



HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Third Quarter Financial Statements and Dividend Announcement for Financial Period Ended 30 September 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		
	3Q 2018 S\$'000	3Q 2017 S\$'000	% (+/-)	YTD 2018 S\$'000	YTD 2017 S\$'000	% (+/-)
Revenue	37,648	36,802	2	128,665	120,570	7
Cost of sales	(35,384)	(34,228)	3	(121,222)	(113,652)	7
Gross profit	2,264	2,574	(12)	7,443	6,918	8
Gross margin	6.0%	7.0%		5.8%	5.7%	
Other operating income	1,373	1,943	(29)	5,239	6,471	(19)
Selling and distribution costs	(161)	(159)	1	(559)	(400)	40
Administrative expenses	(2,222)	(2,131)	4	(6,502)	(6,174)	5
Other operating expenses	(2,070)	(13,363)	(85)	(6,752)	(18,851)	(64)
Finance costs	(38)	(6)	nm*	(62)	(15)	nm*
Share of associates' results	-	260	nm*	-	3	nm*
Loss before income tax	(854)	(10,882)	(92)	(1,193)	(12,048)	(90)
Income tax expense	(4)	(2)	100	(18)	(4)	nm*
Net loss for the period	(858)	(10,884)	(92)	(1,211)	(12,052)	(90)
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss :						
Foreign currency translation	(46)	10	nm*	(12)	12	nm*
Share of other comprehensive income of associates	-	10	nm*	-	(71)	nm*
Reclassification of currency translation reserve to profit or loss	-	740	nm*	-	740	nm*
Reclassification of fair value reserve to profit or loss	-	4	nm*	-	4	nm*
Other comprehensive income for the period, net of tax	(46)	764	nm*	(12)	685	nm*
Total comprehensive income for the period	(904)	(10,120)	nm*	(1,223)	(11,367)	nm*
Loss attributable to:						
Owners of the Company	(862)	(10,853)	nm*	(1,215)	(12,019)	nm*
Non-controlling interests	4	(31)	nm*	4	(33)	nm*
	(858)	(10,884)	nm*	(1,211)	(12,052)	nm*
Total comprehensive income attributable to:						
Owners of the Company	(906)	(10,086)	nm*	(1,225)	(11,331)	nm*
Non-controlling interests	2	(34)	nm*	2	(36)	nm*
	(904)	(10,120)	nm*	(1,223)	(11,367)	nm*

*nm denotes not meaningful

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

	Group		Group	
	3Q 2018	3Q 2017	YTD 2018	YTD 2017
Loss 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	(333)	17	(428)	92
Bad debts (write-off)/recovered	(2)	1	2	1
Amortisation of intangible assets	(1)	(2)	(4)	(9)
Recognition of deferred income	357	357	1,071	1,071
Depreciation of property, plant and equipment	(689)	(646)	(2,035)	(1,935)
Fair value gain/(loss) on forward currency contract, net	369	(72)	(46)	370
Foreign exchange (loss)/gain, net	(335)	(258)	48	(1,653)
Interest income	118	28	269	96
Finance costs	(38)	(6)	(62)	(15)
Impairment on investment in associates	-	(10,138)	-	(10,275)
Gain on disposal of property, plant and equipment	27	12	96	15
Loss on disposal of intangible assets	(1)	-	(1)	-
Impairment of property, plant and equipment	-	(121)	-	(121)

