



# HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

## Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2019

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 2019 S\$'000	4Q 2018 S\$'000	% (+/-)	2019 S\$'000	2018 S\$'000	% (+/-)
<b>Revenue</b>	<b>37,498</b>	<b>45,258</b>	<b>(17)</b>	<b>137,120</b>	<b>173,923</b>	<b>(21)</b>
Cost of sales	(33,352)	(42,833)	(22)	(123,798)	(164,055)	(25)
<b>Gross profit</b>	<b>4,146</b>	<b>2,425</b>	<b>71</b>	<b>13,322</b>	<b>9,868</b>	<b>35</b>
<b>Gross margin</b>	<b>11.1%</b>	<b>5.4%</b>		<b>9.7%</b>	<b>5.7%</b>	
Other operating income	1,320	1,589	(17)	4,927	6,828	(28)
Selling and distribution costs	(173)	(150)	15	(554)	(709)	(22)
Administrative expenses	(2,996)	(2,586)	16	(9,595)	(9,088)	6
Other operating expenses	(1,851)	(2,332)	(21)	(6,627)	(8,656)	(23)
Finance costs	(263)	(105)	nm*	(892)	(167)	nm*
(Impairment loss)/Reversal of impairment on financial assets	(81)	(1,557)	nm*	220	(1,985)	nm*
<b>Profit/(Loss) before income tax</b>	<b>102</b>	<b>(2,716)</b>	<b>nm*</b>	<b>801</b>	<b>(3,909)</b>	<b>nm*</b>
Income tax expense	(29)	(8)	nm*	(37)	(26)	42
<b>Net profit/(loss) for the year</b>	<b>73</b>	<b>(2,724)</b>	<b>nm*</b>	<b>764</b>	<b>(3,935)</b>	<b>nm*</b>
<b>Other comprehensive income:</b>						
Items that may be reclassified subsequently to profit or loss :						
Foreign currency translation	(192)	(18)	nm*	(80)	(30)	nm*
<b>Other comprehensive income for the year, net of tax</b>	<b>(192)</b>	<b>(18)</b>	<b>nm*</b>	<b>(80)</b>	<b>(30)</b>	<b>nm*</b>
<b>Total comprehensive income for the year</b>	<b>(119)</b>	<b>(2,742)</b>	<b>nm*</b>	<b>684</b>	<b>(3,965)</b>	<b>nm*</b>
<b>Profit/(Loss) attributable to:</b>						
Owners of the Company	(77)	(2,730)	nm*	758	(3,945)	nm*
Non-controlling interests	150	6	nm*	6	10	nm*
	<b>73</b>	<b>(2,724)</b>	<b>nm*</b>	<b>764</b>	<b>(3,935)</b>	<b>nm*</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	(166)	(2,738)	nm*	720	(3,963)	nm*
Non-controlling interests	47	(4)	nm*	(36)	(2)	nm*
	<b>(119)</b>	<b>(2,742)</b>	<b>nm*</b>	<b>684</b>	<b>(3,965)</b>	<b>nm*</b>

\*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 2019	4Q 2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000
(Impairment loss)/Reversal of impairment on financial assets	(81)	(1,557)	220	(1,985)
Bad debts recovered	-	-	108	2
Amortisation of intangible assets	(4)	(1)	(7)	(5)
Amortisation of land use rights	(17)	(20)	(62)	(20)
Reversal/(provision) of reinstatement cost	133	(100)	133	(100)
Recognition of deferred income	-	358	-	1,429
Depreciation of property, plant and equipment	(665)	(720)	(2,919)	(2,755)
Depreciation of right-of-use assets*	(753)	-	(2,726)	-
Fair value loss on derivatives, net	(490)	(11)	(299)	(57)
Foreign exchange gain/(loss), net	133	(117)	281	(69)
Interest income	107	89	432	358
Finance costs	(263)	(105)	(892)	(167)
Gain/(loss) on disposal of property, plant and equipment	267	(2)	269	94
Gain on disposal of intangible assets	-	4	-	3
Write-off of property, plant and equipment	(3)	-	(4)	-
Write down of inventories	(19)	(8)	(19)	(8)

\* The depreciation expense arose from the recognition of right-of-use assets on adoption of SFRS(I) 16 on 1 January 2019. (Please refer to Paragraph 5 on Pages 10 - 11 for further details).

