



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

Condensed Interim Financial Statements
for the Six Months and Full Year Ended 31 December 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	31

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

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

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

	Group			Group		
	6 months	6 months		12 months	12 months	
	ended 31	ended 31		ended 31	ended 31	
	December	December		December	December	
	2021	2020	%	2021	2020	%
	S\$'000	S\$'000	(+/-)	S\$'000	S\$'000	(+/-)
Revenue	74,126	47,871	55	142,267	91,693	55
Cost of sales	(58,928)	(41,388)	42	(113,115)	(80,554)	40
Gross profit	15,198	6,483	134	29,152	11,139	162
Gross margin	20.5%	13.5%		20.5%	12.1%	
Other operating income	1,758	1,624	8	3,499	4,622	(24)
Selling and distribution costs	(163)	(243)	(33)	(391)	(562)	(30)
Administrative expenses	(5,600)	(3,875)	45	(11,199)	(8,683)	29
Other operating expenses	(1,797)	(1,497)	20	(4,079)	(4,147)	(2)
Finance costs	(543)	(607)	(11)	(1,065)	(1,104)	(4)
(Impairment loss)/reversal of impairment on financial assets	(2,429)	(31)	nm*	(3,485)	111	nm*
Profit before income tax	6,424	1,854	nm*	12,432	1,376	nm*
Income tax expense	(562)	(37)	nm*	(1,262)	(41)	nm*
Net profit for the year	5,862	1,817	nm*	11,170	1,335	nm*
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss :						
Foreign currency translation	31	(394)	nm*	127	(151)	nm*
Other comprehensive income for the year, net of tax	31	(394)	nm*	127	(151)	nm*
Total comprehensive income for the year	5,893	1,423	nm*	11,297	1,184	nm*
Profit attributable to:						
Owners of the Company	6,304	1,833	nm*	12,065	1,027	nm*
Non-controlling interests	(442)	(16)	nm*	(895)	308	nm*
	5,862	1,817	nm*	11,170	1,335	nm*
Total comprehensive income attributable to:						
Owners of the Company	6,318	1,663	nm*	12,110	958	nm*
Non-controlling interests	(425)	(240)	nm*	(813)	226	nm*
	5,893	1,423	nm*	11,297	1,184	nm*
Earnings per share:						
Basic (cents)	4.96	1.44	nm*	9.48	0.81	nm*
Diluted (cents)	4.96	1.44	nm*	9.48	0.81	nm*

*nm denotes not meaningful

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

Condensed interim statements of financial position

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	31,868	33,963	5,351	6,458
Right-of-use assets	11,460	11,209	2,078	1,551
Intangible assets	261	117	146	30
Investment in subsidiaries	-	-	13,113	13,113
Restricted deposits	-	784	-	-
Investment securities	7,671	3,005	7,671	3,005
	51,260	49,078	28,359	24,157
Current assets				
Investment securities	1,127	6,515	1,127	6,515
Inventories	45,779	28,138	20,923	15,981
Trade and other receivables	37,511	37,674	46,516	43,414
Income tax recoverable	128	44	-	-
Prepaid expenses	216	167	114	121
Restricted deposits	784	-	-	-
Fixed deposits pledged with banks	7,251	6,000	3,750	2,500
Cash and cash equivalents	27,876	19,452	11,786	8,769
	120,672	97,990	84,216	77,300
Total assets	171,932	147,068	112,575	101,457
Current liabilities				
Trade and other payables	21,506	13,237	33,525	31,903
Lease liabilities	1,033	950	586	579
Bank borrowings	9,892	2,658	5,860	586
Provision for income tax	843	13	-	-
Deferred grant income	-	197	-	88
Derivative financial instruments*	39	43	34	35
	33,313	17,098	40,005	33,191
Net current assets	87,359	80,892	44,211	44,109
Non-current liabilities				
Lease liabilities	6,272	7,122	905	1,492
Bank borrowings	15,011	17,172	1,167	1,558
Deferred tax liabilities	478	57	-	-
Provision for reinstatement costs	2,772	1,772	1,800	800
	24,533	26,123	3,872	3,850
Total liabilities	57,846	43,221	43,877	37,041
Net assets	114,086	103,847	68,698	64,416
Equity attributable to owners of the Company				
Share capital	70,496	70,496	70,496	70,496
Treasury shares	(2,636)	(2,215)	(2,636)	(2,215)
Other reserves	2,961	2,916	2,527	2,527
Accumulated profits/(losses)	39,927	28,499	(1,689)	(6,392)
	110,748	99,696	68,698	64,416
Non-controlling interests	3,338	4,151	-	-
Total equity	114,086	103,847	68,698	64,416
Total equity and liabilities	171,932	147,068	112,575	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 Six Months and Full Year Ended 31 December 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 year	-	-	-	-	-	12,065	12,065	(895)	11,170
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	-	-	45	-	45	82	127
Other comprehensive income for the year, net of tax	-	-	-	-	45	-	45	82	127
Total comprehensive income for the year	-	-	-	-	45	12,065	12,110	(813)	11,297
<u>Contribution by and distributions to owners</u>									
Purchase of treasury shares	-	(421)	-	-	-	-	(421)	-	(421)
Dividend on ordinary shares	-	-	-	-	-	(637)	(637)	-	(637)
Total contribution by and distributions to owners	-	(421)	-	-	-	(637)	(1,058)	-	(1,058)
Total transactions with owners in their capacity as owners	-	(421)	-	-	-	(637)	(1,058)	-	(1,058)
At 31 December 2021	70,496	(2,636)	2,527	(212)	646	39,927	110,748	3,338	114,086

