



HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Third Quarter Financial Statements and Dividend Announcement for Financial Period Ended 30 September 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		
	3Q 2017 S\$'000	3Q 2016 S\$'000	% (+/-)	YTD 2017 S\$'000	YTD 2016 S\$'000	% (+/-)
Revenue	36,802	17,068	116	120,570	72,709	66
Cost of sales	(34,228)	(16,536)	107	(113,652)	(68,578)	66
Gross profit	2,574	532	384	6,918	4,131	67
Gross margin	7.0%	3.1%		5.7%	5.7%	
Other operating income	1,943	2,713	(28)	6,471	7,092	(9)
Selling & distribution costs	(159)	(34)	368	(400)	(170)	135
Administrative expenses	(2,131)	(2,091)	2	(6,174)	(6,099)	1
Other operating expenses	(13,163)	(2,118)	521	(18,651)	(6,642)	181
Finance costs	(6)	(5)	20	(15)	(91)	(84)
Share of associates' results	60	782	(92)	(197)	1,864	nm*
(Loss)/profit before income tax	(10,882)	(221)	nm*	(12,048)	85	nm*
Income tax (expense)/credit	(2)	-	nm*	(4)	10	nm*
Net (loss)/profit for the period	(10,884)	(221)	nm*	(12,052)	95	nm*
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss :						
Foreign currency translation	10	(21)	nm*	12	13	nm*
Share of other comprehensive income of associates	-	(29)	nm*	(81)	(124)	nm*
Reclassification of currency translation reserve to profit or loss	750	-	nm*	750	-	nm*
Reclassification of fair value reserve to profit or loss	4	-	nm*	4	-	nm*
Other comprehensive income for the period, net of tax	764	(50)	nm*	685	(111)	nm*
Total comprehensive income for the period	(10,120)	(271)	nm*	(11,367)	(16)	nm*
(Loss)/profit attributable to:						
Owners of the Company	(10,853)	(219)	nm*	(12,019)	81	nm*
Non-controlling interests	(31)	(2)	nm*	(33)	14	nm*
	(10,884)	(221)	nm*	(12,052)	95	nm*
Total comprehensive income attributable to:						
Owners of the Company	(10,086)	(266)	nm*	(11,331)	(31)	nm*
Non-controlling interests	(34)	(5)	nm*	(36)	15	nm*
	(10,120)	(271)	nm*	(11,367)	(16)	nm*

*nm denotes not meaningful

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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:	Group		Group	
	3Q 2017	3Q 2016	YTD 2017	YTD 2016
	S\$'000	S\$'000	S\$'000	S\$'000
Reversal of allowance for impairment of receivables	17	33	92	25
Bad debts recovered/(written off)	1	(7)	1	(7)
Amortisation of intangible assets	(2)	(8)	(9)	(22)
Recognition of deferred income	357	357	1,071	1,071
Depreciation of property, plant and equipment	(646)	(645)	(1,935)	(1,894)
Fair value (loss)/gain on derivatives, net	(72)	(92)	370	(35)
Foreign exchange (loss)/gain, net	(258)	545	(1,653)	(122)
Interest income	28	54	96	224
Finance costs	(6)	(5)	(15)	(91)
Impairment on investment in associates	(9,928)	-	(10,065)	-
Gain on disposal of property, plant and equipment	12	28	15	297
Write-off of property, plant and equipment	-	-	-	(33)
Impairment of property, plant and equipment	(121)	-	(121)	-
Reversal of impairment of inventories, net	-	17	-	17

Note:

The share of associate results for BRC Asia Limited is based on estimation as BRC has not announced its financial results for quarter ended 30 September 2017. The Group's financial results will not be materially affected by the BRC announcement of its actual results in view that the Group has impaired the investment in BRC to its expected consideration from the proposed disposal.

