



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

**Condensed Interim Financial Statements  
for the Half Year Ended 30 June 2023**



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

**Condensed Interim Financial Statements for the Half Year Ended 30 June 2023**

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

		<u>Group</u>		
	Note	6 months ended 30 June 2023	6 months ended 30 June 2022	%
		S\$'000	S\$'000	(+/-)
<b><u>Continuing operations</u></b>				
<b>Revenue</b>	7	<b>66,298</b>	<b>82,012</b>	<b>(19)</b>
Cost of sales		(62,192)	(67,342)	(8)
<b>Gross profit</b>		<b>4,106</b>	<b>14,670</b>	<b>(72)</b>
<b>Gross margin</b>		<b>6.2%</b>	<b>17.9%</b>	
Other operating income		996	1,969	(49)
Selling and distribution costs		(263)	(149)	77
Administrative expenses		(4,066)	(6,012)	(32)
Other operating expenses		(2,790)	(2,269)	23
Finance costs		(634)	(491)	29
Impairment loss on financial assets		(78)	(129)	(40)
<b>(Loss)/profit before income tax from continuing operations</b>	8	<b>(2,729)</b>	<b>7,589</b>	<b>(136)</b>
Income tax expense	11	(10)	(1,223)	(99)
<b>Net (loss)/profit for the period from continuing operations</b>		<b>(2,739)</b>	<b>6,366</b>	<b>nm*</b>
<b><u>Discontinued operations</u></b>				
Net (loss)/profit for the period from discontinued operations	10	(1,005)	115	nm*
<b>Net (loss)/profit for the period</b>		<b>(3,744)</b>	<b>6,481</b>	<b>nm*</b>
<b>(Loss)/Profit attributable to:</b>				
Owners of the Company				
(Loss)/profit from continuing operations		(2,739)	6,366	nm*
(Loss)/profit from discontinued operations		(514)	59	nm*
		<b>(3,253)</b>	<b>6,425</b>	<b>nm*</b>
Non-controlling interests				
(Loss)/profit from discontinued operations		(491)	56	nm*
		<b>(491)</b>	<b>56</b>	<b>nm*</b>

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**Condensed Interim Financial Statements for the Half Year Ended 30 June 2023**

**Condensed interim consolidated statement of profit and loss and other comprehensive income (cont'd)**

	Note	Group		
		6 months ended 30 June 2023	6 months ended 30 June 2022	%
		S\$'000	S\$'000	(+/-)
<b>Net (loss)/profit for the period</b>		<b>(3,744)</b>	<b>6,481</b>	<b>nm*</b>
<b>Other comprehensive income:</b>				
Items that may be reclassified subsequently to profit or loss :				
Foreign currency translation		(119)	136	nm*
<b>Other comprehensive (loss)/income for the period,</b>		<b>(119)</b>	<b>136</b>	<b>nm*</b>
<b>Total comprehensive (loss)/income for the period</b>		<b>(3,863)</b>	<b>6,617</b>	<b>nm*</b>
<b>Total comprehensive income attributable to:</b>				
Owners of the Company				
(Loss)/profit from continuing operations		(2,803)	6,293	nm*
(Loss)/profit from discontinued operations		(542)	166	nm*
		<b>(3,345)</b>	<b>6,459</b>	<b>nm*</b>
Non-controlling interests				
(Loss)/profit from discontinued operations		(518)	158	nm*
		<b>(518)</b>	<b>158</b>	<b>nm*</b>
<b>Earnings per share:</b>				
Basic (cents)				
(Loss)/profit from continuing operations	12	(2.19)	5.07	nm*
(Loss)/profit from discontinued operations	12	(0.41)	0.05	nm*
Diluted (cents)				
(Loss)/profit from continuing operations	12	(2.19)	5.07	nm*
(Loss)/profit from discontinued operations	12	(0.41)	0.05	nm*

\*nm denotes not meaningful

**HG METAL MANUFACTURING LIMITED**  
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**Condensed Interim Financial Statements for the Half Year Ended 30 June 2023**

**Condensed interim statements of financial position**

	Note	Group		Company	
		31 December		31 December	
		30 June 2023	2022	30 June 2023	2022
		S\$'000	S\$'000	S\$'000	S\$'000
<b>Non-current assets</b>					
Property, plant and equipment	13	19,759	21,723	4,571	4,329
Right-of-use assets		6,214	8,195	77	176
Intangible assets	14	179	238	161	145
Investment in subsidiaries		-	-	13,028	13,028
Investment securities		3,766	3,810	3,766	3,810
Fixed deposits pledged with banks		2,500	2,500	2,500	2,500
Restricted deposits		142	142	-	-
		<u>32,560</u>	<u>36,608</u>	<u>24,103</u>	<u>23,988</u>
<b>Current assets</b>					
Investment securities		2,847	3,861	2,845	3,861
Cash and cash equivalents		18,178	15,407	12,948	7,923
Fixed deposits pledged with banks		7,545	6,516	3,500	2,500
Inventories		22,702	58,851	6,757	23,030
Trade and other receivables	15	38,622	36,578	30,469	44,062
Income tax recoverable		-	139	-	-
Prepaid expenses		718	315	155	132
Derivative financial instruments*	17	131	-	4	-
		<u>90,743</u>	<u>121,667</u>	<u>56,678</u>	<u>81,508</u>
Assets held for sale	10	<u>5,076</u>	-	-	-
<b>Total assets</b>		<u>128,379</u>	<u>158,275</u>	<u>80,781</u>	<u>105,496</u>
<b>Current liabilities</b>					
Lease liabilities		599	600	48	155
Trade and other payables		6,220	11,474	17,853	29,359
Bank borrowings	18	6,214	23,621	407	8,425
Provision for income tax		260	498	-	-
Provision for reinstatement costs		-	241	-	241
Derivative financial instruments*	17	-	423	-	38
		<u>13,293</u>	<u>36,857</u>	<u>18,308</u>	<u>38,218</u>
<b>Net current assets</b>		<u>77,450</u>	<u>84,810</u>	<u>38,370</u>	<u>43,290</u>
<b>Non-current liabilities</b>					
Lease liabilities		5,114	5,253	44	64
Bank borrowings	18	7,124	11,556	561	766
Deferred tax liabilities		574	574	-	-
Provision for reinstatement costs		972	972	-	-
		<u>13,784</u>	<u>18,355</u>	<u>605</u>	<u>830</u>
Liabilities directly associated with the assets held for sale	10	<u>5,234</u>	-	-	-
<b>Total liabilities</b>		<u>32,311</u>	<u>55,212</u>	<u>18,913</u>	<u>39,048</u>
<b>Net assets</b>		<u>96,068</u>	<u>103,063</u>	<u>61,868</u>	<u>66,448</u>
<b>Equity attributable to owners of the Company</b>					
Share capital	20	70,496	70,496	70,496	70,496
Treasury shares		(3,034)	(3,034)	(3,034)	(3,034)
Other reserves		2,911	3,003	2,527	2,527
Accumulated profits/(losses)		28,003	34,388	(8,121)	(3,541)
		<u>98,376</u>	<u>104,853</u>	<u>61,868</u>	<u>66,448</u>
<b>Non-controlling interests</b>		<u>(2,308)</u>	<u>(1,790)</u>	-	-
<b>Total equity</b>		<u>96,068</u>	<u>103,063</u>	<u>61,868</u>	<u>66,448</u>
<b>Total equity and liabilities</b>		<u>128,379</u>	<u>158,275</u>	<u>80,781</u>	<u>105,496</u>