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

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 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
Profit for the year	-	-	-	-	-	1,027	1,027	308	1,335
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	-	-	(69)	-	(69)	(82)	(151)
Other comprehensive income for the year, net of tax	-	-	-	-	(69)	-	(69)	(82)	(151)
Total comprehensive income for the year	-	-	-	-	(69)	1,027	958	226	1,184
At 31 December 2020	70,496	(2,215)	2,527	(212)	601	28,499	99,696	4,151	103,847

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

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

<u>Company</u>	<u>Share capital</u>	<u>Treasury shares</u>	<u>Capital reserve</u>	<u>Accumulated losses</u>	<u>Total equity</u>
	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>	<u>S\$'000</u>
At 1 January 2021	70,496	(2,215)	2,527	(6,392)	64,416
Profit for the year, representing total comprehensive income for the year	-	-	-	5,340	5,340
<u>Contributions by and distributions to owners</u>					
Purchase of treasury shares	-	(421)	-	-	(421)
Dividend on ordinary shares	-	-	-	(637)	(637)
Total transactions by and distributions to owners	-	(421)	-	(637)	(1,058)
Total transactions with owners in their capacity as owners	-	(421)	-	(637)	(1,058)
At 31 December 2021	<u>70,496</u>	<u>(2,636)</u>	<u>2,527</u>	<u>(1,689)</u>	<u>68,698</u>
At 1 January 2020	70,496	(2,215)	2,527	(7,077)	63,731
Profit for the year, representing total comprehensive income for the year	-	-	-	685	685
At 31 December 2020	<u>70,496</u>	<u>(2,215)</u>	<u>2,527</u>	<u>(6,392)</u>	<u>64,416</u>

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

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

Condensed interim consolidated statement of cash flows

	Group		Group	
	6 months ended 31 December 2021	6 months ended 31 December 2020	12 months ended 31 December 2021	12 months ended 31 December 2020
	S\$'000	S\$'000	S\$'000	S\$'000
Cash flows from operating activities				
Profit before income tax	6,424	1,854	12,432	1,376
Adjustments for:				
Depreciation of property, plant and equipment	1,472	1,412	2,971	2,774
Depreciation of right-of-use assets	564	499	1,123	1,149
Amortisation of intangible assets	14	8	22	15
Impairment loss/(reversal of impairment) on financial assets	2,429	31	3,485	(111)
Bad debts recovered	(2)	(18)	(4)	(6)
Gain on disposal of property, plant and equipment	(379)	(22)	(454)	(10)
Loss/(gain) on termination of lease	3	(18)	-	(18)
Write-off of property, plant and equipment	-	18	-	217
Allowance/(reversal of allowance) for inventories obsolescence	6	(8)	6	(8)
Fair value loss/(gain) on derivatives, net	124	(125)	(4)	(298)
Finance costs	543	607	1,065	1,104
Interest income	(71)	(241)	(192)	(417)
Unrealised foreign exchange (gain)/loss, net	(320)	902	(329)	530
Operating cash flow before changes in working capital	10,807	4,899	20,121	6,297
Working capital changes:				
Inventories	(4,264)	22,445	(17,651)	14,312
Trade and other receivables	(683)	(8,147)	(3,462)	11,196
Prepaid expenses	122	549	(153)	365
Trade and other payables	5,220	1,914	9,517	(17,630)
Cash generated from operations	11,202	21,660	8,372	14,540
Interest expense paid	(506)	(591)	(899)	(995)
Interest income received	147	221	315	341
Income tax paid	(6)	(6)	(11)	(10)
Net cash flows generated from operating activities	10,837	21,284	7,777	13,876
Cash flows from investing activities				
Fixed deposit pledged with banks	(1,251)	-	(1,251)	(3,500)
Proceeds from disposal of property, plant and equipment	638	422	817	435
Proceeds from maturity of investment securities	4,750	500	6,500	500
Purchase of investment securities	(4,772)	-	(5,832)	-
Purchase of property, plant and equipment	(719)	(1,074)	(2,386)	(10,278)
Purchase of right-of-use assets	-	(41)	(100)	(41)
Purchase of intangible assets	(33)	-	(159)	(9)
Net cash flows used in investing activities	(1,387)	(193)	(2,411)	(12,893)
Cash flows from financing activities				
Purchase of treasury shares	(421)	-	(421)	-
Dividends paid on ordinary shares of the Company	-	-	(637)	-
Proceeds from bank borrowings	39,588	8,552	57,520	56,882
Repayment of bank borrowings	(41,737)	(27,371)	(52,578)	(59,753)
Principal element of lease payments	(515)	(491)	(1,023)	(1,475)
Net cash flows (used in)/generated from financing activities	(3,085)	(19,310)	2,861	(4,346)
Net increase/(decrease) in cash and cash equivalents	6,365	1,781	8,227	(3,363)
Effects on exchange rate changes on cash and cash equivalents	116	151	197	(96)
Cash and cash equivalents at beginning of financial year	21,395	17,520	19,452	22,911
Cash and cash equivalents at end of financial year	27,876	19,452	27,876	19,452

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 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 and full year ended 31 December 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 and full year ended 31 December 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 interim financial statements for the period ended 30 June 2021.

