



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

**Condensed Interim Financial Statements
for the Half Year Ended 30 June 2022**



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

Condensed Interim Financial Statements for the Half Year Ended 30 June 2022

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

	Group		
	6 months ended 30 June 2022 S\$'000	6 months ended 30 June 2021 S\$'000	% (+/-)
Revenue	86,870	68,141	27
Cost of sales	(71,494)	(54,187)	32
Gross profit	15,376	13,954	10
Gross margin	17.7%	20.5%	
Other operating income	1,976	1,741	13
Selling and distribution costs	(161)	(228)	(29)
Administrative expenses	(6,266)	(5,599)	12
Other operating expenses	(2,394)	(2,282)	5
Finance costs	(656)	(522)	26
Impairment loss on financial assets	(171)	(1,056)	(84)
Profit before income tax	7,704	6,008	28
Income tax expense	(1,223)	(700)	75
Net profit for the period	6,481	5,308	22
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss :			
Foreign currency translation	136	96	42
Other comprehensive income for the period, net of tax	136	96	42
Total comprehensive income for the period	6,617	5,404	22
Profit/(loss) attributable to:			
Owners of the Company	6,425	5,761	12
Non-controlling interests	56	(453)	nm*
	6,481	5,308	22
Total comprehensive income attributable to:			
Owners of the Company	6,459	5,792	12
Non-controlling interests	158	(388)	nm*
	6,617	5,404	22
Earnings per share:			
Basic (cents)	5.12	4.52	13
Diluted (cents)	5.12	4.52	13

*nm denotes not meaningful

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Condensed interim statements of financial position

	Group		Company	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	S\$'000	S\$'000	S\$'000	S\$'000
Non-current assets				
Property, plant and equipment	30,878	31,868	4,964	5,351
Right-of-use assets	10,061	11,460	759	2,078
Intangible assets	256	261	147	146
Investment in subsidiaries	-	-	13,113	13,113
Investment securities	6,612	7,671	6,612	7,671
	47,807	51,260	25,595	28,359
Current assets				
Investment securities	1,123	1,127	1,123	1,127
Cash and cash equivalents	25,610	27,876	13,211	11,786
Fixed deposits pledged with banks	9,009	7,251	5,001	3,750
Restricted deposits	-	784	-	-
Inventories	50,563	45,779	23,961	20,923
Trade and other receivables	44,818	37,511	39,384	46,516
Income tax recoverable	144	128	-	-
Prepaid expenses	422	216	171	114
Derivative financial instruments*	493	-	206	-
	132,182	120,672	83,057	84,216
Total assets	179,989	171,932	108,652	112,575
Current liabilities				
Lease liabilities	1,117	1,033	631	586
Trade and other payables	13,177	21,506	30,878	33,525
Bank borrowings	27,247	9,892	10,921	5,860
Provision for income tax	1,531	843	-	-
Provision for reinstatement costs	821	-	821	-
Derivative financial instruments*	-	39	-	34
	43,893	33,313	43,251	40,005
Net current assets	88,289	87,359	39,806	44,211
Non-current liabilities				
Lease liabilities	5,896	6,272	638	905
Bank borrowings	13,338	15,011	968	1,167
Deferred tax liabilities	597	478	-	-
Provision for reinstatement costs	972	2,772	-	1,800
	20,803	24,533	1,606	3,872
Total liabilities	64,696	57,846	44,857	43,877
Net assets	115,293	114,086	63,795	68,698
Equity attributable to owners of the Company				
Share capital	70,496	70,496	70,496	70,496
Treasury shares	(3,034)	(2,636)	(3,034)	(2,636)
Other reserves	2,995	2,961	2,527	2,527
Accumulated profits/(losses)	41,340	39,927	(6,194)	(1,689)
	111,797	110,748	63,795	68,698
Non-controlling interests	3,496	3,338	-	-
Total equity	115,293	114,086	63,795	68,698
Total equity and liabilities	179,989	171,932	108,652	112,575

* The derivative financial instruments relate to fair value adjustments of forward currency contracts entered into by the Group to hedge foreign currency exposure on the Group's trade receivables and purchases.

