



HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Financial Statements and Dividend Announcement for Year Ended 31 December 2017

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 2017 S\$'000	4Q 2016 S\$'000	% (+/-)	2017 S\$'000	2016 S\$'000	% (+/-)
Revenue	42,048	35,820	17	162,618	108,529	50
Cost of sales	(39,232)	(33,913)	16	(152,884)	(102,491)	49
Gross profit	2,816	1,907	48	9,734	6,038	61
Gross margin	6.7%	5.3%		6.0%	5.6%	
Other operating income	2,241	2,918	(23)	8,712	9,888	(12)
Selling and distribution costs	(216)	(50)	332	(616)	(220)	180
Administrative expenses	(2,437)	(1,996)	22	(8,611)	(8,095)	6
Other operating expenses	(2,306)	(2,486)	(7)	(21,157)	(9,006)	135
Finance costs	(3)	(4)	(25)	(18)	(95)	(81)
Share of associates' results	-	522	nm*	3	2,386	nm*
Profit/(loss) before income tax	95	811	nm*	(11,953)	896	nm*
Income tax (expense)/credit	(7)	-	nm*	(11)	10	nm*
Net profit/(loss) for the year	88	811	nm*	(11,964)	906	nm*
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss :						
Foreign currency translation	42	(56)	nm*	54	(43)	nm*
Share of other comprehensive income of associates	-	(68)	nm*	(71)	(192)	nm*
	42	(124)	nm*	(17)	(235)	nm*
Items that will not be reclassified to profit or loss :						
Reclassification of currency translation reserve to profit or loss:	-	-	nm*	740	-	nm*
Reclassification of fair value reserve to profit or loss	-	-	nm*	4	-	nm*
	-	-	nm*	744	-	nm*
Other comprehensive income for the year, net of tax	42	(124)	nm*	727	(235)	nm*
Total comprehensive income for the year	130	687	nm*	(11,237)	671	nm*
Profit/(loss) attributable to:						
Owners of the Company	88	815	nm*	(11,931)	896	nm*
Non-controlling interests	-	(4)	nm*	(33)	10	nm*
	88	811	nm*	(11,964)	906	nm*
Total comprehensive income attributable to:						
Owners of the Company	130	697	nm*	(11,201)	666	nm*
Non-controlling interests	-	(10)	nm*	(36)	5	nm*
	130	687	nm*	(11,237)	671	nm*

*nm denotes not meaningful

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

Profit/(loss) before tax is arrived at after crediting/(charging) the following:	Group		Group	
	4Q 2017	4Q 2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Reversal of allowance/(allowance) for impairment of receivables	28	(55)	120	(30)
Bad debts recovered/(written off)	40	1	41	(6)
Amortisation of intangible assets	(2)	(7)	(11)	(29)
Recognition of deferred income	358	358	1,429	1,429
Depreciation of property, plant and equipment	(631)	(645)	(2,566)	(2,539)
Fair value gain/(loss) on derivatives, net	48	(309)	418	(344)
Foreign exchange (loss)/gain, net	(414)	674	(2,067)	552
Interest income	72	48	168	272
Finance costs	(3)	(4)	(18)	(95)
Reversal of impairment/(impairment) on investment in associates	127	-	(10,148)	-
Gain on disposal of property, plant and equipment	5	29	20	326
Property, plant and equipment written off	-	-	-	(33)
Impairment of property, plant and equipment	(4)	(22)	(125)	(22)
Write back of allowance for stock obsolescence	243	210	243	227