\* 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**  
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**Condensed Interim Financial Statements for the Half Year Ended 30 June 2023**

**Condensed interim statements of changes in equity**

Group	Attributable to owners of the Company								
	Share capital	Treasury shares	Capital reserve	Premium paid on acquisition of non-controlling interest	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 2023	70,496	(3,034)	2,527	(212)	688	34,388	104,853	(1,790)	103,063
Loss for the period	-	-	-	-	-	(3,253)	(3,253)	(491)	(3,744)
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	-	-	(92)	-	(92)	(27)	(119)
Other comprehensive income for the period, net of tax	-	-	-	-	(92)	-	(92)	(27)	(119)
Total comprehensive loss for the period	-	-	-	-	(92)	(3,253)	(3,345)	(518)	(3,863)
<u>Contribution by and distributions to owners</u>									
Dividend on ordinary shares	-	-	-	-	-	(3,132)	(3,132)	-	(3,132)
Total contribution by and distributions to owners	-	-	-	-	-	(3,132)	(3,132)	-	(3,132)
Total transactions with owners in their capacity as owners	-	-	-	-	-	(3,132)	(3,132)	-	(3,132)
At 30 June 2023	70,496	(3,034)	2,527	(212)	596	28,003	98,376	(2,308)	96,068

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## Condensed Interim Financial Statements for the Half Year Ended 30 June 2023

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

Group	Attributable to owners of the Company								
	Share capital	Treasury shares	Capital reserve	Premium paid on acquisition of non-controlling interest	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)
Dividends 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 2023**

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

Company	Share capital	Treasury shares	Capital reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
At 1 January 2023	70,496	(3,034)	2,527	(3,541)	66,448
Loss for the period, representing total comprehensive loss for the period	-	-	-	(1,448)	(1,448)
<u>Contributions by and distributions to owners</u>					
Dividend on ordinary shares	-	-	-	(3,132)	(3,132)
Total transactions by and distributions to owners	-	-	-	(3,132)	(3,132)
Total transactions with owners in their capacity as owners	-	-	-	(3,132)	(3,132)
At 30 June 2023	70,496	(3,034)	2,527	(8,121)	61,868
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)
Dividends 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



**HG METAL MANUFACTURING LIMITED**  
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**Condensed Interim Financial Statements for the Half Year Ended 30 June 2023**

**Condensed interim consolidated statement of cash flows**

	<b>Group</b>	
	6 months ended 30 June 2023	6 months ended 30 June 2022
	S\$'000	S\$'000
<b>Cash flows from operating activities</b>		
(Loss)/profit before income tax from continuing operations	(2,729)	7,589
(Loss)/profit before income tax from discontinued operations	(948)	115
	<u>(3,677)</u>	<u>7,704</u>
Adjustments for:		
Bad debts write-off/(recovered)	28	(1)
Depreciation of property, plant and equipment	1,139	1,487
Depreciation of right-of-use assets	470	766
Amortisation of intangible assets	18	16
Gain on disposal of property, plant and equipment	(66)	(7)
Write-off of intangible assets	62	-
Write-off of property, plant and equipment	-	4
Allowance for inventories obsolescence	996	-
Impairment loss on financial assets	65	171
Fair value gain on derivatives, net	(555)	(531)
Finance costs	805	656
Interest income	(204)	(68)
Unrealised foreign exchange loss, net	191	485
<b>Operating cash flow before changes in working capital</b>	<u>(728)</u>	<u>10,682</u>
Working capital changes:		
Inventories	34,736	(4,784)
Trade and other receivables	(2,358)	(6,591)
Prepaid expenses	(418)	(207)
Trade and other payables	(4,021)	(8,905)
<b>Cash generated from/(used in) operations</b>	<u>27,211</u>	<u>(9,805)</u>
Interest expense paid	(996)	(540)
Interest income received	174	137
Income tax paid	(248)	(430)
<b>Net cash flows generated from/(used in) operating activities</b>	<u>26,141</u>	<u>(10,638)</u>
<b>Cash flows from investing activities</b>		
Fixed deposit pledged with banks	(1,029)	(1,758)
Proceeds from disposal of property, plant and equipment	95	5
Proceeds from maturity of investment securities	1,000	1,000
Purchase of property, plant and equipment	(1,228)	(267)
Purchase of intangible assets	(22)	(9)
<b>Net cash flows used in investing activities</b>	<u>(1,184)</u>	<u>(1,029)</u>
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	-	(398)
Dividends paid on ordinary shares of the Company	(3,132)	(5,012)
Proceeds from bank borrowings	15,741	53,420
Repayment of bank borrowings	(33,915)	(37,971)
Principal element of lease payments	(402)	(547)
<b>Net cash flows (used in)/generated from financing activities</b>	<u>(21,708)</u>	<u>9,492</u>
Net increase/(decrease) in cash and cash equivalents	3,249	(2,175)
Effects on exchange rate changes on cash and cash equivalents	(27)	(91)
Cash and cash equivalents at beginning of financial period	<u>15,407</u>	<u>27,876</u>
<b>Cash and cash equivalents at end of financial period</b>	<u>18,629</u>	<u>25,610</u>

