



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

Condensed Interim Financial Statements
for the Half Year Ended 30 June 2021



Table of Contents

Condensed interim consolidated statement of profit or loss and other comprehensive income ..	3
Condensed interim statements of financial position	4
Condensed interim statements of changes in equity	5
Condensed interim consolidated statement of cash flows.....	8
Selected notes to the condensed interim consolidated financial statements	9
Other information required by Listing Rule Appendix 7.2	24

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Condensed interim consolidated statement of profit or loss and other comprehensive income

	Group		
	6 months ended 30 June 2021	6 months ended 30 June 2020	% (+/-)
	S\$'000	S\$'000	
Revenue	68,141	43,822	55
Cost of sales	(54,187)	(39,166)	38
Gross profit	13,954	4,656	200
Gross margin	20.5%	10.6%	
Other operating income	1,741	2,998	(42)
Selling and distribution costs	(228)	(319)	(29)
Administrative expenses	(5,599)	(4,808)	16
Other operating expenses	(2,282)	(2,650)	(14)
Finance costs	(522)	(497)	5
(Impairment loss)/reversal of impairment on financial assets	(1,056)	142	nm*
Profit/(loss) before income tax	6,008	(478)	nm*
Income tax expense	(700)	(4)	nm*
Net profit/(loss) for the period	5,308	(482)	nm*
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss :			
Foreign currency translation	96	243	(60)
Other comprehensive income for the period, net of tax	96	243	(60)
Total comprehensive income for the period	5,404	(239)	nm*
Profit/(loss) attributable to:			
Owners of the Company	5,761	(806)	nm*
Non-controlling interests	(453)	324	nm*
	5,308	(482)	nm*
Total comprehensive income attributable to:			
Owners of the Company	5,792	(705)	nm*
Non-controlling interests	(388)	466	nm*
	5,404	(239)	nm*
Earnings/(losses) per share:			
Basic (cents)	4.52	(0.63)	nm*
Diluted (cents)	4.52	(0.63)	nm*

*nm denotes not meaningful

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Condensed interim statements of financial position

	Group		Company	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	33,461	33,963	6,123	6,458
Right-of-use assets	11,011	11,209	1,314	1,551
Intangible assets	242	117	148	30
Investment in subsidiaries	-	-	13,113	13,113
Investment securities	4,039	3,005	4,039	3,005
Restricted deposits	784	784	-	-
	49,537	49,078	24,737	24,157
Current assets				
Investment securities	4,775	6,515	4,775	6,515
Inventories	41,521	28,138	17,639	15,981
Trade and other receivables	39,286	37,674	46,369	43,414
Income tax recoverable	126	44	-	-
Prepaid expenses	336	167	145	121
Fixed deposits pledged with banks	6,000	6,000	2,500	2,500
Cash and cash equivalents	21,395	19,452	12,742	8,769
Derivative financial instruments*	86	-	67	-
	113,525	97,990	84,237	77,300
Total assets	163,062	147,068	108,974	101,457
Current liabilities				
Trade and other payables	16,992	13,237	32,774	31,903
Lease liabilities	1,040	950	588	579
Bank borrowings	10,110	2,658	7,125	586
Provision for income tax	254	13	-	-
Deferred grant income	-	197	-	88
Derivative financial instruments*	-	43	-	35
	28,396	17,098	40,487	33,191
Net current assets	85,129	80,892	43,750	44,109
Non-current liabilities				
Lease liabilities	6,780	7,122	1,193	1,492
Bank borrowings	16,989	17,172	1,364	1,558
Deferred tax liabilities	511	57	-	-
Provision for reinstatement costs	1,772	1,772	800	800
	26,052	26,123	3,357	3,850
Total liabilities	54,448	43,221	43,844	37,041
Net assets	108,614	103,847	65,130	64,416
Equity attributable to owners of the Company				
Share capital	70,496	70,496	70,496	70,496
Treasury shares	(2,215)	(2,215)	(2,215)	(2,215)
Other reserves	2,947	2,916	2,527	2,527
Accumulated profits/(losses)	33,623	28,499	(5,678)	(6,392)
	104,851	99,696	65,130	64,416
Non-controlling interests	3,763	4,151	-	-
Total equity	108,614	103,847	65,130	64,416
Total equity and liabilities	163,062	147,068	108,974	101,457

* 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.