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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 2022	70,496	(2,636)	2,527	(212)	646	39,927	110,748	3,338	114,086
Profit for the period	-	-	-	-	-	6,425	6,425	56	6,481
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	-	-	34	-	34	102	136
Other comprehensive income for the period, net of tax	-	-	-	-	34	-	34	102	136
Total comprehensive income for the period	-	-	-	-	34	6,425	6,459	158	6,617
<u>Contribution by and distributions to owners</u>									
Purchase of treasury shares	-	(398)	-	-	-	-	(398)	-	(398)
Dividend on ordinary shares	-	-	-	-	-	(5,012)	(5,012)	-	(5,012)
Total contribution by and distributions to owners	-	(398)	-	-	-	(5,012)	(5,410)	-	(5,410)
Total transactions with owners in their capacity as owners	-	(398)	-	-	-	(5,012)	(5,410)	-	(5,410)
At 30 June 2022	70,496	(3,034)	2,527	(212)	680	41,340	111,797	3,496	115,293

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Condensed Interim Financial Statements for the Half Year Ended 30 June 2022

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 2021	70,496	(2,215)	2,527	(212)	601	28,499	99,696	4,151	103,847
Profit/(loss) 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>									
Dividends on ordinary shares	-	-	-	-	-	(637)	(637)	-	(637)
Total contribution by and distributions to owners	-	-	-	-	-	(637)	(637)	-	(637)
Total transactions with owners in their capacity as owners	-	-	-	-	-	(637)	(637)	-	(637)
At 30 June 2021	70,496	(2,215)	2,527	(212)	632	33,623	104,851	3,763	108,614

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Condensed Interim Financial Statements for the Half Year Ended 30 June 2022

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 2022	70,496	(2,636)	2,527	(1,689)	68,698
Profit for the period, representing total comprehensive income for the period	-	-	-	507	507
<u>Contributions by and distributions to owners</u>					
Purchase of treasury shares	-	(398)	-	-	(398)
Dividend on ordinary shares	-	-	-	(5,012)	(5,012)
Total transactions by and distributions to owners	-	(398)	-	(5,012)	(5,410)
Total transactions with owners in their capacity as owners	-	(398)	-	(5,012)	(5,410)
At 30 June 2022	70,496	(3,034)	2,527	(6,194)	63,795
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>					
Dividends on ordinary shares	-	-	-	(637)	(637)
Total transactions by and distributions to owners	-	-	-	(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

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Condensed Interim Financial Statements for the Half Year Ended 30 June 2022