**HG METAL MANUFACTURING LIMITED**  
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**Condensed Interim Financial Statements for the Half Year Ended 30 June 2023**

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**Condensed interim consolidated statement of cash flows (cont'd)**

For the purpose of the statement of cash flow, the consolidated cash and cash equivalents at end of reporting period comprised of the following:

	Note	<u>30 June 2023</u>	<u>30 June 2022</u>
		S\$'000	S\$'000
Cash and cash equivalents			
- Continuing operations		18,178	25,610
- Discontinued operations	10	451	-
		<u>18,629</u>	<u>25,610</u>

# HG METAL MANUFACTURING LIMITED

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## Condensed Interim Financial Statements for the Half Year Ended 30 June 2023

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### 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 2023 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 2023 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 2022.

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 2023. The adoption of these standards did not have any material effect on the financial performance or position of the Group.

#### 4. Non-current assets held for sale and discontinued operations

The Group classifies non-current assets and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

**Condensed Interim Financial Statements for the Half Year Ended 30 June 2023**

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**Selected notes to the condensed interim consolidated financial statements**

**4. Non-current assets held for sale and discontinued operations (cont'd)**

The criteria for held for sale classification is regarded as met only when the sale is highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale expected to be completed within one year from the date of the classification.

Property, plant and equipment and intangible assets are not depreciated or amortised once classified as held for sale.

Assets and liabilities classified as held for sale are presented separately as current items in the statement of financial position.

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statement of profit or loss.

Additional disclosures are provided in Note 10. All other notes to the financial statements include amounts for continuing operations, unless indicated otherwise.

**5. 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 2022.

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.

**Condensed Interim Financial Statements for the Half Year Ended 30 June 2023**

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

**5. 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 15.

The carrying amount of trade receivables as at 30 June 2023 was S\$38,079,000 (31 December 2022: S\$35,323,000) 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 2023 was S\$22,702,000 (31 December 2022: S\$58,851,000). Included in the carrying amount of the inventories is an allowance for inventory obsolescence of S\$930,000 (31 December 2022: S\$103,000). There was a write back of inventories amounted to S\$25,000 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 2023.

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**Condensed Interim Financial Statements for the Half Year Ended 30 June 2023**

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

**5. Use of judgements and estimates (cont'd)**

(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 30 June 2023 were S\$19,759,000 and S\$6,214,000 respectively (31 December 2022: S\$21,723,000 and S\$8,195,000).

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 at 30 June 2023.

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**Condensed Interim Financial Statements for the Half Year Ended 30 June 2023**

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

**6. Segment information**

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

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

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

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

	Trading	Manufacturing	Others	Adjustment/ elimination	Group
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b><u>1 January 2023 to 30 June 2023</u></b>					
<b>Revenue</b>					
Sales to external customers	14,944	51,354	-	-	66,298
Inter-segment sales	6,278	1,473	-	(7,751)	-
Total	<u>21,222</u>	<u>52,827</u>	<u>-</u>	<u>(7,751)</u>	<u>66,298</u>
<b>Results</b>					
Other income	1,117	1,581	14	(2,579)	133
Dividend income	595	-	-	(595)	-
Government grant income	20	22	-	-	42
Interest income	126	68	10	-	204
Gain from disposal property, plant and equipment	62	-	-	-	62
Fair value gain from derivatives	42	513	-	-	555
Allowance for inventories obsolescence	(930)	-	-	-	(930)
Bad debts write-off	(28)	-	-	-	(28)
Interest expense	(62)	(572)	-	-	(634)
Depreciation and amortisation of assets	(257)	(696)	(3)	-	(956)
Depreciation of right-of-use assets	(99)	(341)	-	-	(440)
Segment loss	<u>(1,441)</u>	<u>(712)</u>	<u>(37)</u>	<u>(539)</u>	<u>(2,729)</u>
Income tax expense					(10)
Loss for the period					<u>(2,739)</u>
<b>Assets and liabilities</b>					
*Additions to non-current assets	532	1,373	-	-	1,905
Total assets	<u>80,781</u>	<u>93,170</u>	<u>13,771</u>	<u>(59,343)</u>	<u>128,379</u>
Total liabilities	<u>18,912</u>	<u>60,364</u>	<u>1,440</u>	<u>(48,405)</u>	<u>32,311</u>

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

**6. Segment information (cont'd)**

	Trading S\$'000	Manufacturing S\$'000	Others S\$'000	Adjustment/ elimination S\$'000	Group S\$'000
<b><u>1 January 2022 to 30 June 2022</u></b>					
<b>Revenue</b>					
Sales to external customers	26,292	55,720	-	-	82,012
Inter-segment sales	15,276	1,176	-	(16,452)	-
Total	41,568	56,896	-	(16,452)	82,012
<b>Results</b>					
Other income	1,274	1,297	21	(1,489)	1,103
Dividend income	-	-	-	-	-
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)	(407)	-	40	(491)
Depreciation and amortisation of assets	(548)	(746)	(3)	-	(1,297)
Depreciation of right-of-use assets	(425)	(310)	-	-	(735)
Segment profit/(loss)	507	7,080	(68)	70	7,589
Income tax expense					(1,223)
Profit for the period					6,366
<b>Assets and liabilities</b>					
* Additions to non-current assets	248	208	-	-	456
Total assets	108,654	116,703	27,880	(73,248)	179,989
Total liabilities	44,857	70,586	2,337	(53,084)	64,696

\*Addition to non-current assets comprise property, plant and equipment, right-of-use assets and intangible assets.

