



HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Second Quarter Financial Statements and Dividend Announcement for Financial Period Ended 30 June 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		
	2Q 2018 S\$'000	2Q 2017 S\$'000	% (+/-)	1H 2018 S\$'000	1H 2017 S\$'000	% (+/-)
Revenue	44,055	38,167	15	91,017	83,768	9
Cost of sales	(41,432)	(36,370)	14	(85,838)	(79,424)	8
Gross profit	2,623	1,797	46	5,179	4,344	19
Gross margin	6.0%	4.7%		5.7%	5.2%	
Other operating income	1,852	2,049	(10)	3,866	4,528	(15)
Selling and distribution costs	(181)	(122)	48	(398)	(241)	65
Administrative expenses	(2,124)	(2,030)	5	(4,280)	(4,043)	6
Other operating expenses	(2,121)	(2,245)	(6)	(4,682)	(5,488)	(15)
Finance costs	(20)	(5)	300	(24)	(9)	167
Share of associates' results	-	(281)	nm*	-	(257)	nm*
Profit/(loss) before income tax	29	(837)	nm*	(339)	(1,166)	nm*
Income tax expense	(13)	(2)	nm*	(14)	(2)	nm*
Net profit/(loss) for the period	16	(839)	nm*	(353)	(1,168)	nm*
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss :						
Foreign currency translation	(31)	31	nm*	34	2	nm*
Share of other comprehensive income of associates	-	64	nm*	-	(81)	nm*
Other comprehensive income for the period, net of tax	(31)	95	nm*	34	(79)	nm*
Total comprehensive income for the period	(15)	(744)	nm*	(319)	(1,247)	nm*
Profit/(loss) attributable to:						
Owners of the Company	16	(840)	nm*	(353)	(1,166)	nm*
Non-controlling interests	-	1	nm*	-	(2)	nm*
	16	(839)	nm*	(353)	(1,168)	nm*
Total comprehensive income attributable to:						
Owners of the Company	(15)	(749)	nm*	(319)	(1,245)	nm*
Non-controlling interests	-	5	nm*	-	(2)	nm*
	(15)	(744)	nm*	(319)	(1,247)	nm*

*nm denotes not meaningful

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

	Group		Group	
	2Q 2018	2Q 2017	1H 2018	1H 2017
Profit/(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	(122)	21	(95)	75
Bad debts recovered	-	-	4	-
Amortisation of intangible assets	(1)	(3)	(3)	(7)
Recognition of deferred income	357	357	714	714
Depreciation of property, plant and equipment	(670)	(645)	(1,346)	(1,289)
Fair value (loss)/gain on derivatives, net	(427)	31	(415)	442
Foreign exchange gain/(loss), net	754	(404)	383	(1,395)
Interest income	76	28	151	68
Finance costs	(20)	(5)	(24)	(9)
Impairment on investment in associates	-	-	-	(137)
Gain on disposal of property, plant and equipment	12	-	69	3

