



HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2018

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 | | | Group | | |
|--|--------------------|--------------------|-------------|-----------------|-----------------|-------------|
| | 4Q 2018 S\$'000 | 4Q 2017 S\$'000 | % (+/-) | 2018 S\$'000 | 2017 S\$'000 | % (+/-) |
| Revenue | 45,258 | 42,048 | 8 | 173,923 | 162,618 | 7 |
| Cost of sales | (42,833) | (39,232) | 9 | (164,055) | (152,884) | 7 |
| Gross profit | 2,425 | 2,816 | (14) | 9,868 | 9,734 | 1 |
| Gross margin | 5.4% | 6.7% | | 5.7% | 6.0% | |
| Other operating income | 1,589 | 2,213 | (28) | 6,828 | 8,592 | (21) |
| Selling and distribution costs | (150) | (216) | (31) | (709) | (616) | 15 |
| Administrative expenses | (2,586) | (2,437) | 6 | (9,088) | (8,611) | 6 |
| Other operating expenses | (2,332) | (2,306) | 1 | (8,656) | (21,157) | (59) |
| Finance costs | (105) | (3) | nm* | (167) | (18) | nm* |
| (Impairment loss)/reversal of impairment on financial assets | (1,557) | 28 | nm* | (1,985) | 120 | nm* |
| Share of associates' results | - | - | nm* | - | 3 | nm* |
| (Loss)/profit before income tax | (2,716) | 95 | nm* | (3,909) | (11,953) | (67) |
| Income tax expense | (8) | (7) | 14 | (26) | (11) | nm* |
| Net (loss)/profit for the year | (2,724) | 88 | nm* | (3,935) | (11,964) | nm* |
| Other comprehensive income: | | | | | | |
| Items that may be reclassified subsequently to profit or loss : | | | | | | |
| Foreign currency translation | (18) | 42 | nm* | (30) | 54 | nm* |
| Share of other comprehensive income of associates | - | - | nm* | - | (71) | nm* |
| Reclassification of currency translation reserve to profit or loss | - | - | nm* | - | 740 | nm* |
| Reclassification of fair value reserve to profit or loss | - | - | nm* | - | 4 | nm* |
| Other comprehensive income for the year, net of tax | (18) | 42 | nm* | (30) | 727 | nm* |
| Total comprehensive income for the year | (2,742) | 130 | nm* | (3,965) | (11,237) | nm* |
| (Loss)/profit attributable to: | | | | | | |
| Owners of the Company | (2,730) | 88 | nm* | (3,945) | (11,931) | nm* |
| Non-controlling interests | 6 | - | nm* | 10 | (33) | nm* |
| | (2,724) | 88 | nm* | (3,935) | (11,964) | nm* |
| Total comprehensive income attributable to: | | | | | | |
| Owners of the Company | (2,738) | 130 | nm* | (3,963) | (11,201) | nm* |
| Non-controlling interests | (4) | - | nm* | (2) | (36) | nm* |
| | (2,742) | 130 | nm* | (3,965) | (11,237) | nm* |

*nm denotes not meaningful

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

| | Group | | Group | |
|--|---------|---------|---------|----------|
| | 4Q 2018 | 4Q 2017 | 2018 | 2017 |
| (Loss)/profit before tax is arrived at after crediting/(charging) the following: | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| (Allowance)/reversal of allowance for impairment of receivables, net | (1,557) | 28 | (1,985) | 120 |
| Bad debts recovered | - | 40 | 2 | 41 |
| Amortisation of intangible assets | (1) | (2) | (5) | (11) |
| Amortisation of land use right | (20) | - | (20) | - |
| Provision for reinstatement cost | (100) | - | (100) | - |
| Recognition of deferred income | 358 | 358 | 1,429 | 1,429 |
| Depreciation of property, plant and equipment | (720) | (631) | (2,755) | (2,566) |
| Fair value (loss)/gain on forward currency contract, net | (11) | 48 | (57) | 418 |
| Foreign exchange loss, net | (117) | (414) | (69) | (2,067) |
| Interest income | 89 | 72 | 358 | 168 |
| Finance costs | (105) | (3) | (167) | (18) |
| Impairment on investment in associates | - | 127 | - | (10,148) |
| (Loss)/gain on disposal of property, plant and equipment | (2) | 5 | 94 | 20 |
| Gain on disposal of intangible assets | 4 | - | 3 | - |
| Impairment of property, plant and equipment | - | (4) | - | (125) |
| Inventories (write-down)/write-back, net | (8) | 243 | (8) | 243 |