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

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Condensed interim statements of changes in equity

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
At 1 January 2021	70,496	(2,215)	2,527	(212)	601	28,499	99,696	4,151	103,847
Profit for the period	-	-	-	-	-	5,761	5,761	(453)	5,308
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	-	-	31	-	31	65	96
Other comprehensive income for the period, net of tax	-	-	-	-	31	-	31	65	96
Total comprehensive income for the period	-	-	-	-	31	5,761	5,792	(388)	5,404
<u>Contribution by and distributions to owners</u>									
Dividend on ordinary shares	-	-	-	-	-	(637)	(637)	-	(637)
Total contribution by and distributions to owners	-	-	-	-	-	(637)	(637)	-	(637)
At 30 June 2021	70,496	(2,215)	2,527	(212)	632	33,623	104,851	3,763	108,614

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

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Condensed interim statements of changes in equity (cont'd)

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
At 1 January 2020	70,496	(2,215)	2,527	(212)	670	27,472	98,738	3,925	102,663
Loss for the period	-	-	-	-	-	(806)	(806)	324	(482)
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	-	-	101	-	101	142	243
Other comprehensive income for the period, net of tax	-	-	-	-	101	-	101	142	243
Total comprehensive income for the period	-	-	-	-	101	(806)	(705)	466	(239)
At 30 June 2020	70,496	(2,215)	2,527	(212)	771	26,666	98,033	4,391	102,424

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Condensed interim statements of changes in equity (cont'd)

<u>Company</u>	Share capital	Treasury shares	Capital reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2021	70,496	(2,215)	2,527	(6,392)	64,416
Profit for the period, representing total comprehensive income for the period	-	-	-	1,351	1,351
<u>Contributions by and distributions to owners</u>					
Dividend on ordinary shares	-	-	-	(637)	(637)
Total transactions with owners in their capacity as owners	-	-	-	(637)	(637)
At 30 June 2021	70,496	(2,215)	2,527	(5,678)	65,130
At 1 January 2020	70,496	(2,215)	2,527	(7,077)	63,731
Loss for the period, representing total comprehensive income for the period	-	-	-	(768)	(768)
At 30 June 2020	70,496	(2,215)	2,527	(7,845)	62,963

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

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Condensed interim consolidated statement of cash flows

	Group	
	6 months ended 30 June 2021	6 months ended 30 June 2020
	S\$'000	S\$'000
Cash flows from operating activities		
Profit/(loss) before income tax	6,008	(478)
Adjustments for:		
Depreciation of property, plant and equipment	1,499	1,362
Depreciation of right-of-use assets	559	650
Amortisation of intangible assets	8	7
Impairment loss/(reversal of impairment) on financial assets	1,056	(142)
Bad debts (recovered)/write-off	(2)	12
(Gain)/loss on disposal of property, plant and equipment	(75)	12
Gain on termination of lease	(3)	-
Write-off of property, plant and equipment	-	199
Fair value gain on derivatives, net	(128)	(173)
Finance costs	522	497
Interest income	(121)	(176)
Unrealised foreign exchange gain, net	(9)	(372)
Operating cash flow before changes in working capital	9,314	1,398
Working capital changes:		
Inventories	(13,387)	(8,133)
Trade and other receivables	(2,779)	19,343
Prepaid expenses	(275)	(184)
Trade and other payables	4,297	(19,544)
Cash used in operations	(2,830)	(7,120)
Interest expense paid	(393)	(404)
Interest income received	168	120
Income tax paid	(5)	(4)
Net cash flows used in operating activities	(3,060)	(7,408)
Cash flows from investing activities		
Fixed deposit pledged with banks	-	(3,500)
Proceeds from disposal of property, plant and equipment	179	13
Proceeds from maturity of investment securities	1,750	-
Purchase of investment securities	(1,060)	-
Purchase of property, plant and equipment	(1,667)	(9,204)
Purchase of right-of-use assets	(100)	-
Purchase of intangible assets	(126)	(9)
Net cash flows used in investing activities	(1,024)	(12,700)
Cash flows from financing activities		
Dividends paid on ordinary shares of the Company	(637)	-
Proceeds from bank borrowings	17,932	48,330
Repayment of bank borrowings	(10,841)	(32,382)
Principal element of lease payments	(508)	(984)
Net cash flows generated from financing activities	5,946	14,964
Net increase/(decrease) in cash and cash equivalents	1,862	(5,144)
Effects on exchange rate changes on cash and cash equivalents	81	(247)
Cash and cash equivalents at beginning of financial period	19,452	22,911
Cash and cash equivalents at end of financial period	21,395	17,520