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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	
	31.12.2019 S\$'000	31.12.2018 S\$'000	31.12.2019 S\$'000	31.12.2018 S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	32,236	22,921	7,284	9,100
Right-of-use assets	8,325	-	1,674	-
Intangible assets	124	7	26	3
Land use rights	2,970	3,069	-	-
Other receivables	784	784	-	-
Investment in subsidiaries	-	-	13,113	13,113
Investment securities	10,020	10,044	10,020	10,044
	54,459	36,825	32,117	32,260
<b>Current assets</b>				
Investment securities	24	24	24	24
Inventories	43,052	30,872	30,207	21,484
Trade and other receivables	48,676	51,170	54,529	54,584
Income tax recoverable	45	-	-	-
Prepaid expenses	1,150	664	301	93
Fixed deposits pledged with banks	2,500	9,500	2,500	9,500
Cash and cash equivalents	22,911	15,435	13,787	4,168
	118,358	107,665	101,348	89,853
<b>Current liabilities</b>				
Trade and other payables	36,038	35,461	45,943	52,300
Lease liabilities	1,308	-	922	-
Bank borrowings	19,813	3,420	19,585	3,420
Provision for income tax	14	15	-	-
Provision for reinstatement costs	467	-	467	-
Deferred income	-	1,429	-	1,429
Derivative financial instruments*	341	42	341	42
	57,981	40,367	67,258	57,191
<b>Net current assets</b>	60,377	67,298	34,090	32,662
<b>Non-current liabilities</b>				
Lease liabilities	7,789	-	1,976	-
Bank borrowings	3,192	-	-	-
Deferred taxation	25	-	-	-
Provision for reinstatement costs	1,167	1,100	500	800
Deferred income	-	119	-	119
	12,173	1,219	2,476	919
	102,663	102,904	63,731	64,003
<b>Equity attributable to owners of the Company</b>				
Share capital	70,496	70,496	70,496	70,496
Treasury shares	(2,215)	(2,215)	(2,215)	(2,215)
Other reserves	2,985	3,023	2,527	2,527
Accumulated profits/(losses)	27,472	28,940	(7,077)	(6,805)
	98,738	100,244	63,731	64,003
<b>Non-controlling interests</b>	3,925	2,660	-	-
<b>Total equity **</b>	102,663	102,904	63,731	64,003

\* 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.

\*\* The Group's total equity as at 31 December 2019 was S\$102.7 million as compared to S\$102.9 million as at 31 December 2018. This was mainly attributed to a S\$2.2 million one-off adjustment to its retained earnings as at 1 January 2019, arising from the adoption of SFRS(I) 16 Leases. Please also refer to Page 11 for further details on the cumulative effects of adopting SFRS(I) 16.

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

	As at 31 December 2019			As at 31 December 2018		
	Secured <sup>1</sup> S\$'000	Unsecured S\$'000	Lease	Secured <sup>1</sup> S\$'000	Unsecured S\$'000	Lease
			liabilities <sup>2</sup> S\$'000			liabilities <sup>2</sup> S\$'000
Repayable within one year	19,813	-	1,308	3,420	-	-
Repayable after one year	3,192	-	7,789	-	-	-
Total	23,005	-	9,097	3,420	-	-

#### Details of collaterals

1. The bank loans are secured by fixed charge over fixed deposit and investment in bonds that are pledged to bank, as well as mortgage over certain leasehold properties of the Group.
2. Lease liabilities arising from adoption of the new Singapore Financial Reporting Standards (International) ("SFRS (I)") 16 Leases that is effective for annual periods beginning on or after 1 January 2019.