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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 | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31.12.2018 S\$'000 | 31.12.2017 S\$'000 | 01.01.2017 S\$'000 | 31.12.2018 S\$'000 | 31.12.2017 S\$'000 |
| Non-current assets | | | | | |
| Property, plant and equipment | 22,921 | 12,426 | 13,864 | 9,100 | 8,725 |
| Land use rights | 3,069 | - | - | - | - |
| Intangible assets | 42 | 58 | 65 | 3 | 52 |
| Long-term deposits | 784 | - | - | - | - |
| Investment in subsidiaries | - | - | - | 13,113 | 13,102 |
| Investment in associates | - | - | 50,855 | - | - |
| Investment securities | 10,044 | - | - | 10,044 | - |
| | 36,860 | 12,484 | 64,784 | 32,260 | 21,879 |
| Current assets | | | | | |
| Investment securities | 24 | - | - | 24 | - |
| Derivative financial instruments* | - | 15 | - | - | 15 |
| Inventories | 30,872 | 17,581 | 14,217 | 21,484 | 15,469 |
| Trade and other receivables | 51,135 | 44,283 | 34,758 | 54,584 | 46,936 |
| Prepaid expenses | 664 | 129 | 316 | 93 | 58 |
| Bank deposits pledged with banks | 9,500 | 19,500 | 7,038 | 9,500 | 19,500 |
| Cash and cash equivalent | 15,435 | 28,846 | 30,704 | 4,168 | 17,854 |
| | 107,630 | 110,354 | 87,033 | 89,853 | 99,832 |
| Current liabilities | | | | | |
| Trade and other payables | 35,461 | 14,493 | 13,957 | 52,300 | 49,439 |
| Finance lease payables | - | 141 | 239 | - | 141 |
| Bank borrowings | 3,420 | - | 1,963 | 3,420 | - |
| Provision for income tax | 15 | 15 | 13 | - | - |
| Deferred income | 1,429 | 1,429 | 1,429 | 1,429 | 1,429 |
| Derivative financial instruments* | 42 | - | 403 | 42 | - |
| | 40,367 | 16,078 | 18,004 | 57,191 | 51,009 |
| Net current assets | 67,263 | 94,276 | 69,029 | 32,662 | 48,823 |
| Non-current liabilities | | | | | |
| Finance lease payables | - | - | 139 | - | - |
| Provision for reinstatement costs | 1,100 | 1,000 | 1,000 | 800 | 700 |
| Deferred income | 119 | 1,548 | 2,976 | 119 | 1,548 |
| | 1,219 | 2,548 | 4,115 | 919 | 2,248 |
| | 102,904 | 104,212 | 129,698 | 64,003 | 68,454 |
| Equity attributable to owners of the Company | | | | | |
| Share capital | 70,496 | 70,496 | 152,052 | 70,496 | 70,496 |
| Treasury shares | (2,215) | (2,215) | (2,215) | (2,215) | (2,215) |
| Other reserves | 3,023 | 3,041 | 2,312 | 2,527 | 2,527 |
| Accumulated profits/(losses) | 28,940 | 32,889 | (22,720) | (6,805) | (2,354) |
| | 100,244 | 104,211 | 129,429 | 64,003 | 68,454 |
| Non-controlling interests | 2,660 | 1 | 269 | - | - |
| Total equity | 102,904 | 104,212 | 129,698 | 64,003 | 68,454 |

*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 December 2018 | | | As at 31 December 2017 | | |
|---------------------------|------------------------|----------------------|-----------------------------|------------------------|----------------------|-----------------------------|
| | Secured S\$'000 | Unsecured S\$'000 | Finance lease S\$'000 | Secured S\$'000 | Unsecured S\$'000 | Finance lease S\$'000 |
| Repayable within one year | - | 3,420 | - | - | - | 141 |
| Repayable after one year | - | - | - | - | - | - |
| Total | - | 3,420 | - | - | - | 141 |

