5	7	2	3
Land use rights	3,034	3,069	-	-
Other receivables	784	784	-	-
Investment in subsidiaries	-	-	13,113	13,113
Investment securities	10,038	10,044	10,038	10,044
	43,281	36,825	35,309	32,260
Current assets				
Investment securities	24	24	24	24
Inventories	36,569	30,872	22,987	21,484
Trade and other receivables	50,963	51,170	55,074	54,584
Prepaid expenses ¹	456	664	334	93
Bank deposits pledged with banks	9,500	9,500	9,500	9,500
Cash and cash equivalent	10,946	15,435	3,619	4,168
	108,458	107,665	91,538	89,853
Current liabilities				
Trade and other payables	26,422	35,461	42,216	52,300
Lease liability	4,533	-	4,449	-
Bank borrowings	15,970	3,420	15,970	3,420
Provision for income tax	15	15	-	-
Deferred income	-	1,429	-	1,429
Derivative financial instruments ²	27	42	27	42
	46,967	40,367	62,662	57,191
Net current assets	61,491	67,298	28,876	32,662
Non-current liabilities				
Lease liability	2,446	-	2,371	-
Provision for reinstatement costs	1,100	1,100	800	800
Deferred income	-	119	-	119
	3,546	1,219	3,171	919
	101,226	102,904	61,014	64,003
Equity attributable to owners of the Company				
Share capital	70,496	70,496	70,496	70,496
Treasury shares	(2,215)	(2,215)	(2,215)	(2,215)
Other reserves	3,018	3,023	2,527	2,527
Accumulated profits/(losses)	26,006	28,940	(9,794)	(6,805)
	97,305	100,244	61,014	64,003
Non-controlling interests	3,921	2,660	-	-
Total equity	101,226	102,904	61,014	64,003

1. The prepaid expenses included down payment of S\$0.6 million paid for purchase property, plant and equipment as at 31 Dec 2018 and were subsequently capitalised in 1Q2019.
2. The derivative financial instruments relate to fair value adjustments of forward currency contracts entered into by the Group to hedge foreign currency exposure on the Group's trade receivables and purchases.

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1(b)(ii) Aggregate amount of group's borrowings and debt securities

	As at 31 March 2019			As at 31 December 2018		
	Secured ¹ S\$'000	Unsecured S\$'000	Lease liabilities ² S\$'000	Secured ¹ S\$'000	Unsecured S\$'000	Lease liabilities ² S\$'000
Repayable within one year	15,970	-	4,533	3,420	-	-
Repayable after one year	-	-	2,446	-	-	-
Total	15,970	-	6,979	3,420	-	-

Details of collaterals

1. The bank loans are secured by fixed charge over fixed deposit and investment in bonds that are pledged to bank, as well as mortgage over certain leasehold properties of the Group.
2. Lease liabilities arising from adoption of the new Singapore Financial Reporting Standards (International) ("SFRS (I)") 16 Leases that is effective for annual periods beginning on or after 1 January 2019.

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1(c)(i) A Statement of Cash Flows for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	1Q 2019 S\$'000	1Q 2018 S\$'000
Cash flows from operating activities		
Loss before income tax	(727)	(368)
Adjustments for:		
Depreciation of property, plant and equipment	707	676
Depreciation of right-of-use assets	635	-
Amortisation of intangible assets	1	2
Amortisation of land use right	15	-
Impairment loss/(reversal of impairment) on financial assets	3	(27)
Bad debts recovered	(103)	(4)
Gain on disposal of property, plant and equipment	-	(57)
Inventories write-back	(2)	-
Fair value gain on derivatives, net	(15)	(12)
Finance costs	181	4
Interest income	(120)	(75)
Recognition of deferred income	-	(357)
Unrealised foreign exchange loss, net	117	3
Operating cash flow before changes in working capital	692	(215)
Working capital changes:		
Inventories	(6,050)	(3,870)
Trade and other receivables	212	(8,813)
Prepaid expenses	(384)	(100)
Trade and other payables	(8,634)	10,367
Cash used in operations	(14,164)	(2,631)
Interest expense paid	(87)	(4)
Interest income received	200	75
Income tax paid	(2)	(1)
Net cash flows used in operating activities	(14,053)	(2,561)
Cash flows from investing activities		
Fixed deposit withdrawn from banks	-	4,089
Proceeds from disposal of property, plant and equipment	-	20
Purchase of investment securities	-	(4,545)
Purchase of property, plant and equipment	(2,376)	(40)
Net cash flows used in investing activities	(2,376)	(476)
Cash flows from financing activities		
Contribution of share capital by minority shareholders	759	-
Proceeds from bank borrowings	27,983	-
Repayment of bank borrowings	(15,466)	-
Principal element of lease payments	(1,350)	-
Repayment of finance lease payables	-	(60)
Net cash flows generated from/(used in) financing activities	11,926	(60)
Net decrease in cash and cash equivalents	(4,503)	(3,097)
Effects on exchange rate changes on cash and cash equivalents	14	65
Cash and cash equivalents at beginning of financial period	15,435	28,846
Cash and cash equivalents at end of financial period	10,946	25,814