Condensed interim consolidated statement of cash flows

	Group	
	6 months ended 30 June 2022 S\$'000	6 months ended 30 June 2021 S\$'000
Cash flows from operating activities		
Profit before income tax	7,704	6,008
Adjustments for:		
Bad debts recovered	(1)	(2)
Depreciation of property, plant and equipment	1,487	1,499
Depreciation of right-of-use assets	766	559
Amortisation of intangible assets	16	8
Gain on disposal of property, plant and equipment	(7)	(75)
Gain on termination of lease	-	(3)
Write-off of property, plant and equipment	4	-
Impairment loss on financial assets	171	1,056
Fair value gain on derivatives, net	(531)	(128)
Finance costs	656	522
Interest income	(68)	(121)
Unrealised foreign exchange loss/(gain), net	485	(9)
Operating cash flow before changes in working capital	10,682	9,314
Working capital changes:		
Inventories	(4,784)	(13,387)
Trade and other receivables	(6,591)	(2,779)
Prepaid expenses	(207)	(275)
Trade and other payables	(8,905)	4,297
Cash used in operations	(9,805)	(2,830)
Interest expense paid	(540)	(393)
Interest income received	137	168
Income tax paid	(430)	(5)
Net cash flows used in operating activities	(10,638)	(3,060)
Cash flows from investing activities		
Fixed deposit pledged with banks	(1,758)	-
Proceeds from disposal of property, plant and equipment	5	179
Proceeds from maturity of investment securities	1,000	1,750
Purchase of investment securities	-	(1,060)
Purchase of property, plant and equipment	(267)	(1,667)
Purchase of right-of-use assets	-	(100)
Purchase of intangible assets	(9)	(126)
Net cash flows used in investing activities	(1,029)	(1,024)
Cash flows from financing activities		
Purchase of treasury shares	(398)	-
Dividends paid on ordinary shares of the Company	(5,012)	(637)
Proceeds from bank borrowings	53,420	17,932
Repayment of bank borrowings	(37,971)	(10,841)
Principal element of lease payments	(547)	(508)
Net cash flows generated from financing activities	9,492	5,946
Net (decrease)/increase in cash and cash equivalents	(2,175)	1,862
Effects on exchange rate changes on cash and cash equivalents	(91)	81
Cash and cash equivalents at beginning of financial period	27,876	19,452
Cash and cash equivalents at end of financial period	25,610	21,395

HG METAL MANUFACTURING LIMITED

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Condensed Interim Financial Statements for the Half Year Ended 30 June 2022

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 2022 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 2022 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 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 2022. 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 2021.

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Condensed Interim Financial Statements for the Half Year Ended 30 June 2022

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 2022 was S\$38,940,000 (31 December 2021: S\$37,007,000) 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 2022 was S\$50,563,000 (31 December 2021: S\$45,779,000). Included in the carrying amount of the inventories is an allowance for inventory obsolescence of S\$6,000 (31 December 2021: S\$9,000). There was a write back of inventories amounted to S\$3,000 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 2022.

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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 S\$'000	Manufacturing S\$'000	Others S\$'000	Adjustment/ elimination S\$'000	Group S\$'000
1 January 2022 to 30 June 2022					
Revenue					
Sales to external customers	26,292	60,578	-	-	86,870
Inter-segment sales	15,276	1,176	-	(16,452)	-
Total	41,568	61,754	-	(16,452)	86,870
Results					
Other income	1,274	1,304	21	(1,489)	1,110
Government grant income	105	154	-	-	259
Interest income	96	6	6	(40)	68
Bad debts recovered	-	1	-	-	1
Gain from disposal property, plant and equipment	7	-	-	-	7
Fair value gain from derivatives	241	290	-	-	531
Interest expense	(124)	(572)	-	40	(656)
Depreciation and amortisation of assets	(548)	(952)	(3)	-	(1,503)
Depreciation of right-of-use assets	(425)	(341)	-	-	(766)
Segment profit/(loss)	507	7,195	(68)	70	7,704
Income tax expenses					(1,223)
Profit for the period					6,481
Assets and liabilities					
Additions to non-current assets	248	208	-	-	456
Segment assets	108,654	116,559	27,880	(73,248)	179,845
Income tax recoverable					144
Total assets					179,989
Segment liabilities	44,857	68,472	2,337	(53,098)	62,568
Tax payable					1,531
Deferred tax liabilities					597
Total liabilities					64,696

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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
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 expenses	(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 expense					(700)
Profit for the period					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

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
1 January 2022 to 30 June 2022					
Sales to external customers	80,512	469	1,031	4,858	86,870
Non-current assets	27,038	379	-	13,778	41,195
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

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Condensed Interim Financial Statements for the Half Year Ended 30 June 2022

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

6. Disaggregation of revenue

	Group		
	6 months ended 30 June 2022		
	Trading	Manufacturing	Group
	S\$'000	S\$'000	S\$'000
Sales of goods (at a point in time)	25,216	9,046	34,262
Cut & bend (at a point in time)	-	51,532	51,532
Rental of steel plates (over time)	1,076	-	1,076
Total Revenue	26,292	60,578	86,870

