



HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

First Quarter Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2018

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2, Q3& Q4), HALF YEAR AND FULL YEAR RESULTS

1(a)(i) A Statement of Comprehensive Income for the Group together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group		
	1Q 2018 S\$'000	1Q 2017 S\$'000	% (+/-)
Revenue	46,962	45,601	3
Cost of sales	(44,406)	(43,054)	3
Gross profit	2,556	2,547	0
Gross margin	5.4%	5.6%	
Other operating income	2,014	2,479	(19)
Selling and distribution costs	(217)	(119)	82
Administrative expenses	(2,156)	(2,013)	7
Other operating expenses	(2,561)	(3,243)	(21)
Finance costs	(4)	(4)	0
Share of associates' results	-	24	nm*
Loss before income tax	(368)	(329)	nm*
Income tax expense	(1)	-	nm*
Net loss for the period	(369)	(329)	nm*
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss :			
Foreign currency translation	65	(29)	nm*
Share of other comprehensive income of associates	-	(145)	nm*
Other comprehensive income for the period, net of tax	65	(174)	nm*
Total comprehensive income for the period	(304)	(503)	nm*
Loss attributable to:			
Owners of the Company	(369)	(326)	nm*
Non-controlling interests	-	(3)	nm*
	(369)	(329)	nm*
Total comprehensive income attributable to:			
Owners of the Company	(304)	(496)	nm*
Non-controlling interests	-	(7)	nm*
	(304)	(503)	nm*

*nm denotes not meaningful

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1(a)(ii) Notes to the Statement of Comprehensive Income for the Group

	Group	Group
	1Q 2018	1Q 2017
	S\$'000	S\$'000
Loss before tax is arrived at after crediting/(charging) the following:		
Reversal of allowance for impairment of receivables, net	27	54
Bad debts recovered	4	-
Amortisation of intangible assets	(2)	(4)
Recognition of deferred income	357	357
Depreciation of property, plant and equipment	(676)	(644)
Fair value gain on derivatives, net	12	411
Foreign exchange loss, net	(371)	(991)
Interest income	75	40
Finance costs	(4)	(4)
Impairment on investment in associates	-	(137)
Gain on disposal of property, plant and equipment	57	3

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1(b)(i) A Statement of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group			Company	
	31.03.2018 S\$'000	31.12.2017 S\$'000 (Restated)	01.01.2017 S\$'000 (Restated)	31.03.2018 S\$'000	31.12.2017 S\$'000
Non-current assets					
Property, plant and equipment	12,374	12,426	13,864	8,847	8,725
Intangible assets	56	58	65	51	52
Investment in subsidiaries	-	-	-	13,102	13,102
Investment in associates	-	-	50,855	-	-
Investment securities	4,527	-	-	4,527	-
	16,957	12,484	64,784	26,527	21,879
Current assets					
Investment securities	11	-	-	11	-
Derivative financial instruments*	27	15	-	27	15
Inventories	20,907	17,581	14,217	15,385	15,469
Trade and other receivables	53,150	44,283	34,758	58,966	46,936
Prepaid expenses	228	129	316	178	58
Bank deposits pledged with banks	15,411	19,500	7,038	15,000	19,500
Cash and cash equivalent	25,814	28,846	30,704	15,591	17,854
	115,548	110,354	87,033	105,158	99,832
Current liabilities					
Trade and other payables	24,882	14,493	13,957	60,618	49,439
Finance lease payables	81	141	239	81	141
Bank borrowings	-	-	1,963	-	-
Provision for income tax	15	15	13	-	-
Deferred income	1,429	1,429	1,429	1,429	1,429
Derivative financial instruments*	-	-	403	-	-
	26,407	16,078	18,004	62,128	51,009
Net current assets	89,141	94,276	69,029	43,030	48,823
Non-current liabilities					
Finance lease payables	-	-	139	-	-
Provision for reinstatement costs	1,000	1,000	1,000	700	700
Deferred income	1,190	1,548	2,976	1,190	1,548
	2,190	2,548	4,115	1,890	2,248
	103,908	104,212	129,698	67,667	68,454
Equity attributable to owners of the Company					
Share capital	70,496	70,496	152,052	70,496	70,496
Treasury shares	(2,215)	(2,215)	(2,215)	(2,215)	(2,215)
Other reserves	3,106	3,041	2,312	2,527	2,527
Accumulated profits/(losses)	32,520	32,889	(22,720)	(3,141)	(2,354)
	103,907	104,211	129,429	67,667	68,454
Non-controlling interests	1	1	269	-	-
Total equity	103,908	104,212	129,698	67,667	68,454