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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 2019	4Q 2018	2019	2018
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities</b>				
Profit/(Loss) before income tax	102	(2,716)	801	(3,909)
Adjustments for:				
Depreciation of property, plant and equipment	665	720	2,919	2,755
Depreciation of right-of-use assets	753	-	2,726	-
Amortisation of intangible assets	4	1	7	5
Amortisation of land use rights	17	20	62	20
(Reversal)/Provision of reinstatement cost	(133)	100	(133)	100
Impairment loss/(Reversal of impairment) on financial assets	81	1,557	(220)	1,985
Bad debts recovered	-	-	(108)	(2)
(Gain)/loss on disposal of property, plant and equipment	(267)	2	(269)	(94)
Gain on disposal of intangible assets	-	(4)	-	(3)
Write-off of property, plant and equipment	3	-	4	-
Write down of inventories	19	8	19	8
Fair value loss on derivatives, net	490	11	299	57
Finance costs	263	105	892	167
Interest income	(107)	(89)	(432)	(358)
Recognition of deferred income	-	(358)	-	(1,429)
Unrealised foreign exchange (gain)/loss, net	(398)	203	(415)	(300)
<b>Operating cash flow before changes in working capital</b>	<b>1,492</b>	<b>(440)</b>	<b>6,152</b>	<b>(998)</b>
Working capital changes:				
Inventories	(16,401)	2,613	(12,927)	(15,310)
Trade and other receivables	7,857	(3,571)	3,598	(9,272)
Prepaid expenses	(707)	43	(1,020)	(498)
Trade and other payables	12,500	10,092	385	12,190
<b>Cash generated from/(used in) operations</b>	<b>4,741</b>	<b>8,737</b>	<b>(3,812)</b>	<b>(13,888)</b>
Interest expense paid	(122)	(105)	(478)	(167)
Interest income received	64	45	360	288
Income tax paid	(4)	(6)	(13)	(26)
<b>Net cash flows generated from/(used in) operating activities</b>	<b>4,679</b>	<b>8,671</b>	<b>(3,943)</b>	<b>(13,793)</b>
<b>Cash flows from investing activities</b>				
Net cash outflow on acquisition of a subsidiary	-	-	-	(67)
Fixed deposit withdrawn from banks	7,000	3,784	7,000	10,000
Proceeds from disposal of property, plant and equipment	-	68	8	218
Proceeds from disposal of intangible assets	-	-	4	47
Purchase of investment securities	-	(3,054)	-	(10,112)
Purchase of property, plant and equipment	(4,255)	(2,620)	(10,442)	(4,451)
Purchase of intangible assets	(41)	(2)	(108)	(4)
<b>Net cash flows generated from/(used in) investing activities</b>	<b>2,704</b>	<b>(1,824)</b>	<b>(3,538)</b>	<b>(4,369)</b>
<b>Cash flows from financing activities</b>				
Contribution of share capital by minority shareholders	-	763	770	1,526
Proceeds from bank borrowings	25,098	14,952	82,699	59,300
Repayment of bank borrowings	(20,566)	(22,581)	(62,877)	(55,856)
Principal element of lease payments	(1,501)	-	(5,660)	-
Repayment of finance lease payables	-	(4)	-	(141)
<b>Net cash flows generated from/(used in) financing activities</b>	<b>3,031</b>	<b>(6,870)</b>	<b>14,932</b>	<b>4,829</b>
Net increase/(decrease) in cash and cash equivalents	10,414	(23)	7,451	(13,333)
Effects on exchange rate changes on cash and cash equivalents	(8)	(7)	25	(78)
Cash and cash equivalents at beginning of financial year	12,505	15,465	15,435	28,846
<b>Cash and cash equivalents at end of financial year</b>	<b>22,911</b>	<b>15,435</b>	<b>22,911</b>	<b>15,435</b>

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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:

	<b>Group</b>	
	31 December 2019 S\$'000	31 December 2018 S\$'000
Cash and bank balances	21,780	12,232
Fixed deposits	3,631	12,703
	25,411	24,935
<i>Less</i> : Fixed deposits pledged with banks <sup>(1)</sup>	(2,500)	(9,500)
Cash and cash equivalents per consolidated cash flow statement	22,911	15,435

- <sup>(1)</sup> Fixed deposit of S\$2.5 million was pledged with bank 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	Other reserves	Foreign currency translation reserve	Accumulated profits/(losses)	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
Opening balance at 1 January 2018 (FRS framework)	70,496	(2,215)	2,527	(212)	(176)	33,791	104,211	1	104,212
Cumulative effects of adopting SFRS(I)	-	-	-	-	902	(906)	(4)	-	(4)
Opening balance at 1 January 2018 (SFRS(I) framework)	70,496	(2,215)	2,527	(212)	726	32,885	104,207	1	104,208
Loss for the year	-	-	-	-	-	(3,945)	(3,945)	10	(3,935)
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	-	-	(18)	-	(18)	(12)	(30)
Other comprehensive income for the year, net of tax	-	-	-	-	(18)	-	(18)	(12)	(30)
Total comprehensive income for the year	-	-	-	-	(18)	(3,945)	(3,963)	(2)	(3,965)
<u>Change in ownership interest in subsidiary</u>									
Acquisition of a subsidiary	-	-	-	-	-	-	-	91	91
Issuance of ordinary shares in a subsidiary	-	-	-	-	-	-	-	2,570	2,570
Total change in ownership interest in subsidiary	-	-	-	-	-	-	-	2,661	2,661
Total transactions with owners in their capacity as owners	-	-	-	-	-	-	-	2,661	2,661
Closing balance at 31 December 2018	70,496	(2,215)	2,527	(212)	708	28,940	100,244	2,660	102,904