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.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

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

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

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.

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 31 December 2021 was S\$37,007,000 (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.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

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

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

(b) Allowance for slow-moving and obsolete inventories(cont'd)

The carrying amount of the inventories as at 31 December 2021 was S\$45,779,000 (31 December 2020: S\$28,138,000). Included in the carrying amount of the inventories is an allowance for inventory obsolescence of S\$9,000 (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 year. Based on management's assessment, no additional allowance for slow-moving and obsolete inventories is required for the financial year ended 31 December 2021.

(c) Impairment review of property, plant and equipment and right-of-use assets

Property, plant and equipment and right-of-use assets are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

The net book value of the Group's property, plant and equipment and right-of-use assets as at 31 December 2021 were S\$31,868,000 and S\$11,460,000 respectively (31 December 2020: S\$33,963,000 and S\$11,209,000).

The net book value of property, plant and equipment and right-of-use assets as at 31 December 2021 held by a subsidiary in Myanmar were S\$10,671,000 and S\$2,856,000 respectively (31 December 2020: S\$10,872,000 and S\$2,857,000). Given the political instability in Myanmar, the Group had engaged external valuer to perform recoverable value assessments of the leasehold land and leasehold buildings of the subsidiary in Myanmar.

Based on the assessment carried out, there is no indication that the Group's property, plant and equipment and right-of-use assets may be impaired. As such, no impairment is required on the Group's property, plant and equipment and right-of-use assets as at 31 December 2021.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 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.

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

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

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

5. Segment information (cont'd)

	Trading S\$'000	Manufacturing S\$'000	Others S\$'000	Adjustment/ elimination S\$'000	Group S\$'000
<u>1 July 2021 to 31 December 2021</u>					
Revenue					
Sales to external customers	20,695	53,431	-	-	74,126
Inter-segment sales	17,851	978	-	(18,829)	-
Total	<u>38,546</u>	<u>54,409</u>	<u>-</u>	<u>(18,829)</u>	<u>74,126</u>
Results					
Other income	1,497	1,308	19	(1,626)	1,198
Dividend income	3,788	-	-	(3,788)	-
Government grant income	75	157	-	-	232
Interest income	102	2	6	(39)	71
Bad debts recovered	-	2	-	-	2
Gain from disposal property, plant and equipment	380	(1)	-	-	379
Fair value loss from derivatives	(101)	(23)	-	-	(124)
Reversal of allowance for inventories obsolescence	(6)	-	-	-	(6)
Interest expense	(46)	(536)	-	39	(543)
Depreciation and amortisation of assets	(542)	(942)	(2)	-	(1,486)
Depreciation of right-of-use assets	(236)	(328)	-	-	(564)
Segment profit/(loss)	<u>3,989</u>	<u>6,235</u>	<u>(75)</u>	<u>(3,725)</u>	<u>6,424</u>
Income tax expenses					(562)
Profit for the period					<u>5,862</u>
Assets and liabilities					
Additions to non-current assets	1,026	131	-	(37)	1,120
Segment assets	<u>112,578</u>	<u>115,028</u>	<u>31,787</u>	<u>(87,589)</u>	<u>171,804</u>
Income tax recoverable					128
Total assets					<u>171,932</u>
Segment liabilities	<u>43,878</u>	<u>73,914</u>	<u>6,094</u>	<u>(67,361)</u>	<u>56,525</u>
Tax payable					843
Deferred tax liabilities					478
Total liabilities					<u>57,846</u>

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 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 July 2020 to 31 December 2020					
Revenue					
Sales to external customers	16,292	31,579	-	-	47,871
Inter-segment sales	189	436	-	(625)	-
Total	16,481	32,015	-	(625)	47,871
Results					
Other income	832	1,495	19	(1,682)	664
Dividend income	2,318	-	-	(2,318)	-
Government grant income	358	212	-	-	570
Interest income	175	104	6	(44)	241
Bad debts recovered	-	6	-	-	6
Gain/(loss) from disposal property, plant and equipment	22	-	-	-	22
Fair value gain/(loss) from derivatives	133	(8)	-	-	125
Reversal of allowance for inventories obsolescence	8	-	-	-	8
Interest expenses	(106)	(544)	-	43	(607)
Depreciation and amortisation of assets	(700)	(718)	(2)	-	(1,420)
Depreciation of right-of-use assets	(191)	(308)	-	-	(499)
Segment profit/(loss)	1,453	2,493	(28)	(2,064)	1,854
Income tax expense					(37)
Profit for the year					1,817
Assets and liabilities					
Additions to non-current assets	611	2,400	-	-	3,011
Segment assets	101,459	94,537	31,179	(80,151)	147,024
Income tax recoverable					44
Total assets					147,068
Liabilities					
Segment liabilities	37,042	64,582	2,276	(60,749)	43,151
Tax payable					13
Deferred tax liabilities					57
Total liabilities					43,221