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Selected notes to the condensed interim consolidated financial statements

1. Corporate information

HG Metal Manufacturing Limited (the “Company”) is a public limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange. These condensed interim consolidated financial statements as at and for the six months end 30 June 2021 comprise the Company and its subsidiaries (collectively, the Group).

The registered office and principal place of business of the Company is located at 28 Jalan Buroh, Singapore 619484.

The principal activities of the Company are the business of trading of steel products and investment holding.

The principal activities of the subsidiaries are the business of manufacturing and supply of steel materials to the construction industry.

2. Basis of Preparation

The condensed interim financial statements for the six months ended 30 June 2021 have been prepared in accordance with Singapore Financial Reporting Standards (International) (“SFRS(I)”) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group’s financial position and performance of the Group since the last annual financial statements for the year ended 31 December 2020.

The condensed interim financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The condensed interim financial statements are presented in Singapore Dollars (S\$) which is the Company’s functional currency and all values in the tables are rounded to the nearest thousand (S\$’000), except when otherwise indicated.

3. Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I), except that in the current financial period, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2021. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

4. Use of judgements and estimates

The preparation of the condensed interim financial statements in conformity with SFRS(I) requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group’s accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 31 December 2020.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Selected notes to the condensed interim consolidated financial statements (cont'd)

4. Use of judgements and estimates (cont'd)

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Allowance for expected credit losses of trade receivables

The Group uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables is disclosed in Note 13.

The carrying amount of trade receivables as at 30 June 2021 was S\$37,543,000 (31 December 2020: S\$36,593,000) respectively.

(b) Allowance for slow-moving and obsolete inventories

A review of the realisable value of the inventories is performed periodically for slow-moving, obsolete, and inventories which have a decline in net realisable value below cost. An allowance is recorded against the inventory balance for any such declines. These reviews require management to estimate future market demand for the products, pricing competitions, environmental regulations requirements and age of the inventories. Possible changes in these estimates could result in revisions to the valuation of inventories.

The carrying amount of the inventories as at 30 June 2021 was S\$41,521,000 (31 December 2020: S\$28,138,000). Included in the carrying amount of the inventories is an allowance for inventory obsolescence of S\$3,000 (31 December 2020: S\$17,000). There was a write back of inventories amounted to S\$14,000 recognised in cost of sales due to the inventories being sold above the carrying amount in current financial period. Based on management's assessment, no additional allowance for slow-moving and obsolete inventories is required for the financial period ended 30 June 2021.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Selected notes to the condensed interim consolidated financial statements (cont'd)

5. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- (i) The trading segment is a supplier of steel products and includes the holding of investments in subsidiaries in the business of steel distribution and provision of industrial steel services.
- (ii) The manufacturing segment produces construction steel products and provides related engineering services.
- (iii) Others include those which do not fall in trading and manufacturing segment.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss.

	Trading	Manufacturing	Others	Adjustment/ elimination	Group
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
1 January 2021 to 30 June 2021					
Revenue					
Sales to external customers	19,028	49,113	-	-	68,141
Inter-segment sales	25,154	182	-	(25,336)	-
Total	44,182	49,295	-	(25,336)	68,141
Results					
Other income	1,421	1,373	21	(1,616)	1,199
Government grant income	104	112	-	-	216
Interest income	152	2	6	(39)	121
Bad debts recovered	-	2	-	-	2
Gain from disposal property, plant and equipment	60	17	-	(2)	75
Fair value gain from derivatives	103	25	-	-	128
Interest expense	(80)	(480)	-	38	(522)
Depreciation and amortisation of assets	(590)	(914)	(3)	-	(1,507)
Depreciation of right-of-use assets	(237)	(322)	-	-	(559)
Segment profit/(loss)	1,351	4,838	(65)	(116)	6,008
Income tax expenses					(700)
Profit for the year					5,308
Assets and liabilities					
Additions to non-current assets	421	1,061	-	(35)	1,447
Segment assets	108,976	106,346	31,859	(84,245)	162,936
Income tax recoverable					126
Total assets					163,062
Segment liabilities	43,844	71,501	2,291	(63,953)	53,683
Tax payable					254
Deferred tax liabilities					511
Total liabilities					54,448