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Group	Attributable to owners of the Company								
	Share capital	Treasury shares	Capital 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
Opening balance at 1 January 2019	70,496	(2,215)	2,527	(212)	708	28,940	100,244	2,660	102,904
Effects of adopting SFRS(I) 16	-	-	-	-	-	(2,226)	(2,226)	-	(2,226)
Opening balance at 1 January 2019 (restated)	70,496	(2,215)	2,527	(212)	708	26,714	98,018	2,660	100,678
Profit for the year	-	-	-	-	-	758	758	6	764
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	-	-	(38)	-	(38)	(42)	(80)
Other comprehensive income for the year, net of tax	-	-	-	-	(38)	-	(38)	(42)	(80)
Total comprehensive income for the year	-	-	-	-	(38)	758	720	(36)	684
<u>Change in ownership interest in subsidiary</u>									
Issuance of ordinary shares in a subsidiary	-	-	-	-	-	-	-	1,301	1,301
Total change in ownership interest in subsidiary	-	-	-	-	-	-	-	1,301	1,301
Total transactions with owners in their capacity as owners	-	-	-	-	-	-	-	1,301	1,301
Closing balance at 31 December 2019	70,496	(2,215)	2,527	(212)	670	27,472	98,738	3,925	102,663



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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 2018 (FRS framework)	70,496	(2,215)	2,527	(2,354)	68,454
Cumulative effects of adopting SFRS(I)	-	-	-	(4)	(4)
Opening balance at 1 January 2018 (SFRS(I) framework)	70,496	(2,215)	2,527	(2,358)	68,450
Loss for the year, representing total comprehensive income for the year	-	-	-	(4,447)	(4,447)
Closing balance at 31 December 2018	70,496	(2,215)	2,527	(6,805)	64,003
Opening balance at 1 January 2019	70,496	(2,215)	2,527	(6,805)	64,003
Effects of adopting SFRS(I) 16	-	-	-	(2,225)	(2,225)
Opening balance at 1 January 2019 (restated)	70,496	(2,215)	2,527	(9,030)	61,778
Profit for the year, representing total comprehensive income for the year	-	-	-	1,953	1,953
Closing balance at 31 December 2019	70,496	(2,215)	2,527	(7,077)	63,731

**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 Company's share capital since 31 December 2018 to 31 December 2019.

	<b>2019</b>	<b>2018</b>
<b><u>Number of issued shares (excluding treasury shares)</u></b>		
As at 30 September and 31 December	127,417,735	127,417,735
<b><u>Number of treasury shares</u></b>		
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 2019 and 31 December 2018.

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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 2019	31 December 2018
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 modifications 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 financial statements are prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)s"). 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 2018.

**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 same accounting policies and methods of computation in the financial statements for the current financial period as those in the audited financial statements for the financial year ended 31 December 2018, and all relevant new Singapore Financial Reporting Standards (International) ("SFRS(I)s"), amendments and interpretations of SFRS(I)s that are effective for annual periods beginning on or after 1 January 2019 as follows:

Description	Effective for annual periods beginning on or after
SFRS(I) 16 Leases	1 January 2019
Amendments to SFRS(I) 9 Prepayment Features with Negative Compensation	1 January 2019
Amendments to SFRS(I) 1-28 Long-term Interest in Associates and Joint Ventures	1 January 2019
Annual Improvements to SFRS(I)s 2015-2017 Cycle	1 January 2019

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Amendments to SFRS(I) 1-19: Plan Amendment, Curtailment or Settlement	1 January 2019
SFRS(I) INT 23 Uncertainty over Income Tax Treatments	1 January 2019

The adoption of the new SFRS(I)s, amendments and interpretations of SFRS(I)s did not result in any material impact to the financial statements in the year of initial application except for the following:

## Adoption of SFRS(I) 16 Leases

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of ‘low value’ assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make a lease payment (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group applied SFRS(I) 16 on 1 January 2019, using the modified retrospective approach. The cumulative effect of the adoption of SFRS(I) 16 is recognised as an adjustment to the opening balance of the retained earnings as at 1 January 2019, with no restatement of comparative information. On adoption of SFRS(I) 16, the Group has measured right-of-use assets at its carrying amount as if the standard had been applied since the commence date and lease liabilities on the remaining lease payments discounted using the incremental borrowing rate as the date of initial application.