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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	
	30.09.2018 S\$'000	31.12.2017 S\$'000 (Restated)	01.01.2017 S\$'000 (Restated)	30.09.2018 S\$'000	31.12.2017 S\$'000
Non-current assets					
Property, plant and equipment	14,613	12,426	13,864	9,565	8,725
Land use rights	524	-	-	-	-
Intangible assets	43	58	65	3	52
Investment in subsidiaries	-	-	-	13,102	13,102
Investment in associates	-	-	50,855	-	-
Investment securities	7,032	-	-	7,032	-
	22,212	12,484	64,784	29,702	21,879
Current assets					
Investment securities	13	-	-	13	-
Derivative financial instruments*	-	15	-	-	15
Inventories	33,512	17,581	14,217	27,513	15,469
Trade and other receivables	50,097	44,283	34,758	51,442	46,936
Prepaid expenses	667	129	316	306	58
Bank deposits pledged with banks	13,284	19,500	7,038	12,500	19,500
Cash and cash equivalent	15,465	28,846	30,704	7,150	17,854
	113,038	110,354	87,033	98,924	99,832
Current liabilities					
Trade and other payables	16,907	14,493	13,957	48,763	49,439
Finance lease payables	3	141	239	3	141
Bank borrowings	11,024	-	1,963	11,024	-
Provision for income tax	13	15	13	-	-
Deferred income	1,429	1,429	1,429	1,429	1,429
Derivative financial instruments*	31	-	403	31	-
	29,407	16,078	18,004	61,250	51,009
Net current assets	83,631	94,276	69,029	37,674	48,823
Non-current liabilities					
Finance lease payables	-	-	139	-	-
Provision for reinstatement costs	1,000	1,000	1,000	700	700
Deferred income	476	1,548	2,976	476	1,548
	1,476	2,548	4,115	1,176	2,248
	104,367	104,212	129,698	66,200	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	3,031	3,041	2,312	2,527	2,527
Accumulated profits/(losses)	31,674	32,889	(22,720)	(4,608)	(2,354)
	102,986	104,211	129,429	66,200	68,454
Non-controlling interests	1,381	1	269	-	-
Total equity	104,367	104,212	129,698	66,200	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 30 September 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	-	11,024	3	-	-	141
Repayable after one year	-	-	-	-	-	-
Total	-	11,024	3	-	-	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	
	3Q 2018	3Q 2017	YTD 2018	YTD 2017
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Loss before income tax	(854)	(10,882)	(1,193)	(12,048)
Adjustments for:				
Depreciation of property, plant and equipment	689	646	2,035	1,935
Amortisation of intangible assets	1	2	4	9
Allowance/(reversal of allowance) for impairment of receivables, net	333	(17)	428	(92)
Bad debts write-off/(recovered)	2	(1)	(2)	(1)
Gain on disposal of property, plant and equipment	(27)	(12)	(96)	(15)
Loss on disposal of intangible assets	1	-	1	-
Impairment of property, plant and equipment	-	121	-	121
Impairment on investment in associates	-	10,138	-	10,275
Fair value (gain)/loss on forward currency contract, net	(369)	72	46	(370)
Finance costs	38	6	62	15
Interest income	(118)	(28)	(269)	(96)
Share of associates' results	-	(260)	-	(3)
Recognition of deferred income	(357)	(357)	(1,071)	(1,071)
Unrealised foreign exchange loss/(gain), net	204	594	(503)	1,344
Operating cash flow before changes in working capital	(457)	22	(558)	3
Working capital changes:				
Inventories	(4,176)	3,081	(17,923)	(3,909)
Trade and other receivables	(1,430)	1,189	(6,268)	(7,413)
Trade and other payables	(6,655)	3,882	2,098	3,964
Cash (used in)/generated from operations	(12,718)	8,174	(22,651)	(7,355)
Interest expense paid	(38)	(6)	(62)	(15)
Interest income received	118	28	269	96
Income tax paid	(5)	(4)	(20)	(4)
Net cash flows (used in)/generated from operating activities	(12,643)	8,192	(22,464)	(7,278)
Cash flows from investing activities				
Net cash outflow on acquisition of a subsidiary	(67)	-	(67)	-
Dividend income received from investments in associates	-	-	-	1,011
Bank deposit (pledged with)/withdrawn from banks	(373)	7	6,216	38
Proceeds from disposal of property, plant and equipment	64	12	150	12
Proceeds from disposal of intangible assets	47	-	47	-
Purchase of investment securities	-	-	(7,058)	-
Purchase of property, plant and equipment	(1,637)	(94)	(1,831)	(217)
Purchase of intangible assets	-	-	(2)	(2)
Net cash flows (used in)/generated from investing activities	(1,966)	(75)	(2,545)	842
Cash flows from financing activities				
Acquisition of non-controlling interests	-	(232)	-	(232)
Issuance of ordinary shares in a subsidiary	763	-	763	-
Dividends paid on ordinary shares of the Company	-	-	-	(637)
Proceeds from bank borrowings	22,222	5,157	44,348	12,161
Repayment of bank borrowings	(11,783)	(7,410)	(33,275)	(14,104)
Repayment of finance lease payables	(25)	(58)	(137)	(177)
Net cash flows generated from/(used in) financing activities	11,177	(2,543)	11,699	(2,989)
Net (decrease)/increase in cash and cash equivalents	(3,432)	5,574	(13,310)	(9,425)
Effects on exchange rate changes on cash and cash equivalents	(57)	73	(71)	170
Cash and cash equivalents at beginning of financial period	18,954	15,802	28,846	30,704
Cash and cash equivalents at end of financial period	15,465	21,449	15,465	21,449