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Selected notes to the condensed interim consolidated financial statements (cont'd)

5. Segment information (cont'd)

	Trading	Manufacturing	Others	Adjustment/ elimination	Group
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
1 January 2020 to 30 June 2020					
Revenue					
Sales to external customers	15,037	28,785	-	-	43,822
Inter-segment sales	22,679	815	-	(23,494)	-
Total	37,716	29,600	-	(23,494)	43,822
Results					
Other income	1,631	1,730	16	(1,394)	1,983
Government grant income	336	330	-	-	666
Interest income	207	25	10	(66)	176
Fair value loss from derivatives	173	-	-	-	173
Interest expenses	(171)	(392)	-	66	(497)
Loss from disposal property, plant and equipment	-	-	(12)	-	(12)
Depreciation and amortisation of assets	(801)	(563)	(5)	-	(1,369)
Depreciation of right-of-use assets	(355)	(295)	-	-	(650)
Segment (loss)/profit	(768)	659	2,833	(3,202)	(478)
Income tax expense					(4)
Loss for the year					(482)
Assets and liabilities					
Additions to non-current assets	630	2,549	-	-	3,179
Segment assets	118,357	102,395	31,218	(90,790)	161,180
Income tax recoverable					47
Total assets					161,227
Segment liabilities	55,393	72,160	2,343	(71,132)	58,764
Tax payable					14
Deferred tax liabilities					25
Total liabilities					58,803

Geographical information

Non-current assets information presented below comprise property, plant and equipment, right-of-use assets and intangible assets as presented in the consolidated balance sheet.

Revenue and non-current assets information based on geographical location of customers and assets respectively are as follows:

	Singapore	Malaysia	Indonesia	Myanmar	Group
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
1 January 2021 to 30 June 2021					
Sales to external customers	64,083	258	773	3,027	68,141
Non-current assets	30,506	394	-	13,814	44,714
1 January 2020 to 30 June 2020					
Sales to external customers	33,641	262	1,012	8,907	43,822
Non-current assets	29,813	402	-	14,886	45,101

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Selected notes to the condensed interim consolidated financial statements (cont'd)

6. Disaggregation of revenue

	Group		
	6 months ended 30 June 2021		
	Trading	Manufacturing	Group
	S\$'000	S\$'000	S\$'000
Sales of goods	17,997	6,655	24,652
Cut & bend	-	42,458	42,458
Rental of steel plates	1,031	-	1,031
Total Revenue	19,028	49,113	68,141

	Group		
	6 months ended 30 June 2020		
	Trading	Manufacturing	Group
	S\$'000	S\$'000	S\$'000
Sales of goods	14,129	8,040	22,169
Cut & bend	-	20,745	20,745
Rental of steel plates	908	-	908
Total Revenue	15,037	28,785	43,822

7. Profit/(loss) before income tax

	Group	
	6 months ended 30 June 2021	6 months ended 30 June 2020
	S\$'000	S\$'000
Profit/(loss) before tax is arrived at after crediting/(charging) the following:		
(Impairment loss)/reversal of impairment on financial assets	(1,056)	142
Bad debts recovered/(write-off)	2	(12)
Amortisation of intangible assets	(8)	(7)
Depreciation of property, plant and equipment	(1,499)	(1,362)
Depreciation of right-of-use assets	(559)	(650)
Fair value gain on derivatives, net	128	173
Foreign exchange (loss)/gain, net	(397)	787
Interest income	121	176
Finance costs	(522)	(497)
Gain/(loss) on disposal of property, plant and equipment	75	(12)
Gain on termination of lease	3	-
Write-off of property, plant and equipment	-	(199)

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Selected notes to the condensed interim consolidated financial statements (cont'd)

8. Related companies and related parties transactions

The following are significant transactions between the Company and its related companies on rates and terms agreed between the parties during the financial period:

	<u>Company</u>	
	6 months ended	6 months ended
	30 June 2021	30 June 2020
	S\$'000	S\$'000
<i>With subsidiaries</i>		
Sales	25,154	22,679
Purchase	1	57
Rental income	-	33
Interest income	38	66
Other income	296	60
Rental expenses	491	535

	<u>Group</u>		<u>Company</u>	
	6 months ended	6 months ended	6 months ended	6 months ended
	30 June 2021	30 June 2020	30 June 2021	30 June 2020
	S\$'000	S\$'000	S\$'000	S\$'000
<i>With companies related to directors of the Company</i>				
Sales	32	24	32	24

9. Income tax expenses

The Group calculates the period income tax expenses using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expenses in the condensed interim consolidated statement of profit or loss are:

	<u>Group</u>	
	6 months	6 months
	ended 30	ended 30
	June 2021	June 2020
	S\$'000	S\$'000
Current income tax expenses	246	4
Deferred income tax expenses relating to origination and reversal of temporary differences	454	-
	700	4

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Selected notes to the condensed interim consolidated financial statements (cont'd)

10. Earnings per shares

	<u>Group</u>	
	6 months ended 30 June 2021	6 months ended 30 June 2020
Earnings per ordinary shares:		
(a) Basic (cents)	4.52	(0.63)
(b) Diluted (cents)	4.52	(0.63)

- (a) Earnings per share were calculated based on weighted average number of shares of 127,417,735 for the period ended 30 June 2021 and 30 June 2020 respectively.
- (b) Diluted earnings per share were calculated based on adjusted weighted average number of shares during the period.

There was no dilution in earnings per ordinary share this period and the comparative last period.

11. Property, plant and equipment

During the six months ended 30 June 2021, the Group acquired property, plant and equipment as well as right-of-use assets with aggregate cost S\$1,315,000 (30 June 2020: S\$3,170,000). The Group disposed property, plant and equipment for S\$384,000 (30 June 2020: S\$67,000)

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

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Selected notes to the condensed interim consolidated financial statements (cont'd)

12. Intangible assets

	Group		
	Computer software S\$'000	Club membership S\$'000	Total S\$'000
Cost			
At 31 December 2020	1,089	24	1,113
Additions	13	119	132
Exchange difference	1	-	1
At 30 June 2021	<u>1,103</u>	<u>143</u>	<u>1,246</u>
Accumulated amortisation			
At 31 December 2020	996	-	996
Amortisation	8	-	8
Exchange difference	-	-	-
At 30 June 2021	<u>1,004</u>	<u>-</u>	<u>1,004</u>
Net carrying amount			
At 31 December 2020	<u>93</u>	<u>24</u>	<u>117</u>
At 30 June 2021	<u>99</u>	<u>143</u>	<u>242</u>

	Company		
	Computer software S\$'000	Club membership S\$'000	Total S\$'000
Cost			
At 31 December 2020	917	24	941
Additions	1	119	120
At 30 June 2021	<u>918</u>	<u>143</u>	<u>1,061</u>
Accumulated amortisation			
At 31 December 2020	911	-	911
Amortisation	2	-	2
At 30 June 2021	<u>913</u>	<u>-</u>	<u>913</u>
Net carrying amount			
At 31 December 2020	<u>6</u>	<u>24</u>	<u>30</u>
At 30 June 2021	<u>5</u>	<u>143</u>	<u>148</u>

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Selected notes to the condensed interim consolidated financial statements (cont'd)

13. Trade and other receivables

	Group	
	30 June 2021	31 December 2020
	S\$'000	S\$'000
Trade receivables	40,771	38,796
Allowance for expected credit loss	(3,228)	(2,203)
	<u>37,543</u>	<u>36,593</u>
Other receivables	1,743	1,081
	<u>39,286</u>	<u>37,674</u>

Trade receivables are non-interest bearing and are generally on 30 to 90 days' credit terms. They are recognised at their original invoice amounts which represent their fair value on initial recognition.

Expected credit losses

Receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group	
	6 months ended 30 June 2021	6 months ended 30 June 2020
	S\$'000	S\$'000
At beginning of the period	2,203	2,375
Allowance/(reversal) for expected credit loss	1,056	(142)
Write off during the period	(31)	(48)
Translation difference	-	(3)
At end of period	<u>3,228</u>	<u>2,182</u>

The Group has determined an allowance for expected credit losses of S\$1,056,000 for the current financial period ended 30 June 2021. The allowance made relates mainly to amounts owing by customers in Myanmar.