The cumulative effects of adopting SFRS(I) 16 are as follows:

Statement of financial position	As at 1 January 2019		
	As previously reported S\$'000	Effects S\$'000	Adjusted
<u>Group</u>			
Right-of-use assets	-	4,157	4,157
Lease liabilities	-	8,130	8,130
Trade and other payables	35,461	(199)	35,262
Deferred income	1,548	(1,548)	-
Retained earnings	28,940	(2,226)	26,714
<u>Company</u>			
Right-of-use assets	-	4,148	4,148
Lease liabilities	-	8,120	8,120
Trade and other payables	52,300	(199)	52,101
Deferred income	1,548	(1,548)	-
Retained earnings	(6,805)	(2,225)	(9,030)

**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 2019	4Q 2018	2019	2018
Earnings per ordinary shares:				
(a) Basic (cents)	(0.06)	(2.14)	0.59	(3.10)
(b) Diluted (cents)	(0.06)	(2.14)	0.59	(3.10)

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- (a) Earnings per share were calculated based on weighted average number of shares of 127,417,735 for the period ended 31 December 2019 and 31 December 2018 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	
	31.12.2019	31.12.2018	31.12.2019	31.12.2018
Net asset value per ordinary share (S\$)	0.77	0.79	0.50	0.50

Net asset value per ordinary share was calculated based on 127,417,735 as at 31 December 2019 and 31 December 2018.

**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 4Q2019 versus 4Q2018**

#### **Revenue and Gross Profit**

The Group reported a 17% decline in revenue to S\$37.5 million in 4Q2019 from S\$45.3 million in 4Q2018. This was attributed to the decline in export volume in 4Q2019 which was partially compensated by the increase in sales volume for the local market.

The Group recorded improvement in gross profit to S\$4.1 million in 4Q2019 as compared to gross profit of S\$2.4 million in 4Q2018. This was driven by volume growth for local sales and improvement in gross profit margin to 11.1% in 4Q2019 from 5.4% in 4Q2018.

#### **Other Operating Income**

Other operating income decreased to S\$1.3 million in 4Q2019 from S\$1.6 million in 4Q2018. The decline was mainly attributed to the reduction in warehousing and rental income of S\$0.3 million, and absence of deferred income of S\$0.3 million following the adoption of SFRS(I) 16 Leases as well as one-off compensation of S\$0.1 million in relation to an insurance claim received in 4Q2018. The reduction in income was partially offset by increase in gain from disposal of property, plant and equipment of S\$0.3 million and reversal of property reinstatement cost of S\$0.1 million.

#### **Selling and distribution, Administrative, Other Operating and Finance Costs**

The Group's distribution expenses increased to S\$0.17 million in 4Q2019 from S\$0.15 million in 4Q2018, mainly due to slightly increase in out-sourced logistics services in 4Q2019 to support increase in local deliveries to customers.

Administrative expenses increased to S\$3.0 million in 4Q2019 as compared to S\$2.6 million in previous corresponding quarter, arising from increased staff headcount and payroll cost following the

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opening of new production facility in Myanmar and in support of the steel production volume growth for the local market.

Other operating expenses decreased by 21% from S\$2.3 million in 4Q2018 to S\$1.9 million in 4Q2019. The Group incurred lower operating expenses following the adoption of SFRS(I) 16 Leases. This was partially offset by the increase in foreign exchange loss of S\$0.3 million in the current period following the weakening of USD which negatively impacted the Group's net receivables exposure in USD.

The increase in finance costs in 4Q2019 was attributed to the increase in borrowings for trade financing for stock purchases, and interest expenses for lease liability recorded under SFRS(I) 16 Leases.

### **Profitability**

The Group recorded a net profit after tax of S\$0.07 million in 4Q2019 in contrast to a net loss after tax of S\$2.7 million in 4Q2018 due to reasons afore-mentioned.