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

7. Profit/(loss) before income tax

	Group	
	6 months ended 30 June 2022	6 months ended 30 June 2021
	S\$'000	S\$'000
Profit before tax is arrived at after crediting/(charging) the following:		
Bad debts recovered	1	2
Depreciation of property, plant and equipment	(1,487)	(1,499)
Depreciation of right-of-use assets	(766)	(559)
Amortisation of intangible assets	(16)	(8)
Gain on disposal of property, plant and equipment	7	75
Gain on termination of lease	-	3
Write-off of property, plant and equipment	(4)	-
Impairment loss on financial assets	(171)	(1,056)
Fair value gain on derivatives, net	531	128
Foreign exchange loss, net	(221)	(397)
Interest income	68	121
Finance costs	(656)	(522)

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Condensed Interim Financial Statements for the Half Year Ended 30 June 2022

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:

	Company	
	6 months ended 30 June 2022	6 months ended 30 June 2021
	S\$'000	S\$'000
<i>With subsidiaries</i>		
Sales	15,276	25,154
Purchase	-	1
Interest income	40	38
Other income	303	296
Rental expenses	415	491

	Group		Company	
	6 months ended 30 June 2022	6 months ended 30 June 2021	6 months ended 30 June 2022	6 months ended 30 June 2021
	S\$'000	S\$'000	S\$'000	S\$'000
<i>With companies related to directors of the Company</i>				
Sales	5	32	5	32
Other charges	3	-	2	-

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 ended 30 June 2022	6 months ended 30 June 2021
	S\$'000	S\$'000
Current income tax expenses	1,105	246
Deferred income tax expenses relating to origination and reversal of temporary differences	118	454
	<u>1,223</u>	<u>700</u>

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Condensed Interim Financial Statements for the Half Year Ended 30 June 2022

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

10. Earnings per shares

	<u>Group</u>	
	6 months ended 30 June 2022	6 months ended 30 June 2021
Earnings per ordinary shares:		
(a) Basic (cents)	5.12	4.52
(b) Diluted (cents)	5.12	4.52

(a) Earnings per share were calculated based on weighted average number of shares of 125,454,535 and 127,417,735 for the period ended 30 June 2022 and 30 June 2021 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.

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Condensed Interim Financial Statements for the Half Year Ended 30 June 2022

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

11. Property, plant and equipment

	Group									
	Freehold land S\$'000	Buildings S\$'000	Leasehold buildings S\$'000	Plant and machinery S\$'000	Furniture and fittings S\$'000	Office equipment S\$'000	Renovation S\$'000	Motor vehicles S\$'000	Construction in progress S\$'000	Total S\$'000
Cost										
At 31 December 2021	194	10,032	28,554	20,915	340	634	358	2,473	23	63,523
Additions	-	-	-	4	4	32	-	146	5	191
Disposal and write-off	-	-	-	(4)	-	(2)	-	(71)	-	(77)
Reclassifications	-	-	-	-	14	-	14	-	(28)	-
Exchange difference	(5)	291	-	55	-	1	-	4	-	346
At 30 June 2022	189	10,323	28,554	20,970	358	665	372	2,552	-	63,983
Accumulated depreciation										
At 31 December 2021	-	599	15,867	12,005	277	528	309	2,070	-	31,655
charge for the period	-	102	547	721	28	29	6	54	-	1,487
Disposal and write-off	-	-	-	(2)	-	(1)	-	(68)	-	(71)
Exchange difference	-	16	-	16	-	-	-	2	-	34
At 30 June 2022	-	717	16,414	12,740	305	556	315	2,058	-	33,105
Net carrying amount										
At 31 December 2021	194	9,433	12,687	8,910	63	106	49	403	23	31,868
At 30 June 2022	189	9,606	12,140	8,230	53	109	57	494	-	30,878

During the six months ended 30 June 2022, the Group acquired property, plant and equipment as well as right-of-use assets with aggregate cost S\$447,000 (30 June 2021: S\$1,315,000). The Group disposed property, plant and equipment for S\$9,000 (30 June 2021: S\$384,000).