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

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Selected notes to the condensed interim consolidated financial statements (cont'd)

14. Financial instruments

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2021 and 31 December 2020

	Group		Company	
	30 June 2021 S\$'000	31 December 2020 S\$'000	30 June 2021 S\$'000	31 December 2020 S\$'000
Financial assets at amortised cost				
Trade and other receivables	38,136	37,132	45,971	43,274
Bank balances and fixed deposits	28,179	26,236	15,242	11,269
Investment securities	8,814	9,520	8,814	9,520
Total financial assets at amortised cost	75,129	72,888	70,027	64,063
Financial assets at fair value through profit and loss				
Derivative financial instruments	86	-	67	-
Total financial assets at fair value through profit and loss	86	-	67	-
Financial liabilities at amortised cost				
Trade and other payables	16,510	11,932	32,332	31,520
Lease liabilities	7,820	8,072	1,781	2,071
Bank borrowings	27,099	19,830	8,489	2,144
Total financial liabilities at amortised cost	51,429	39,834	42,602	35,735
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	-	43	-	35
Total financial liabilities at fair value through profit and loss	-	43	-	35

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Selected notes to the condensed interim consolidated financial statements (cont'd)

15. Financial instruments carried on fair value

The Group categories fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

-Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

-Level 2 -Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

-Level 3 -Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

There were no transfers between the levels of fair value measurements during the financial period.

	Group			
	30 June 2021			
	Quoted prices in active market for identical assets (level 1) S\$'000	Significant observable inputs other than quoted (Level 2) S\$'000	Unobservable inputs for the asset or liability (Level 3) S\$'000	Total fair value S\$'000
Assets				
Derivative financial instruments				
- Forward Currency contracts	-	86	-	86
	-	86	-	86

	Group			
	31 December 2020			
	Quoted prices in active market for identical assets (level 1) S\$'000	Significant observable inputs other than quoted (Level 2) S\$'000	Unobservable inputs for the asset or liability (Level 3) S\$'000	Total fair value S\$'000
Liabilities				
Derivative financial instruments				
- Forward Currency contracts	-	(43)	-	(43)
	-	(43)	-	(43)

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Selected notes to the condensed interim consolidated financial statements (cont'd)

16. Borrowings

	Group				Company			
	30 June 2021		31 December 2020		30 June 2021		31 December 2020	
	Secured [*]	Lease liabilities	Secured [*]	Lease liabilities	Secured [*]	Lease liabilities	Secured [*]	Lease liabilities
	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000	SS'000
Repayable within one year	10,110	1,040	2,658	950	7,125	588	586	579
Repayable after one year	16,989	6,780	17,172	7,122	1,364	1,193	1,558	1,492
Total	27,099	7,820	19,830	8,072	8,489	1,781	2,144	2,071

*The bank loans are secured by fixed charge over fixed deposits and investment in bonds that are pledged to banks, as well as mortgage over certain leasehold properties of the Group

17. Share capital and treasury shares

17.1 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.

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

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Selected notes to the condensed interim consolidated financial statements (cont'd)

17. Share capital and treasury shares (cont'd)

	30 June 2021	30 June 2020
	S\$'000	S\$'000
Share capital	70,496	70,496

	30 June 2021	30 June 2020
Total number of issued shares	130,611,365	130,611,365
Treasury shares	(3,193,630)	(3,193,630)
Total number of issued shares excluding treasury shares	127,417,735	127,417,735

	2021	2020
<u>Number of issued shares (excluding treasury shares)</u>		
As at 30 June	127,417,735	127,417,735

	2021	2020
<u>Number of treasury shares</u>		
As at 30 June	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 30 June 2021 and 30 June 2020.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Selected notes to the condensed interim consolidated financial statements (cont'd)

17. Share capital and treasury shares (cont'd)

17.2 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 2021	31 December 2020
	S\$'000	S\$'000
Share capital	70,496	70,496

	30 June 2021	31 December 2020
Total number of issued shares	130,611,365	130,611,365
Treasury shares	(3,193,630)	(3,193,630)
Total number of issued shares excluding treasury shares	127,417,735	127,417,735