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1(c)(ii) Note to the Consolidated Statement of Cash Flows

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise:

	Group	
	31 March 2019 S\$'000	31 March 2018 S\$'000
Cash and bank balances	8,281	21,566
Bank deposits	12,165	19,659
	20,446	41,225
<i>Less</i> : Bank deposits pledged with banks ⁽¹⁾	(9,500)	(15,411)
Cash and cash equivalents per consolidated cash flow statement	10,946	25,814

- ⁽¹⁾ Bank deposit of S\$9.5 million was pledged with banks to secure trade credit facilities. The amount is restricted in use and may not be withdrawn without the banks' prior approval.

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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Attributable to owners of the Company								
	Share capital	Treasury shares	Capital reserve	Other reserves	Foreign currency translation reserve	Accumulated profits/(losses)	Equity attributable to owners of the Company, total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2018 (FRS framework)	70,496	(2,215)	2,527	(212)	(176)	33,791	104,211	1	104,212
Cumulative effects of adopting SFRS(I)	-	-	-	-	902	(906)	(4)	-	(4)
Opening balance at 1 January 2018 (SFRS(I) framework)	70,496	(2,215)	2,527	(212)	726	32,885	104,207	1	104,208
Loss for the year	-	-	-	-	-	(3,945)	(3,945)	10	(3,935)
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	-	-	(18)	-	(18)	(12)	(30)
Other comprehensive income for the year, net of tax	-	-	-	-	(18)	-	(18)	(12)	(30)
Total comprehensive income for the year	-	-	-	-	(18)	(3,945)	(3,963)	(2)	(3,965)
<u>Change in ownership interest</u>									
<u>in subsidiary</u>									
Acquisition of a subsidiary	-	-	-	-	-	-	-	91	91
Issuance of ordinary shares in a subsidiary	-	-	-	-	-	-	-	2,570	2,570
Total change in ownership interest in subsidiary	-	-	-	-	-	-	-	2,661	2,661
Total transactions with owners in their capacity as owners	-	-	-	-	-	-	-	2,661	2,661
Closing balance at 31 December 2018	70,496	(2,215)	2,527	(212)	708	28,940	100,244	2,660	102,904

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Group	Attributable to owners of the Company								
	Share capital	Treasury shares	Capital reserve	Other reserves	Foreign currency translation reserve	Accumulated profits	Equity attributable to owners of the Company, total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2019	70,496	(2,215)	2,527	(212)	708	28,940	100,244	2,660	102,904
Effects of adopting SFRS(I) 16	-	-	-	-	-	(2,226)	(2,226)	-	(2,226)
Opening balance at 1 January 2019 (restated)	70,496	(2,215)	2,527	(212)	708	26,714	98,018	2,660	100,678
Loss for the period	-	-	-	-	-	(708)	(708)	(21)	(729)
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	-	-	(5)	-	(5)	(19)	(24)
Other comprehensive income for the period, net of tax	-	-	-	-	(5)	-	(5)	(19)	(24)
Total comprehensive income for the period	-	-	-	-	(5)	(708)	(713)	(40)	(753)
<u>Change in ownership interest in subsidiary</u>									
Issuance of ordinary shares in a subsidiary	-	-	-	-	-	-	-	1,301	1,301
Total change in ownership interest in subsidiary	-	-	-	-	-	-	-	1,301	1,301
Total transactions with owners in their capacity as owners	-	-	-	-	-	-	-	1,301	1,301
Closing balance at 31 March 2019	70,496	(2,215)	2,527	(212)	703	26,006	97,305	3,921	101,226