*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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1(b)(ii) Aggregate amount of group's borrowings and debt securities

	As at 31 March 2018			As at 31 December 2017		
	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000
Repayable within one year	-	-	81	-	-	141
Repayable after one year	-	-	-	-	-	-
Total	-	-	81	-	-	141

Details of collaterals

The finance leases were secured by lessors' title to leased asset.

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1(c)(i) A Statement of Cash Flows for the Group, together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group	
	1Q 2018	1Q 2017
	S\$'000	S\$'000
Cash flows from operating activities		
Loss before income tax	(368)	(329)
Adjustments for:		
Depreciation of property, plant and equipment	676	644
Amortisation of intangible assets	2	4
Reversal of allowance for impairment of receivables, net	(27)	(54)
Bad debts recovered	(4)	-
Gain on disposal of property, plant and equipment	(57)	(3)
Impairment on investment in associates	-	137
Fair value gain on derivatives, net	(12)	(411)
Finance costs	4	4
Interest income	(75)	(40)
Share of associates' results	-	(24)
Recognition of deferred income	(357)	(357)
Unrealised foreign exchange loss, net	3	610
Operating cash flow before changes in working capital	(215)	181
Working capital changes:		
Inventories	(3,870)	(213)
Trade and other receivables	(8,913)	(9,059)
Trade and other payables	10,367	1,223
Cash used in operations	(2,631)	(7,868)
Interest expense paid	(4)	(4)
Interest income received	75	40
Income tax paid	(1)	-
Net cash flows used in operating activities	(2,561)	(7,832)
Cash flows from investing activities		
Dividend income received from investments in associates	-	1,011
Bank deposit withdrawn/(pledged) with banks	4,089	(17)
Proceeds from disposal of property, plant and equipment	20	-
Purchase of investment securities	(4,545)	-
Purchase of property, plant and equipment	(40)	(75)
Net cash flows (used in)/generated from investing activities	(476)	919
Cash flows from financing activities		
Proceeds from bank borrowings	-	1,125
Repayment of bank borrowings	-	(1,943)
Repayment of finance lease payables	(60)	(60)
Net cash flows used in financing activities	(60)	(878)
Net decrease in cash and cash equivalents	(3,097)	(7,791)
Effects on exchange rate changes on cash and cash equivalents	65	55
Cash and cash equivalents at beginning of financial period	28,846	30,704
Cash and cash equivalents at end of financial period	25,814	22,968

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1(c)(ii) Note to the Consolidated Statement of Cash Flows

For the purposes of the consolidated statement of cash flows, cash and cash equivalents comprise:

	Group	
	31 March 2018	31 March 2017
	S\$'000	S\$'000
Cash and bank balances	21,566	16,909
Bank deposits	19,659	13,114
	41,225	30,023
<i>Less</i> : Bank deposits pledged with banks ⁽¹⁾	(15,411)	(7,055)
Cash and cash equivalents per consolidated cash flow statement	25,814	22,968

- ⁽¹⁾ Bank deposit of S\$15.4 million was pledged with banks to secure trade credit facilities. The amount is restricted in use and may not be withdrawn without the banks' prior approval.