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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	
	30.06.2018 S\$'000	31.12.2017 S\$'000 (Restated)	01.01.2017 S\$'000 (Restated)	30.06.2018 S\$'000	31.12.2017 S\$'000
Non-current assets					
Property, plant and equipment	12,487	12,426	13,864	9,016	8,725
Intangible assets	56	58	65	52	52
Investment in subsidiaries	-	-	-	13,102	13,102
Investment in associates	-	-	50,855	-	-
Investment securities	7,035	-	-	7,035	-
	19,578	12,484	64,784	29,205	21,879
Current assets					
Investment securities	13	-	-	13	-
Derivative financial instruments*	-	15	-	-	15
Inventories	30,261	17,581	14,217	25,958	15,469
Trade and other receivables	49,709	44,283	34,758	50,255	46,936
Prepaid expenses	234	129	316	131	58
Bank deposits pledged with banks	12,911	19,500	7,038	12,500	19,500
Cash and cash equivalent	18,954	28,846	30,704	10,313	17,854
	112,082	110,354	87,033	99,170	99,832
Current liabilities					
Trade and other payables	23,425	14,493	13,957	57,158	49,439
Finance lease payables	29	141	239	29	141
Bank borrowings	638	-	1,963	638	-
Provision for income tax	13	15	13	-	-
Deferred income	1,429	1,429	1,429	1,429	1,429
Derivative financial instruments*	400	-	403	400	-
	25,934	16,078	18,004	59,654	51,009
Net current assets	86,148	94,276	69,029	39,516	48,823
Non-current liabilities					
Finance lease payables	-	-	139	-	-
Provision for reinstatement costs	1,000	1,000	1,000	700	700
Deferred income	833	1,548	2,976	833	1,548
	1,833	2,548	4,115	1,533	2,248
	103,893	104,212	129,698	67,188	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	3,075	3,041	2,312	2,527	2,527
Accumulated profits/(losses)	32,536	32,889	(22,720)	(3,620)	(2,354)
	103,892	104,211	129,429	67,188	68,454
Non-controlling interests	1	1	269	-	-
Total equity	103,893	104,212	129,698	67,188	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 June 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	-	638	29	-	-	141
Repayable after one year	-	-	-	-	-	-
Total	-	638	29	-	-	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	
	2Q 2018	2Q 2017	1H 2018	1H 2017
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit/(loss) before income tax	29	(837)	(339)	(1,166)
Adjustments for:				
Depreciation of property, plant and equipment	670	645	1,346	1,289
Amortisation of intangible assets	1	3	3	7
Allowance/(reversal of allowance) for impairment of receivables, net	122	(21)	95	(75)
Bad debts recovered	-	-	(4)	-
Gain on disposal of property, plant and equipment	(12)	-	(69)	(3)
Impairment on investment in associates	-	-	-	137
Fair value loss/(gain) on derivatives, net	427	(31)	415	(442)
Finance costs	20	5	24	9
Interest income	(76)	(28)	(151)	(68)
Share of associates' results	-	281	-	257
Recognition of deferred income	(357)	(357)	(714)	(714)
Unrealised foreign exchange loss, net	(710)	140	(707)	750
Operating cash flow before changes in working capital	114	(200)	(101)	(19)
Working capital changes:				
Inventories	(9,877)	(6,777)	(13,747)	(6,990)
Trade and other receivables	4,075	457	(4,838)	(8,602)
Trade and other payables	(1,614)	(1,141)	8,753	82
Cash used in operations	(7,302)	(7,661)	(9,933)	(15,529)
Interest expense paid	(20)	(5)	(24)	(9)
Interest income received	76	28	151	68
Income tax paid	(14)	-	(15)	-
Net cash flows used in operating activities	(7,260)	(7,638)	(9,821)	(15,470)
Cash flows from investing activities				
Dividend income received from investments in associates	-	-	-	1,011
Bank deposit withdrawn/(pledged) with banks	2,500	48	6,589	31
Proceeds from disposal of property, plant and equipment	66	-	86	-
Purchase of investment securities ⁽¹⁾	(2,513)	-	(7,058)	-
Purchase of property, plant and equipment	(154)	(48)	(194)	(123)
Purchase of intangible assets	(2)	(2)	(2)	(2)
Net cash flows (used in)/generated from investing activities	(103)	(2)	(579)	917
Cash flows from financing activities				
Dividends paid on ordinary shares of the Company	-	(637)	-	(637)
Proceeds from bank borrowings	22,126	5,879	22,126	7,004
Repayment of bank borrowings	(21,492)	(4,751)	(21,492)	(6,694)
Repayment of finance lease payables	(52)	(59)	(112)	(119)
Net cash flows generated from/(used in) financing activities	582	432	522	(446)
Net decrease in cash and cash equivalents	(6,781)	(7,208)	(9,878)	(14,999)
Effects on exchange rate changes on cash and cash equivalents	(79)	42	(14)	97
Cash and cash equivalents at beginning of financial period	25,814	22,968	28,846	30,704
Cash and cash equivalents at end of financial period	18,954	15,802	18,954	15,802

⁽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 June 2018 S\$'000	30 June 2017 S\$'000
Cash and bank balances	14,009	13,616
Bank deposits	17,856	9,193
	31,865	22,809
<i>Less</i> : Bank deposits pledged with banks ⁽²⁾	(12,911)	(7,007)
Cash and cash equivalents per consolidated cash flow statement	18,954	15,802

