



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

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**RESPONSE TO SGX QUERIES ON THE COMPANY'S ANNOUNCEMENT DATED 18 FEBRUARY 2019**

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The Board of Directors of HG Metal Manufacturing Limited (the “Company”) refers to the Company’s announcement dated 18 February 2019 (the “Announcement”) in relation to the Company’s Financial Statements for the Financial Year ended 31 December 2018. The Company has received queries from the Singapore Exchange Securities Trading Limited (“SGX-ST”) regarding the Announcement on 20 February 2019 and sets out its responses as follows:-

**SGX-ST’s queries:**

1. It is disclosed on page 1 of the announced financial results:-

Line Item	Group		Group	
	4Q 2018	4Q 2017	2018	2017
	S\$'000	S\$'000	S\$'000	S\$'000
(Impairment loss) / reversal of impairment on financial assets	(1,557)	28	(1,985)	120

The Company also stated on page 13 of the announced financial results, “*impairment on financial assets was mainly related to impairment of trade receivables*”.

In relation to the trade receivables for which impairment has been provided, please disclose:

- i) The Company’s plans to recover the trade receivables;
- ii) Whether they are major customer(s) and whether the Company continues to transact with these customer(s);
- iii) How long are the debts outstanding and when were the sales reported;
- iv) What were the actions taken to recover the trade receivables;
- v) The reasons for the impairment on financial assets;
- vi) The Board’s opinion on the reasonableness of the methodologies used to determine the value of the impairment of the trade receivables; and
- vii) The Board’s assessment of the recoverability of the remaining trade receivables.

### Company's response:

- (i) The impairment of trade receivables amounted to S\$1.99 million for FY2018. See information below:

Name of Customer	Impairment 4Q2018 S\$'000	Impairment FY2018 S\$'000	Remark
Civil Tech Pte Ltd	1,200	1,372	Please refer the Company's Announcement dated 30 October 2018. Company currently in Liquidation (Compulsory Winding Up)
Ryobi Kiso (S) Pte Ltd**	-	86	Under Receivership
Hydrochem (S) Pte Ltd*	-	51	
Hyflux Membrane Manufacturing (S) Pte Ltd*	-	17	
Star Piling Pte Ltd**	-	1	
SM Foundation Machinery Pte Ltd	-	32	In Liquidation (Compulsory Winding Up)
Planar One Associates Pte Ltd	-	27	In Liquidation (Compulsory Winding Up)
Other trade receivables	15	57	
Provision for expected credit loss	342	342	As required by Singapore Financial Reporting Standards (International), SFRS(I) 9 Financial Instruments
<b>Total</b>	<b>1,557</b>	<b>1,985</b>	
* Subsidiaries of Hyflux Ltd. Hyflux Ltd is currently working on a scheme of arrangement involving its creditors to reorganise liabilities and businesses of the the Group.			
** Subsidiaries of Ryobi Kiso Holdings Ltd. The Company is currently on court supervised reorganisation process			

The Company has issued letters of demand and/or commenced legal proceedings against certain trade receivables. As can be seen above, a number of these customers are either in receivership or in liquidation. The Company will continue to take every action to recover these debts, including following through the legal procedures to recover the debts.

The Company will further tighten its credit control and monitoring procedures to minimise its exposure.

- (ii) These customers are not our major customers as none of them accounted for more than 5% of the Group's revenue.

The Company has ceased trading with those customers who have defaulted on their payment.

- (iii) The debts had been outstanding for more than 6 months. Majority of the amount impaired (S\$1.94 million) related to sales that were taken in FY2018.

- (iv) The Company had taken active steps to pursue collections for the outstanding debts. The actions taken to recover the trade receivables were:

- (a) Issue of letters of demand
- (b) Meetings with the customers
- (c) Issue of final letters of demand
- (d) Commencement of legal action

- (v) The Company has impaired its financial assets in line with the adoption of the Singapore Financial Reporting Standards (International), SFRS(I) 9 Financial Instruments. The debts are impaired based on the following reasons:

- (a) The debts are more than 6 months old
- (b) All attempts to collect the debts have failed (as mentioned in (iv))
- (c) Certain customers have gone into liquidation

Such impairment has been reviewed by our external auditors.

- (vi) The Board considers the methodology used to determine the impairment of trade receivables is appropriate.
- (vii) The Board's assessment on the remaining trade receivables is deemed to be collectable, based on current credit information.

**By Order of the Board**

Foo Sey Liang  
Executive Director

22 February 2019