



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

**Second Quarter Financial Statements and Dividend Announcement  
for Financial Period Ended 30 June 2017**

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), 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			Group		
	2Q 2017 S\$'000	2Q 2016 S\$'000	% (+/-)	1H 2017 S\$'000	1H 2016 S\$'000	% (+/-)
<b>Revenue</b>	<b>38,167</b>	<b>33,718</b>	<b>13</b>	<b>83,768</b>	<b>55,641</b>	<b>51</b>
Cost of sales	(36,370)	(31,795)	14	(79,424)	(52,042)	53
<b>Gross profit</b>	<b>1,797</b>	<b>1,923</b>	<b>(7)</b>	<b>4,344</b>	<b>3,599</b>	<b>21</b>
<b>Gross margin</b>	<b>4.7%</b>	<b>5.7%</b>		<b>5.2%</b>	<b>6.5%</b>	
Other operating income	2,049	2,162	(5)	4,528	4,924	(8)
Selling & distribution costs	(122)	(38)	221	(241)	(136)	77
Administrative expenses	(2,030)	(2,036)	(0)	(4,043)	(4,008)	1
Other operating expenses	(2,245)	(1,902)	18	(5,488)	(5,069)	8
Finance costs	(5)	(36)	(86)	(9)	(86)	(90)
Share of associates' results	(281)	1,339	(121)	(257)	1,082	(124)
<b>(Loss)/profit before income tax</b>	<b>(837)</b>	<b>1,412</b>	<b>nm*</b>	<b>(1,166)</b>	<b>306</b>	<b>nm*</b>
Income tax (expense)/credit	(2)	10	nm*	(2)	10	nm*
<b>Net (loss)/profit for the period</b>	<b>(839)</b>	<b>1,422</b>	<b>nm*</b>	<b>(1,168)</b>	<b>316</b>	<b>nm*</b>
<b>Other comprehensive income:</b>						
Items that may be reclassified subsequently to profit or loss :						
Foreign currency translation	31	(38)	nm*	2	34	(94)
Share of other comprehensive income of associates	64	(177)	nm*	(81)	(95)	(15)
<b>Other comprehensive income for the period, net of tax</b>	<b>95</b>	<b>(215)</b>	<b>nm*</b>	<b>(79)</b>	<b>(61)</b>	<b>30</b>
<b>Total comprehensive income for the period</b>	<b>(744)</b>	<b>1,207</b>	<b>nm*</b>	<b>(1,247)</b>	<b>255</b>	<b>nm*</b>
<b>(Loss)/profit attributable to:</b>						
Owners of the Company	(840)	1,428	nm*	(1,166)	300	nm*
Non-controlling interests	1	(6)	nm*	(2)	16	nm*
	<b>(839)</b>	<b>1,422</b>	<b>nm*</b>	<b>(1,168)</b>	<b>316</b>	<b>nm*</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	(749)	1,220	nm*	(1,245)	235	nm*
Non-controlling interests	5	(13)	nm*	(2)	20	nm*
	<b>(744)</b>	<b>1,207</b>	<b>nm*</b>	<b>(1,247)</b>	<b>255</b>	<b>nm*</b>

\*nm denotes not meaningful

**HG METAL MANUFACTURING LIMITED**

Financial Statements and Dividend Announcement for Financial Period Ended 30 June 2017

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

(Loss)/profit before tax is arrived at after crediting/(charging) the following:	<b>Group</b>		<b>Group</b>	
	2Q 2017	2Q 2016	1H 2017	1H 2016
	S\$'000	S\$'000	S\$'000	S\$'000
Reversal of allowance/(allowance) for impairment of receivables	21	(105)	75	(7)
Amortisation of intangible assets	(3)	(6)	(7)	(14)
Recognition of deferred income	357	357	714	714
Depreciation of property, plant and equipment	(645)	(626)	(1,289)	(1,249)
Fair value gain/(loss) on derivatives, net	31	(243)	442	57
Foreign exchange (loss)/gain, net	(404)	350	(1,395)	(667)
Interest income	28	85	68	170
Finance costs	(5)	(36)	(9)	(86)
Impairment on investment in an associate	-	-	(137)	-
Gain on disposal of property, plant and equipment	-	172	3	269
Write-off of property, plant and equipment	-	(29)	-	(33)

# HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 30 June 2017

## 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	
	30.06.2017 S\$'000	31.12.2016 S\$'000	30.06.2017 S\$'000	31.12.2016 S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	12,754	13,864	8,686	9,421
Intangible assets	60	65	55	61
Investment in subsidiaries	-	-	13,147	13,147
Investment in associates	49,369	50,855	505	505
	62,183	64,784	22,393	23,134
<b>Current assets</b>				
Derivative financial instruments*	39	-	39	-
Inventories	21,134	14,217	19,512	12,269
Trade and other receivables	42,648	34,758	55,430	49,142
Prepaid expenses	198	316	136	263
Fixed deposits pledged with bank	7,007	7,038	7,007	7,038
Cash and cash equivalent	15,802	30,704	8,586	20,027
	86,828	87,033	90,710	88,739
<b>Current liabilities</b>				
Trade and other payables	13,994	13,957	27,981	23,493
Finance lease payables	232	239	232	239
Bank borrowings	2,238	1,963	2,238	1,963
Provision for taxation	15	13	-	-
Deferred income	1,429	1,429	1,429	1,429
Derivative financial instruments*	-	403	-	403
	17,908	18,004	31,880	27,527
<b>Net current assets</b>	68,920	69,029	58,830	61,212
<b>Non-current liabilities</b>				
Finance lease payables	27	139	27	139
Provision for reinstatement costs	1,000	1,000	700	700
Deferred income	2,262	2,976	2,262	2,976
	3,289	4,115	2,989	3,815
	127,814	129,698	78,234	80,531
<b>Equity attributable to owners of the Company</b>				
Share capital	152,052	152,052	152,052	152,052
Treasury shares	(2,215)	(2,215)	(2,215)	(2,215)
Other reserves	1,331	1,410	2,527	2,527
Accumulated losses	(23,621)	(21,818)	(74,130)	(71,833)
	127,547	129,429	78,234	80,531
<b>Non-controlling interests</b>	267	269	-	-
<b>Total equity</b>	127,814	129,698	78,234	80,531

\*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.

## HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 30 June 2017

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

	As at 30 June 2017			As at 31 December 2016		
	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000
Repayable within one year	2,238	-	232	1,963	-	239
Repayable after one year	-	-	27	-	-	139
Total	2,238	-	259	1,963	-	378

#### Details of collaterals

The bank loans and finance leases are secured by fixed charge over investment in BRC, fixed deposit pledged with bank, mortgage over certain properties and lessors' title to leased asset.

# HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 30 June 2017

## 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		Group	
	2Q 2017	2Q 2016	1H 2017	1H 2016
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities</b>				
(Loss)/profit before income tax	(837)	1,412	(1,166)	306
Adjustments for:				
Depreciation of property, plant and equipment	645	626	1,289	1,249
Amortisation of intangible assets	3	6	7	14
(Reversal of allowance)/allowance for impairment of receivables	(21)	105	(75)	7
Gain on disposal of property, plant and equipment	-	(172)	(3)	(269)
Write-off of property, plant and equipment	-	29	-	33
Impairment on investment in an associate	-	-	137	-
Fair value (gain)/loss on derivatives, net	(31)	243	(442)	(57)
Finance costs	5	36	9	86
Interest income	(28)	(85)	(68)	(170)
Share of associates' results	281	(1,339)	257	(1,082)
Recognition of deferred income	(357)	(357)	(714)	(714)
Unrealised foreign exchange loss, net	140	65	750	(214)
<b>Operating cash flow before changes in working capital</b>	(200)	569	(19)	(811)
Working capital changes:				
Inventories	(6,777)	(12,862)	(6,990)	(13,461)
Trade and other receivables	457	(13,461)	(8,602)	(1,456)
Trade and other payables	(1,141)	25,250	82	23,592
<b>Cash (used in)/generated from operations</b>	(7,661)	(504)	(15,529)	7,864
Interest expense paid	(5)	(36)	(9)	(86)
Interest income received	28	85	68	170
Income tax refund	-	71	-	71
<b>Net cash flows (used in)/generated from operating activities</b>	(7,638)	(384)	(15,470)	8,019
<b>Cash flows from investing activities</b>				
Dividend income received from investments in associates	-	-	1,011	843
Fixed deposit pledged with a bank	48	-	31	-
Proceeds from disposal of property, plant and equipment	-	297	-	402
Purchase of property, plant and equipment	(48)	(132)	(123)	(211)
Purchase of intangible assets	(2)	-	(2)	-
<b>Net cash flows (used in)/ generated from investing activities</b>	(2)	165	917	1,034
<b>Cash flows from financing activities</b>				
Purchase of treasury shares	-	-	-	(309)
Dividends paid on ordinary shares of the Company	(637)	-	(637)	-
Proceeds from bank borrowings	5,879	-	7,004	-
Repayment of bank borrowings	(4,751)	(5,771)	(6,694)	(6,817)
Repayment of finance lease payables	(59)	(62)	(119)	(124)
<b>Net cash flows generated from/(used in) financing activities</b>	432	(5,833)	(446)	(7,250)
Net (decrease)/increase in cash and cash equivalents	(7,208)	(6,052)	(14,999)	1,803
Effects on exchange rate changes on cash and cash equivalents	42	(90)	97	239
Cash and cash equivalents at beginning of financial period	22,968	58,698	30,704	50,514
<b>Cash and cash equivalents at end of financial period</b>	15,802	52,556	15,802	52,556

## HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 30 June 2017

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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	
	30 June 2017 S\$'000	30 June 2016 S\$'000
Cash and bank balances	13,616	25,499
Fixed deposits	9,193	27,057
	22,809	52,556
<i>Less</i> : Fixed deposits pledged with a bank <sup>(1)</sup>	(7,007)	-
Cash and cash equivalents per consolidated cash flow statement	15,802	52,556

- <sup>(1)</sup> Fixed deposit of S\$7.0 million was pledged with a bank to secure trade credit facilities. The amount is restricted in use and may not be withdrawn without the bank's prior approval.

## HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 30 June 2017

**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	Fair value reserve	Other reserves	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2017	152,052	(2,215)	2,527	(4)	(211)	(902)	(21,818)	129,429	269	129,698
Loss for the period	-	-	-	-	-	-	(1,166)	(1,166)	(2)	(1,168)
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	2	-	2	-	2
Share of other comprehensive income of associate	-	-	-	-	-	(81)	-	(81)	-	(81)
Other comprehensive income for the period, net of tax	-	-	-	-	-	(79)	-	(79)	-	(79)
Total comprehensive income for the period	-	-	-	-	-	(79)	(1,166)	(1,245)	(2)	(1,247)
<u>Contribution by and distributions to owners</u>										
Dividend on ordinary shares	-	-	-	-	-	-	(637)	(637)	-	(637)
Total contribution by and distributions to owners	-	-	-	-	-	-	(637)	(637)	-	(637)
Total transactions with owners in their capacity as owners	-	-	-	-	-	-	(637)	(637)	-	(637)
Closing balance at 30 June 2017	152,052	(2,215)	2,527	(4)	(211)	(981)	(23,621)	127,547	267	127,814

## HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 30 June 2017

Group	Attributable to owners of the Company									
	Share capital	Treasury shares	Capital reserve	Fair value reserve	Other reserves	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2016	152,052	(1,906)	2,527	(4)	(211)	(672)	(22,714)	129,072	264	129,336
Profit for the period	-	-	-	-	-	-	300	300	16	316
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	30	-	30	4	34
Share of other comprehensive income of associate	-	-	-	-	-	(95)	-	(95)	-	(95)
Other comprehensive income for the period, net of tax	-	-	-	-	-	(65)	-	(65)	4	(61)
Total comprehensive income for the period	-	-	-	-	-	(65)	300	235	20	255
<u>Contribution by and distributions to owners</u>										
Purchase of treasury shares	-	(309)	-	-	-	-	-	(309)	-	(309)
Total contribution by and distributions to owners	-	(309)	-	-	-	-	-	(309)	-	(309)
Total transactions with owners in their capacity as owners	-	(309)	-	-	-	-	-	(309)	-	(309)
Closing balance at 30 June 2016	152,052	(2,215)	2,527	(4)	(211)	(737)	(22,414)	128,998	284	129,282



# HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 30 June 2017

Company	Share capital S\$'000	Treasury shares S\$'000	Capital reserve S\$'000	Accumulated losses S\$'000	Total S\$'000
Opening balance at 1 January 2017	152,052	(2,215)	2,527	(71,833)	80,531
Loss for the period, representing total comprehensive loss for the period	-	-	-	(1,660)	(1,660)
<u>Contributions by and distributions to owners</u>					
Purchase of treasury shares	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	(637)	(637)
Closing balance at 30 June 2017	152,052	(2,215)	2,527	(74,130)	78,234
Opening balance at 1 January 2016	152,052	(1,906)	2,527	(68,191)	84,482
Loss for the period, representing total comprehensive loss for the period	-	-	-	(1,923)	(1,923)
<u>Contributions by and distributions to owners</u>					
Purchase of treasury shares	-	(309)	-	-	(309)
Total transactions with owners in their capacity as owners	-	(309)	-	-	(309)
Closing balance at 30 June 2016	152,052	(2,215)	2,527	(70,114)	82,250

**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 the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There was no change in the Company's share capital during the financial period ended 30 June 2017.