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Condensed Interim Financial Statements for the Half Year Ended 30 June 2022

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

11. Property, plant and equipment(cont'd)

	Company						
	Lease hold buildings S\$'000	Plant and machinery S\$'000	Furniture and fittings S\$'000	Office equipment S\$'000	Renovation S\$'000	Motor vehicles S\$'000	Total S\$'000
Cost							
At 31 December 2021	9,172	9,129	301	392	358	2,187	21,539
Additions	-	-	-	18	-	146	164
Disposal and write-off	-	(4)	-	(2)	-	(71)	(77)
At 30 June 2022	9,172	9,125	301	408	358	2,262	21,626
Accumulated depreciation							
At 31 December 2021	8,126	5,225	261	346	309	1,921	16,188
charge for the period	216	238	23	20	6	42	545
Disposal and write-off	-	(2)	-	(1)	-	(68)	(71)
At 30 June 2022	8,342	5,461	284	365	315	1,895	16,662
Net carrying amount							
At 31 December 2021	1,046	3,904	40	46	49	266	5,351
At 30 June 2022	830	3,664	17	43	43	367	4,964

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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 2021	1,136	143	1,279
Additions	9	-	9
Exchange difference	3	-	3
At 30 June 2022	<u>1,148</u>	<u>143</u>	<u>1,291</u>
Accumulated amortisation			
At 31 December 2021	1,018	-	1,018
Amortisation	16	-	16
Exchange difference	1	-	1
At 30 June 2022	<u>1,035</u>	<u>-</u>	<u>1,035</u>
Net carrying amount			
At 31 December 2021	118	143	261
At 30 June 2022	<u>113</u>	<u>143</u>	<u>256</u>

	Company		
	Computer software S\$'000	Club membership S\$'000	Total S\$'000
Cost			
At 31 December 2021	919	143	1,062
Additions	3	-	3
At 30 June 2022	<u>922</u>	<u>143</u>	<u>1,065</u>
Accumulated amortisation			
At 31 December 2021	916	-	916
Amortisation	2	-	2
At 30 June 2022	<u>918</u>	<u>-</u>	<u>918</u>
Net carrying amount			
At 31 December 2021	3	143	146
At 30 June 2022	<u>4</u>	<u>143</u>	<u>147</u>

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

13. Trade and other receivables

	Group	
	30 June 2022	31 December 2021
	S\$'000	S\$'000
Trade receivables	42,397	42,643
Allowance for expected credit loss	(3,457)	(5,636)
	<u>38,940</u>	<u>37,007</u>
Other receivables	5,910	528
Allowance for expected credit loss	(32)	(24)
	<u>44,818</u>	<u>37,511</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:

Movement in allowance accounts (trade receivables)

	Group	
	6 months ended 30 June 2022	6 months ended 30 June 2021
	S\$'000	S\$'000
At beginning of the period	5,636	2,203
Allowance for expected credit loss	162	1,056
Write off during the period	(2,372)	(31)
Translation difference	31	-
At end of period	<u>3,457</u>	<u>3,228</u>

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Condensed Interim Financial Statements for the Half Year Ended 30 June 2022

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

13. Trade and other receivables (cont'd)

Movement in allowance accounts (other receivables)

	Group	
	6 months ended 30 June 2022	6 months ended 30 June 2021
	S\$'000	S\$'000
At beginning of the period	24	59
Allowance for expected credit loss	9	-
Translation difference	(1)	-
At end of period	<u>32</u>	<u>59</u>

The Group has determined an allowance for expected credit losses of S\$171,000 for the current financial period ended 30 June 2022.