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 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 2021 to 31 December 2021					
Revenue					
Sales to external customers	39,723	102,544	-	-	142,267
Inter-segment sales	43,005	1,160	-	(44,165)	-
Total	82,728	103,704	-	(44,165)	142,267
Results					
Other income	2,918	2,681	40	(3,242)	2,397
Dividend income	3,788	-	-	(3,788)	-
Government grant income	179	269	-	-	448
Interest income	253	4	12	(77)	192
Bad debts recovered	-	4	-	-	4
Gain from disposal property, plant and equipment	440	16	-	(2)	454
Fair value gain from derivatives	2	2	-	-	4
Reversal of allowance for inventories obsolescence	(6)	-	-	-	(6)
Interest expense	(126)	(1,016)	-	77	(1,065)
Depreciation and amortisation of assets	(1,132)	(1,856)	(5)	-	(2,993)
Depreciation of right-of-use assets	(473)	(650)	-	-	(1,123)
Segment profit/(loss)	5,340	11,073	(140)	(3,841)	12,432
Income tax expenses					(1,262)
Profit for the year					11,170
Assets and liabilities					
Additions to non-current assets	1,447	1,192	-	(72)	2,567
Segment assets	112,578	115,028	31,787	(87,589)	171,804
Income tax recoverable					128
Total assets					171,932
Segment liabilities	43,878	73,914	6,094	(67,361)	56,525
Tax payable					843
Deferred tax liabilities					478
Total liabilities					57,846

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

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

5. Segment information (cont'd)

	Trading S\$'000	Manufacturing S\$'000	Others S\$'000	Adjustment/ elimination S\$'000	Group S\$'000
<u>1 January 2020 to 31 December 2020</u>					
Revenue					
Sales to external customers	31,329	60,364	-	-	91,693
Inter-segment sales	22,868	1,251	-	(24,119)	-
Total	54,197	61,615	-	(24,119)	91,693
Results					
Other income	2,463	3,225	35	(3,076)	2,647
Dividend income	2,318	-	-	(2,318)	-
Government grant income	694	542	-	-	1,236
Interest income	382	129	16	(110)	417
Bad debts recovered	-	6	-	-	6
Gain/(loss) from disposal property, plant and equipment	22	-	(12)	-	10
Fair value gain/(loss) from derivatives	306	(8)	-	-	298
Reversal of allowance for inventories obsolescence	8	-	-	-	8
Interest expenses	(277)	(936)	-	109	(1,104)
Depreciation and amortisation of assets	(1,501)	(1,281)	(7)	-	(2,789)
Depreciation of right-of-use assets	(546)	(603)	-	-	(1,149)
Segment profit/(loss)	685	3,152	2,805	(5,266)	1,376
Income tax expense					(41)
Profit for the year					1,335
Assets and liabilities					
Additions to non-current assets	1,241	4,949	-	-	6,190
Segment assets	101,459	94,537	31,179	(80,151)	147,024
Income tax recoverable					44
Total assets					147,068
Segment liabilities	37,042	64,582	2,276	(60,749)	43,151
Tax payable					13
Deferred tax liabilities					57
Total liabilities					43,221

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 S\$'000	Malaysia S\$'000	Indonesia S\$'000	Myanmar S\$'000	Group S\$'000
<u>12 months ended 31 December 2021</u>					
Sales to external customers	132,726	1,057	1,940	6,544	142,267
Non-current assets	29,592	391	-	13,606	43,589
<u>12 months ended 31 December 2020</u>					
Sales to external customers	74,780	900	2,109	13,904	91,693
Non-current assets	31,071	402	-	13,816	45,289

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

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

6. Disaggregation of revenue

	Group		
	6 months ended 31 December 2021		
	Trading	Manufacturing	Group
	S\$'000	S\$'000	S\$'000
Sales of goods (at a point in time)	19,691	7,381	27,072
Cut & bend (at a point in time)	-	46,050	46,050
Rental of steel plates (over time)	1,004	-	1,004
Total Revenue	20,695	53,431	74,126

	Group		
	6 months ended 31 December 2020		
	Trading	Manufacturing	Group
	S\$'000	S\$'000	S\$'000
Sales of goods (at a point in time)	15,359	5,067	20,426
Cut & bend (at a point in time)	-	26,512	26,512
Rental of steel plates (over time)	933	-	933
Total Revenue	16,292	31,579	47,871

	Group		
	12 months ended 31 December 2021		
	Trading	Manufacturing	Group
	S\$'000	S\$'000	S\$'000
Sales of goods (at a point in time)	37,688	14,036	51,724
Cut & bend (at a point in time)	-	88,508	88,508
Rental of steel plates (over time)	2,035	-	2,035
Total Revenue	39,723	102,544	142,267

	Group		
	12 months ended 31 December 2020		
	Trading	Manufacturing	Group
	S\$'000	S\$'000	S\$'000
Sales of goods (at a point in time)	29,488	13,107	42,595
Cut & bend (at a point in time)	-	47,257	47,257
Rental of steel plates (over time)	1,841	-	1,841
Total Revenue	31,329	60,364	91,693

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

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

6. Disaggregation of revenue (cont'd)

A breakdown of sales:

	Group		%
	Financial year ended 31 December 2021	Financial year ended 31 December 2020	
	S\$'000	S\$'000	(+/-)
First Half			
Sales reported for first half year	68,141	43,822	55
Operating profit/(loss) after tax before deducting non-controlling interests reported for first half year	5,308	(482)	nm*
Second Half			
Sales reported for remaining period	74,126	47,871	55
Operating profit after tax before deducting non-controlling interests reported for remaining period	5,862	1,817	223