(1) Investment securities of S\$7.0 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	
	30 September 2018	30 September 2017
	S\$'000	S\$'000
Cash and bank balances	11,205	17,236
Bank deposits	17,544	11,213
	28,749	28,449
<i>Less</i> : Bank deposits pledged with banks ⁽¹⁾	(13,284)	(7,000)
Cash and cash equivalents per consolidated cash flow statement	15,465	21,449

⁽²⁾ Bank deposit of S\$13.3 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	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 transition to 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	Fair value 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	S\$'000
Opening balance at 1 January 2018	70,496	(2,215)	2,527	-	(212)	726	32,889	104,211	1	104,212
Loss for the period	-	-	-	-	-	-	(1,215)	(1,215)	4	(1,211)
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	(10)	-	(10)	(2)	(12)
Other comprehensive income for the period, net of tax	-	-	-	-	-	(10)	-	(10)	(2)	(12)
Total comprehensive income for the period	-	-	-	-	-	(10)	(1,215)	(1,225)	2	(1,223)
<u>Change in ownership interest in subsidiary</u>										
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	91	91
Issuance of ordinary shares in a subsidiary	-	-	-	-	-	-	-	-	1,287	1,287
Total change in ownership interest in subsidiary	-	-	-	-	-	-	-	-	1,378	1,378
Total transactions with owners in their capacity as owners	-	-	-	-	-	-	-	-	1,378	1,378
Closing balance at 30 September 2018	70,496	(2,215)	2,527	-	(212)	716	31,674	102,986	1,381	104,367

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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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 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	70,496	(2,215)	2,527	(2,354)	68,454
Loss for the period, representing total comprehensive income for the period	-	-	-	(2,254)	(2,254)
Closing balance at 30 September 2018	70,496	(2,215)	2,527	(4,608)	66,200

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 June and 30 September	127,417,735	127,417,735
	2018	2017
<u>Number of treasury shares</u>		
As at 30 September	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 30 September 2018 and 30 September 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.

	30 September 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.

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.

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Except for SFRS(I) 1, 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	
	3Q 2018	3Q 2017	YTD 2018	YTD 2017
Earnings per ordinary shares:				
(a) Basic (cents)	(0.68)	(8.52)	(0.95)	(9.43)
(b) Diluted (cents)	(0.68)	(8.52)	(0.95)	(9.43)

- (a) Earnings per share were calculated based on weighted average number of shares of 127,417,735 for the period ended 30 September 2018 and 30 September 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	
	30.09.2018	31.12.2017	30.09.2018	31.12.2017
Net asset value per ordinary share (S\$)	0.81	0.82	0.52	0.54

Net asset value per ordinary share was calculated based on 127,417,735 as at 30 September 2018 and 31 December 2017.

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.

On 18 September 2018, HGM Investments together with its joint venture partners, Fortune Peak Investments Pte. Ltd. and YNJ Engineering Co. Ltd subscribed for 9,764, 5,540 and 3,827 shares of USD100 each respectively for an aggregate consideration of USD1,913,100. On 4 October 2018, the parties further subscribed for 9,765, 5,540 and 3,826 shares of USD100 each respectively for an aggregate consideration of USD1,913,100 towards the increase in the paid-up ordinary share capital of FFI.

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As at date of this announcement, the issued and paid-up ordinary share capital of FFI is USD4,013,700, comprising 40,137 shares.

The Group has accounted for its investment in FFI in the financial statements for financial period ended 30 September 2018.

Results for 3Q2018 versus 3Q2017

Revenue and Gross Profit

The Group recorded revenue of S\$37.6 million in 3Q2018 as compared to S\$36.8 million in 3Q2017, representing a 2.2% increase in revenue. This was driven by a 20% increase in average selling price which more than compensated a 15% reduction in sales volume.

Despite higher revenue achieved in 3Q2018, the gross profit for 3Q2018 was S\$2.3 million as compared to gross profit of S\$2.6 million in 3Q2017 due to decline in gross profit margin to 6.0% in 3Q2018 from 7.0% in 3Q2017. 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\$1.4 million in 3Q2018 from S\$1.9 million in 3Q2017 mainly due to the decline in warehousing and rental income.

Distribution, Administrative, Other Operating and Finance Expenses

There were no significant changes in administrative expenses and distribution expenses in 3Q2018 as compared to previous corresponding quarter.

Other operating expenses decreased significantly from S\$13.4 million in 3Q2017 to S\$2.1 million in 3Q2018, mainly due to the absence of exceptional items incurred in 3Q2017 on impairment of its investment in associates of S\$10.9 million and fair value loss on foreign currency forward contracts and foreign exchange loss of S\$0.6 million.

