



# HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

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## **RESPONSES TO SGX QUERIES IN RELATION TO THE COMPANY'S UNAUDITED FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022 ("FY2022")**

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*Capitalised terms which are not defined in herein shall have the meanings ascribed to them in the Company's announcement dated 21 February 2023 (the "Announcement").*

The Board of Directors of HG Metal Manufacturing Limited (the "Company") wishes to inform shareholders that the Company has received the following queries from the Singapore Exchange Securities Trading Limited ("SGX-ST") with regards to the unaudited financial statements for the financial year ended 31 December 2022 ("FY2022") released by the Company on 21 February 2023. The Company wishes to provide its responses as follows:-

### **Query 1:**

In respect of the Group's inventories of S\$58,851,000, please provide a breakdown and information on the Group's inventory turnover days.

### **Company's response to Query 1:**

Inventory breakdown:

	<b>31 December 2022</b>
	<b>S\$'000</b>
Trading inventories	22,921
Finished goods	1,334
Work-in-progress	50
Raw materials	34,546
	<b>58,851</b>

The Group's inventory turnover days for FY2022 was 118 days.

### **Query 2:**

Please disclose a breakdown of the Group's trade and other payables amounting to S\$11,474,000 as at 31 December 2022. For other payables, please disclose the aging and nature of these other payables and whether the counterparties are related parties.

### **Company's response to Query 2:**

The breakdown of Trade and Other Payables is as follows:

	<b>31 December 2022</b>
	<b>S\$'000</b>
Trade payables-third parties	4,899
Other payables	6,575
	<b>11,474</b>

The nature and aging of Other Payables:

	Current	1 to 6 months past due	> 6 months past due	
	S\$'000	S\$'000	S\$'000	S\$'000
Deposit from customers	44	-	-	44
Accrued operating expenses	3,101	-	-	3,101
Provision for unutilised leaves	84	-	-	84
Other payables - third parties	279	758	31	1,068
Amount due to a shareholder of a subsidiary in Myanmar	-	-	1,486	1,486
GST payables	792	-	-	792
<b>Other payables</b>	<b>4,300</b>	<b>758</b>	<b>1,517</b>	<b>6,575</b>

Save as disclosed above, no counterparties are related parties.

**Query 3:**

Given the Group's liabilities of S\$55,212,000 and cash and cash equivalents of only S\$15,407,000 and noting that the Company incurred losses of S\$5,775,000 in FY2022, please disclose the Board's assessment on:

- (i) whether the Company's current assets are adequate to meet the Company's short-term liabilities of S\$36,857,000, including its bases of assessment;
- (ii) how the Company intends to fulfil its significant payment obligations in the next 12 months. Where the Company has worked out debt repayment plans to fulfil its debt obligations, please disclose if the Company is on track to fulfilling these obligations.

**Company's response to Query 3 (i):**

Below is the breakdown of the Group's current assets and current liabilities as at 31 December 2022:

	Group	
	31 December 2022	
	Unaudited*	Remark
	S\$'000	
<b>Current assets</b>		
Investment securities	3,861	
Cash and cash equivalents	15,407	
Fixed deposits pledged with banks	9,016	
Inventories	58,851	
Trade and other receivables	36,578	<b>N1</b>
Income tax recoverable	139	
Prepaid expenses	315	
	<b>124,167</b>	
<b>Current liabilities</b>		
Lease liabilities	600	
Trade and other payables	11,474	
Bank borrowings	23,621	
Provision for income tax	498	
Provision for reinstatement costs	241	
Derivative financial instruments	423	
	<b>36,857</b>	
<b>Net current assets</b>	<b>87,310</b>	

\* Based on the Company's Announcement dated 21 February 2023 on the unaudited financial statements for FY2022.

**N1:** This comprises of trade receivables of S\$35,323,000 and other receivables of S\$1,255,000. The amounts are deemed to be collectable as trade and other receivables that are individually determined to be impaired at the balance sheet date have been fully provided for.

The Group's total current assets amounted to S\$124.2 million which is in excess of its total current liabilities of approximately S\$36.9 million, resulting in a positive net working capital of S\$87.3 million as at 31 December 2022.

The Group's cash and bank balances and trade receivables as at 31 December 2022 amounted to S\$15.4 million and S\$35.3 million respectively. The trade receivables are non-interest bearing and are generally due within normal credit terms of 30 to 90 days. These amounts will be sufficient to fulfil the Group's short-term debt obligations of S\$36.9 million. The Group is therefore not expected to face any liquidity issue.

Other than the above, the Group will also optimize its inventory holding to ensure it has sufficient working capital to fulfil its short-term payment obligations.

**Company's response to Query 3 (ii):**

As disclosed above, the Group intends to fulfil its significant payment obligations in the next 12 months, using its internal resources comprising the Group's cash and bank balances and the expected cash-flow from the ongoing operations of the Group. The Group has been making regular repayment of its debts that are due on timely manner. As at 31 December 2022 the Group has a strong balance sheet and the Board is confident the Group will be able to meet its payments obligations in the next 12 months as and when they fall due using cashflow from its internal resources and operations.

**By Order of the Board**

Foo Sey Liang  
Executive Director

16 March 2023