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Company	Share capital	Treasury shares	Capital reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2018 (FRS framework)	70,496	(2,215)	2,527	(2,354)	68,454
Cumulative effects of adopting SFRS(I)	-	-	-	(4)	(4)
Opening balance at 1 January 2018 (SFRS(I) framework)	70,496	(2,215)	2,527	(2,358)	68,450
Loss for the year, representing total comprehensive income for the year	-	-	-	(4,447)	(4,447)
Closing balance at 31 December 2018	70,496	(2,215)	2,527	(6,805)	64,003
Opening balance at 1 January 2019	70,496	(2,215)	2,527	(6,805)	64,003
Effects of adopting SFRS(I) 16	-	-	-	(2,225)	(2,225)
Opening balance at 1 January 2019 (restated)	70,496	(2,215)	2,527	(9,030)	61,778
Loss for the period, representing total comprehensive income for the period	-	-	-	(764)	(764)
Closing balance at 31 March 2019	70,496	(2,215)	2,527	(9,794)	61,014

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

There were no changes in the Company's share capital since 31 December 2018 to 31 March 2019.

	2019	2018
<u>Number of issued shares (excluding treasury shares)</u>		
As at 31 December (prior year) and 31 March	127,417,735	127,417,735
<u>Number of treasury shares</u>		
As at 31 March	3,193,630	3,193,630
Percentage of number of treasury shares against the total number of issued shares	2.45%	2.45%

The Company did not hold any options, convertibles or subsidiary holdings as at 31 March 2019 and 31 March 2018.

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1(d)(iii) to show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at end of the immediately preceding year.

	31 March 2019	31 December 2018
Total number of issued shares	130,611,365	130,611,365
Treasury shares	<u>(3,193,630)</u>	<u>(3,193,630)</u>
Total number of issued shares excluding treasury shares	<u>127,417,735</u>	<u>127,417,735</u>

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no treasury shares sold, transferred, disposed, cancelled and/or used during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There were no subsidiary holdings during and as at the end of the current financial period reported on.

2. Whether figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been reviewed or audited by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied

The financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s"). Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation to the financial statements for the current financial period and the most recent audited financial statements for the financial year ended 31 December 2018.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted the same accounting policies and methods of computation in the financial statements for the current financial period as those in the audited financial statements for the financial year ended 31 December 2018, and all relevant new Singapore Financial Reporting Standards (International) ("SFRS(I)s"), amendments and interpretations of SFRS(I)s that are effective for annual periods beginning on or after 1 January 2019 as follows:

<u>Description</u>	<u>Effective for annual periods beginning on or after</u>
SFRS(I) 16 Leases	1 January 2019
Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to SFRS(I) 1-28 Long-term Interest in Associates and Joint Ventures	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019

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Amendments to SFRS(I) 1-19: Plan Amendment, Curtailment or Settlement	1 January 2019
SFRS(I) INT 23 Uncertainty over Income Tax Treatments	1 January 2019

The adoption of the new SFRS(I)s, amendments and interpretations of SFRS(I)s did not result in any material impact to the financial statements in the year of initial application except for the following:

Adoption of SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of ‘low value’ assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group applied SFRS(I) 16 on 1 January 2019, using the modified retrospective approach. The cumulative effect of the adoption of SFRS(I) 16 is recognised as an adjustment to the opening balance of the retained earnings as at 1 January 2019, with no restatement of comparative information. On adoption of SFRS(I) 16, the Group has measured right-of-use assets at its carrying amount as if the standard had been applied since the commence date and lease liability on the remaining lease payments discounted using the incremental borrowing rate as the date of initial application.