*nm denotes not meaningful

7. Profit before income tax

	Group		Group	
	6 months ended 31 December 2021	6 months ended 31 December 2020	12 months ended 31 December 2021	12 months ended 31 December 2020
Profit before tax is arrived at after crediting/(charging) the following:	S\$'000	S\$'000	S\$'000	S\$'000
(Impairment loss)/reversal of impairment on financial assets	(2,429)	(31)	(3,485)	111
Bad debts recovered	2	18	4	6
Amortisation of intangible assets	(14)	(8)	(22)	(15)
Depreciation of property, plant and equipment	(1,472)	(1,412)	(2,971)	(2,774)
Depreciation of right-of-use assets	(564)	(499)	(1,123)	(1,149)
Fair value (loss)/gain on derivatives, net	(124)	125	4	298
Foreign exchange (loss)/gain, net	7	(521)	(390)	266
Interest income	71	241	192	417
Finance costs	(543)	(607)	(1,065)	(1,104)
Gain on disposal of property, plant and equipment	379	22	454	10
(Loss)/gain on termination of lease	(3)	18	-	18
Write-off of property, plant and equipment	-	(18)	-	(217)
(Allowance)/reversal of allowance for inventories obsolescence	(6)	8	(6)	8

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 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 year:

	Company	
	Financial Year	Financial Year
	2021	2020
	S\$'000	S\$'000
<i>With subsidiaries</i>		
Sales	43,005	22,868
Purchase	52	439
Rental income	-	33
Dividend income	3,788	2,318
Interest income	77	110
Other income	560	170
Rental expenses	939	1,224

	Group		Company	
	Financial Year	Financial Year	Financial Year	Financial Year
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
<i>With companies related to directors of the Company</i>				
Sales	63	62	63	62

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:

	Group			
	6 months	6 months	12 months	12 months
	ended 31	ended 31	ended 31	ended 31
	December	December	December	December
	2021	2020	2021	2020
	S\$'000	S\$'000	S\$'000	S\$'000
Current income tax expenses	594	5	840	9
Deferred income tax expenses relating to origination and reversal of temporary differences	(32)	32	422	32
	562	37	1,262	41

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

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

10. Earnings per shares

	Group			
	6 months ended 31 December 2021	6 months ended 31 December 2020	12 months ended 31 December 2021	12 months ended 31 December 2020
Earnings per ordinary shares:				
(a) Basic (cents)	4.96	1.44	9.48	0.81
(b) Diluted (cents)	4.96	1.44	9.48	0.81

- (a) Earnings per share were calculated based on weighted average number of shares of 127,202,077 and 127,417,735 for the six months ended 31 December 2021 and for the six months 31 December 2020 respectively.
- (b) Earnings per share were calculated based on weighted average number of shares of 127,309,906 and 127,417,735 for the financial year ended 31 December 2021 and for the financial year ended 31 December 2020 respectively.
- (c) 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 and right-of-use assets

During the financial year ended 31 December 2021, the Group acquired property, plant and equipment as well as right-of-use assets with aggregate cost S\$2,402,000 (31 December 2020: S\$6,181,000). The Group disposed property, plant and equipment for S\$812,000 (31 December 2020: S\$68,000)

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

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 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 30 June 2021	1,103	143	1,246
Additions	33	-	33
At 31 December 2021	<u>1,136</u>	<u>143</u>	<u>1,279</u>
Accumulated amortisation			
At 30 June 2021	1,004	-	1,004
Amortisation	14	-	14
At 31 December 2021	<u>1,018</u>	<u>-</u>	<u>1,018</u>
Net carrying amount			
At 30 June 2021	99	143	242
At 31 December 2021	<u>118</u>	<u>143</u>	<u>261</u>

	Company		
	Computer software S\$'000	Club membership S\$'000	Total S\$'000
Cost			
At 30 June 2021 and 31 December 2021	918	143	1,061
Accumulated amortisation			
At 30 June 2021	913	-	913
Amortisation	2	-	2
At 31 December 2021	<u>915</u>	<u>-</u>	<u>915</u>
Net carrying amount			
At 30 June 2021	5	143	148
At 31 December 2021	<u>3</u>	<u>143</u>	<u>146</u>

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

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

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

12. Intangible assets(cont'd)

	Group		
	Computer software S\$'000	Club membership S\$'000	Total S\$'000
Cost			
At 31 December 2020	1,089	24	1,113
Additions	46	119	165
Exchange difference	1	-	1
At 31 December 2021	<u>1,136</u>	<u>143</u>	<u>1,279</u>
Accumulated amortisation			
At 31 December 2020	996	-	996
Amortisation	22	-	22
At 31 December 2021	<u>1,018</u>	<u>-</u>	<u>1,018</u>
Net carrying amount			
At 31 December 2020	93	24	117
At 31 December 2021	<u>118</u>	<u>143</u>	<u>261</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 31 December 2021	<u>918</u>	<u>143</u>	<u>1,061</u>
Accumulated amortisation			
At 31 December 2020	911	-	911
Amortisation	4	-	4
At 31 December 2021	<u>915</u>	<u>-</u>	<u>915</u>
Net carrying amount			
At 31 December 2020	6	24	30
At 31 December 2021	<u>3</u>	<u>143</u>	<u>146</u>