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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	
	31.12.2017 S\$'000	31.12.2016 S\$'000	31.12.2017 S\$'000	31.12.2016 S\$'000
Non-current assets				
Property, plant and equipment	12,426	13,864	8,725	9,421
Intangible assets	58	65	52	61
Investment in subsidiaries	-	-	13,102	13,147
Investment in associates	-	50,855	-	505
	12,484	64,784	21,879	23,134
Current assets				
Derivative financial instruments*	15	-	15	-
Inventories	17,581	14,217	15,469	12,269
Trade and other receivables	44,283	34,758	46,936	49,142
Prepaid expenses	129	316	58	263
Fixed deposits pledged with bank	19,500	7,038	19,500	7,038
Cash and cash equivalent	28,846	30,704	17,854	20,027
	110,354	87,033	99,832	88,739
Current liabilities				
Trade and other payables	14,493	13,957	49,439	23,493
Finance lease payables	141	239	141	239
Bank borrowings	-	1,963	-	1,963
Provision for income tax	15	13	-	-
Deferred income	1,429	1,429	1,429	1,429
Derivative financial instruments*	-	403	-	403
	16,078	18,004	51,009	27,527
Net current assets	94,276	69,029	48,823	61,212
Non-current liabilities				
Finance lease payables	-	139	-	139
Provision for reinstatement costs	1,000	1,000	700	700
Deferred income	1,548	2,976	1,548	2,976
	2,548	4,115	2,248	3,815
	104,212	129,698	68,454	80,531
Equity attributable to owners of the Company				
Share capital	70,496	152,052	70,496	152,052
Treasury shares	(2,215)	(2,215)	(2,215)	(2,215)
Other reserves	2,139	1,410	2,527	2,527
Accumulated profit/(losses)	33,791	(21,818)	(2,354)	(71,833)
	104,211	129,429	68,454	80,531
Non-controlling interests	1	269	-	-
Total equity	104,212	129,698	68,454	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 31 December 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	-	-	141	1,963	-	239
Repayable after one year	-	-	-	-	-	139
Total	-	-	141	1,963	-	378

Details of collaterals

The bank loans and finance leases as at 31 December 2016 were secured by fixed charge over investment in BRC Asia Limited, fixed deposit pledged with banks, 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 2017	4Q 2016	2017	2016
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit/(loss) before income tax	95	811	(11,953)	896
Adjustments for:				
Depreciation of property, plant and equipment	631	645	2,566	2,539
Amortisation of intangible assets	2	7	11	29
(Reversal of allowance)/allowance for impairment of receivables	(28)	55	(120)	29
Bad debts (recovered)/written off	(40)	(1)	(41)	6
Gain on disposal of property, plant and equipment	(5)	(29)	(20)	(326)
Property, plant and equipment written off	-	-	-	33
Impairment of property, plant and equipment	4	22	125	22
Write back of allowance for stock obsolescence	(243)	(210)	(243)	(227)
(Reversal of impairment)/impairment on investment in associates	(127)	-	10,148	-
Fair value (gain)/loss on derivatives, net	(48)	309	(418)	344
Finance costs	3	4	18	95
Interest income	(72)	(48)	(168)	(272)
Share of associates' results	-	(522)	(3)	(2,386)
Recognition of deferred income	(358)	(358)	(1,429)	(1,429)
Unrealised foreign exchange (gain)/loss, net	(137)	72	1,207	(51)
Operating cash flow before changes in working capital	(323)	757	(320)	(698)
Working capital changes:				
Inventories	(148)	814	(4,057)	(10,202)
Trade and other receivables	(2,573)	(12,217)	(9,986)	(3,029)
Trade and other payables	(3,332)	5,693	632	5,104
Cash used in operations	(6,376)	(4,953)	(13,731)	(8,825)
Interest expense paid	(3)	(4)	(18)	(95)
Interest income received	72	48	168	272
Income tax (paid)/refund	(5)	-	(9)	71
Net cash flows used in operating activities	(6,312)	(4,909)	(13,590)	(8,577)
Cash flows from investing activities				
Dividend income received from investments in associates	-	-	1,011	843
Fixed deposit pledged with banks	(12,500)	(38)	(12,462)	(7,038)
Proceeds from disposal of shares in associates	39,650	-	39,650	-
Proceeds from disposal of property, plant and equipment	31	316	43	722
Purchase of property, plant and equipment	(128)	(1)	(345)	(358)
Purchase of intangible assets	-	(2)	(2)	(2)
Net cash flows generated from/(used in) investing activities	27,053	275	27,895	(5,833)
Cash flows from financing activities				
Acquisition of non-controlling interests	-	-	(232)	-
Cash distribution to shareholders	(13,379)	-	(13,379)	-
Purchase of treasury shares	-	-	-	(309)
Dividends paid on ordinary shares of the Company	-	-	(637)	-
Proceeds from bank borrowings	3,794	1,938	15,955	3,654
Repayment of bank borrowings	(3,794)	-	(17,898)	(8,528)
Repayment of finance lease payables	(60)	(60)	(237)	(246)
Net cash flows (used in)/generated from financing activities	(13,439)	1,878	(16,428)	(5,429)
Net increase/(decrease) in cash and cash equivalents	7,302	(2,756)	(2,123)	(19,839)
Effects on exchange rate changes on cash and cash equivalents	95	(96)	265	29
Cash and cash equivalents at beginning of financial year	21,449	33,556	30,704	50,514
Cash and cash equivalents at end of financial year	28,846	30,704	28,846	30,704