The cumulative effects of adopting SFRS(I) 16 are as follows:

Statement of financial position	As at 1 January 2019		
	As previously reported S\$'000	Effects S\$'000	Adjusted
<u>Group</u>			
Right-of-use assets	-	4,157	4,157
Lease liabilities	-	8,130	8,130
Trade and other payables	35,461	(199)	35,262
Deferred income	1,548	(1,548)	-
Retained earnings	28,940	(2,226)	26,714
<u>Company</u>			
Right-of-use assets	-	4,148	4,148
Lease liabilities	-	8,120	8,120
Trade and other payables	52,300	(199)	52,101
Deferred income	1,548	(1,548)	-
Retained earnings	(6,805)	(2,225)	(9,030)

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

Earnings per ordinary shares:	Group	
	1Q 2019	1Q 2018
(a) Basic (cents)	(0.56)	(0.29)
(b) Diluted (cents)	(0.56)	(0.29)

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- (a) Earnings per share were calculated based on weighted average number of shares of 127,417,735 and 127,417,735 for the period ended 31 March 2019 and 31 March 2018 respectively.
- (b) Diluted earnings per share were calculated based on adjusted weighted average number of shares during the year.

There was no dilution in earnings per ordinary share this year and the comparative last year.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	31.03.2019	31.12.2018	31.03.2019	31.12.2018
Net asset value per ordinary share (S\$)	0.76	0.79	0.48	0.50

Net asset value per ordinary share was calculated based on 127,417,735 as at 31 March 2019 and 31 December 2018.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-

- (a) any significant factors that affected the turnover, costs and earnings of the Group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Results for 1Q2019 versus 1Q2018

Revenue and Gross Profit

The Group reported a 34% decline in revenue to S\$31.2 million in 1Q2019 from S\$47.0 million in 1Q2018. The drop in revenue was due to lower demand for steel products and lesser export volume in 1Q2019, which led to the overall decline in sales volume as compared to the previous corresponding quarter.

Total gross profit of S\$2.1 million for 1Q2019 was 16% lower than 1Q2018. The decline in revenue was partially compensated by higher gross profit margin of 6.8% achieved in 1Q2019 compared to 5.4% in 1Q2018, thereby mitigating the impact arising from decline in business volume.

Other Operating Income

Other operating income decreased to S\$1.2 million in 1Q2019 from S\$2.0 million in 1Q2018. The decline was mainly attributed to the reduction in warehousing and rental income of S\$0.5 million and absence of deferred income of S\$0.3 million following the adoption of SFRS(I) 16 Leases.

Distribution, Administrative, Other Operating and Finance Expenses

The Group's distribution expenses decreased to S\$0.1 million in 1Q2019 from S\$0.2 million in 1Q2018 in line with lower sales volume in 1Q2019.

Administrative expenses reduced slightly to S\$2.1 million in 1Q2019 as compared to S\$2.2 million in previous corresponding quarter.

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Other operating expenses decreased by 33% from S\$2.6 million in 1Q2018 to S\$1.7 million in 1Q2019, mainly due to decrease on foreign exchange loss and fair value loss on forward currency contracts of S\$0.4 million and lower operating expenses following the adoption SFRS(I) 16 Leases.

The increase of finance costs in 1Q2019 was due to higher borrowing cost incurred on trade financing for stock purchases and interest expenses for lease liability on adoption of SFS(I) 16 Leases.

Profitability

The Group posted a net loss after tax of S\$0.73 million in 1Q2019 compared to a net loss after tax of S\$0.37 million in 1Q2018 due to reasons afore-mentioned.

Balance Sheet

The Group's non-current assets increased to S\$43.3 million as at 31 March 2019 compared to S\$36.8 million as at 31 December 2018. This was mainly attributed to the recognition of right-of-use assets of S\$3.7 million in line with the adoption of SFRS(I) 16 Leases and increase in property, plant and equipment of S\$2.8 million, that relates mainly to the steel fabrication plant in Myanmar.

As at 31 March 2019, the Group's inventory on hand increased to S\$36.6 million as compared to S\$30.9 million as at 31 December 2018 as a result of stock replenishment.

Trade and other receivables decreased slightly to S\$51.0 million as at 31 March 2019 as compared to S\$51.2 million as at 31 December 2018 mainly due to decrease in sales activities.