Details of collaterals

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

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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 | | Group | |
|--|----------------|-----------------|-----------------|-----------------|
| | 4Q 2018 | 4Q 2017 | 2018 | 2017 |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Cash flows from operating activities | | | | |
| (Loss)/profit before income tax | (2,716) | 95 | (3,909) | (11,953) |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment | 720 | 631 | 2,755 | 2,566 |
| Amortisation of intangible assets | 1 | 2 | 5 | 11 |
| Amortisation of land use right | 20 | - | 20 | - |
| Provision for reinstatement cost | 100 | - | 100 | - |
| Allowance/(reversal of allowance) for impairment of receivables, net | 1,557 | (28) | 1,985 | (120) |
| Bad debts recovered | - | (40) | (2) | (41) |
| Loss/(gain) on disposal of property, plant and equipment | 2 | (5) | (94) | (20) |
| Gain on disposal of intangible assets | (4) | - | (3) | - |
| Impairment of property, plant and equipment | - | 4 | - | 125 |
| Inventories write-down/(write-back), net | 8 | (243) | 8 | (243) |
| Impairment on investment in associates | - | (127) | - | 10,148 |
| Fair value loss/(gain) on forward currency contract, net | 11 | (48) | 57 | (418) |
| Finance costs | 105 | 3 | 167 | 18 |
| Interest income | (89) | (72) | (358) | (168) |
| Share of associates' results | - | - | - | (3) |
| Recognition of deferred income | (358) | (358) | (1,429) | (1,429) |
| Unrealised foreign exchange loss/(gain), net | 203 | (137) | (300) | 1,208 |
| Operating cash flow before changes in working capital | (440) | (323) | (998) | (319) |
| Working capital changes: | | | | |
| Inventories | 2,613 | (148) | (15,310) | (4,057) |
| Trade and other receivables | (2,744) | (2,543) | (8,986) | (9,926) |
| Trade and other payables | 10,092 | (3,332) | 12,190 | 632 |
| Cash generated from/(used in) operations | 9,521 | (6,346) | (13,104) | (13,670) |
| Interest expense paid | (105) | (3) | (167) | (18) |
| Interest income received | 45 | 42 | 288 | 108 |
| Income tax paid | (6) | (5) | (26) | (9) |
| Net cash flows generated from/(used in) operating activities | 9,455 | (6,312) | (13,009) | (13,589) |
| Cash flows from investing activities | | | | |
| Net cash outflow on acquisition of a subsidiary | - | - | (67) | - |
| Dividend income received from investments in associates | - | - | - | 1,011 |
| Bank deposit withdrawn from/(pledged with) banks | 3,784 | (12,500) | 10,000 | (12,462) |
| Long term deposits pledged with a bank | (784) | - | (784) | - |
| Proceeds from disposal of shares in associates | - | 39,650 | - | 39,650 |
| Proceeds from disposal of property, plant and equipment | 68 | 31 | 218 | 43 |
| Proceeds from disposal of intangible assets | - | - | 47 | - |
| Purchase of investment securities | (3,054) | - | (10,112) | - |
| Purchase of property, plant and equipment | (2,620) | (128) | (4,451) | (345) |
| Purchase of intangible assets | (2) | - | (4) | (2) |
| Net cash flows (used in)/generated from investing activities | (2,608) | 27,053 | (5,153) | 27,895 |
| Cash flows from financing activities | | | | |
| Acquisition of non-controlling interests | - | - | - | (233) |
| Issuance of ordinary shares in a subsidiary | 763 | - | 1,526 | - |
| Cash distribution to shareholders | - | (13,379) | - | (13,379) |
| Dividends paid on ordinary shares of the Company | - | - | - | (637) |
| Proceeds from bank borrowings | 14,952 | 3,794 | 59,300 | 15,955 |
| Repayment of bank borrowings | (22,581) | (3,794) | (55,856) | (17,898) |
| Repayment of finance lease payables | (4) | (60) | (141) | (237) |
| Net cash flows (used in)/generated from financing activities | (6,870) | (13,439) | 4,829 | (16,429) |
| Net (decrease)/increase in cash and cash equivalents | (23) | 7,302 | (13,333) | (2,123) |
| Effects on exchange rate changes on cash and cash equivalents | (7) | 95 | (78) | 265 |
| Cash and cash equivalents at beginning of financial year | 15,465 | 21,449 | 28,846 | 30,704 |
| Cash and cash equivalents at end of financial year | 15,435 | 28,846 | 15,435 | 28,846 |

(1) Investment securities of S\$10.1 million were pledged with a bank to secure trade credit facilities.