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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 2017	31 December 2016
	S\$'000	S\$'000
Cash and bank balances	23,586	18,515
Fixed deposits	24,760	19,227
	48,346	37,742
<i>Less</i> : Fixed deposits pledged with banks ⁽¹⁾	(19,500)	(7,038)
Cash and cash equivalents per consolidated cash flow statement	28,846	30,704

- ⁽¹⁾ Fixed deposit of S\$19.5 million (2016: S\$7.0 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	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2017	152,052	(2,215)	2,527	(4)	(211)	(902)	(21,818)	129,429	269	129,698
Loss for the 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 associate	-	-	-	-	-	(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>										
Dividend 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)	(176)	33,791	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 losses	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2016	152,052	(1,906)	2,527	(4)	(211)	(672)	(22,714)	129,072	264	129,336
Profit for the year	-	-	-	-	-	-	896	896	10	906
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	(38)	-	(38)	(5)	(43)
Share of other comprehensive income of associate	-	-	-	-	-	(192)	-	(192)	-	(192)
Other comprehensive income for the year, net of tax	-	-	-	-	-	(230)	-	(230)	(5)	(235)
Total comprehensive income for the year	-	-	-	-	-	(230)	896	666	5	671
<u>Contribution by and distributions to owners</u>										
Purchase of treasury shares	-	(309)	-	-	-	-	-	(309)	-	(309)
Total contribution by and distributions to owners	-	(309)	-	-	-	-	-	(309)	-	(309)
Total transactions with owners in their capacity as owners	-	(309)	-	-	-	-	-	(309)	-	(309)
Closing balance at 31 December 2016	152,052	(2,215)	2,527	(4)	(211)	(902)	(21,818)	129,429	269	129,698

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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 year, representing total comprehensive income for the year	-	-	-	1,939	1,939
<u>Contributions by and distributions to owners</u>					
Dividend 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 2016	152,052	(1,906)	2,527	(68,191)	84,482
Loss for the year, representing total comprehensive loss for the year	-	-	-	(3,642)	(3,642)
<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 31 December 2016	152,052	(2,215)	2,527	(71,833)	80,531

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.

There were no changes in the total number of issued shares of the Company for the financial year ended 31 December 2017. During the year, the Company undertook a capital reduction exercise which involved writing-off part of the accumulated losses of the Company as at 31 December 2016 to the extent of S\$68.2 million and a cash distribution of S\$13.4 million to its shareholders on the basis of S\$0.105 per ordinary share in the capital of the Company. The capital reduction exercise did not result in any change in the number of issued shares of the Company.

	2017	2016
<u>Number of issued shares (excluding treasury shares)</u>		
As at 30 September and 31 December	127,417,735	127,417,735
<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 2017 and 31 December 2016.

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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 2017	31 December 2016
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, 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.

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

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.

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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 2017	4Q 2016	2017	2016
Earnings per ordinary shares:				
(a) Basic (cents)	0.07	0.64	(9.36)	0.70
(b) Diluted (cents)	0.07	0.64	(9.36)	0.70

(a) Earnings per share were calculated based on weighted average number of shares of 127,417,735 and 127,437,235 for the period ended 31 December 2017 and 31 December 2016 respectively.

(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	
	31.12.2017	31.12.2016	31.12.2017	31.12.2016
Net asset value per ordinary share (S\$)	0.82	1.02	0.54	0.63

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

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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.

Results for 4Q2017 versus 4Q2016

Revenue and Gross Profit

The Group's revenue increased 17% from S\$35.8 million in the quarter ended 31 December 2016 (4Q2016) to S\$42.0 million in the quarter ended 31 December 2017 (4Q2017). This was driven by a 37% increase in average selling price which more than compensated a 14% reduction in sales volume, caused mainly by lower export sales as compared to 4Q2016.

The Group recorded gross profit of S\$2.8 million in 4Q2017 compared to S\$1.9 million in 4Q2016. The gross profit margin improved to 6.7% in 4Q2017 compared with 5.3% for 4Q2016, mainly due to higher average selling price.

Other Operating Income

Other operating income decreased to S\$2.2 million in 4Q2017 from S\$2.9 million in 4Q2016. The decrease was mainly attributed to the decline in warehousing and rental income of S\$0.3 million and absence of foreign exchange gain of S\$0.6 million in 4Q2017, which partially offset the increase in other income of S\$0.2 million.