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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	
	30.09.2017 S\$'000	31.12.2016 S\$'000	30.09.2017 S\$'000	31.12.2016 S\$'000
Non-current assets				
Property, plant and equipment	12,084	13,864	8,147	9,421
Intangible assets	58	65	53	61
Investment in subsidiaries	-	-	13,380	13,147
Investment in associates	-	50,855	-	505
	12,142	64,784	21,580	23,134
Current assets				
Investment held for sales	39,500	-	505	-
Inventories	18,053	14,217	14,840	12,269
Trade and other receivables	40,902	34,758	55,419	49,142
Prepaid expenses	847	316	146	263
Fixed deposits pledged with bank	7,000	7,038	7,000	7,038
Cash and cash equivalent	21,449	30,704	13,318	20,027
	127,751	87,033	91,228	88,739
Current liabilities				
Trade and other payables	17,851	13,957	27,055	23,493
Finance lease payables	198	239	198	239
Bank borrowings	-	1,963	-	1,963
Provision for taxation	13	13	-	-
Deferred income	1,429	1,429	1,429	1,429
Derivative financial instruments*	33	403	33	403
	19,524	18,004	28,715	27,527
Net current assets	108,227	69,029	62,513	61,212
Non-current liabilities				
Finance lease payables	3	139	3	139
Provision for reinstatement costs	1,000	1,000	700	700
Deferred income	1,905	2,976	1,905	2,976
	2,908	4,115	2,608	3,815
	117,461	129,698	81,485	80,531
Equity attributable to owners of the Company				
Share capital	152,052	152,052	152,052	152,052
Treasury shares	(2,215)	(2,215)	(2,215)	(2,215)
Other reserves	2,097	1,410	2,527	2,527
Accumulated losses	(34,474)	(21,818)	(70,879)	(71,833)
	117,460	129,429	81,485	80,531
Non-controlling interests	1	269	-	-
Total equity	117,461	129,698	81,485	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.

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

	As at 30 September 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	-	-	198	1,963	-	239
Repayable after one year	-	-	3	-	-	139
Total	-	-	201	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.

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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 2017	3Q 2016	YTD 2017	YTD 2016
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
(Loss)/profit before income tax	(10,882)	(221)	(12,048)	85
Adjustments for:				
Depreciation of property, plant and equipment	646	645	1,935	1,894
Amortisation of intangible assets	2	8	9	22
Reversal of allowance for impairment of receivables	(17)	(33)	(92)	(25)
Bad debts (recovered)/written off	(1)	7	(1)	7
Gain on disposal of property, plant and equipment	(12)	(28)	(15)	(297)
Write-off of property, plant and equipment	-	-	-	33
Impairment of property, plant and equipment	121	-	121	-
Reversal of impairment of inventories, net	-	(17)	-	(17)
Impairment on investment in associates	9,928	-	10,065	-
Fair value loss/(gain) on derivatives, net	72	92	(370)	35
Finance costs	6	5	15	91
Interest income	(28)	(54)	(96)	(224)
Share of associates' results	(60)	(782)	197	(1,864)
Recognition of deferred income	(357)	(357)	(1,071)	(1,071)
Unrealised foreign exchange (loss)/gain, net	604	98	1,354	(117)
Operating cash flow before changes in working capital	22	(637)	3	(1,448)
Working capital changes:				
Inventories	3,081	2,444	(3,909)	(11,017)
Trade and other receivables	1,189	10,642	(7,413)	9,186
Trade and other payables	3,882	(24,181)	3,964	(589)
Cash generated from/(used in) operations	8,174	(11,732)	(7,355)	(3,868)
Interest expense paid	(6)	(5)	(15)	(91)
Interest income received	28	54	96	224
Income tax paid	(4)	-	(4)	71
Net cash flows generated from/(used in) operating activities	8,192	(11,683)	(7,278)	(3,664)
Cash flows from investing activities				
Dividend income received from investments in associates	-	-	1,011	843
Fixed deposit pledged with a bank	7	(7,000)	38	(7,000)
Proceeds from disposal of property, plant and equipment	12	4	12	406
Purchase of property, plant and equipment	(94)	(144)	(217)	(355)
Purchase of intangible assets	-	-	(2)	-
Net cash flows (used in)/ generated from investing activities	(75)	(7,140)	842	(6,106)
Cash flows from financing activities				
Acquisition of non-controlling interests	(232)	-	(232)	-
Purchase of treasury shares	-	-	-	(309)
Dividends paid on ordinary shares of the Company	-	-	(637)	-
Proceeds from bank borrowings	5,157	1,716	12,161	1,716
Repayment of bank borrowings	(7,410)	(1,716)	(14,104)	(8,533)
Repayment of finance lease payables	(58)	(62)	(177)	(187)
Net cash flows used in financing activities	(2,543)	(62)	(2,989)	(7,313)
Net increase/(decrease) in cash and cash equivalents	5,574	(18,885)	(9,425)	(17,083)
Effects on exchange rate changes on cash and cash equivalents	73	(115)	170	125
Cash and cash equivalents at beginning of financial period	15,802	52,556	30,704	50,514
Cash and cash equivalents at end of financial period	21,449	33,556	21,449	33,556