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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 December 2018 S\$'000 | 31 December 2017 S\$'000 |
| Cash and bank balances | 12,232 | 23,586 |
| Bank deposits | 12,703 | 24,760 |
| | 24,935 | 48,346 |
| <i>Less</i> : Bank deposits pledged with banks ⁽¹⁾ | (9,500) | (19,500) |
| Cash and cash equivalents per consolidated cash flow statement | 15,435 | 28,846 |

⁽²⁾ 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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Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2018

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)/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 | S\$'000 |
| Opening balance at 1 January 2017 (FRS) | 152,052 | (2,215) | 2,527 | (4) | (211) | (902) | (21,818) | 129,429 | 269 | 129,698 |
| Effect of adopting SFRS(I)s (Note 1) | - | - | - | - | - | 902 | (902) | - | - | - |
| Balance as at 1 January 2017 (SFRS(I)s) | 152,052 | (2,215) | 2,527 | (4) | (211) | - | (22,720) | 129,429 | 269 | 129,698 |
| Loss for the year | - | - | - | - | - | - | (11,931) | (11,931) | (33) | (11,964) |
| <u>Other comprehensive income</u> | | | | | | | | | | |
| Foreign currency translation | - | - | - | - | - | 57 | - | 57 | (3) | 54 |
| Share of other comprehensive income of associates | - | - | - | - | - | (71) | - | (71) | - | (71) |
| Reclassification of currency translation reserve to profit or loss | - | - | - | - | - | 740 | - | 740 | - | 740 |
| Reclassification of fair value reserve to profit or loss | - | - | - | 4 | - | - | - | 4 | - | 4 |
| Other comprehensive income for the year, net of tax | - | - | - | 4 | - | 726 | - | 730 | (3) | 727 |
| Total comprehensive income for the year | - | - | - | 4 | - | 726 | (11,931) | (11,201) | (36) | (11,237) |
| <u>Contribution by and distributions to owners</u> | | | | | | | | | | |
| Dividends on ordinary shares | - | - | - | - | - | - | (637) | (637) | - | (637) |
| Capital reduction | (81,556) | - | - | - | - | - | 68,177 | (13,379) | - | (13,379) |
| Total contribution by and distributions to owners | (81,556) | - | - | - | - | - | 67,540 | (14,016) | - | (14,016) |
| <u>Change in ownership interest in subsidiary</u> | | | | | | | | | | |
| Acquisition of non-controlling interest | - | - | - | - | - | - | - | - | (232) | (232) |
| Premium paid on acquisition of non-controlling interest | - | - | - | - | (1) | - | - | (1) | - | (1) |
| Total change in ownership interest in subsidiary | - | - | - | - | (1) | - | - | (1) | (232) | (233) |
| Total transactions with owners in their capacity as owners | (81,556) | - | - | - | (1) | - | 67,540 | (14,017) | (232) | (14,249) |
| Closing balance at 31 December 2017 | 70,496 | (2,215) | 2,527 | - | (212) | 726 | 32,889 | 104,211 | 1 | 104,212 |

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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 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 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 |

Note 1

Please refer to explanation on effect of transition to Singapore Financial Reporting Standards (International) ("SFRS(I)s) on page 10 item 5.

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Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2018

| <u>Company</u> | Share capital | Treasury shares | Capital reserve | Accumulated losses | Total equity |
|---|---------------|-----------------|-----------------|--------------------|--------------|
| | SS'000 | SS'000 | SS'000 | SS'000 | SS'000 |
| Opening balance at 1 January 2017 | 152,052 | (2,215) | 2,527 | (71,833) | 80,531 |
| Profit for the year, representing total comprehensive income for the year | - | - | - | 1,939 | 1,939 |
| <u>Contributions by and distributions to owners</u> | | | | | |
| Dividends on ordinary shares | - | - | - | (637) | (637) |
| Capital reduction | (81,556) | - | - | 68,177 | (13,379) |
| Total transactions with owners in their capacity as owners | (81,556) | - | - | 67,540 | (14,016) |
| Closing balance at 31 December 2017 | 70,496 | (2,215) | 2,527 | (2,354) | 68,454 |
| 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 |

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.

| | 2018 | 2017 |
|---|-------------|-------------|
| <u>Number of issued shares (excluding treasury shares)</u> | | |
| As at 30 September and 31 December | 127,417,735 | 127,417,735 |
| | 2018 | 2017 |
| <u>Number of treasury shares</u> | | |
| As at 31 December | 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 December 2018 and 31 December 2017.