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1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

Group	Attributable to owners of the Company									
	Share capital	Treasury shares	Capital reserve	Fair value reserve	Other reserves	Foreign currency translation reserve	Accumulated (losses)/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	S\$'000
Opening balance at 1 January 2017 (FRS)	152,052	(2,215)	2,527	(4)	(211)	(902)	(21,818)	129,429	269	129,698
Effect of transition to SFRS(I)s (Note 1)	-	-	-	-	-	902	(902)	-	-	-
Balance as at 1 January 2017 (SFRS(I)s)	152,052	(2,215)	2,527	(4)	(211)	-	(22,720)	129,429	269	129,698
Loss for the year	-	-	-	-	-	-	(11,931)	(11,931)	(33)	(11,964)
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	57	-	57	(3)	54
Share of other comprehensive income of associates	-	-	-	-	-	(71)	-	(71)	-	(71)
Reclassification of currency translation reserve to profit or loss	-	-	-	-	-	740	-	740	-	740
Reclassification of fair value reserve to profit or loss	-	-	-	4	-	-	-	4	-	4
Other comprehensive income for the year, net of tax	-	-	-	4	-	726	-	730	(3)	727
Total comprehensive income for the year	-	-	-	4	-	726	(11,931)	(11,201)	(36)	(11,237)
<u>Contribution by and distributions to owners</u>										
Dividends on ordinary shares	-	-	-	-	-	-	(637)	(637)	-	(637)
Capital reduction	(81,556)	-	-	-	-	-	68,177	(13,379)	-	(13,379)
Total contribution by and distributions to owners	(81,556)	-	-	-	-	-	67,540	(14,016)	-	(14,016)
<u>Change in ownership interest in subsidiary</u>										
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(232)	(232)
Premium paid on acquisition of non-controlling interest	-	-	-	-	(1)	-	-	(1)	-	(1)
Total change in ownership interest in subsidiary	-	-	-	-	(1)	-	-	(1)	(232)	(233)
Total transactions with owners in their capacity as owners	(81,556)	-	-	-	(1)	-	67,540	(14,017)	(232)	(14,249)
Closing balance at 31 December 2017	70,496	(2,215)	2,527	-	(212)	726	32,889	104,211	1	104,212

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Group	Attributable to owners of the Company									
	Share capital	Treasury shares	Capital reserve	Fair value 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	S\$'000
Opening balance at 1 January 2018	70,496	(2,215)	2,527	-	(212)	726	32,889	104,211	1	104,212
Loss for the period	-	-	-	-	-	-	(369)	(369)	-	(369)
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	65	-	65	-	65
Other comprehensive income for the period, net of tax	-	-	-	-	-	65	-	65	-	65
Total comprehensive income for the period	-	-	-	-	-	65	(369)	(304)	-	(304)
Closing balance at 31 March 2018	70,496	(2,215)	2,527	-	(212)	791	32,520	103,907	1	103,908

Note 1

Please refer to explanation on effect of transition to Singapore Financial Reporting Standards (International) (“SFRS(I)s) on page 10 item 5.

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<u>Company</u>	Share capital	Treasury shares	Capital reserve	Accumulated losses	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2017	152,052	(2,215)	2,527	(71,833)	80,531
Profit for the year, representing total comprehensive income for the year	-	-	-	1,939	1,939
<u>Contributions by and distributions to owners</u>					
Dividends on ordinary shares	-	-	-	(637)	(637)
Capital reduction	(81,556)	-	-	68,177	(13,379)
Total transactions with owners in their capacity as owners	(81,556)	-	-	67,540	(14,016)
Closing balance at 31 December 2017	70,496	(2,215)	2,527	(2,354)	68,454
Opening balance at 1 January 2018	70,496	(2,215)	2,527	(2,354)	68,454
Loss for the period, representing total comprehensive income for the period	-	-	-	(787)	(787)
Closing balance at 31 March 2018	70,496	(2,215)	2,527	(3,141)	67,667

1(d)(ii) 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.

There were no changes in the Company's share capital since 31 December 2017 to 31 March 2018.