Credit risk of trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due by grouping of customers based on geographical region. The expected credit losses below also incorporate forward-looking information such as forecast of economic conditions where the gross domestic product will deteriorate over the next year, leading to an increased number of defaults.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix, grouped by geographical region:

	Trade receivables					Total S\$'000
	Less than 3 months past due	3 months to 6 months past due	6 months to 12 months past due	More than 12 months past due	Current S\$'000	
Singapore:						
30 June 2022						
Gross amount	18,716	17,356	332	262	1,390	38,056
Loss allowance provision	(16)	(81)	(5)	(88)	(1,314)	(1,504)
	<u>18,700</u>	<u>17,275</u>	<u>327</u>	<u>174</u>	<u>76</u>	<u>36,552</u>
31 December 2021						
Gross amount	19,583	13,102	965	224	1,394	35,268
Loss allowance provision	(14)	(38)	(15)	(4)	(1,313)	(1,384)
	<u>19,569</u>	<u>13,064</u>	<u>950</u>	<u>220</u>	<u>81</u>	<u>33,884</u>
Other geographical areas:						
30 June 2022						
Gross amount	375	422	18	-	3,526	4,341
Loss allowance provision	-	-	-	-	(1,953)	(1,953)
	<u>375</u>	<u>422</u>	<u>18</u>	<u>-</u>	<u>1,573</u>	<u>2,388</u>
31 December 2021						
Gross amount	173	621	-	631	5,950	7,375
Loss allowance provision	-	(1)	-	(260)	(3,991)	(4,252)
	<u>173</u>	<u>620</u>	<u>-</u>	<u>371</u>	<u>1,959</u>	<u>3,123</u>

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

13. Trade and other receivables (cont'd)

Credit risk of concentration profiles

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables at the end of the reporting period is as follows:

	Group	
	30 June 2022	31 December 2021
	S\$'000	S\$'000
By country:		
Indonesia	473	186
Malaysia	372	608
Myanmar	1,543	2,329
Singapore	36,552	33,884
	<u>38,940</u>	<u>37,007</u>
	-	-
By industry sectors:		
Trading	825	353
Construction	37,328	36,090
Others	787	564
	<u>38,940</u>	<u>37,007</u>

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Condensed Interim Financial Statements for the Half Year Ended 30 June 2022

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 2022 and 31 December 2021.

	Group		Company	
	30 June 2022	31 December 2021	30 June 2022	31 December 2021
	S\$'000	S\$'000	S\$'000	S\$'000
Financial assets at amortised cost				
Trade and other receivables	39,549	37,450	39,305	46,477
Bank balances and fixed deposits	34,619	35,911	18,212	15,536
Investment securities	7,735	8,798	7,735	8,798
Total financial assets at amortised cost	81,903	82,159	65,252	70,811
Financial assets at fair value through profit and loss				
Derivative financial instruments	493	-	206	-
Total financial assets at fair value through profit and loss	493	-	206	-
Financial liabilities at amortised cost				
Trade and other payables	12,140	19,770	29,813	32,752
Lease liabilities	7,013	7,305	1,269	1,491
Bank borrowings	40,585	24,903	11,889	7,027
Total financial liabilities at amortised cost	59,738	51,978	42,971	41,270
Financial liabilities at fair value through profit and loss				
Derivative financial instruments	-	39	-	34
Total financial liabilities at fair value through profit and loss	-	39	-	34

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Condensed Interim Financial Statements for the Half Year Ended 30 June 2022

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 2022			
	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	-	493	-	493
	-	493	-	493

	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)

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

16. Borrowings

	Group				Company			
	30 June 2022		31 December 2021		30 June 2022		31 December 2021	
	Secured*	Lease liabilities	Secured*	Lease liabilities	Secured*	Lease liabilities	Secured*	Lease liabilities
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Repayable within one year	27,247	1,117	9,892	1,033	10,921	631	5,860	586
Repayable after one year	13,338	5,896	15,011	6,272	968	638	1,167	905
Total	40,585	7,013	24,903	7,305	11,889	1,269	7,027	1,491

*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.