***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
<b><u>1 January 2022 to 30 June 2023</u></b>					
Sales to external customers	64,980	990	328	-	66,298
Non-current assets	25,809	343	-	-	26,152
<b><u>1 January 2022 to 30 June 2022</u></b>					
Sales to external customers	80,512	469	1,031	-	82,012
Non-current assets	27,038	379	-	13,778	41,195



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

#### 7. Disaggregation of revenue

	<b>Group</b>		
	6 months ended 30 June 2023		
	<b>Trading</b>	<b>Manufacturing</b>	<b>Group</b>
	S\$'000	S\$'000	S\$'000
Sales of goods (at a point in time)	13,813	3,753	17,566
Cut & bend (at a point in time)	-	47,601	47,601
Rental of steel plates (over time)	1,131	-	1,131
<b>Total Revenue</b>	<b>14,944</b>	<b>51,354</b>	<b>66,298</b>

	<b>Group</b>		
	6 months ended 30 June 2022		
	<b>Trading</b>	<b>Manufacturing</b>	<b>Group</b>
	S\$'000	S\$'000	S\$'000
Sales of goods (at a point in time)	25,216	4,188	29,404
Cut & bend (at a point in time)	-	51,532	51,532
Rental of steel plates (over time)	1,076	-	1,076
<b>Total Revenue</b>	<b>26,292</b>	<b>55,720</b>	<b>82,012</b>

#### 8. (Loss)/profit before income tax

	<b>Group</b>	
	6 months ended 30 June 2023	6 months ended 30 June 2022
	S\$'000	S\$'000
(Loss)/profit before tax is arrived at after crediting/(charging) the following:		
Bad debts (write-off)/recovered	(28)	1
Depreciation of property, plant and equipment	(943)	(1,286)
Depreciation of right-of-use assets	(440)	(735)
Amortisation of intangible assets	(13)	(11)
Gain on disposal of property, plant and equipment	62	7
Write-off of property, plant and equipment	-	(4)
Impairment loss on financial assets	(78)	(129)
Fair value gain on derivatives, net	555	531
Foreign exchange loss, net	(142)	(195)
Interest income	204	68
Finance costs	(634)	(491)
Allowance for inventories obsolescence	(930)	-

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

**9. 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:

	<b>Company</b>	
	6 months ended	6 months ended
	30 June 2023	30 June 2022
	S\$'000	S\$'000
<i>With subsidiaries</i>		
Sales	6,278	15,276
Dividend income	595	-
Management fee income	626	-
Interest income	-	40
Other income	444	303
Rental expenses	(383)	(415)

	<b>Group</b>		<b>Company</b>	
	6 months ended	6 months ended	6 months ended	6 months ended
	30 June 2023	30 June 2022	30 June 2023	30 June 2022
	S\$'000	S\$'000	S\$'000	S\$'000
<i>With companies related to directors of the Company</i>				
Sales	-	5	-	5
Other charges	(2)	(3)	(2)	(2)

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

**10. Discontinued operations**

On 7 February 2023, the Group announced its plan to cease the business operations of its subsidiary, First Fortune International Company Limited (“**FFI**”), in Myanmar in view that the economic conditions of Myanmar are not expected to improve in the near future, especially after the Financial Action Task Force (“**FATF**”) moved to place Myanmar on its blacklist of countries since October 2022.

At 30 June 2023, FFI was classified as discontinued operations and assets as held for sale.

The Group intends to dispose the assets within a year from the reporting date. The results of FFI for the period were presented below:

	6 months ended 30 June 2023	6 months ended 30 June 2022
	S\$'000	S\$'000
<b>Revenue</b>	2,353	4,858
Cost of sales	(2,063)	(4,152)
<b>Gross profit</b>	290	706
Other operating income	27	7
Selling and distribution costs	(1)	(12)
Administrative expenses	(340)	(254)
Other operating expenses	(766)	(125)
Finance costs	(171)	(165)
(Reversal)/allowance of impairment loss on financial assets	13	(42)
<b>(Loss)/profit before income tax from discontinued operations</b>	(948)	115
Income tax expense:		
Related to the ordinary activities from previous years	(57)	-
<b>Net (loss)/profit for the period from discontinued operations</b>	(1,005)	115

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

**10. Discontinued operations (cont'd)**

The major classes of assets and liabilities of FFI classified as held for sale as at 30 June 2023 are, as follows;

	<u>30 June 2023</u>
	S\$'000
<b>Assets</b>	
Property, plant and equipment	2,422
Right-of-use assets	1,796
Inventories	8
Trade and other receivables	297
Prepaid expenses	16
Income tax recoverable	86
Cash and cash equivalents	<u>451</u>
Assets held for sale	5,076
<b>Liabilities</b>	
Trade and other payables	(1,591)
Bank borrowings	<u>(3,643)</u>
Liabilities directly associated with assets held for sale	<u>(5,234)</u>
<b>Net liabilities directly associated with discontinued operations</b>	<b><u>(158)</u></b>

The net cash flow incurred by FFI are, as follows;

	<u>6 months ended</u>	<u>6 months ended</u>
	<u>30 June 2023</u>	<u>30 June 2022</u>
	S\$'000	S\$'000
Operating	1,207	1,240
Investing	16	-
Financing	<u>(1,431)</u>	<u>(2,598)</u>
<b>Net cash outflow</b>	<b><u>(208)</u></b>	<b><u>(1,358)</u></b>