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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 2017 S\$'000	30 September 2016 S\$'000
Cash and bank balances	17,236	18,519
Fixed deposits	11,213	22,037
	28,449	40,556
<u>Less</u> : Fixed deposits pledged with a bank ⁽¹⁾	(7,000)	(7,000)
Cash and cash equivalents per consolidated cash flow statement	21,449	33,556

- ⁽¹⁾ 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.

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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							Non-controlling interests	Total equity	
	Share capital	Treasury shares	Capital reserve	Fair value reserve	Other reserves	Foreign currency translation reserve	Accumulated losses			Total
	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	-	-	-	-	-	-	(12,019)	(12,019)	(33)	(12,052)
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	15	-	15	(3)	12
Share of other comprehensive income of associate	-	-	-	-	-	(81)	-	(81)	-	(81)
Reclassification of currency translation reserve to profit or loss	-	-	-	-	-	750	-	750	-	750
Reclassification of fair value reserve to profit or loss	-	-	-	4	-	-	-	4	-	4
Other comprehensive income for the period, net of tax	-	-	-	4	-	684	-	688	(3)	685
Total comprehensive income for the period	-	-	-	4	-	684	(12,019)	(11,331)	(36)	(11,367)
<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)
<u>Change in ownership interest in subsidiary</u>										
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(232)	(232)
Premium received 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	-	-	-	-	(1)	-	(637)	(638)	(232)	(870)
Closing balance at 30 September 2017	152,052	(2,215)	2,527	-	(212)	(218)	(34,474)	117,460	1	117,461

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Group	Attributable to owners of the Company							Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Capital reserve	Fair value reserve	Other reserves	Foreign currency translation reserve	Accumulated losses			
	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	-	-	-	-	-	-	81	81	14	95
Other comprehensive income										
Foreign currency translation	-	-	-	-	-	12	-	12	1	13
Share of other comprehensive income of associate	-	-	-	-	-	(124)	-	(124)	-	(124)
Other comprehensive income for the period, net of tax	-	-	-	-	-	(112)	-	(112)	1	(111)
Total comprehensive income for the period	-	-	-	-	-	(112)	81	(31)	15	(16)
Contribution by and distributions to owners										
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 September 2016	152,052	(2,215)	2,527	(4)	(211)	(784)	(22,633)	128,732	279	129,011

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Company	Share capital	Treasury shares	Capital reserve	Accumulated losses	Total
	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 period, representing total comprehensive income for the period	-	-	-	1,591	1,591
<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 September 2017	152,052	(2,215)	2,527	(70,879)	81,485
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	-	-	-	(3,558)	(3,558)
<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 September 2016	152,052	(2,215)	2,527	(71,749)	80,615

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 September 2017.

As at 30 September 2017, the Company held 3,193,630 (approximately 2.45% of the total number of issued shares) (30 September 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 September 2017 and 30 September 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.