The increase of finance costs in 3Q2018 was due to higher borrowing cost incurred on trade financing.

Profitability

The Group posted a net loss after tax of S\$0.9 million in 3Q2018 compared to a net loss after tax of S\$10.9 million in 3Q2017 due to reasons afore-mentioned.

Results for YTD 2018 versus YTD 2017

Revenue and Gross Profit

The Group achieved revenue of S\$128.7 million in YTD2018 as compared to S\$120.6 million in YTD2017, contributed by 21% increase in average selling price sales which more than compensated a 12% reduction in sales volume.

Gross profit increased to S\$7.4 million in YTD2018 from S\$6.9 million in YTD2017, driven by higher revenue registered in YTD2018.

Other Operating Income

Other operating income decreased from S\$6.5 million in YTD2017 to S\$5.2 million in YTD2018. This was mainly due to lower warehousing and rental income, reduced fair value gain on forward currency contracts and other miscellaneous income.

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Distribution, Administrative, Other Operating and Finance Expenses

The Group's distribution expenses increased to S\$0.6 million in YTD2018 from S\$0.4 million in YTD2017. The increase was mainly attributed to higher demand for out-sourced logistics services to support volume growth for local sales in YTD2018.

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

Other operating expenses reduced from S\$18.9 million in YTD2017 to S\$6.8 million in YTD2018, primarily due to the absence of extraordinary items incurred in 3Q2017.

The finance costs increased to S\$0.06 million in YTD2018 due to higher borrowing on trade financing.

Profitability

The Group recorded a net loss after tax of S\$1.2 million in YTD2018, compared to a net loss after tax of S\$12.1 million in YTD2017.

Balance Sheet

The Group's non-current assets increased to S\$22.2 million as at 30 September 2018 compared to S\$12.5 million as at 31 December 2017. The increase was mainly attributed to the investment in bonds of S\$7.0 million and increase in property, plant and equipment, land use rights of S\$2.7 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 in Myanmar.

As at 30 September 2018, the Group's inventory on hand increased to S\$33.5 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 sales volume.

Trade and other receivables increased to S\$50.1 million as at 30 September 2018 as compared to S\$44.3 million as at 31 December 2017 in tandem with increase in revenue.

Trade and other payables increased to S\$16.9 million as at 30 September 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\$11.0 million as at 30 September 2018 in tandem with increase in inventory level and higher purchases towards period end.

Non-controlling interest increased to S\$1.4 million as at 30 September 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\$22.5 million in YTD2018. This was mainly attributable to the increase in trade and other receivables and inventories of S\$6.3 million and S\$17.9 million respectively, offset by the increase in trade and other payables of S\$2.1 million.

Net cash flows used in investing activities for YTD2018 was S\$2.5 million, mainly due to the purchase of investment securities and property, plant and equipment of S\$7.1 million and S\$1.8 million respectively and partially offset by bank deposits withdrawn from banks of S\$6.2 million.

Net cash flows generated from financing activities for YTD2018 was S\$11.7 million. This relates mainly to net proceeds from bank borrowings of S\$11.1 million and issuance of ordinary shares in a subsidiary of S\$0.8 million.

The Group's cash and cash equivalents was S\$15.5 million as at 30 September 2018 in comparison to S\$21.4 million as at 30 September 2017.

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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 Group expects the operating environment for the steel industry to be increasing challenging. Based on the macroeconomic review released by the Monetary Authority of Singapore on 26 Oct 2018, the Singapore's economy is expected to expand at a slower pace for the rest of the year and in 2019 due to the negative spill overs from the trade friction between US-China.

The slow recovery of the construction sectors and the property cooling measures announced by the Government in July 2018 continue to dampen demand for steel products. This together with challenges that persist in the marine and offshore industry as well as intense competition among industry players are expected to pose challenges to the Group's business volume and profit margin for the current financial year.

Given the economic uncertainties and volatile industry conditions, the Group will focus on optimise its balance sheet and monitor the risk exposures faced by the business.

On 4 September 2018, the Group through its subsidiary, HG Metal Investments Pte Ltd ("HGM Investments") completed the acquisition of 51.04% of the issued share capital of First Fortune International Co. Ltd ("FFI") for the purpose of establishing a steel rebar cut & bend fabrication facility in Myanmar. The development of the steel fabrication facility is currently underway and progressing well as planned.

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.

Not applicable

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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 was no interested person transactions with aggregate value of more than S\$100,000 during financial period ended 30 September 2018 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 September 2018 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 November 2018