	<u>6 months ended</u>	<u>6 months ended</u>
	<u>30 June 2023</u>	<u>30 June 2022</u>
<b>Earnings per share for discontinued operations:</b>		
Basic (cents)	(0.41)	0.05
Diluted (cents)	<u>(0.41)</u>	<u>0.05</u>

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

**11. Income tax expense**

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

	<b>Group</b>	
	<b>6 months ended 30 June 2023</b>	<b>6 months ended 30 June 2022</b>
	<b>S\$'000</b>	<b>S\$'000</b>
Current income tax expense		
- Attributable to continuing operations	10	1,105
- Attributable to discontinued operations	57	-
Deferred income tax expenses relating to origination and reversal of temporary differences		
- Attributable to continuing operations	-	118
	<b>67</b>	<b>1,223</b>

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

**12. Earnings per shares**

	<u>Group</u>	
	6 months ended 30 June 2023	6 months ended 30 June 2022
<u>Earnings per ordinary shares:</u>		
(a) Basic (cents)	(2.60)	5.12
(b) Diluted (cents)	(2.60)	5.12
 <u>Earnings per share for continuing operations:</u>		
Basic (cents)	(2.19)	5.07
Diluted (cents)	(2.19)	5.07
 <u>Earnings per share for discontinued operations:</u>		
Basic (cents)	(0.41)	0.05
Diluted (cents)	(0.41)	0.05

- (a) Earnings per share were calculated based on weighted average number of shares of 125,297,035 and 125,454,535 for the period ended 30 June 2023 and 30 June 2022 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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**Selected notes to the condensed interim consolidated financial statements (cont'd)**

**13. Property, plant and equipment**

	<b>Group</b>								
	Freehold land	Buildings	Leasehold buildings	Plant and machinery	Furniture and fittings	Office equipment	Renovation	Motor vehicles	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cost</b>									
At 31 December 2022	182	9,945	19,382	20,759	321	549	70	2,517	53,725
Additions	-	-	-	1,514	2	19	-	80	1,615
Disposal and write-off	-	-	-	(38)	(2)	(10)	-	(24)	(74)
Assets held for sale	-	(9,819)	-	(1,811)	(6)	(43)	-	(109)	(11,788)
Exchange difference	(8)	105	-	21	-	-	-	1	119
At 30 June 2023	174	231	19,382	20,445	315	515	70	2,465	43,597
<b>Accumulated depreciation</b>									
At 31 December 2022	-	7,546	8,403	13,334	276	450	20	1,973	32,002
charge for the period	-	99	331	622	8	22	7	50	1,139
Disposal and write-off	-	-	-	(21)	(1)	(10)	-	(11)	(43)
Assets held for sale	-	(7,668)	-	(1,619)	(2)	(17)	-	(60)	(9,366)
Exchange difference	-	87	-	18	-	-	-	1	106
At 30 June 2023	-	64	8,734	12,334	281	445	27	1,953	23,838
<b>Net carrying amount</b>									
At 31 December 2022	182	2,399	10,979	7,425	45	99	50	544	21,723
At 30 June 2023	174	167	10,648	8,111	34	70	43	512	19,759

During the six months ended 30 June 2023, the Group acquired property, plant and equipment as well as right-of-use assets with aggregate cost S\$1,883,000 (30 June 2022: S\$447,000). The Group disposed property, plant and equipment for S\$97,000 (30 June 2022: S\$9,000).

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## Condensed Interim Financial Statements for the Half Year Ended 30 June 2023

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

#### 13. Property, plant and equipment(cont'd)

	Company					
	Plant and machinery S\$'000	Furniture and fittings S\$'000	Office equipment S\$'000	Renovation S\$'000	Motor vehicles S\$'000	Total S\$'000
<b>Cost</b>						
At 31 December 2022	8,992	264	367	56	2,232	11,911
Additions	411	-	19	-	80	510
Disposal and write-off	(37)	-	-	-	-	(37)
At 30 June 2023	9,366	264	386	56	2,312	12,384
<b>Accumulated depreciation</b>						
At 31 December 2022	5,187	250	327	18	1,800	7,582
charge for the period	191	3	13	6	40	253
Disposal and write-off	(22)	-	-	-	-	(22)
At 30 June 2023	5,356	253	340	24	1,840	7,813
<b>Net carrying amount</b>						
At 31 December 2022	3,805	14	40	38	432	4,329
At 30 June 2023	4,010	11	46	32	472	4,571



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

**14. Intangible assets**

	<b>Group</b>		
	Computer software	Club membership	Total
	S\$'000	S\$'000	S\$'000
<b>Cost</b>			
At 31 December 2022	1,144	143	1,287
Additions	22	-	22
Write-off	(104)	-	(104)
At 30 June 2023	1,062	143	1,205
<b>Accumulated amortisation</b>			
At 31 December 2022	1,049	-	1,049
Amortisation	18	-	18
Write-off	(41)	-	(41)
At 30 June 2023	1,026	-	1,026
<b>Net carrying amount</b>			
At 31 December 2022	95	143	238
At 30 June 2023	36	143	179

	<b>Company</b>		
	Computer software	Club membership	Total
	S\$'000	S\$'000	S\$'000
<b>Cost</b>			
At 31 December 2022	922	143	1,065
Additions	22	-	22
At 30 June 2023	944	143	1,087
<b>Accumulated amortisation</b>			
At 31 December 2022	920	-	920
Amortisation	6	-	6
At 30 June 2023	926	-	926
<b>Net carrying amount</b>			
At 31 December 2022	2	143	145
At 30 June 2023	18	143	161

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

**15. Trade and other receivables**

	<b>Group</b>	
	30 June 2023	31 December 2022
	S\$'000	S\$'000
Trade receivables	39,761	39,576
Allowance for expected credit loss	(1,682)	(4,253)
	<u>38,079</u>	<u>35,323</u>
Other receivables	579	1,286
Allowance for expected credit loss	(36)	(31)
	<u>38,622</u>	<u>36,578</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:

	<b>Group</b>	
	6 months ended 30 June 2023	6 months ended 30 June 2022
	S\$'000	S\$'000
At beginning of the period	4,253	5,636
Reclassification of assets held for sale	(2,207)	(1,267)
Allowance for expected credit loss	71	120
Write off during the period	(432)	(2,372)
Translation difference	(3)	(8)
At end of period	<u>1,682</u>	<u>2,109</u>

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

**15. Trade and other receivables (cont'd)**

Movement in allowance accounts (other receivables)

	<b>Group</b>	
	6 months ended 30 June 2023	6 months ended 30 June 2022
	S\$'000	S\$'000
At beginning of the period	31	24
Allowance for expected credit loss	7	9
Translation difference	(2)	(1)
At end of period	<u>36</u>	<u>32</u>

The Group has determined an allowance for expected credit losses of S\$65,000 for the current financial period ended 30 June 2023.

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:

	<b>Trade receivables</b>					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	
<b>Singapore:</b>						
<b>30 June 2023</b>						
Gross amount	21,210	15,810	880	218	1,488	39,606
Loss allowance provision	(95)	(8)	(15)	(129)	(1,435)	(1,682)
	<u>21,115</u>	<u>15,802</u>	<u>865</u>	<u>89</u>	<u>53</u>	<u>37,924</u>
<b>31 December 2022</b>						
Gross amount	14,847	18,887	572	515	1,395	36,216
Loss allowance provision	(15)	(56)	(14)	(133)	(1,392)	(1,610)
	<u>14,832</u>	<u>18,831</u>	<u>558</u>	<u>382</u>	<u>3</u>	<u>34,606</u>
<b>Other geographical areas:</b>						
<b>30 June 2023</b>						
Gross amount	117	38	-	-	-	155
Loss allowance provision	-	-	-	-	-	-
	<u>117</u>	<u>38</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>155</u>
<b>31 December 2022</b>						
Gross amount	70	345	-	-	2,945	3,360
Loss allowance provision	-	(2)	-	-	(2,641)	(2,643)
	<u>70</u>	<u>343</u>	<u>-</u>	<u>-</u>	<u>304</u>	<u>717</u>

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

#### 15. 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 2023	31 December 2022
	S\$'000	S\$'000
<b>By country:</b>		
Indonesia	35	219
Malaysia	120	195
Myanmar	-	303
Singapore	37,924	34,606
	<u>38,079</u>	<u>35,323</u>
<b>By industry sectors:</b>		
Trading	148	390
Construction	37,270	34,202
Others	661	731
	<u>38,079</u>	<u>35,323</u>

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**Condensed Interim Financial Statements for the Half Year Ended 30 June 2023**

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

**16. Financial instruments**

Set out below is an overview of the financial assets and financial liabilities of the Group as at 30 June 2023 and 31 December 2022.

	Group		Company	
	30 June 2023	31 December 2022	30 June 2023	31 December 2022
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Financial assets at amortised cost</b>				
Trade and other receivables	38,370	35,638	30,218	43,915
Bank balances and fixed deposits	28,223	24,565	18,948	12,923
Investment securities	6,613	7,671	6,613	7,671
<b>Total financial assets at amortised cost</b>	<b>73,206</b>	<b>67,874</b>	<b>55,779</b>	<b>64,509</b>
<b>Financial assets at fair value through profit and loss</b>				
Derivative financial instruments	131	-	4	-
<b>Total financial assets at fair value through profit and loss</b>	<b>131</b>	<b>-</b>	<b>4</b>	<b>-</b>
<b>Financial liabilities at amortised cost</b>				
Trade and other payables	5,061	10,598	17,517	28,563
Lease liabilities	5,713	5,853	92	219
Bank borrowings	13,338	35,177	968	9,191
<b>Total financial liabilities at amortised cost</b>	<b>24,112</b>	<b>51,628</b>	<b>18,577</b>	<b>37,973</b>
<b>Financial liabilities at fair value through profit and loss</b>				
Derivative financial instruments	-	423	-	38
<b>Total financial liabilities at fair value through profit and loss</b>	<b>-</b>	<b>423</b>	<b>-</b>	<b>38</b>

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

**17. Financial instruments carried on fair value**

The Group categorises 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.

	<b>Group</b>			
	30 June 2023			
	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
<b>Assets</b>				
Derivative financial instruments				
- Forward Currency contracts	-	131	-	131
	-	131	-	131

	<b>Group</b>			
	31 December 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
<b>Liabilities</b>				
Derivative financial instruments				
- Forward Currency contracts	-	(423)	-	(423)
	-	(423)	-	(423)

**HG METAL MANUFACTURING LIMITED**  
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**Condensed Interim Financial Statements for the Half Year Ended 30 June 2023**

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

**18. Borrowings**

	Group				Company			
	30 June 2023		31 December 2022		30 June 2023		31 December 2022	
	Secured <sup>*</sup> S\$'000	Lease liabilities S\$'000	Secured <sup>*</sup> S\$'000	Lease liabilities S\$'000	Secured <sup>*</sup> S\$'000	Lease liabilities S\$'000	Secured <sup>*</sup> S\$'000	Lease liabilities S\$'000
Repayable within one year	6,214	599	23,621	600	407	48	8,425	155
Repayable after one year	7,124	5,114	11,556	5,253	561	44	766	64
<b>Total</b>	<b>13,338</b>	<b>5,713</b>	<b>35,177</b>	<b>5,853</b>	<b>968</b>	<b>92</b>	<b>9,191</b>	<b>219</b>

\*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.

**19. Contingent liabilities**

Guarantees

- (i) Intra-group financial guarantees comprise corporate guarantees granted by the Company to banks in respect of banking facilities amounting to \$42,296,000 to secure banking facilities provided to certain subsidiaries. The financial guarantees will expire when the loans have been paid and discharged and/or when the banking facilities are no longer available to the subsidiaries.