As at 30 June 2017, the Company held 3,193,630 (approximately 2.45% of the total number of issued shares) (30 June 2016: 3,193,630 (approximately 2.45% of the total number of issued shares)) of its issued shares as treasury shares.

The Company did not hold any options, convertibles or subsidiary holdings as at 30 June 2017 and 30 June 2016.

**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.**

	<b>30 June 2017</b>	<b>31 December 2016</b>
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>

## HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 30 June 2017

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

Not applicable.

**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.**

Not applicable.

**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**

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 2016.

**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 new or revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") which became effective for the current financial year, where applicable. The adoption of these FRS and INT FRS did not result in any substantial changes to the Group's accounting policies and there is no material impact on the financial statements of the Group since 31 December 2016.

**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**

	Group		Group	
	2Q 2017	2Q 2016	1H 2017	1H 2016
Earnings per ordinary shares:				
(a) Basic (cents)	(0.66)	1.12	(0.91)	0.24
(b) Diluted (cents)	(0.66)	1.12	(0.91)	0.24

(a) Earnings per share were calculated based on weighted average number of shares of 127,417,735 and 127,456,736 for the period ended 30 June 2017 and 30 June 2016 respectively.

(b) Diluted earnings per share were calculated based on adjusted weighted average number of shares during the period.

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

## HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 30 June 2017

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**

	<b>Group</b>		<b>Company</b>	
	30.06.2017	31.12.2016	30.06.2017	31.12.2016
Net asset value per ordinary share (S\$)	1.00	1.02	0.61	0.63

Net asset value per ordinary share was calculated based on 127,417,735 and 127,417,735 as at 30 June 2017 and 31 December 2016 respectively.

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 2Q2017 versus 2Q2016**

The Group recorded revenue of S\$38.2 million in 2Q2017 as compared to S\$33.7 million in 2Q2016, mainly contributed by 27% increase in average selling price in 2Q2017, led by the change in sales mix and increase in steel prices.

However, the gross profit dropped by 7% in 2Q2017 compared to 2Q2016, due to the increase in weighted average cost of inventory.

### **Other Operating Income**

Other operating income declined from S\$2.2 million in 2Q2016 to S\$2.0 million in 2Q2017. This was mainly due to the decline in warehousing and rental income, reduced gain from disposal of fixed assets and other miscellaneous income amounted to S\$0.5 million. These reductions were partially offset by the increase in fair value gain on forward currency contracts of S\$0.3 million.

### **Distribution, Administrative, Other Operating and Finance Expenses**

The Group's distribution expenses increased in line with higher revenue achieved in 2Q2017.

There were no significant changes in administrative expenses compared to previous corresponding quarter. Other operating expenses increased from S\$1.9 million in 2Q2016 to S\$2.2 million in 2Q2017, mainly due to higher foreign exchange loss incurred in 2Q2017, arising from the revaluation of net foreign currency monetary assets and liabilities which were affected by the weakening of the US Dollar against the Singapore Dollar.

Lower finance expense was incurred in 2Q2017 as compared to 2Q2016 as a result of repayment of bank borrowings.

Share of loss from associate was S\$0.3 million in 2Q2017 as contrast to a share of profit of S\$1.3 million in corresponding period last year, on account of weak business performance in an associate, BRC Asia Limited

# HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 30 June 2017

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## **Profitability**

The Group posted a net loss after tax of S\$0.8 million in 2Q2017 as compared to a net profit after tax of S\$1.4 million in 2Q2016.

## **Results for 1H 2017 versus 1H 2016**

### **Revenue and Gross Profit**

The Group achieved revenue of S\$83.8 million in 1H2017 as compared to S\$55.6 million in 1H2016, contributed by 13% increase in sales volume and 34% increase in average selling price in 1H2017.

Gross profit increased to S\$4.3 million in 1H2017 from S\$3.6 million in 1H2016, driven by higher revenue registered in 1H2017.

### **Other Operating Income**

Other operating income decreased from S\$4.9 million in 1H2016 to S\$4.5 million in 1H2017. This was mainly due to lower warehousing and rental income, reduced gain from disposal of fixed assets and other miscellaneous income amounted to S\$0.8 million. These reductions were partially offset by the increase in fair value gain on forward currency contracts of S\$0.4million.