Trade and other payables decreased to S\$26.4 million as at 31 March 2019 compared to S\$35.5 million as at 31 December 2018 due to repayment made to suppliers in 1Q2019.

Bank borrowings increased to S\$16.0 million as at 31 March 2019 due to increased trade financing for stock purchases during the quarter.

Lease liability arose from the adoption of SFRS(I) 16 and relates mainly to leases of land and building of the Group

Statement of Cash Flows

The net cash flows used in operating activities was S\$14.1 million in 1Q2019 as compared to net cash flows used in operating activities of S\$2.6 million in 1Q2018. This was mainly attributable to the increase in inventories of S\$6.1 million and prepaid expenses of S\$0.4 million as well as reduction in trade and other payables of S\$8.6 million, offset by decrease in trade and other receivables of S\$0.2 million.

Net cash flows used in investing activities for 1Q2019 was S\$2.4 million for purchase of property, plant and equipment.

Net cash flows generated from financing activities for 1Q2019 was S\$11.9 million, mainly due to contribution of share capital by minority shareholders of S\$0.8 million by our partner in Myanmar and net proceeds from bank borrowings of S\$12.5 million, offset by repayment of lease payments of S\$1.4 million.

The Group's cash and cash equivalents was S\$10.9 million as at 31 March 2019 in comparison to S\$25.8 million as at 31 March 2018.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

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10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

According to the advance estimates released by the Ministry of Trade and Industry, the Singapore economic growth slowed to 1.3 percent in the 1st quarter of 2019, down from the 1.9 percent growth registered in the fourth quarter of 2018. The decline was attributed to the weakening in manufacturing sector which contracted 1.9 percent in the 1st quarter of 2019. The construction industry on the other hand expanded by 1.4 percent on Y-O-Y basis, registering the first quarter of positive growth for the sector following ten consecutive quarters of decline, driven by improvement in private sector construction activities.

Notwithstanding that there are initial signs of slight recovery for the construction industry and the outlook for marine offshore industry generally improved as oil prices recovered, the Group perceives that the operating environment for the steel industry remains challenging. The volatility in steel prices and US dollar, as well as intensified competition amongst industry players, continue to weigh on business profit margin amidst higher weighted average cost of inventory and added pricing pressure for steel products. Further, the unresolved trade talks between US and China and the threat of increase tariff to 25% on Chinese goods by US, will create unfavourable global business sentiment. In the light of the challenges faced, the Group will work on optimising its inventory holding and pursuing growth for the higher margin value added customised solutions while keeping up marketing efforts to take advantage of the gradual recovery of the construction and marine industries.

With the commencement of business operation for the steel fabrication plant in Myanmar in Feb 2019, the Group will put in all efforts towards developing the market for our products and services. The Group will also seek opportunities and explore potential collaboration with strategic partners to grow its businesses.

Further to the update provided on 18 February 2019 in relation to the project to redevelop the warehouse facility at 28 Jalan Buroh, Singapore 619484. As at the date of this announcement, the Group has completed the award of contracts to all successful tenderers. The Group will be incurring up to S\$13.0 million for the said redevelopment and will be funding the project using its working capital and bank borrowings.

11. Dividend

(a) Current financial period reported on

Any dividend recommended for the current financial year reported on?

None

(b) Corresponding period of the immediately preceding financial year

Any dividend recommended for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect and the reason(s) for the decision.

Not applicable as the Company currently does not have profits available for the declaration of dividend.

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13. Interested persons transactions

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

There were no interested person transactions with aggregate value of more than S\$100,000 during financial period ended 31 March 2019 pursuant to Rule 907 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

14. Statement pursuant to Rule 705(5) of the Listing Manual

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of HG Metal Manufacturing Limited which may render the unaudited financial results for the quarter ended 31 March 2019 to be false or misleading in any material respect.

15. Confirmation pursuant to Rule 720(1) of the Listing Manual

We confirm that the Group has procured undertakings to comply with the Listing Manual of the Singapore Exchange Securities Trading Limited from all its directors and executive officers.

On behalf of the Board,

Teo Yi-Dar
Chairman

Foo Sey Liang
Director

9 May 2019