The principal risk to which the Company is exposed is credit risk in connection with the guarantee contracts it has issued. The credit risk represents the loss that would be recognised upon a default by the subsidiaries for which, the guarantees were given on behalf of.

The Company has granted corporate guarantee to a subsidiary in Myanmar. Due to the uncertain situation and political instability in Myanmar, the Company will be required to pay for the subsidiary's outstanding bank loan due in 2024 if the subsidiary defaults on its loan repayment obligation. The Company has not recognised the provision for this contingent liability as of 30 June 2023. The Group will continue to assess the subsidiary's ability to repay its loan and recognise the loss when the likelihood of default can be reasonably determined.

- (ii) As requested by a customer, the Group has provided performance bond of S\$142,000 as security deposits to guarantee satisfactory supply and delivery of goods. The performance bond remains in full force until 31 January 2029. As at the end of the reporting period, no liability is expected to arise.

# HG METAL MANUFACTURING LIMITED

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## Condensed Interim Financial Statements for the Half Year Ended 30 June 2023

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

#### 20. Share capital and treasury shares

20.1 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.

	30 June 2023	30 June 2022
	S\$'000	S\$'000
Share capital	70,496	70,496

	30 June 2023	30 June 2022
Total number of issued shares	130,611,365	130,611,365
Treasury shares	(5,314,330)	(5,314,330)
Total number of issued shares excluding treasury shares	125,297,035	125,297,035

	30 June 2023	30 June 2022
Number of issued shares (excluding treasury shares)	125,297,035	125,297,035
Number of treasury shares	5,314,330	5,314,330

Percentage of number of treasury shares against the total number of issued shares (excluding treasury shares and subsidiary holdings)	4.24%	4.24%
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There were no sales, transfers, disposal, cancellation and/or use of treasury shares in 1H2023 (1H2022: Nil).



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**Condensed Interim Financial Statements for the Half Year Ended 30 June 2023**

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

**20. Share capital and treasury shares (cont'd)**

**20.2 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.**

	<b>30 June 2023</b>	<b>31 December 2022</b>
	S\$'000	S\$'000
Share capital	70,496	70,496
	<b>30 June 2023</b>	<b>31 December 2022</b>
Total number of issued shares	130,611,365	130,611,365
Treasury shares	(5,314,330)	(5,314,330)
Total number of issued shares excluding treasury shares	125,297,035	125,297,035

There was no sale, transfer, disposal, cancellation and use of treasury shares during the current financial period ended 30 June 2023.

**21. Dividends**

	<b>Group</b>	
	6 months ended 30 June 2023	6 months ended 30 June 2022
	S\$'000	S\$'000
Ordinary dividend paid:		
Final dividend in respect of the financial year ended 31 December 2022 and 31 December 2021, approved and paid during respective financial year,		
S\$0.025 per ordinary share (2021: S\$0.040 per ordinary share)	3,132	5,012

**22. Net asset value**

	<b>Group</b>		<b>Company</b>	
	As at 30 June 2023	As at 31 December 2022	As at 30 June 2023	As at 31 December 2022
Net asset value per ordinary share (S\$)	0.79	0.84	0.49	0.53

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**Condensed Interim Financial Statements for the Half Year Ended 30 June 2023**

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

**23. Seasonality of operations**

The Group's businesses are not significantly affected by seasonal or cyclical factor during the current financial period ended 30 June 2023.

**24. Subsequent events**

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

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## Condensed Interim Financial Statements for the Half Year Ended 30 June 2023

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### Other information required by Listing Rule Appendix 7.2

**25. 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 2023 and related condensed consolidated profit and 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.

**26. 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 (1H2023 vs 1H2022)**

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

The Group recorded revenue of S\$66.3 million in 1H2023, which was 19% lower than the revenue of S\$82.0 million reported in 1H2022. The drop in revenue was mainly due to a 17% reduction in the average selling price and a 3% reduction in sales volume on a year-on-year basis.

The overall gross profit margin for 1H2023 dropped to 6.2% from 17.9% in 1H2022. This was mainly due to lower selling prices which is in tandem with the continued decline in global steel price and a higher weighted-average cost of inventories on hand. The Group's gross profit was S\$4.1 million in 1H2023 as compared to S\$14.7 million in 1H2022.

##### **Other Operating Income**

Other operating income declined to S\$1.0 million in 1H2023 from S\$2.0 million in 1H2022. This was mainly due to a reduction in warehouse and rental income of S\$0.9 million and government granted income of S\$0.2 million, offset with an increase in interest income of S\$0.1 million.

##### **Selling and Distribution, Administrative, Other Operating and Finance Expenses**

The Group's selling and distribution expenses in 1H2023 increased by 77% to S\$0.3 million in comparison with S\$0.2 million in 1H2022 due to more out-sourced logistics services engaged.

Administrative expenses decreased by 32% to S\$4.1 million in 1H2023 from S\$6.0 million in 1H2022. This was mainly resulted from the decrease in salary cost and staff headcount as well as lower utilities cost and bank charges.

Other operating expenses incurred in 1H2023 rose to S\$2.8 million, from S\$2.3 million in 1H2022. The increase in other operating expenses of S\$0.5 million was mainly due to an allowance for inventories obsolescence of S\$1.0 million, and warehouse rental expenses of S\$0.4 million, which were partially

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## Condensed Interim Financial Statements for the Half Year Ended 30 June 2023

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offset by a reduction in depreciation expenses of S\$0.7 million and other miscellaneous operating expenses of S\$0.2 million.

Total finance costs incurred relate mainly to borrowing for trade financing and term loans from banks as well as construction loans and leases for properties redevelopment. Total finance cost incurred in 1H2023 increased in comparison with 1H2022 mainly caused by the increase in interest rates charged by financial institutions.