⁽²⁾ Bank deposit of S\$12.9 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(Ds) (Note 1)	-	-	-	-	-	902	(902)	-	-	-
Balance as at 1 January 2017 (SFRS(Ds))	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	-	-	-	-	-	-	(353)	(353)	-	(353)
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	34	-	34	-	34
Other comprehensive income for the period, net of tax	-	-	-	-	-	34	-	34	-	34
Total comprehensive income for the period	-	-	-	-	-	34	(353)	(319)	-	(319)
Closing balance at 30 June 2018	70,496	(2,215)	2,527	-	(212)	760	32,536	103,892	1	103,893

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
Contributions by and distributions to owners					
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	-	-	-	(1,266)	(1,266)
Closing balance at 30 June 2018	70,496	(2,215)	2,527	(3,620)	67,188

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 31 March and 30 June	<u>127,417,735</u>	<u>127,417,735</u>
	2018	2017
<u>Number of treasury shares</u>		
As at 30 June	<u>3,193,630</u>	<u>3,193,630</u>
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 June 2018 and 30 June 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 June 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	
	2Q 2018	2Q 2017	1H 2018	1H 2017
Earnings per ordinary shares:				
(a) Basic (cents)	0.01	(0.66)	(0.28)	(0.91)
(b) Diluted (cents)	0.01	(0.66)	(0.28)	(0.91)

(a) Earnings per share were calculated based on weighted average number of shares of 127,417,735 for the period ended 30 June 2018 and 30 June 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	
	30.06.2018	31.12.2017	30.06.2018	31.12.2017
Net asset value per ordinary share (S\$)	0.82	0.82	0.53	0.54

Net asset value per ordinary share was calculated based on 127,417,735 as at 30 June 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.

Results for 2Q2018 versus 2Q2017

Revenue and Gross Profit

The Group recorded revenue of S\$44.1 million in 2Q2018 as compared to S\$38.2 million in 2Q2017. This was driven by a 24% increase in average selling price which more than compensated a 7% reduction in sales volume. Despite intense competition and pricing pressure, the Group managed to achieve a 37% growth in its local trade volume in 2Q2018 as compared to 2Q2017. The overall sales volume however was dragged down by the decline in export volume as compared to previous corresponding quarter.

The Group achieved higher gross profit of S\$2.6 million in 2Q2018 compared to gross profit of S\$1.8 million in 2Q2017, contributed by higher revenue and improved gross profit margin in 2Q2018.

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Other Operating Income

Other operating income declined to S\$1.9 million in 2Q2018 from S\$2.0 million in 2Q2017 mainly due to the decline in warehousing and rental income after partially offsetting foreign exchange gain in 2Q2018.

Distribution, Administrative, Other Operating and Finance Expenses

The Group's distribution expenses increased by S\$0.1 million in 2Q2018 due to higher demand for out-sourced logistics services in tandem with the growth in local sales volume.

There were no significant changes in administrative expenses and other operating expenses in 2Q2018 as compared to previous corresponding quarter.

The increase of finance costs in 2Q2018 was due to higher borrowing cost incurred on trade financing.

Profitability

The Group posted a net profit after tax of S\$0.02 million in 2Q2018 compared to a net loss after tax of S\$0.8 million in 2Q2017 due to reasons afore-mentioned.

Results for 1H 2018 versus 1H 2017

Revenue and Gross Profit

The Group achieved revenue of S\$91.0 million in 1H2018 as compared to S\$83.8 million in 1H2017, contributed by 22% increase in average selling price sales which more than compensated a 11% reduction in sales volume.

Gross profit increased to S\$5.2 million in 1H2018 from S\$4.3 million in 1H2017, driven by higher revenue and slight improvement in gross profit margin in 1H2018.

Other Operating Income

Other operating income decreased from S\$4.5 million in 1H2017 to S\$3.9 million in 1H2018. This was mainly due to lower warehousing and rental income, reduced fair value gain on forward currency contracts and other miscellaneous income amounted to S\$1.0 million. These reductions were partially offset by higher foreign exchange gain of S\$0.4million.