### **Distribution, Administrative Expenses, Other Operating and Finance Expenses**

The Group's distribution expenses increased to S\$0.2 million in 1H2017 from S\$0.1 million in 1H2016, in tandem with the increase in revenue in 1H2017.

There was no significant increase in administrative expenses as compared to previous corresponding period.

Other operating expenses increased from S\$5.1 million in 1H2016 to S\$5.5 million in 1H2017, primarily due to the increase in foreign exchange loss of S\$0.7 million arising from weakening of the US Dollar against the Singapore Dollar, but partially offset by the reduction in other miscellaneous expenses of S\$0.3 million.

The Group made full repayment of certain bank loans in last financial year. This led to the significant decline in finance expenses in 1H2017 as compared to 1H2016.

The Group recorded a share of loss from associates of S\$0.3 million in 1H2017 as contrast to a share of profit of S\$1.1 million in 1H2016.

## **Profitability**

The Group posted a net loss after tax of S\$1.2 million in 1H2017, compared to a net profit after tax of S\$0.3 million in 1H2016, mainly due to the decline in share of profit from associates.

## **Balance Sheet**

As at 30 June 2017, the Group's inventory on hand increased to S\$21.1 million as compared to S\$14.2 million as at 31 December 2016 in view of stock replenishments in 2Q2017.

Trade and other receivables increased in line with higher revenue to S\$42.6 million as at 30 June 2017 as compared to S\$34.8 million as at 31 December 2016.

Total bank borrowings increased from S\$2.0 million as at 31 December 2016 to S\$2.2 million as at 30 June 2017.

# HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 30 June 2017

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## Statement of Cash Flows

The net cash flows used in operating activities was S\$15.5 million in 1H2017 as compared to net cash flows generated from operating activities of S\$8.0 million in 1H2016. This was mainly attributable to the increase in trade and other receivables and inventories of S\$8.6 million and S\$7.0 million respectively.

Net cash flows generated from investing activities for 1H2017 was S\$0.9 million, mainly derived from dividends received from a quoted investment.

Net cash flows used in financing activities for 1H2017 was S\$0.4 million, primarily for dividend payment of S\$0.6 million and partially offset by the net proceeds from bank borrowings.

The Group's cash and cash equivalents was S\$15.8 million as at 30 June 2017 in comparison to S\$52.6 million as at 30 June 2016.

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

Not applicable.

**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**

Based on the latest data released by the Ministry of Trade and Industry on 11 August 2017, the Singapore economy expanded 2.9% on a year-on-year basis in the second quarter of 2017, mainly on the back of greater manufacturing activity, led by growth in the electronics and precision engineering clusters. The service sector reported growth from Q1's 1.4% to 2.4% in Q2 on a year-on-year basis. On the downside, the construction sector continued to contract in annual terms in Q2, decreased by 5.7% which represents a slight improvement from the contraction of 6.3% in Q1. Weakness in both private and public sector construction activities continued to weigh on the negative performance of the construction sector.

Looking ahead, Singapore's economic growth is likely to remain modest, benefiting from the ongoing recovery in the external sector but suffering from weak domestic demand. Latest data released by the Building and Construction Authority(BCA) indicated that the value of construction contracts awarded to-date remains lagging behind the total value of construction contracts of \$28 billion to S\$35 billion per year forecasted by BCA for 2017.

Against this backdrop, the Group expects the operating environment for the steel industry to remain challenging as the demand from various industry sectors remain weak. The volatility in US Dollar, rising import prices of steel stems from China's reduced steel output and shrinking export volume, intensifying local competition are factors that will continue to pose challenges to the businesses of the Group.

The Group will therefore continue to work on optimizing its balance sheet, managing its credit exposure and seek to build on its competitive positioning by expanding its product range, customer base and value added services.

The Group will continue to seek business opportunities, locally and overseas.

# HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 30 June 2017

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## 11. Dividend

### (a) Current financial period reported on

*Any dividend recommended for the current financial period 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/recommended, a statement to that effect.

No dividend has been declared for the reporting period.

## 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 was no interested person transactions with aggregate value of more than S\$100,000 during financial period ended 30 June 2017 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 30 June 2017 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 of Directors**

**Foo Sey Liang**  
**Director**

**Teo Yi-Dar**  
**Director**

**14 August 2017**