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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 December 2018 | 31 December 2017 |
|---|--------------------|--------------------|
| 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 Group has adopted Singapore Financial Reporting Standards (International), "SFRS(I)s", a new financial reporting framework identical to international financial standards on 1 January 2018.

Other than the adoption of the new framework and the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from the current financial year, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2017.

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 Singapore Financial reporting Standards (International) ("SFRS(I)s") effective for financial period beginning 1 January 2018.

In adopting the new SFRS(I)s framework, the Group is required to apply the transition requirements specified in SFRS(I) 1 "First-time Adoption of Singapore Financial Reporting Standards (International)". On 1 January 2017, being the date of transition to the SFRS(I)s, the Group has elected for the optional exemption in SFRS(I) 1 to deem cumulative translation differences for foreign operation to be zero. Accordingly, the Group has reclassified an amount of S\$902,000 foreign currency translation reserve to the opening retained earnings as at 1 January 2017. After the date of transition, any gain and loss from subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before the date of transition.

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SFRS(I) 9 requires the Group to record expected credit losses on all its financial assets measured at amortised cost of FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivables of \$4,000 and resulted in a corresponding decrease in retained earnings of \$4,000 as at 1 January 2018.

Please refer to the Statement of Changes in Equity for the Group in Page 7 and 8 for adjustments made in relation to the adoption of SFRS(I) 1& SFRS(I) 9.

Except for above, the adoption of new SFRS(I)s, amendments and interpretations of SFRS(I)s will not result in any significant impact on the financial statements of the Group.

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 | |
|-------------------------------|---------|---------|--------|--------|
| | 4Q 2018 | 4Q 2017 | 2018 | 2017 |
| Earnings per ordinary shares: | | | | |
| (a) Basic (cents) | (2.14) | 0.07 | (3.10) | (9.36) |
| (b) Diluted (cents) | (2.14) | 0.07 | (3.10) | (9.36) |

(a) Earnings per share were calculated based on weighted average number of shares of 127,417,735 for the period ended 31 December 2018 and 31 December 2017.

(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 | |
|--|------------|------------|------------|------------|
| | 31.12.2018 | 31.12.2017 | 31.12.2018 | 31.12.2017 |
| Net asset value per ordinary share (S\$) | 0.79 | 0.82 | 0.50 | 0.54 |

Net asset value per ordinary share was calculated based on 127,417,735 as at 31 December 2018 and 31 December 2017.

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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.

Acquisition of a subsidiary

On 4 September 2018, the Group's subsidiary, HG Metal Investments Pte Ltd ("**HGM Investments**"), acquired 51.04% of the issued share capital of First Fortune International Co. Ltd ("**FFI**"), a company incorporated in Myanmar under the Myanmar Investment Law with the approval from the Myanmar Investment Commission. Following the acquisition, FFI has become a subsidiary of the Group.

HGM Investments, together with its joint venture partners, Fortune Peak Investments Pte. Ltd and YNJ Engineering Co. Ltd had on 18 September 2018 and 4 October 2018 subscribed for a total of 19,529, 11,080 and 7,653 shares of USD100 each respectively in the capital of FFI. As at the end of the financial year ended 31 December 2018, the issued and paid-up ordinary share capital of FFI was USD4,013,700, comprising 40,137 shares.

The Group has accounted for its investment in FFI in the financial statements for financial period ended 31 December 2018.

On 18 January 2019, HGM Investments together with Fortune Peak Investments Pte. Ltd and YNJ Engineering Co. Ltd further subscribed for a total of 19,593 shares of USD100 each in the capital of FFI. As at the date of this announcement, the issued and paid-up ordinary share capital of FFI is USD5,973,000.

HGM Investments continues to hold 51.04% of the issued share capital of FFI after the above mentioned subscription of new shares.

Revenue and Gross Profit

The Group recorded revenue of S\$45.3 million in 4Q2018 as compared to S\$42.0 million in 4Q2017, representing a 8.0% increase in revenue. This was driven by 9% increase in average selling price which more than compensated a 2% reduction in sales volume.