Distribution, Administrative, Other Operating and Finance Expenses

The Group's distribution expenses increased to S\$0.4 million in 1H2018 from S\$0.2 million in 1H2017. The increase was mainly attributed to higher demand for out-sourced logistics services to support volume growth for local sales in 1H2018.

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

Other operating expenses reduced from S\$5.5 million in 1H2017 to S\$4.7 million in 1H2018, primarily due to the absence of foreign exchange loss of S\$1.4 million, but partially offset by the increase in other miscellaneous expenses of S\$0.6 million.

The finance costs increased to S\$0.02 million in 1H2018 due to higher borrowing on trade financing.

Profitability

The Group recorded a net loss after tax of S\$0.4 million in 1H2018, compared to a net loss after tax of S\$1.2 million in 1H2017.

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Balance Sheet

The Group's non-current assets increased to S\$19.6 million as at 30 June 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 which is pledged as security for trade facilities granted by a bank. These are bonds issued by statutory board and government linked companies listed in SGX.

As at 30 June 2018, the Group's inventory on hand increased to S\$30.3 million as compared to S\$17.6 million as at 31 December 2017. This was a result of stock replenishment to support the projected growth in sales volume.

Trade and other receivables increased to S\$49.7 million as at 30 June 2018 as compared to S\$44.3 million as at 31 December 2017 in line with increase in revenue.

Trade and other payables increased to S\$23.4 million as at 30 June 2018 compared to S\$14.5 million as at 31 December 2017 in line with increase in inventory volume.

The bank borrowings stood at S\$0.6 million as at 30 June 2018.

Statement of Cash Flows

Net cash flows used in operating activities was S\$9.8 million in 1H2018 as compared to net cash flows used in operating activities of S\$15.5 million in 1H2017. This was mainly attributable to the increase in trade and other receivables and inventories of S\$4.8 million and S\$13.7 million respectively, offset by increase in trade and other payables of S\$8.8 million.

Net cash flows used in investing activities for 1H2018 was S\$0.6 million, mainly due to the purchase of investment securities of S\$7.1 million after offsetting bank deposits withdrawn from banks of S\$6.6 million.

Net cash flows generated from financing activities for 1H2018 was S\$0.5 million. This relates mainly to net proceed from bank borrowings.

The Group's cash and cash equivalents was S\$19.0 million as at 30 June 2018 in comparison to S\$15.8 million as at 30 June 2017.

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

Not applicable.

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

The implementation of import tariffs on steel by the US has led to higher steel price in the US and increasing inconsistency in steel prices across the globe. While the current export price for Chinese steel remains supported due to China's ongoing supply reform, the global steel price movements however may hinge on whether any re-directed imports arising from the trade tension between US and its key trading partners may cause market imbalance.

In Singapore, while the advance estimates released by the Ministry of Trade and Industry indicated that the economy grew by 3.8% on a year-on-year (Y-O-Y) basis in the 2nd quarter of 2018, the construction industry on the other hand continued to shrink at a slightly easing rate of 4.4% on a Y-O-Y basis compared to a negative growth of 5.2% in previous quarter. The performance of the construction sector was weighed down by the continued weakness in the private sector construction activities. The sector is expected to be further hit by the recent cooling measures announced by the government.

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The Group expects the outlook for the steel industry to remain challenging due to the uncertainty over global growth outlook and its spillover effect on Singapore economy amid the slow recovery of the construction, marine and oil and gas sectors. Besides this, the appreciation of the US dollar has pushed the cost of our inventories higher and suppressed business margin.

In view of challenging business landscape, the Group will continue to seek to optimise its inventory holding in line with expected business activities and to place higher focus on the trade for back-to-back orders to reduce risk. The Group will be vigilant in monitoring the risk exposures faced by the business and if necessary, take required corrective action.

The Group is continuing its efforts to explore new business opportunities to expand its business. The Board will make necessary announcement as and when there is any material development on this matter.

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 were no interested person transactions with aggregate value of more than S\$100,000 during financial period ended 30 June 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 June 2018 to be false or misleading in any material respect.

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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

8 August 2018