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

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

13. Trade and other receivables

	<u>Group</u>	
	<u>31 December 2021</u>	<u>31 December 2020</u>
	S\$'000	S\$'000
Trade receivables	42,643	38,796
Allowance for expected credit loss	(5,636)	(2,203)
	<u>37,007</u>	<u>36,593</u>
Other receivables	528	1,140
Allowance for expected credit loss	(24)	(59)
	<u>37,511</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.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

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

13. Trade and other receivables (cont'd)

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:

Expected credit loss (trade)

	Group	
	Financial year ended 31 December 2021	Financial year ended 31 December 2020
	S\$'000	S\$'000
At beginning of the year	2,203	2,375
Allowance/(reversal) for expected credit loss	3,461	(111)
Write off during the year	(31)	(60)
Translation difference	3	(1)
At end of year	<u>5,636</u>	<u>2,203</u>

Expected credit loss (Non-trade)

	Group	
	Financial year ended 31 December 2021	Financial year ended 31 December 2020
	S\$'000	S\$'000
At beginning of the year	59	59
Allowance for expected credit loss	24	-
Write off during the year	(59)	-
At end of year	<u>24</u>	<u>59</u>

The Group has determined an allowance for expected credit losses of S\$3,485,000 for the current financial year ended 31 December 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 Six Months and Full Year Ended 31 December 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 31 December 2021 and 31 December 2020

	Group		Company	
	31 December 2021	31 December 2020	31 December 2021	31 December 2020
	S\$'000	S\$'000	S\$'000	S\$'000
Financial assets at amortised cost				
Trade and other receivables	37,450	37,132	46,477	43,274
Bank balances and fixed deposits	35,911	26,236	15,536	11,269
Investment securities	8,798	9,520	8,798	9,520
Total financial assets at amortised cost	82,159	72,888	70,811	64,063
Financial liabilities at amortised cost				
Trade and other payables	19,770	11,932	32,752	31,520
Lease liabilities	7,305	8,072	1,491	2,071
Bank borrowings	24,903	19,830	7,027	2,144
Total financial liabilities at amortised cost	51,978	39,834	41,270	35,735
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	39	43	34	35
Total financial liabilities at fair value through profit and loss	39	43	34	35

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 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			
	31 December 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
Liabilities				
Derivative financial instruments				
- Forward Currency contracts	-	(39)	-	(39)
	-	(39)	-	(39)

	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 Six Months and Full Year Ended 31 December 2021

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

16. Borrowings

	Group				Company			
	31 December 2021		31 December 2020		31 December 2021		31 December 2020	
	Secured [*] S\$'000	Lease liabilities S\$'000	Secured [*] S\$'000	Lease liabilities S\$'000	Secured [*] S\$'000	Lease liabilities S\$'000	Secured [*] S\$'000	Lease liabilities S\$'000
Repayable within one year	9,892	1,033	2,658	950	5,860	586	586	579
Repayable after one year	15,011	6,272	17,172	7,122	1,167	905	1,558	1,492
Total	24,903	7,305	19,830	8,072	7,027	1,491	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 Six Months and Full Year Ended 31 December 2021

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

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

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

	31 December 2021	31 December 2020
Total number of issued shares	130,611,365	130,611,365
Treasury shares	(4,317,030)	(3,193,630)
Total number of issued shares excluding treasury shares	126,294,335	127,417,735

	2021	2020
<u>Number of issued shares (excluding treasury shares)</u>		
As at 31 December	126,294,335	127,417,735

	2021	2020
<u>Number of treasury shares</u>		
As at 31 December	4,317,030	3,193,630

Percentage of number of treasury shares against the total number of issued shares	3.31%	2.45%
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The Company did not hold any options, convertibles or subsidiary holdings as at 31 December 2021 and 31 December 2020.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 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.

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

	31 December 2021	31 December 2020
Total number of issued shares	130,611,365	130,611,365
Treasury shares	(4,317,030)	(3,193,630)
Total number of issued shares excluding treasury shares	126,294,335	127,417,735

There was no sale, transfer, disposal, cancellation and use of treasury shares during the current financial period ended 31 December 2021

18. Dividends

	Group	
	Financial Year ended 31 December 2021	Financial Year ended 31 December 2020
	S\$'000	S\$'000
Ordinary dividend paid:		
Final dividend in respect of the financial year ended 31 December 2020, approved and paid during financial year, 0.5 Singapore cents per ordinary share (None paid in financial year ended 31 December 2020)	637	-

19. Net asset value

	Group		Company	
	As at 31 December 2021	As at 31 December 2020	As at 31 December 2021	As at 31 December 2020
Net asset value per ordinary share (S\$)	0.88	0.78	0.54	0.51

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 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 year ended 31 December 2021.

21. Subsequent events

The Group has a leased land from Jurong Town Corporation ("JTC") located at 30 Jalan Buroh, Singapore 619486. The leased land is expected to be surrendered to JTC by 31 December 2022 or at a later date to be mutually agreed by JTC. The lease includes an option to extend which was assessed reasonably certain to be exercised on lease commencement date. The Group also recognised a provision for reinstatement cost of \$1.8 million associated with this land lease. The discussion with JTC for the extension of the land lease is ongoing. The final outcome may require a remeasurement of the right-of-use asset and lease liabilities and affect the presentation for provision of reinstatement cost in the statements of financial position.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 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 31 December 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-month and twelve-month 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 (2H2021 vs 2H2020)

Revenue and Gross Profit

The Group reported a 55% surge in revenue to S\$74.1 million in 2H2021 from S\$47.9 million in 2H2020. The revenue growth was driven by increase in average selling price and improvement in sales volume in 2H2021 as compared to same period last year. The overall gross profit margin for 2H2021 improved to 20.5% from 13.5% in 2H2020, 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\$15.2 million in 2H2021 compared to S\$6.5 million in 2H2020.