### **Profitability**

#### Continuing operations

The Group incurred a net loss of S\$2.7 million before tax in 1H2023 from continuing operations in contrast to profit before tax of S\$7.6 million in 1H2022 mainly due to a significantly lower gross profit generated in 1H2023.

Total taxation expense at S\$10K for 1H2023 as compared to S\$1.2 million for 1H2022. A lower tax expense provision was required as the Group was in a loss position in 1H2023 from continuing operations.

The Group recorded a net loss after tax of S\$2.7 million in 1H2023 compared to a net profit after tax of S\$6.4 million in 1H2022 from continuing operations.

#### Discontinued operations

The Group incurred a net loss of S\$0.9 million before tax in 1H2023 from discontinued operations.

The tax expenses from discontinued operations was S\$57K for 1H2023 which was related to the ordinary activities from previous years.

The Group recorded a net loss after tax of S\$1.0 million in 1H2023 from discontinued operations.

### **Balance Sheet**

The Group's non-current assets were S\$32.6 million as of 30 June 2023 compared to S\$36.6 million as at 31 December 2022.

As of 30 June 2023, the Group's inventory on hand reduced to S\$22.7 million from S\$58.9 million as at 31 December 2022 which is in line with the Group's strategy to optimize its inventory holding.

Trade and other receivables amounted to S\$38.6 million as of 30 June 2023 as compared to S\$36.6 million as at 31 December 2022. The increase of S\$2.0 million was attributed to the increase in sales activities in 2Q 2023.

Trade and other payables decreased to S\$6.2 million as at 30 June 2023 from S\$11.5 million as at 31 December 2022 was due to repayment made to suppliers.

Bank borrowings reduced to S\$13.3 million as at 30 June 2023 from S\$35.2 million as at 31 December 2022 as this was mainly due to the repayment of trade financing borrowings by the Group in the current period.

The Group classified the subsidiary's operations in Myanmar as discontinued operations as at 30 June 2023, the assets held for sale was S\$5.1 million and Liabilities directly associated with assets held for sale was S\$5.2 million.

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## Condensed Interim Financial Statements for the Half Year Ended 30 June 2023

### Statement of Cash Flows

The Group generated net cash flows from operating activities of S\$26.1 million in the current period. This was mainly attributable to a decrease in inventories of S\$34.7 million, offset by a decrease in trade and other payables of S\$4.0 million and an increase in trade and other receivables of S\$2.8 million.

Net cash flows used in investing activities for 1H2023 was S\$1.2 million, mainly due to purchase of non-current assets of S\$1.2 million and fixed deposit pledged with banks of S\$1.0 million after offsetting against proceeds from maturity of investment securities of S\$1.0 million.

Net cash flows used in financing activities for 1H2023 was S\$21.7 million, mainly due to dividend payment of S\$3.1 million to shareholders, net repayment of bank borrowings of S\$18.2 million, as well as repayment of lease payments of S\$0.4 million.

The Group's cash and cash equivalents were S\$18.6 million as at 30 June 2023 in comparison to S\$25.6 million as at 30 June 2022.

**27. 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 period ended 30 June 2023 is in line with the Group's announcement on 28 July 2023.

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

According to the advance estimates released by the Ministry of Trade and Industry on 14 July 2023, Singapore economy grew 0.7% year-on-year in the second quarter of 2023 as resilience in construction activities and the service sector helped offset a sharp decline in manufacturing activities. The economy expanded 0.3% quarter-on-quarter followed a 0.4% contraction in the first quarter of 2023.

On year-on-year basis, the construction sector registered 6.6% growth in the second quarter, extending the 6.9% growth in the first quarter. The economic growth was supported by expansions in both public and private sector construction output. On a quarter-on-quarter seasonally-adjusted basis, the construction sector grew by 2.6% in the second quarter, accelerating from the 0.3% growth in the preceding quarter.

In January 2023 the Building and Construction Authority ("BCA") forecasted Singapore's total construction demand at \$27 billion to \$32 billion in 2023. The demand outlook appears to remain intact based on latest available data.

The Group's sales volume for 1H 2023 from continuing operations was 3% lower on a year-on-year basis due to slower progress of construction activities at sites, attributed to the implementation of heightened safety measures as mandated by the Ministry of Manpower that affected our customers' contractual offtake during 1Q 2023. There was recovery in contractual offtake in 2Q 2023 and we are expecting a steady recovery in second half of 2023, driven primarily by the expected growth in the industry and that the Group's order book remains healthy.

On the other hand, international steel prices have been in the declining trend over the past few years, dropping from the peak of September 2021 price level but appeared to stabilise in recent months. The weakness of metal prices will impact our business margin due to factors such as higher weighted average cost of inventories on hand, certain committed purchases at higher prices and decline in BCA indexes in

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## Condensed Interim Financial Statements for the Half Year Ended 30 June 2023

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tandem with fall in in steel prices on world market under the influence of uncertainty in the Chinese market and negative macroeconomic factors. Further to this, consumers are pursuing a cautious policy on purchases due to the expectation for an even greater reduction in prices for steel products will affect our sales, particularly in relation to demand for structural steel products.

On the prospect that construction demand outlook remains positive, the Group intends to seize the opportunity to grow our business volume, raise our capacity utilisation and drive improvements in productivity to deliver quality service to our business partners while optimising our inventory holding to mitigate risk arising from steel price volatility.

### 29. 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 2022.

#### (c) Date payable

Not applicable

#### (d) Books closure date

Not applicable

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

Not applicable as the Company currently does not have profits available for the declaration of dividend.

### 31. 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 2023 pursuant to Rule 907 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

### 32. 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.

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**Condensed Interim Financial Statements for the Half Year Ended 30 June 2023**

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**33. 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 period ended 30 June 2023 to be false or misleading in any material respect.

**34. 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 2023.

**On behalf of the Board,**

**Xiao Xia**

**Executive Director and Chief Executive Officer**

**11 August 2023**