	30 September 2017	31 December 2016
Total number of issued shares	130,611,365	130,611,365
Treasury shares	(3,193,630)	(3,193,630)
Total number of issued shares excluding treasury shares	127,417,735	127,417,735

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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	
	3Q 2017	3Q 2016	YTD 2017	YTD 2016
Earnings per ordinary shares:				
(a) Basic (cents)	(8.52)	(0.17)	(9.43)	0.06
(b) Diluted (cents)	(8.52)	(0.17)	(9.43)	0.06

(a) Earnings per share were calculated based on weighted average number of shares of 127,417,735 and 127,443,736 for the period ended 30 September 2017 and 30 September 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.

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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	
	30.09.2017	31.12.2016	30.09.2017	31.12.2016
Net asset value per ordinary share (S\$)	0.92	1.02	0.64	0.63

Net asset value per ordinary share was calculated based on 127,417,735 and 127,417,735 as at 30 September 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 3Q2017 versus 3Q2016

The Group's revenue increased 116% from S\$17.1 million in 3Q2016 to S\$36.8 million in 3Q2017 mainly contributed by 58% increase in sales volume and 36% increase in average selling price in 3Q2017, led by the change in sales mix and increase in steel prices as well as increase in export sales volume.

Gross profit went up to S\$2.6 million in 3Q2017 compared to S\$0.5 million in 3Q2016 contributed by the increase in sales volume and improvement in gross profit margin to 7% in 3Q2017 as compared to 3.1% achieved in 3Q2016.

Other Operating Income

Other operating income decreased from S\$2.7 million in 3Q2016 to S\$1.9 million in 3Q2017. This was mainly due to the decline in warehousing and rental income of S\$0.3 million and reduced foreign exchange gain of S\$0.5 million.

Distribution, Administrative, Other Operating and Finance Expenses

The Group's distribution expenses increased in tandem with the increase in sales volume in 3Q2017.

There were no significant changes in administrative expenses compared to previous corresponding quarter.

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Other operating expenses increased from S\$2.1 million in 3Q2016 to S\$13.2 million in 3Q2017, mainly due to expenses incurred in relation to the following extraordinary items:

- (i) On 9 September 2017, the Company announced that it had entered into a conditional agreement with Esteel Enterprise Pte. Ltd. ("Purchaser") to dispose of all 42,145,518 ordinary shares held by its subsidiary, HG Metal Pte Ltd in the issued and paid-up share capital of BRC Asia Limited ("BRC") at the consideration of S\$0.925 per BRC Share. In view of the intended disposal, the Group recognised an impairment loss of S\$9.9 million in 3Q2017 in respect of the remaining carrying value of its investment in BRC and the expected proceeds from the disposal. The disposal was duly approved by the Company's shareholders at the extraordinary general meeting ("EGM") held on 25 October 2017. Pursuant to the disposal, BRC has ceased to be an associated company of the Group.
- (ii) In line with the proposed disposal of the BRC shares, the currency translation reserve and fair value reserve of S\$0.8 million previously recorded in other comprehensive income were reclassified to other operating expenses upon reclassification of the investment in associate to investment held for sale.

Profitability

The Group posted a net loss after tax of S\$10.9 million in 3Q2017 as compared to a net loss after tax of S\$0.2 million in 3Q2016 mainly due to reasons explained above.

Results for YTD 2017 versus YTD 2016

Revenue and Gross Profit

The Group achieved revenue of S\$120.6 million in YTD2017 as compared to S\$72.7 million in YTD2016, contributed by 23% increase in sales volume and 35% increase in average selling price in YTD2017.

Gross profit increased to S\$6.9 million in YTD2017 from S\$4.1 million in YTD2016, driven by higher revenue registered in YTD2017.

Other Operating Income

Other operating income decreased from S\$7.1 million in YTD2016 to S\$6.5 million in YTD2017. This was mainly due to lower warehousing and rental income, reduced gain from disposal of fixed assets and other miscellaneous income amounting to S\$1.0 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 went up to S\$0.4 million in YTD2017 from S\$0.2 million in YTD2016, in tandem with the increase in sales volume in YTD2017.