Other Operating Income

Other operating income increased from S\$1.6 million in 2H2020 to S\$1.8 million in 2H2021. This was mainly attributed to a one-time gain on disposal of property, plant and equipment.

Selling and Distribution, Administrative, Other Operating and Finance Expenses

Notwithstanding the increase in sales volume, the Group's selling and distribution expenses in 2H2021 was lower than 2H2020 mainly due to better utilization of internal resources, leading to less out-sourced logistic services.

Administrative expenses increased by 45% to S\$5.6 million in 2H2021 from S\$3.9 million in 2H2020. This was mainly resulted from the increase in salary cost and staff headcount in 2H2021 to support volume growth for local sales.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

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

Other operating expenses increased from S\$1.5 million in 2H2020 to S\$1.8 million in 2H2021, mainly due to increase in depreciation and repair and maintenance expenses.

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 2H2021 declined slightly compared to 2H2020 mainly due to decrease in interest incurred for leases, trading financing and construction loan following repayment made and lower borrowing cost.

Profitability

Profit before tax of S\$6.4 million in 2H2021, was S\$4.6 million higher Y-O-Y mainly due to improvement in revenue and gross profit margin.

Taxation expense was higher at S\$0.6 million due to increase in taxable profits for the subsidiary companies.

The Group recorded a net profit after tax of S\$5.9 million in 2H2021, compared to a net profit after tax of S\$1.8 million in 2H2020.

Results for FY2021 versus FY2020

Revenue and Gross Profit

The Group's revenue rose 55% to S\$142.3 million in FY2021 from S\$91.7 million in FY2020. The revenue growth was in tandem with significant surge in international steel price as well as recovery of construction activities in Singapore in 2021 which bolstered the Group business activities. Sales volume growth was lower in 2H2021 in comparison to 1H2021 due to slow down in construction activities amidst the increase in local COVID-19 cases that negatively impacted the progress of construction projects, leading to an overall increase in sales volume of 14.5% for the full financial year on a Y-O-Y basis, which was lower than our initial estimate.

The Group's gross profit margin for FY2021 improved to 20.5% as against 12.1% in FY2020 as result of increase in sales volume and lower average cost of material on hand vis-à-vis significant increase in average selling prices that was led by surge in steel prices. Consequently, the Group's gross profit reached S\$29.2 million in FY2021 from S\$11.1 million in FY2020.

Other Operating Income

Other operating income declined to S\$3.5 million in FY2021 from S\$4.6 million in FY2020. This was mainly attributed to the reduction in government grant income of S\$0.7 million and warehousing and rental income of S\$0.2 million as well as the absence of foreign currency exchange gain of S\$0.6 million, partially offset by a one-time gain of S\$0.4 million from disposal of property, plant and equipment.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

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

Selling and distribution, Administrative, Other Operating and Finance Costs

Total selling and distribution cost incurred in FY2021 was 30% lower than FY2020 due to optimization of internal resources to reduce reliance on out-sourced logistics costs.

Administrative expenses increased by 29% to S\$11.2 million in FY2021 from S\$8.7 million in FY2020. This was mainly resulted from the increase in salary cost and staff headcount in FY2021 to support the volume growth for local sales.

There was no significant change in other operating expenses as compared to prior year.

Total financing cost incurred in FY2021 was kept consistent as last financial year notwithstanding an overall increase in bank borrowings. This was attributed to lower borrowing cost, shorter trade borrowing duration and repayment made for bank loans and lease liabilities.

Profitability

Profit before tax increased S\$11.1 million Y-O-Y to S\$12.4 million in FY2021 mainly due to improvement in revenue and gross profit margin.

Full year taxation expense was higher at S\$1.3 million due to increase in taxable profits for the year.

The Group made significant improvement in profitability to achieve a net profit after tax of S\$11.2 million in FY2021 in comparison to a net profit after tax of S\$1.3 million in FY2020.

Balance Sheet

The Group's non-current assets increased to S\$51.3 million as at 31 December 2021 compared to S\$49.1 million as at 31 December 2020, primarily due to increase in investment securities.

Total current assets as at 31 December 2021 increased to S\$120.7 million from S\$98.0 million as at 31 December 2020 mainly due to increase in inventories, cash and cash equivalents and deposits pledged with banks, partially offset by reduction in investment securities due to maturity of certain investment securities.

Total liabilities increased to S\$57.8 million as at 31 December 2021 as compared to S\$43.2 million as at 31 December 2020. This was mainly due to increase in trade and other payables, bank borrowings and increase in provision for property reinstatement cost.

As at 31 December 2021, the Group's inventory on hand increased to S\$45.8 million from S\$28.1 million as at 31 December 2020. This was attributed to stock replenishment to support future sales activities and significant increase in steel prices.

Trade and other receivables amounted to S\$37.5 million as at 31 December 2021 as compared to S\$37.7 million as at 31 December 2020.