Despite higher revenue achieved in 4Q2018, the gross profit for 4Q2018 was S\$2.4 million as compared to gross profit of S\$2.8 million in 4Q2017 due to decline in gross profit margin to 5.4% in 4Q2018 from 6.7% in 4Q2017. The increase in weighted average cost of inventory and intense industry competition continued to add pressure on the profit margin.

Other Operating Income

Other operating income declined to S\$1.6 million in 4Q2018 from S\$2.2 million in 4Q2017 mainly due to the decline in warehousing and rental income.

Distribution, Administrative, Other Operating and Finance Expenses

The Group's distribution expenses declined by 31% to S\$0.2 million in 4Q2018 due to optimisation of internal fleet to support local sales delivery.

There were no significant changes in administrative expenses and other operating expenses in 4Q2018 as compared to previous corresponding quarter.

Impairment on financial assets was mainly related to impairment of trade receivables.

The increase of finance costs in 4Q2018 was due to higher borrowing for trade financing.

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Profitability

The Group posted a net loss after tax of S\$2.7 million in 4Q2018 compared to a net gain after tax of S\$0.09 million in 4Q2017 due to reasons afore-mentioned.

Results for FY2018 versus FY 2017

Revenue and Gross Profit

The Group achieved revenue of S\$173.9 million in FY2018 as compared to S\$162.6 million in FY2017, contributed by 18% increase in average selling price sales which more than compensated a 10% reduction in sales volume.

Gross profit increased to S\$9.9 million from S\$9.7 million in FY2017 as result of higher revenue achieved in FY2018.

Other Operating Income

Other operating income decreased from S\$8.6 million in FY2017 to S\$6.8 million in FY2018. This was mainly due to lower warehousing and rental income, reduced fair value gain on forward currency contracts and other miscellaneous income.

Distribution, Administrative, Other Operating and Finance Expenses

The Group's distribution expenses went up to S\$0.7 million in FY2018 from S\$0.6 million in FY2017, in tandem with higher demand for out-sourced logistics services to support volume growth for local sales in FY2018.

Administrative expenses increased by 6% from S\$8.6 million in FY2017 to S\$9.1 million in FY2018, mainly due to increase in headcount and staff costs as well as other miscellaneous administrative costs.

Other operating expenses reduced from S\$21.2 million in FY2017 to S\$8.7 million in FY2018, primarily due to the absence of one-time extraordinary items incurred in FY2017 on impairment of investment in associates that were divested in FY2017.

Impairment on financial assets was mainly related to impairment of trade receivables.

Finance costs increased to S\$0.2 million in FY2018 due to higher borrowing for trade financing.

Profitability

The Group recorded a net loss after tax of S\$3.9 million in FY2018, compared to a net loss after tax of S\$12.0 million in FY2017.

Balance Sheet

The Group's non-current assets increased to S\$36.9 million as at 31 December 2018 compared to S\$12.5 million as at 31 December 2017. The increase was mainly attributed to the investment in bonds of S\$10.0 million and increase in property, plant and equipment, land use rights of S\$13.5 million in total. The Group's investments in bonds issued by statutory board and government linked companies listed in SGX are pledged as security for trade facilities granted by a bank. The increase in property, plant and equipment, as well as land use rights mainly relate to the construction of a new steel fabrication facilities by the Group's subsidiary, FFI in Myanmar.

As at 31 December 2018, the Group's inventory on hand increased to S\$30.9 million as compared to S\$17.6 million as at 31 December 2017. This was mainly due to stock replenishment to support the projected growth in local sales volume.

Trade and other receivables increased to S\$51.1 million as at 31 December 2018 as compared to S\$44.3 million as at 31 December 2017 in tandem with increase in revenue as well as delay on payment by certain key customers. Collections from most of these customers were received after financial year end.

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Trade and other payables increased to S\$35.5 million as at 31 December 2018 compared to S\$14.5 million as at 31 December 2017 in line with increase in inventory holdings.

Bank borrowings for trade financing increased to S\$3.4 million as at 31 December 2018 in tandem with increase in inventory level and purchases made towards year end.

Non-controlling interest increased to S\$2.7 million as at 31 December 2018 on account of amount attributable to the minority shareholders of FFI.