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

Other operating expenses increased from S\$6.6 million in YTD2016 to S\$18.7 million in YTD2017, primarily due to the impairment loss and reclassification of currency translation reserve and fair value reserve arising from the proposed disposal of the investment in BRC amounting to S\$10.7 million as mentioned above, as well as an increase in foreign exchange loss in current period. The weakening of the US Dollar against the Singapore Dollar has contributed to the foreign exchange loss for current period as the Group is at net USD asset position.

The Group made full repayment of certain bank loans in last financial year. This led to the decline in finance expenses in YTD2017 as compared to YTD2016.

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Profitability

The Group posted a net loss after tax of S\$12.1 million in YTD2017, compared to a net profit after tax of S\$0.1 million in YTD2016, mainly due to the impairment loss for the proposed disposal of its equity interest in an associated company, BRC.

Balance Sheet

As at 30 September 2017, the Group's inventory on hand increased to S\$18.1 million as compared to S\$14.2 million as at 31 December 2016 in view of stock replenishments in YTD2017 to support the increase in business volume.

Trade and other receivables increased in line with higher revenue to S\$40.9 million as at 30 September 2017 as compared to S\$34.8 million as at 31 December 2016.

Trade and other payables increased to S\$17.9 million as at 30 September 2017 compared to S\$14.0 million as at 31 December 2016.

There were no outstanding bank borrowings as at 30 September 2017.

Statement of Cash Flows

The net cash flows used in operating activities was S\$7.3 million in YTD2017 as compared to net cash flows used in operating activities of S\$3.7 million in YTD2016. This was mainly attributable to the increase in trade and other receivables and inventories of S\$7.4 million and S\$3.9 million respectively, offset by increase in trade and other payables of S\$4.0 million.

Net cash flows generated from investing activities for YTD2017 was S\$0.8 million, mainly derived from dividends received from a quoted investment.

Net cash flows used in financing activities for YTD2017 was S\$3.0 million, primarily for dividend payment of S\$0.6 million and net repayment of bank borrowings of S\$2.0 million.

The Group's cash and cash equivalents was S\$21.4 million as at 30 September 2017 in comparison to S\$33.6million as at 30 September 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.

HG METAL MANUFACTURING LIMITED

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

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 global and Singapore economies continue to show signs of improvement. According to the advance estimates released by the Ministry of Trade and Industry on 13 Oct 2017, Singapore economy grew by 4.6% on a year-on-year basis in the 3rd quarter of 2017, higher than the 2.9% achieved in 2Q 2017. This was driven mainly by the growth in the manufacturing output and improvement in services sector. However, the performance of marine and offshore engineering as well as the construction sectors remained weak. The construction sector continued its downward trend with contraction of 6.3% on a year-on-year basis, extending the 6.8% decline in the previous quarter.

Meanwhile, the 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 external backdrop, the Group expects the operating environment for the steel industry to remain challenging as the demand from various industry sectors remain subdued. The volatility in US Dollar and international steel prices, intensifying local competition are factors that will continue to pose challenges to the businesses of the Group.

With the divestment of the two investment in associates, namely BRC Asia Limited and Pos-Sea Pte Ltd as announced on 9 September 2017 and 4 October 2017 respectively, the Group will remain focused in growing its core businesses in steel trading and related value added services while continue to rationalise its business operations and optimise its inventory holding

The Group will continue to seek growth opportunities, locally or overseas

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.

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12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared for the reporting period.

The Company announced on 25 September 2017 its intention to undertake a capital reduction exercise pursuant to Section 78A read with Section 78C of the Companies Act (Chapter 50) of Singapore ("Companies Act"), which will involve (i) a write off of part of the accumulated losses of the Company as at 31 December 2016 to the extent of S\$68,176,921.49 and (ii) a cash distribution to shareholders of the Company at S\$0.105 per ordinary share in the capital of the Company, subject to the completion of the proposed disposal of its investment in BRC Asia Limited. The proposed capital reduction and proposed cash distribution have been approved by the shareholders of the Company at the EGM held on 25 October 2017.

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 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 September 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

13 November 2017