



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

RESPONSE TO SGX QUERIES ON THE COMPANY'S FINANCIAL STATEMENTS FOR THE HALF-YEAR ENDED 30 JUNE 2023 ("1H2023")

Capitalised terms which are not defined in herein shall have the meanings ascribed to them in the Company's announcement dated 11 August 2023 (the "Announcement").

The Board of Directors (the "**Board**") of HG Metal Manufacturing Limited (the "**Company**") and together with its subsidiaries the "**Group**") refers to the queries raised by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") on 7 September 2023 in respect of the Company's financial statements for the half-year ended 30 June 2023 ("**1H2023**") and sets out its responses as follows:

Query 1:

In respect of the Group's current trade and other receivables of S\$38,622,000, please disclose:-

- (i) a breakdown of the Group's receivables;
- (ii) the Company's plans to recover the trade and other receivables;
- (iii) whether they are major customer(s) and whether the Company continues to transact with these customer(s);
- (iv) what were the actions taken to recover the trade and other receivables; and
- (v) the Board's assessment of the recoverability of the remaining trade and other receivables and the bases of the Board's assessment.

Company's response to Query 1:

- (i) The breakdown of the Group's trade and other receivables is presented in below:

	30 June 2023
	S\$'000
Trade receivables	39,761
Less: allowance for impairment	(1,682)
Total trade receivables	38,079
Advance to suppliers	252
Deposits	251
Other receivables	76
Less: allowance for impairment	(36)
Total other receivables	543
Total trade and other receivables	38,622

- (ii) & (iv) The Group has taken the following steps and actions to recover its trade and other receivables:
- (a) The trade and other receivables are expected to be recovered in the ordinary course of business in accordance with the agreed terms of payments. Controls and processes have been put in place to review and monitor the recoverability of these trade and other receivables.
 - (b) The Group has established credit assessment, credit review and collection procedures for trade receivables. The Group monitors and reviews its trade receivables ageing closely and follows up with respective sales personnel in charge and customers regularly on collection matters.
 - (c) When it is deemed necessary, the Group will hold back delivery of goods to customers until the old debts have been settled.
 - (d) Where appropriate, the Group's management will personally follow up and meet with those slow paying customers to pursue outstanding trade receivables.
 - (e) The majority of outstanding receivables are in respect of amount owing to a subsidiary company where the customers are insured by third party insurance. To further reduce the Group's credit risk, the Company has recently extended the insurance coverage to the key customers of the Company.
 - (f) In addition to the above, the Group will initiate legal action to recover the debts for severely delinquent debt.
- (iii) As at 30 June 2023, approximately 43% of the Group's trade receivables were due from 4 major customers and the Group currently continues to trade with these customers.
- (v) In assessing the recoverability of the trade and other receivables, the management reviewed and made specific allowances for debt balances of credit impaired customers. For the remaining outstanding balances, management estimated the Expected Credit Losses in accordance with the requirements of SFRS(I) 9 Financial Instruments, taking into account its consideration of past due balances, recent historical payment patterns and default patterns over a period, debtors' financial ability to repay, existence of disputes, economic environment and forecast of future macroeconomic conditions where the debtors operate and any other available information concerning the creditworthiness of debtors. The Board has assessed the management's examination of the recoverability of trade and other receivables and is of the view that the remaining trade and other receivables are recoverable. Notwithstanding this, the Board will continue to monitor the progress of the collectability of these receivables.

Query 2:

Please disclose a breakdown of current trade and other payables amounting to S\$6,220,000. 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:

	30 June 2023
	S\$'000
Trade payables-third parties	3,322
Other payables	2,898
	6,220

The nature and aging of Other Payables:

	Current	1 to 6	Total
	S\$'000	months	S\$'000
		past due	
	S\$'000	S\$'000	S\$'000
Deposit from customers	25	-	25
Accrued operating expenses	985	-	985
Other payables - third parties	367	362	729
GST payables	1,159	-	1,159
Other payables	2,536	362	2,898

None of the counterparties are related parties.

By Order of the Board

Xiao Xia
Executive Director and Chief Executive Officer
11 September 2023