Statement of Cash Flows

Net cash flows used in operating activities was S\$13.0 million in FY2018. This was mainly attributable to the increase in trade and other receivables and inventories of S\$9.0 million and S\$15.3 million respectively, offset by the increase in trade and other payables of S\$12.2 million.

Net cash flows used in investing activities for FY2018 was S\$5.2 million, mainly due to the purchase of investment securities and property, plant and equipment of S\$10.1 million and S\$4.5 million respectively and partially offset by net bank deposits withdrawn from banks of S\$10.0 million.

Net cash flows generated from financing activities for FY2018 was S\$4.8 million. This relates mainly to net proceeds from bank borrowings of S\$3.4 million and issuance of ordinary shares in a subsidiary to non-controlling interest of S\$1.5 million.

The Group's cash and cash equivalents was S\$15.4 million as at 31 December 2018 in comparison to S\$28.8 million as at 31 December 2017.

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

The slowdown of global economy that stemmed from factors such as trade-war between the US-China, concern over global geo-political and Brexit uncertainties will impact negatively the growth prospect of the Singapore economy. In the domestic front, the weaknesses in demand growth for steel products for the construction, marine and offshore industries, coupled with intensified local competition as well as volatility in steel price and US Dollar continue to cause significant risk to the business of the Group.

On 15 January 2018, the Group announced that it has secured a 20 years lease extension from JTC for its warehouse facility at 28 Jalan Buroh, Singapore 619484. The redevelopment of the said warehouse facility is currently underway and is expected to complete by end 2019. In view that construction works will be awarded in phases, the Group will update shareholders on the total investment sum incurred once all tenders have been awarded. The Group is expecting to fund the project using its existing funds and bank borrowings.

On 4 September 2018, the Group's subsidiary, HG Metal Investments Pte Ltd ("**HGM Investments**"), acquired 51.04% of the issued share capital of First Fortune International Co. Ltd ("**FFI**") with the aim of establishing a steel rebar cut & bend fabrication facility in Myanmar with its joint venture partners, Fortune Peak Investments Pte. Ltd and YNJ Engineering Co. Ltd. The plant which has a production capacity of 50,000 MT will be officially opened on 19 February 2019. As at the date of this announcement, the Group has invested USD3.0 million in the issued share capital of the First Fortune International Co. Ltd.. Pursuant to the signed Joint Venture Agreement, the Group is committed to invest up to USD5.9 million in the capital of FFI.

Given the economic uncertainties and volatile industry conditions, the Group will continue to work on optimising its balance sheet and implement necessary cost rationalisation efforts to improve the financial position of the Group. The Group will also work on pursuing growth in its local and overseas markets.

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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/recommended, a statement to that effect.

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

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 31 December 2018 pursuant to Rule 907 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

14. 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.

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PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

15. **Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year**

Business Segment

| | Trading | Manufacturing | Others | Adjustment/ elimination | Group |
|--|----------------|---------------|---------------|----------------------------|----------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| <u>Financial year ended 31 Dec 2018</u> | | | | | |
| Revenue | | | | | |
| Sales to external customers | 110,272 | 63,651 | - | - | 173,923 |
| Inter-segment sales | 41,350 | 62 | - | (41,412) | - |
| Total | <u>151,622</u> | <u>63,713</u> | <u>-</u> | <u>(41,412)</u> | <u>173,923</u> |
| Results | | | | | |
| Other income | 4,507 | 227 | 1,001 | (790) | 4,945 |
| Recognition of deferred income | 1,429 | - | - | - | 1,429 |
| Interest income | 292 | - | 66 | - | 358 |
| Gain from disposal property, plant and equipment | 96 | - | - | - | 96 |
| Fair value loss from derivatives | (57) | - | - | - | (57) |
| Interest expense | (167) | - | - | - | (167) |
| Impairment of inventories | (8) | - | - | - | (8) |
| Depreciation and amortisation of assets | (1,840) | (444) | (476) | - | (2,760) |
| Amortisation of land use right | - | (20) | - | - | (20) |
| Segment (loss)/profit | <u>(4,447)</u> | <u>419</u> | <u>92</u> | <u>27</u> | <u>(3,909)</u> |
| Income tax credit | | | | | (26) |
| Loss for the year | | | | | <u>(3,935)</u> |
| Assets & liabilities | | | | | |
| Additions to non-current assets | 2,268 | 10,160 | 851 | - | 13,279 |
| Segment assets | <u>122,113</u> | <u>53,603</u> | <u>50,124</u> | <u>(81,350)</u> | <u>144,490</u> |
| Segment liabilities | <u>58,109</u> | <u>45,685</u> | <u>3,006</u> | <u>(65,229)</u> | <u>41,571</u> |
| Tax payable | | | | | 15 |
| Total liabilities | | | | | <u>41,586</u> |