There was no sale, transfer, disposal, cancellation and use of treasury shares during the current financial period ended 30 June 2021

18. Dividends

	<u>Group</u>	
	6 months ended 30 June 2021	6 months ended 30 June 2020
	S\$'000	S\$'000
Ordinary dividend paid:		
Final dividend in respect of the financial year ended 31 December 2020, approved and paid during interim financial period, 0.5 Singapore cents per ordinary share (30 June 2020: Nil)	637	-

19. Net asset value

	<u>Group</u>		<u>Company</u>	
	30 June 2021	31 December 2020	30 June 2021	31 December 2020
Net asset value per ordinary share (S\$)	0.82	0.78	0.51	0.51

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Selected notes to the condensed interim consolidated financial statements (cont'd)

20. Seasonality of operations

The Group's businesses are not significantly affected by seasonal or cyclical factor during the current financial period ended 30 June 2021.

21. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Other information required by Listing Rule Appendix 7.2

22. **Whether the figures have been audited or reviewed, and in accordance with which auditing standard or practice**

The condensed consolidated statement of financial position of HG Metal Manufacturing Limited and its subsidiaries as at 30 June 2021 and related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six months period then ended and certain explanatory notes have not been audited or reviewed.

23. **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.

Financial performance of the Group (1H2021 vs 1H2020)

Revenue and Gross Profit

The Group reported revenue of S\$68.1 million in 1H2021, which was 55% higher than the revenue of S\$43.8 million achieved in 1H2020. The revenue growth was backed by increase in both average selling price and sales volume. The Group's sales volume rose 26.7% in 1H 2021 in comparison to 1H2020, driven by recovery of construction activities in Singapore as against weaker performance experienced in 1H2020 due to the effect of Circuit Breaker ("CB") from 7 April 2020 to 1 June 2020.

The overall gross profit margin for 1H2021 improved to 20.5% from 10.6% in 1H2020, contributed mainly by better profit margin attained for local sales in tandem with improved sales volume, increase in current international steel prices and our lower average cost of material on hand. Hence, the Group's gross profit surged to S\$14.0 million in 1H2021 compared to S\$4.7 million in 1H2020.

Other Operating Income

Other operating income declined from S\$3.0 million in 1H2020 to S\$1.7 million in 1H2021. The decrease in other operating income was mainly attributed to S\$0.5 million reduction in government grants received in respect of the job support scheme and foreign worker levy rebate, as well as absence of foreign exchange gain of S\$0.8 million.

Selling and Distribution, Administrative, Other Operating and Finance Expenses

Notwithstanding the increase in sales volume, the Group's selling and distribution expenses in 1H2021 was lower than 1H2020 mainly due to better utilization of internal resources, resulted in less out-sourced logistic services.

Administrative expenses increased by 16% to S\$5.6 million in 1H2021 from S\$4.8 million in 1H2020. This was mainly resulted from the increase in salary cost and staff headcount in 1H2021 to support the volume growth for local sales.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Other information required by Listing Rule Appendix 7.2 (cont'd)

Other operating expenses reduced from S\$2.7 million in 1H2020 to S\$2.3 million in 1H2021, primarily due to the reduction in repair and maintenance fee and no write-off of property, plant and equipment incurred which was partially offset against foreign exchange loss.

Total finance costs incurred relate mainly to borrowing for trade financing and term loan from banks as well as construction loan and lease for properties redevelopment. Total finance cost incurred in 1H2021 increased slightly compared to 1H2020 mainly due to increase in interest incurred for leases and construction loan, partially offset by reduction in interest for trade financing.

Profitability

The Group recorded a net profit after tax of S\$5.3 million in 1H2021, compared to a net loss after tax of S\$0.5 million in 1H2020.

Balance Sheet

The Group's non-current assets maintained at S\$49.5 million as at 30 June 2021 compared to S\$49.1 million as at 31 December 2020.

As at 30 June 2021, the Group's inventory on hand increased to S\$41.5 million from S\$28.1 million as at 31 December 2020 as a result of replenishment of stock to support future sales activities.

Trade and other receivables amounted to S\$39.3 million as at 30 June 2021 as compared to S\$37.7 million as at 31 December 2020 mainly due to increase in revenue during the period.