	2018	2017
<u>Number of issued shares (excluding treasury shares)</u>		
As at 31 December and 31 March	127,417,735	127,417,735
<u>Number of treasury shares</u>		
As at 31 March	3,193,630	3,193,630
Percentage of number of treasury shares against the total number of issued shares	2.45%	2.45%

The Company did not hold any options, convertibles or subsidiary holdings as at 31 March 2018 and 31 March 2017.

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1(d)(iii) to show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at end of the immediately preceding year.

	31 March 2018	31 December 2017
Total number of issued shares	130,611,365	130,611,365
Treasury shares	<u>(3,193,630)</u>	<u>(3,193,630)</u>
Total number of issued shares excluding treasury shares	<u>127,417,735</u>	<u>127,417,735</u>

1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

There were no treasury shares sold, transferred, disposed, cancelled and/or used during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

There were no subsidiary holdings during and as at the end of the current financial period reported on.

2. Whether figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been reviewed or audited by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied

The Group has adopted Singapore Financial Reporting Standards (International), "SFRS(I)s", a new financial reporting framework identical to international financial standards on 1 January 2018.

Other than the adoption of the new framework and the new SFRS(I)s, amendments and interpretations of SFRS(I)s which took effect from the current financial year, there were no changes in accounting policies and methods of computation adopted in the financial statements for the current reporting period as compared to the most recent audited annual financial statements as at 31 December 2017.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

The Group has adopted the Singapore Financial reporting Standards (International) ("SFRS(I)s") effective for financial period beginning 1 January 2018.

In adopting the new SFRS(I)s framework, the Group is required to apply the transition requirements specified in SFRS(I) 1 "First-time Adoption of Singapore Financial Reporting Standards (International)". On 1 January 2017, being the date of transition to the SFRS(I)s, the Group has elected for the optional exemption in SFRS(I) 1 to deem cumulative translation differences for foreign operation to be zero. Accordingly, the Group has reclassified an amount of S\$902,000 foreign currency translation reserve to the opening retained earnings as at 1 January 2017. After the date of transition, any gain and loss from subsequent disposal of the foreign operations will exclude cumulative translation differences that arose before the date of transition.

Please refer to the Statement of Changes in Equity for the Group in Page 7 and 8 for adjustments made in relation to the adoption of SFRS(I) 1.

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Except for SFRS(I) 1, the adoption of new SFRS(I)s, amendments and interpretations of SFRS(I)s will not result in any significant impact on the financial statements of the Group.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group	
	1Q 2018	1Q 2017
Earnings per ordinary shares:		
(a) Basic (cents)	(0.29)	(0.26)
(b) Diluted (cents)	(0.29)	(0.26)

- (a) Earnings per share were calculated based on weighted average number of shares of 127,417,735 and 127,417,735 for the period ended 31 March 2018 and 31 March 2017 respectively.
- (b) Diluted earnings per share were calculated based on adjusted weighted average number of shares during the year.

There was no dilution in earnings per ordinary share this year and the comparative last year.

7. Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	31.03.2018	31.12.2017	31.03.2018	31.12.2017
Net asset value per ordinary share (S\$)	0.82	0.82	0.53	0.54

Net asset value per ordinary share was calculated based on 127,417,735 as at 31 March 2018 and 31 December 2017.

8. 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.

Results for 1Q2018 versus 1Q2017

Revenue and Gross Profit

The Group achieved revenue of S\$47.0 million in 1Q2018 as compared to S\$45.6 million in 1Q2017. This was driven by a 20% increase in average selling price which more than compensated a 14% reduction in sales volume. The Group handled lesser export volume in 1Q2018 which led to the overall decline in sales volume as compared to previous corresponding quarter.

The Group recorded gross profit of S\$2.6 million in 1Q2018, a slight increase compared to gross profit of S\$2.5 million attained in 1Q2017. Gross profit margin decreased to 5.4% in 1Q2018 from 5.6% in 1Q2017 as a result of tough competition and higher weighted average cost of inventory.

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Other Operating Income

Other operating income decreased to S\$2.0 million in 1Q2018 from S\$2.5 million in 1Q2017. The decrease was mainly attributed to the decline in warehousing and rental income of S\$0.2 million and absence of fair value gain from forward currency contracts of S\$0.3 million in 1Q2018.