Distribution, Administrative, Other Operating and Finance Expenses

The Group's distribution expenses increased by S\$0.2 million in 4Q2017 due to higher demand for out-sourced logistics services to support the increase in local sales volume.

Administrative expenses increased by 22% from S\$2.0 million in 4Q2016 to S\$2.4 million in 4Q2017, mainly due to the increase in professional fee and staff cost amounting to S\$0.4 million.

There were no significant changes in other operating expenses and finance costs in 4Q2017 compared to previous corresponding quarter.

Profitability

The Group posted a net profit after tax of S\$0.09 million in 4Q2017 compared to a net profit after tax of S\$0.8 million in 4Q2016 due to reasons afore-mentioned and the absence of share of profits from associates of S\$0.5 million.

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Results for FY2017 versus FY2016

Revenue and Gross Profit

The Group achieved revenue of S\$162.6 million in FY2017 as compared to S\$108.5 million in FY2016, contributed by 12% increase in sales volume and 34% increase in average selling price in FY2017 in line with the increase in international steel prices.

Gross profit increased to S\$9.7 million in FY2017 from S\$6.0 million in FY2016, driven by higher revenue registered in FY2017 and slight improvement in gross profit margin for the current financial year.

Other Operating Income

Other operating income decreased 12% from S\$9.9 million in FY2016 to S\$8.7 million in FY2017. This was mainly due to lower warehousing and rental income, reduced gain from disposal of fixed assets and other miscellaneous income amounting to S\$1.6 million. These reductions were partially offset by the fair value gain on forward currency contracts of S\$0.4million.

Distribution, Administrative, Other Operating and Finance Expenses

The Group's distribution expenses went up to S\$0.6 million in FY2017 from S\$0.2 million in FY2016, in tandem with the increase in sales volume.

Administrative expenses increased by 6% from S\$8.1 million in FY2016 to S\$8.6 million in FY2017, mainly due to increase in headcount and staff costs.

Other operating expenses increased from S\$9.0 million in FY2016 to S\$21.2 million in FY2017, primarily 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 the 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. The disposal was duly approved by the Company's shareholders at the extraordinary general meeting ("EGM") held on 25 October 2017. In view of the disposal, the Group recognised an impairment loss of S\$10.0 million in FY2017 in respect of the remaining carrying value of its investment in BRC and the proceeds from the disposal of S\$38.98 million. Pursuant to the disposal, BRC ceased to be an associated company of the Group.
- (ii) In line with the disposal of the BRC shares, the currency translation reserve and fair value reserve of S\$0.7 million previously recorded in other comprehensive income were reclassified to other operating expenses.
- (iii) On 4 October 2017, the Company announced that its associated company, Pos-Sea Pte Ltd had initiated a capital reduction exercise to cancel 490,000 shares held by the Company and to return the USD490,000 share capital invested by the Company. The capital reduction was completed on 13 November 2017 and POS-SEA Pte. Ltd. had since then ceased to be an associated company of the Group. The Group recognised an impairment loss of S\$0.1 million during FY2017 in respect of the carrying value of the investment in Pos-Sea and the proceeds from the capital reduction.

The Group made full repayment of certain bank loans in last financial year. This led to the decline in finance expenses in FY2017 as compared to FY2016.

Profitability

The Group posted a net loss after tax of S\$12.0 million in FY2017 as compared to a net profit after tax of S\$0.9 million in FY2016, mainly due to the impairment loss for the disposal of its equity interest in an associated company, BRC and decline in share of profit from associates of S\$2.4 million.

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Balance Sheet

As at 31 December 2017, the Group's inventory on hand increased to S\$17.6 million as compared to S\$14.2 million as at 31 December 2016. This was a result of stock replenishments to support the increase in business volume in FY2017.

Trade and other receivables increased to S\$44.3 million as at 31 December 2017 as compared to S\$34.8 million as at 31 December 2016 in line with increase in sales activities of FY2017.

Trade and other payables increased to S\$14.5 million as at 31 December 2017 compared to S\$14.0 million as at 31 December 2016.

There were no outstanding bank borrowings as at 31 December 2017.

Statement of Cash Flows

The net cash flows used in operating activities was S\$13.6 million in FY2017 as compared to net cash flows used in operating activities of S\$8.6 million in FY2016. This was mainly attributable to the increase in trade and other receivables and inventories of S\$10.0 million and S\$4.1 million respectively, offset by increase in trade and other payables of S\$0.6 million.