### **Results for FY2019 versus FY2018**

#### **Revenue and Gross Profit**

The Group's revenue for FY2019 declined by 21% to S\$137.1 million from S\$173.9 million in FY2018. This was mainly due to the significant reduction in export volume in FY2019 as compared to previous corresponding year. This followed the move to reduce the reliance on export volume and the Group's conscientious efforts in diverting its resources to drive volume growth for higher margin products in the local market.

Notwithstanding the decline in sales volume and revenue, the Group's gross profit rose to S\$13.3 million in FY2019 from S\$9.9 million in FY2018, contributed by higher gross profit margin in FY2019 from local sales. The Group's overall gross profit margin improved to 9.7% in FY2019 from 5.7% in FY2018.

#### **Other Operating Income**

Other operating income declined to S\$4.9 million in FY2019 from S\$6.8 million in FY2018. This was mainly attributed to the reduction in warehousing and rental income of S\$1.2 million and the absence of deferred income of S\$1.4 million due to the adoption of SFRS(I) 16 Leases, partially offset by increase in foreign exchange gain of S\$0.3 million and gain from disposal of property, plant and equipment of S\$0.2 million as well as reversal of provision for property reinstatement cost of S\$0.1 million.

#### **Selling and distribution, Administrative, Other Operating and Finance Costs**

The Group's selling and distribution expenses decreased to S\$0.6 million in FY2019 from S\$0.7 million in FY2018 as a result of cost rationalization efforts and optimization of our transportation fleet for local deliveries.

Administrative expenses increased by 6% to S\$9.6 million in FY2019 from S\$9.1 million in FY2018. This was mainly resulted from the increase in staff headcount and salary cost following the opening of new production facility in Myanmar in February 2019 and recruitment of staff to support increase in local sales.

Other operating expenses reduced from S\$8.7 million in FY2018 to S\$6.6 million in FY2019, primarily due to the reduction in operating lease expenses following the adoption SFRS(I) 16 Leases.

Finance costs increased to S\$0.9 million in FY2019 due to higher trade financing for inventory purchases, financing of Myanmar operations and interest expenses on lease liabilities recorded under SFS(I) 16 Leases.

### **Profitability**

As a result of foregoing, the Group achieved a net profit after tax of S\$0.8 million in FY2019, as contrast to a net loss after tax of S\$3.9 million in FY2018.

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## **Balance Sheet**

The Group's non-current assets increased to S\$54.5 million as at 31 December 2019 compared to S\$36.8 million as at 31 December 2018. This was mainly attributed to the recognition of right-of-use assets of S\$8.3 million in line with the adoption of SFRS(I) 16 Leases and increase in property, plant and equipment of S\$9.3 million, that relates mainly to the redevelopment of warehouse facility in Singapore and the establishment of a steel fabrication plant in Myanmar.

As at 31 December 2019, the Group's inventory on hand increased to S\$43.1 million as compared to S\$30.9 million as at 31 December 2018. This was mainly due to stock replenishment to support the projected growth in local sales volume.

Trade and other receivables decreased slightly to S\$48.7 million as at 31 December 2019 as compared to S\$51.2 million as at 31 December 2018 mainly due to decrease in sales activities.

Trade and other payables increased marginally to S\$36.0 million as at 31 December 2019 compared to S\$35.5 million as at 31 December 2018.

Bank borrowings increased to S\$23.0 million as at 31 December 2019 due to increased trade financing for stock purchases and financing of Myanmar operations.

The increase in lease liabilities arose from the adoption of SFRS(I) 16 and relates mainly to leases of land and building of the Group

## **Statement of Cash Flows**

The net cash flows generated from operating activities was S\$4.7 million in 4Q2019 as compared to net cash flows generated from operating activities of S\$8.7 million in 4Q2018. This was mainly attributable to positive operating cashflow before changes in working capital of S\$1.5 million, decrease in trade and other receivables of S\$7.9 million and increase in trade and other payables of S\$12.5 million, offset by increase in inventories of S\$16.4 million and increase in prepaid expenses of S\$0.7 million.

Net cash flows generated from investing activities for 4Q2019 was S\$2.7 million, primarily from withdrawal of S\$7.0 million of fixed deposit pledged to a bank, and reduced by payment for purchase of intangible assets, property, plant and equipment of S\$4.3 million.