Distribution, Administrative, Other Operating and Finance Expenses

The Group's distribution expenses increased by S\$0.1 million in 1Q2018 due to higher demand for out-sourced logistics services to handle higher volume of local sales.

Other operating expenses decreased by 21% from S\$3.2 million in 1Q2017 to S\$2.6 million in 1Q2018, mainly due to the decrease in foreign exchange loss of S\$0.6 million.

There were no significant changes in administrative expenses and finance costs in 1Q2018 as compared to previous corresponding quarter.

Profitability

The Group posted a net loss after tax of S\$0.37 million in 1Q2018 compared to a net loss after tax of S\$0.33 million in 1Q2017 due to reasons afore-mentioned and the absence of share of profits from associates.

Balance Sheet

The Group's non-current assets increased to S\$17.0 million as at 31 March 2018 compared to S\$12.5 million as at 31 December 2017. The increase was mainly attributed to the investment in corporate bonds of which S\$4.5 million is pledged as security for trade facilities granted by a bank.

As at 31 March 2018, the Group's inventory on hand increased to S\$20.9 million as compared to S\$17.6 million as at 31 December 2017. This was a result of stock replenishment to support the projected growth on sales volume.

Trade and other receivables increased to S\$53.2 million as at 31 March 2018 as compared to S\$44.3 million as at 31 December 2017 in line with increase in sales activities since 4Q2017.

Trade and other payables increased to S\$24.9 million as at 31 March 2018 compared to S\$14.5 million as at 31 December 2017 in line with increase in inventory volume.

There were no outstanding bank borrowings as at 31 March 2018.

Statement of Cash Flows

The net cash flows used in operating activities was S\$2.6 million in 1Q2018 as compared to net cash flows used in operating activities of S\$7.8 million in 1Q2017. This was mainly attributable to the increase in trade and other receivables and inventories of S\$3.9 million and S\$8.9 million respectively, offset by increase in trade and other payables of S\$10.4 million.

Net cash flows used in investing activities for 1Q2018 was S\$0.5 million, mainly due to purchase of investment securities of S\$4.5 million after offsetting bank deposit pledged with banks of S\$4.1 million.

Net cash flows used in financing activities for 1Q2018 was S\$0.06 million for repayment of finance leases.

The Group's cash and cash equivalents was S\$25.8 million as at 31 March 2018 in comparison to S\$23.0 million as at 31 March 2017.

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9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

Not applicable.

10. 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

Based on the advance estimates released by the Ministry of Trade and Industry, Singapore economy grew by 4.3% on a Y-O-Y basis in the 1st quarter of 2018. However, the construction industry continued to shrink for the 6th consecutive quarter, reporting a negative growth of 4.4% on a Y-O-Y basis in the 1st quarter of 2018. Despite this, the overall market outlook for the construction industry for 2018 is perceived to be positive on anticipation of rising construction activities for the private residential properties. Meanwhile, the marine and oil & gas industries are expected to continue experiencing slow recovery. In view of the aforementioned, the Group remains cautious about the outlook and business environment of the steel industry amid intensified local competition and continued global geopolitical uncertainties.

Following the divestment of our investment in two associated companies in the last quarter of 2017, the Group continues to work on further rationalising its business operations and growing its core business while seeking every opportunity to grow its business organically. The Group will also seek to optimise its inventory holding and align its purchasing activities to take advantage of any potential recovery in demand.

11. Dividend

(a) Current financial period reported on

Any dividend recommended for the current financial year reported on?

None

(b) Corresponding period of the immediately preceding financial year

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

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

12. If no dividend has been declared/recommendeded, a statement to that effect.

Not applicable

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13. 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 31 March 2018 pursuant to Rule 907 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

14. 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 31 March 2018 to be false or misleading in any material respect.

15. 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.

On behalf of the Board,

Teo Yi-Dar
Chairman

Foo Sey Liang
Director

7 May 2018