Trade and other payables increased to S\$21.5 million as at 31 December 2021 from S\$13.2 million as at 31 December 2020 due to increase in stock purchases.

Bank borrowings increased to S\$24.9 million as at 31 December 2021 from S\$19.8 million as at 31 December 2020 mainly due to increase in trade financing for stock purchases.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 2021

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

Statement of Cash Flows

Second half year

The net cash flows generated from operating activities was S\$10.8 million in 2H2021 mainly due to profit from operating cash flow offset by increase in net working capital to support the revenue growth.

Net cash flows used in investing activities for 2H2021 was S\$1.4 million. This comprised of fixed deposits of S\$1.3 million pledged with banks, purchase property, plant and machinery of S\$0.7 million and investment securities of S\$4.8 million, partially offset by proceed from disposal of property, plant and equipment of S\$0.6 million and proceeds from maturity of investment securities of S\$4.8 million.

Net cash flows used in financing activities for 2H2021 was S\$3.1 million, mainly due to amount spent on share buy-back of S\$0.4 million, net repayment of S\$2.2 million in bank borrowings and repayment of lease of S\$0.5 million.

Full year

The net cash flows generated from operating activities was S\$7.8 million in FY2021 mainly due to profit from operating cash flow offset by increase in net working capital to support the revenue growth.

Net cash flows used in investing activities for FY2021 was S\$2.4 million as compared to S\$12.9 million in FY2020. The net cash used in investing activities in FY2021 was mainly used to pledge fixed deposit of S\$1.3 million with banks, purchase property, plant and equipment, ROU assets, Intangible assets of S\$2.6 million and investment securities of S\$5.8 million, partially offset by proceed from disposal of property, plant and equipment of S\$0.8 million and proceeds from maturity of investment securities of S\$6.5 million.

Net cash flows generated from financing activities for FY2021 was S\$2.9 million, mainly due to net proceed of S\$4.9 million from bank borrowings which were offset by repayment of lease of S\$1.0 million, share buy-back of S\$0.4 million and dividend payment of S\$0.6 million.

The resulting net cash generated was a surplus of S\$8.2 million for FY2021, leading to higher cash and cash equivalents of S\$27.9 million as at 31 December 2021 for the Group in comparison to S\$19.5 million as at 31 December 2020.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 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**

The Group's financial results for financial year ended 31 December 2021 is in line with the commentary in paragraph 25 of the previous results announcement

- 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**

Construction demand is expected to grow in 2022. Based on the media release from the Building and Construction Authority ("BCA") dated 26 January 2022, total construction demand based on contracts that will be awarded in 2022 is projected at between S\$27 billion and S\$32 billion. This is around the same level recorded in 2019 prior to the COVID-19 pandemic outbreak. According to the BCA's estimates, the public sector is expected to contribute about 60 per cent of the total construction demand in 2022, or around S\$16 billion to S\$19 billion. The construction demand for private sector is estimated to reach between S\$11 billion and S\$13 billion in 2022, which is comparable with the volume in 2021. Meanwhile, the backlog of works affected by the pandemic since 2020 will also support the anticipated growth in 2022.

The Group has reported healthy financial results in FY2021, driven by recovery of construction activities along with the easing of COVID-19 restrictions and volume delivery for secured projects that were delayed since the start of the pandemic. The lower inventory holding cost vis-à-vis rising steel prices bolstered the overall profit margin, leading to the substantial improvement in financial results. Despite the positive outlook for local construction demand in 2022, the global economy is expected to remain weak and fluid due to the new Omicron COVID-19 variant. Furthermore, elevated inflation in many countries, the ongoing supply chain disruptions as well as high energy prices in 2022 will have certain impact on the economic recovery in 2022.

Further, with the average inventory holding cost that is expected to creep up over the coming months, the continuing rising steel prices and supply chain disruptions along with manpower crunch issue faced by the industry, will pose significant headwinds in coming months. Meanwhile, the Group's business in Myanmar remains operational even though at much lower scale due to the ongoing political crisis and COVID-19 pandemic.

The Group will endeavour to work on expanding its operational capacity and step up its marketing efforts to capture any business opportunities that may arise. Finally, the Group will continue to focus on optimising the use of its resources and working capital, to further bring down its cost.

HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Condensed Interim Financial Statements for the Six Months and Full Year Ended 31 December 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?

Yes, in view of the better financial results achieved in the financial year ended 31 December 2021 (“FY2021”), the Board has recommended a final dividend in respect of FY2021 as follows:

Name of dividend	Final dividend
Dividend type	Cash
Dividend rate	S\$0.04 per ordinary share
Tax Rate	Tax exempt (one-tier)

This proposed final tax-exempt dividend has not been recognised as at year end and will be submitted for shareholders’ approval at the next Annual General Meeting of the Company to be convened in 2022.

(b) Corresponding period of the immediately preceding financial year

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

Final tax-exempt (one-tier) dividend of 0.5 Singapore cents per ordinary share for the financial year ended 31 December 2020 was declared and approved in the annual general meeting held on 26 April 2021.

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

Not applicable

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 year ended 31 December 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 Six Months and Full Year Ended 31 December 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 year ended 31 December 2021 to be false or misleading in any material respect.

31. 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

32. 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 financial year ended 31 December 2021.

On behalf of the Board,

Foo Sey Liang

Director

Shin Taeyang

Chief Executive Officer

23 February 2022