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| | Trading | Manufacturing | Others | Adjustment/ elimination | Group |
|--|----------------|----------------------|----------------|------------------------------------|-----------------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| <u>Financial year ended 31 Dec 2017</u> | | | | | |
| Revenue | | | | | |
| Sales to external customers | 118,224 | 44,394 | - | - | 162,618 |
| Inter-segment sales | 26,846 | 3 | - | (26,849) | - |
| Total | 145,070 | 44,397 | - | (26,849) | 162,618 |
| Results | | | | | |
| Other income | 5,651 | 148 | 2,504 | (1,849) | 6,454 |
| Dividend income | 4,293 | - | 34,748 | (39,041) | - |
| Gain on disposal of associates | 160 | - | 15,054 | (15,214) | - |
| Recognition of deferred income | 1,429 | - | - | - | 1,429 |
| Fair value gain from derivatives | 418 | - | - | - | 418 |
| Write back impairment of inventories | 243 | - | - | - | 243 |
| Interest income | 96 | - | 72 | - | 168 |
| Impairment on investment of associates | - | - | - | (10,148) | (10,148) |
| Interest expense | (18) | - | - | - | (18) |
| Share of associates results | - | 3 | - | - | 3 |
| Depreciation and amortisation of assets | (1,682) | (424) | (471) | - | (2,577) |
| Impairment of property, plant and equipment | (121) | - | (4) | - | (125) |
| Segment profit/(loss) | 1,939 | 1,338 | 52,430 | (67,660) | (11,953) |
| Income tax expenses | | | | | (11) |
| Loss for the year | | | | | (11,964) |
| Assets & liabilities | | | | | |
| Additions to non-current assets | 1,108 | 175 | 2 | - | 1,285 |
| Segment assets | 121,711 | 19,498 | 49,359 | (67,730) | 122,838 |
| Segment liabilities | 53,256 | 17,403 | 2,300 | (54,348) | 18,611 |
| Tax payable | | | | | 15 |
| Total liabilities | | | | | 18,626 |

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Geographical segment

| | Singapore S\$'000 | Malaysia S\$'000 | Indonesia S\$'000 | Myanmar S\$'000 | Others S\$'000 | Group S\$'000 |
|--|----------------------|---------------------|----------------------|--------------------|-------------------|------------------|
| <u>Financial year ended 31 Dec 2018</u> | | | | | | |
| Sales to external customers | 94,030 | 386 | 6,273 | 73,127 | 107 | 173,923 |
| Non-current assets | 13,410 | 416 | - | 9,137 | - | 22,963 |
| <u>Financial year ended 31 Dec 2017</u> | | | | | | |
| Sales to external customers | 66,893 | 846 | 6,386 | 88,476 | 17 | 162,618 |
| Non-current assets | 11,956 | 420 | - | 108 | - | 12,484 |

Non-current assets information presented above consist of property, plant and equipment and intangible assets as presented in the consolidated balance sheet.

16. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to Note 8 above

17. A breakdown of sales as follows:

| | Group | | |
|--|--------------|----------|-------|
| | FY 2018 | FY 2017 | % |
| | S\$'000 | S\$'000 | (+/-) |
| <u>First Half</u> | | | |
| Sales reported for first half year | 91,017 | 83,768 | 9 |
| Operating (loss)/profit after tax before deducting non-controlling interests reported for first half year | (353) | (1,168) | (70) |
| <u>Second Half</u> | | | |
| Sales reported for remaining period | 82,906 | 78,850 | 5 |
| Operating (loss)/profit after tax before deducting non-controlling interests reported for remaining period | (3,582) | (10,796) | (67) |

18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

| | Group | |
|----------|--------------|---------|
| | FY 2018 | FY 2017 |
| | S\$'000 | S\$'000 |
| Ordinary | - | - |

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- 19. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(13) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.**

Not applicable

On behalf of the Board,

Teo Yi-Dar
Chairman

Foo Sey Liang
Director

18 February 2019