Net cash flows generated from investing activities for FY2017 was S\$27.9 million, mainly derived from proceeds from disposal of shares in associates of S\$39.7 million after offsetting fixed deposit pledged with banks of S\$12.5 million.

Net cash flows used in financing activities for FY2017 was S\$16.4 million, primarily for cash distribution to shareholders of S\$13.4 million, 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\$28.8 million as at 31 December 2017 in comparison to S\$30.7 million as at 31 December 2016.

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

Not applicable.

10. A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Singapore's GDP expanded by 3.6% in 2017, mainly fuelled by the uptick in manufacturing segment. Growth however is expected to decelerate in 2018 over the concerns that the trade-driven lift from electronics manufacturing might fizzle out. Thinktank BMI Research forecasts Singapore's real GDP growth to grow at a slower pace of 3% in 2018 largely due to the concerns over weakness in the construction sector.

Amidst such concerns, the Singapore government is committed to support the construction sector by boosting public sector construction project awards. The Building and Construction Authority (BCA) projected that total value of construction contracts to be awarded in 2018 will be in the range between S\$26 billion and S\$31 billion, an increase from the S\$24.5 billion awarded in 2017. In line with this, the government measures to bring forward certain public sector projects would bring a much needed boost to the sector. Industry players however are cautiously optimistic about the latest BCA forecast as it would take time for the positive outlook to translate to job volume and construction contract awards.

On the other hand, Singapore's marine and offshore is expected to remain in the initial recovery stage amid rising oil prices in recent months.

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In the light of the afore-mentioned, the Group expects the operating environment for the steel industry to remain challenging. The volatility in US Dollar and international steel prices, intensifying local competition will continue to pose challenges to the businesses of the Group. Notwithstanding the challenges faced, the Group will remain focused in growing its core businesses and will position itself to take advantage of the recovery in demand whenever such opportunities arise.

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 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

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 2017 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
Financial year ended 31 Dec 2017					
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/(loss) on disposal of associates	161	-	15,054	(15,215)	-
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
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 (loss)/profit	1,939	1,338	52,430	(67,660)	(11,953)
Income tax expense					(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
Income tax recoverable					-
Total assets					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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	Trading	Manufacturing	Others	Adjustment/ elimination	Group
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Financial year ended 31 Dec 2016					
Revenue					
Sales to external customers	91,861	16,557	111	-	108,529
Inter-segment sales	11,386	144	-	(11,530)	-
Total	103,247	16,701	111	(11,530)	108,529
Results					
Other income	4,832	82	3,641	(595)	7,960
Dividend income	-	-	843	(843)	-
Recognition of deferred income	1,429	-	-	-	1,429
Interest income	189	-	83	-	272
Write back impairment of inventories	210	17	-	-	227
Fair value loss from derivatives	344	-	-	-	344
Interest expense	95	-	-	-	95
Share of associates results	323	2,063	-	-	2,386
Depreciation and amortisation of assets	1,682	408	478	-	2,568
Impairment of property, plant and equipment	-	22	-	-	22
Segment (loss)/profit	(3,319)	2,391	2,270	(446)	896
Income tax credit					10
Profit for the year					906
Assets & liabilities					
Investment in associates	798	50,057	-	-	50,855
Additions to non-current assets	1,783	169	1	-	1,953
Segment assets	111,874	9,430	55,576	(25,063)	151,817
Income tax recoverable					-
Total assets					151,817
Segment liabilities	31,342	8,671	22,966	(40,873)	22,106
Tax payable					13
Total liabilities					22,119

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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 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
<u>Financial year ended 31 Dec 2016</u>						
Sales to external customers	36,572	3,501	7,203	61,101	152	108,529
Non-current assets	13,355	444	-	130	-	13,929

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 2017	FY 2016	%
	S\$'000	S\$'000	(+/-)
<u>First Half</u>			
Sales reported for first half year	83,768	55,641	51
Operating (loss)/profit after tax before deducting non-controlling interests reported for first half year	(1,168)	316	nm*
<u>Second Half</u>			
Sales reported for remaining period	78,850	52,888	49
Operating (loss)/profit after tax before deducting non-controlling interests reported for remaining period	(10,796)	590	nm*

*nm denotes not meaningful

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 2017	FY 2016
	S\$'000	S\$'000
Ordinary	-	637

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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
Non-executive Chairman

Foo Sey Liang
Director

23 February 2018