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

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

	30 June 2022	30 June 2021
	S\$'000	S\$'000
Share capital	70,496	70,496

	30 June 2022	30 June 2021
Total number of issued shares	130,611,365	130,611,365
Treasury shares	<u>(5,314,330)</u>	<u>(3,193,630)</u>
Total number of issued shares excluding treasury shares	<u>125,297,035</u>	<u>127,417,735</u>

	30 June 2022	30 June 2021
Number of issued shares (excluding treasury shares)	125,297,035	127,417,735
Number of treasury shares	5,314,330	3,193,630
Percentage of number of treasury shares against the total number of issued shares (excluding treasury shares and subsidiary holdings)	<u>4.24%</u>	<u>2.51%</u>

In 1H2022, pursuant to the share buyback mandate approved by Shareholders at the annual general meeting held on 26 April 2021, the Company purchased 997,300 of its own shares (1H2021: Nil). There were no sales, transfers, disposal, cancellation and/or use of treasury shares in 1H2022 (1H2021: Nil).

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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 2022	31 December 2021
	S\$'000	S\$'000
Share capital	70,496	70,496

	30 June 2022	31 December 2021
Total number of issued shares	130,611,365	130,611,365
Treasury shares	(5,314,330)	(4,317,030)
Total number of issued shares excluding treasury shares	125,297,035	126,294,335

There was no sale, transfer, disposal, cancellation and use of treasury shares during the current financial period ended 30 June 2022.

18. Dividends

	Group	
	6 months ended 30 June 2022	6 months ended 30 June 2021
	S\$'000	S\$'000
Ordinary dividend paid: Final dividend in respect of the financial year ended 31 December 2021 and 31 December 2020, approved and paid during respective financial year, S\$0.040 per ordinary share (2020: S\$0.005 per ordinary share)	5,012	637

19. Net asset value

	Group		Company	
	As at 30 June 2022	As at 31 December 2021	As at 30 June 2022	As at 31 December 2021
Net asset value per ordinary share (S\$)	0.89	0.88	0.51	0.54

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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 2022.

21. Subsequent events

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

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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 2022 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 (1H2022 vs 1H2021)

Revenue and Gross Profit

The Group achieved revenue of S\$86.9 million in 1H2022, which was 27% higher than the revenue of S\$68.1 million reported in 1H2021. The revenue growth was backed by increase in average selling prices and partially offset by a 2.1% marginal decline in sales volume.

The overall gross profit margin for 1H2022 declined to 17.7% from 20.5% in 1H2021 mainly due to higher average cost of material on hand in tandem with increase in international steel prices. The Group's gross profit was S\$15.4 million in 1H2022 compared to S\$14.0 million in 1H2021.

Other Operating Income

Other operating income increased from S\$1.7 million in 1H2021 to S\$2.0 million in 1H2022. The increase in other operating income was mainly attributed to S\$0.4 million of fair value gain on forward currency contracts after offsetting the reduction in rental income of S\$0.1 million.

Selling and Distribution, Administrative, Other Operating and Finance Expenses

The Group's selling and distribution expenses in 1H2022 was 29% lower than 1H2021 mainly due to better utilization of internal resources and marginal reduction in sales volume of 2.1%, resulted in less out-sourced logistic services.

Administrative expenses increased by 12% to S\$6.3 million in 1H2022 from S\$5.6 million in 1H2021. This was mainly resulted from the increase in salary cost and staff headcount as well as utilities cost and insurance cost.

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

There was no significant change in other operating expenses in 1H2022 and 1H2021. The slight increase in expenses of S\$0.1 million mainly relates to higher depreciation charge and business entertainment expenses incurred of S\$0.3 million, partially offset by reduction in foreign exchange loss of S\$0.2 million.