Trade and other payables increased to S\$17.0 million as at 30 June 2021 from S\$13.20 million as at 31 December 2020 due to increase in stock purchases.

Bank borrowings increased to S\$27.1 million as at 30 June 2021 from S\$19.8 million as at 31 December 2020 mainly due to increase in trade financing for stock purchases.

Statement of Cash Flows

The net cash flows used in operating activities was S\$3.0 million in 1H2021 as compared to net cash flows used in operating activities of S\$7.4 million in 1H2020. The net cash outflow for operating activities for current period was mainly due to replenishment of stock to support sales growth, offset by profit generated by the Group.

Net cash flows used in investing activities for 1H2021 was S\$1.0 million, mainly due to purchase in investment securities and non-current assets of S\$2.9 million after offset against proceeds from maturity of investment securities and disposal of property, plant and equipment of S\$1.9 million.

Net cash flows generated from financing activities for 1H2021 was S\$5.9 million, mainly due to net proceeds from bank borrowings of S\$7.0 million, offset by dividend payment of 0.6 million and repayment of lease payments of S\$0.5 million.

The Group's cash and cash equivalents was S\$21.4 million as at 30 June 2021 in comparison to S\$17.5 million as at 30 June 2020.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Other information required by Listing Rule Appendix 7.2 (cont'd)

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

Not applicable

25. **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 data released by the Ministry of Trade and Industry (MTI) on August 11, Singapore's GDP grew 14.7% y-o-y in 2Q 2021, extending the 1.5% growth in 1Q 2021. The construction sector grew 106.2% on a y-o-y in 2Q 2021, reflecting a turnaround from the 23.2% contraction in the preceding quarter. The strong recovery in GDP was due to the low base effects as the CB measures were implemented during 7 April to 1 June, thereby led to a stoppage of most construction activities in 2Q 2020.

On 16 July 2021 in the press release issued, the International Monetary Fund ("IMF") has projected a 6% GDP growth for Singapore in 2021. This is in line with MTI's latest official GDP growth forecast of between 6% - 7% for 2021. The Singapore government's robust economic policy frameworks and various control and support measures implemented since the start of the COVID-19 pandemic have become the capstone that drives the strong economic recovery in 2021.

In light of the improved economic environment, the Group's financial results for 1H2021 rebounded strongly, recovered from the weak performance experienced in same period last year due to the CB measures. Notably, the Construction Steel business segment almost doubled its sales volume in 1H2021 compared to 1H2020 on resumption of project sales deliveries that were slowed down last year due to the COVID-19 pandemic while the Distribution business segment also registered better business performance.

However, the Group's Myanmar business operations has been severely impacted by the uncertain operating environment in Myanmar after the military seized power on 1 February 2021 and the effect of COVID-19 pandemic. In view of the adverse operating environment, the Group has downsized its business operations in Myanmar and focuses on expanding its business volume in Singapore. Barring any unforeseen circumstances or worsening of global COVID-19 pandemic situation, the Group remains cautiously optimistic on the Group's business volume for the next reporting period. The Group will maintain close monitoring on the evolving situation of the COVID-19 pandemic in view of the emergence of COVID-19 virus variants, resurgence of infections and the tighter control measures implemented in Singapore and the world. Going forward, the Group will work towards aligning its business operations appropriately to mitigate any operation risks and business impact arising from the COVID-19 pandemic as and when warranted.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Other information required by Listing Rule Appendix 7.2 (cont'd)

26. 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 declared for the corresponding period of the immediately preceding financial year?

No dividend was declared for the financial period ended 30 June 2020.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

No dividend payment has been declared or recommended for the current financial period as the Company intends to retain the cash to support its immediate operating and financial needs.

28. 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 2021 pursuant to Rule 907 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Half Year Ended 30 June 2021

Other information required by Listing Rule Appendix 7.2 (cont'd)

29. 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.

30. 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 2021 to be false or misleading in any material respect.

31. Disclosures on Incorporation, Acquisition and Realisation of Shares pursuant to Rule 706A of the Mainboard Rules

Not applicable as the Company did not undertake any transactions in relation to Mainboard Rule 706A for the half-year ended 30 June 2021.

On behalf of the Board,

Teo Yi-Dar

Chairman

Foo Sey Liang

Director

12 August 2021