Net cash flows generated from financing activities for 4Q2019 was S\$3.0 million, mainly due to net proceeds from bank borrowings of S\$4.5 million, and repayment of lease liabilities of S\$1.5 million.

The net cash flows used in operating activities was S\$3.9 million in FY2019 as compared to net cash flows used in operating activities of S\$13.8 million in FY2018. This was mainly attributable to positive operating cashflow before changes in working capital of S\$6.2 million, decrease in trade and other receivables of S\$3.6 million and increase in trade and other payables of S\$0.4 million which were insufficient to offset the increase in inventories of S\$12.9 million and increase in prepaid expenses of S\$1.0 million.

Net cash flows used in investing activities for FY2019 was S\$3.5 million. This mainly due to purchase of property, plant and equipment of S\$10.4 million, which relates mainly to redevelopment of the warehouse facilities at 28 Jalan Buroh, Singapore 619484 and construction of a new steel fabrication facility in Myanmar, offset by withdrawal of fixed deposit pledged to a bank of S\$7.0 million.

Net cash flows generated from financing activities for FY2019 was S\$14.9 million, mainly due to S\$0.8 million contribution of share capital by minority shareholders, whom are the joint venture partners for our steel fabrication plant in Myanmar and net proceeds from bank borrowings of S\$19.8 million, offset by repayment of lease of S\$5.7 million.

The Group's cash and cash equivalents was S\$22.9 million as at 31 December 2019 in comparison to S\$15.4 million as at 31 December 2018.

## HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2019

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

Not applicable.

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

According to the Building and Construction Authority (BCA) media release dated 8 January 2020, the BCA said that Singapore's total construction demand (value of construction contracts to be awarded) is expected to remain strong in 2020. Total construction demand is expected to range between S\$28 billion and S\$33 billion in 2020. The construction demand for public projects which accounted for about 60% of the total projected demand will be supported by steady pipeline of infrastructure and transport megaprojects and is expected to reach S\$17.5 billion and S\$20.5 billion in 2020. Meanwhile, private sector's 2020 construction demand is projected to be between S\$10.5 billion and S\$12.5 billion, supported by projects such as redevelopment of en-bloc sale sites, recreational developments at Mandai Park, Changi Airport new taxiway and berth facilities at Jurong Port and Tanjong Pagar Terminal.

Notwithstanding the earlier optimism expressed by the BCA, the expected slowdown in global economy following the recent outbreak of novel coronavirus is expected to lead to significant negative impact on Singapore's economy and foreign currency fluctuation.

In the light of the changing macroeconomic landscape and intensified competition in the steel industry, the Group will work towards optimising its inventory holding as well as taking active steps in mitigating any business risks it may face from time to time.

The Group will also continue to work on developing the market for its products and services in Myanmar with the objective to expand its market share in the supply of cut and bend reinforcing steel. The Group is actively looking into expanding the range of products to the local market.

Following the recent amendment to the Singapore Listing Rules which took effect from 7 February 2020, a company will have to report its financials on a quarterly basis if:

- its auditors have issued an adverse opinion, a qualified opinion or a disclaimer of opinion on the company's latest financial statements; or
- its auditors have stated that a material uncertainty relating to going concern exists in the company's latest financial statements; or
- SGX RegCo has regulatory concerns with the company, for example if it has had material disclosure breaches or where it faces issues that have material financial impact.

Based on the revised SGX reporting framework, the Company is not required to perform quarterly reporting. The Board of Directors of HG Metal Manufacturing Limited (the "**Company**") wishes to inform shareholders that the Company will cease quarterly reporting with immediate effect and will instead perform half-yearly reporting. The Company's next financial results announcement will be in relation to the Company's half year ending 30 June 2020, to be released by 14 August 2020 (i.e. within 45 days from the end of the financial period). Notwithstanding the adoption of this new reporting framework, the Company remains committed in announcing material business development on a timely manner to keep the market informed of the Company's state of affairs.

## HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2019

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### 11. Dividend

#### (a) Current financial period reported on

*Any dividend recommended for the current financial year reported on?*

No

#### (b) Corresponding period of the immediately preceding financial year

*Any dividend recommended for the corresponding period of the immediately preceding financial year?*

No

#### (c) Date payable

Not applicable

#### (d) Books closure date

Not applicable

### 12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared or recommended as the Company is preserving its cash resources for working capital and business expansion purposes.

### 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 31 December 2019 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.



# HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2019

## 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
<b><u>Financial year ended 31 Dec 2019</u></b>					
<b>Revenue</b>					
Sales to external customers	45,583	91,537	-	-	137,120
Inter-segment sales	59,026	93	-	(59,119)	-
Total	104,609	91,630	-	(59,119)	137,120
<b>Results</b>					
Other income	4,571	162	346	(961)	4,118
Dividend income	1,962	-	-	(1,962)	-
Interest income	464	-	36	(68)	432
Bad debts recovered	108	-	-	-	108
Gain from disposal property, plant and equipment	264	5	20	(20)	269
Fair value loss from derivatives	(299)	-	-	-	(299)
Interest expense	(271)	(75)	(265)	(281)	(892)
Write down of inventories	(19)	-	-	-	(19)
Depreciation and amortisation of assets	(1,786)	(839)	(301)	-	(2,926)
Depreciation of right-of-use assets	(2,474)	(101)	(151)	-	(2,726)
Amortisation of land use right	-	(62)	-	-	(62)
Segment (loss)/profit	1,953	4,608	(1,118)	(4,642)	801
Income tax expenses					(37)
Gain for the year					764
<b>Assets and liabilities</b>					
Additions to non-current assets	81	3,541	9,045	(46)	12,621
Segment assets	133,466	65,135	58,707	(84,536)	172,772
Income tax recoverable					45
Total assets					172,817
Segment liabilities	69,734	50,085	14,677	(64,381)	70,115
Tax payable					14
Deferred tax liabilities					25
Total liabilities					70,154

# HG METAL MANUFACTURING LIMITED

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	Trading	Manufacturing	Others	Adjustment/ elimination	Group
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Financial year ended 31 Dec 2018</b>					
<b>Revenue</b>					
Sales to external customers	110,272	63,651	-	-	173,923
Inter-segment sales	41,350	62	-	(41,412)	-
Total	151,622	63,713	-	(41,412)	173,923
<b>Results</b>					
Other income	4,509	227	1,001	(790)	4,947
Recognition of deferred income	1,429	-	-	-	1,429
Interest income	292	-	66	-	358
Gain from disposal property, plant and equipment	94	-	-	-	94
Fair value loss from derivatives	(57)	-	-	-	(57)
Interest expense	(167)	-	-	-	(167)
Write down of inventories	(8)	-	-	-	(8)
Depreciation and amortisation of assets	(1,840)	(444)	(476)	-	(2,760)
Amortisation of land use right	-	(20)	-	-	(20)
Segment (loss)/profit	(4,447)	419	92	27	(3,909)
Income tax expenses					(26)
Loss for the year					(3,935)
<b>Assets and liabilities</b>					
Additions to non-current assets	2,268	10,160	850		13,278
Segment assets	122,113	53,603	50,124	(81,350)	144,490
Segment liabilities	58,109	45,685	3,006	(65,229)	41,571
Tax payable					15
Total liabilities					41,586

# HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2019

## Geographical segment

	Singapore S\$'000	Malaysia S\$'000	Indonesia S\$'000	Myanmar S\$'000	Others S\$'000	Group S\$'000
<b><u>Financial year ended 31 Dec 2019</u></b>						
Sales to external customers	114,830	608	4,347	17,306	29	137,120
Non-current assets	20,348	408	-	11,604	-	32,360
<b><u>Financial year ended 31 Dec 2018</u></b>						
Sales to external customers	94,030	386	6,273	73,127	107	173,923
Non-current assets	13,410	416	-	9,102	-	22,928

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:**

	<b>Group</b>		
	FY 2019	FY 2018	%
	S\$'000	S\$'000	(+/-)
<b><u>First Half</u></b>			
Sales reported for first half year	61,436	91,017	(33)
Operating (loss)/profit after tax before deducting non-controlling interests reported for first half year	(708)	(353)	100
<b><u>Second Half</u></b>			
Sales reported for remaining period	75,684	82,906	(9)
Operating (loss)/profit after tax before deducting non-controlling interests reported for remaining period	1,472	(3,582)	nm*

**18. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.**

	<b>Group</b>	
	FY 2019	FY 2018
	S\$'000	S\$'000
Ordinary	-	-

## **HG METAL MANUFACTURING LIMITED**

Financial Statements and Dividend Announcement for Financial Year Ended 31 December 2019

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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**  
**Chairman**

**Foo Sey Liang**  
**Director**

**20 February 2020**