Total finance costs incurred relate mainly to borrowing for trade financing and term loan from banks as well as construction loan and leases for properties redevelopment. Total finance cost incurred in 1H2022 increased in comparison with 1H2021 mainly due to increase in interest incurred for trade financing and increase in interest rates charged by financial institutions.

Profitability

Profit before tax increased to S\$7.7 million in 1H2022 from S\$6.0 million in 1H2021 mainly due to improvement in revenue, higher other operating income and reduction in impairment loss provision for trade receivables that substantially offset the increase in administrative and other operating expenses.

Total taxation expense at S\$1.2 million for 1H2022 compared to S\$0.7 million for 1H2021 due to increase in taxable profits for the subsidiary companies and lower tax allowances to offset operating profits.

The Group recorded a net profit after tax of S\$6.5 million in 1H2022 compared to a net profit after tax of S\$5.3 million in 1H2021.

Balance Sheet

The Group's non-current assets were S\$47.8 million as at 30 June 2022 compared to S\$51.3 million as at 31 December 2021.

As at 30 June 2022, the Group's inventory on hand increased to S\$50.6 million from S\$45.8 million as at 31 December 2021 as a result of replenishment of stock to support future sales activities.

Trade and other receivables amounted to S\$44.8 million as at 30 June 2022 as compared to S\$37.5 million as at 31 December 2021 mainly due to increase in revenue during the period and deposits paid for purchase of inventory and machinery amounting to S\$5.2 million.

Trade and other payables decreased to S\$13.2 million as at 30 June 2022 from S\$21.5 million as at 31 December 2021 due to repayment made to suppliers.

As the Group has decided not to renew lease for the property at 30 Jalan Buroh, Singapore 619486 at the end of the year, the reinstatement cost has been re-assessed and a reduction of \$1.0 million to the reinstatement cost provision has been made.

Bank borrowings increased to S\$40.6 million as at 30 June 2022 from S\$24.9 million as at 31 December 2021 mainly due to increase in trade financing for stock purchases.

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

Statement of Cash Flows

The net cash flows used in operating activities of current period was S\$10.6 million. This was mainly attributable to operating cashflow before change in working capital of S\$10.7 million, offset by increase on inventories by S\$4.8 million, increase on trade and other receivables by S\$6.6 million and decrease on trade and other payables by S\$8.9 million.

Net cash flows used in investing activities for 1H2022 was S\$1.0 million, mainly due to purchases in non-current assets of S\$0.3 million and fixed deposit pledged with banks of S\$1.7 million after offset against proceeds from maturity of investment securities of S\$1.0 million.

Net cash flows generated from financing activities for 1H2022 was S\$9.5 million, mainly due to net proceeds from bank borrowings of S\$15.4 million, offset by dividend payment of S\$5.0 million and purchase of treasury shares of S\$0.4 million as well as repayment of lease payments of S\$0.5 million.

The Group's cash and cash equivalents was S\$25.6 million as at 30 June 2022 in comparison to S\$21.4 million as at 30 June 2021.

- 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**

Global economic growth is expected to be dampened by the prolonged Russia-Ukraine conflict, the continued impact of Covid-19 (especially from China) plus the high inflation and higher cost of borrowings. According to the Ministry of Trade and Industry, Singapore's 2022 GDP is forecast to expand at the lower end of a 3% to 5% range, down from growth of 7.6% for 2021. Further, steel prices are expected to be uncertain and fluctuating, attributable to the expected slowdown of global economy and the challenges faced by China steel industry, stemming from the Chinese property market.

For the second half of 2022, the Singapore's construction industry is estimated to face headwinds in tandem with the Singapore economy. In view of this situation, the Group will focus its effort on marketing and sales to pursue revenue and implement prudent financial action to control the Group's expenditure.

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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?

No interim dividend is recommended.

(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 2021.

(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 2022 pursuant to Rule 907 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

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 2022 to be false or misleading in any material respect.

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

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 2022.

On behalf of the Board,

Foo Sey Liang

Director

Shin Taeyang

Chief Executive Officer

8 August 2022