



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

**Third Quarter Financial Statements and Dividend Announcement  
for Financial Period Ended 30 September 2016**

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), 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			Group		
	3Q 2016 S\$'000	3Q 2015 S\$'000	% (+/-)	YTD 2016 S\$'000	YTD 2015 S\$'000	% (+/-)
<b>Revenue</b>	<b>17,068</b>	<b>31,090</b>	<b>(45)</b>	<b>72,709</b>	<b>102,586</b>	<b>(29)</b>
Cost of sales	(16,536)	(29,809)	(45)	(68,578)	(98,116)	(30)
<b>Gross profit</b>	<b>532</b>	<b>1,281</b>	<b>61</b>	<b>4,131</b>	<b>4,470</b>	<b>(8)</b>
<b>Gross margin</b>	<b>3.1%</b>	<b>4.1%</b>		<b>5.7%</b>	<b>4.4%</b>	
Other operating income	2,713	3,454	(21)	7,092	6,987	2
Selling & distribution costs	(34)	(206)	(83)	(170)	(683)	(75)
Administrative expenses	(2,091)	(2,331)	(10)	(6,099)	(6,911)	(12)
Other operating expenses	(2,118)	(2,715)	(22)	(6,642)	(7,638)	(13)
Finance costs	(5)	(57)	(91)	(91)	(182)	(50)
Share of associate results	772	637	21	1,854	2,748	(33)
<b>(Loss)/Profit before income tax</b>	<b>(231)</b>	<b>63</b>	<b>nm*</b>	<b>75</b>	<b>(1,209)</b>	<b>nm*</b>
Income tax credit/(expenses)	-	-	nm*	10	(11)	nm*
<b>Net (loss)/profit for the period</b>	<b>(231)</b>	<b>63</b>	<b>nm*</b>	<b>85</b>	<b>(1,220)</b>	<b>nm*</b>
<b>Other comprehensive income:</b>						
Items that may be reclassified subsequently to profit or loss :						
Foreign currency translation	(21)	(205)	nm*	13	(161)	nm*
Share of other comprehensive income of associates	-	(394)	nm*	(95)	(426)	nm*
<b>Other comprehensive income for the period, net of tax</b>	<b>(21)</b>	<b>(599)</b>	<b>nm*</b>	<b>(82)</b>	<b>(587)</b>	<b>nm*</b>
<b>Total comprehensive income for the period</b>	<b>(252)</b>	<b>(536)</b>	<b>nm*</b>	<b>3</b>	<b>(1,807)</b>	<b>nm*</b>
<b>(Loss)/profit attributable to:</b>						
Owners of the Company	(229)	81	nm*	71	(1,177)	nm*
Non-controlling interests	(2)	(18)	nm*	14	(43)	nm*
	<b>(231)</b>	<b>63</b>	<b>nm*</b>	<b>85</b>	<b>(1,220)</b>	<b>nm*</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	(247)	(475)	nm*	(12)	(1,697)	nm*
Non-controlling interests	(5)	(61)	nm*	15	(110)	nm*
	<b>(252)</b>	<b>(536)</b>	<b>nm*</b>	<b>3</b>	<b>(1,807)</b>	<b>nm*</b>

\*nm denotes not meaningful

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

(Loss)/profit before tax is arrived at after crediting/(charging) the following:	Group		Group	
	3Q 2016	3Q 2015	YTD 2016	YTD 2015
	S\$'000	S\$'000	S\$'000	S\$'000
Reversal of allowance/(allowance) for impairment of receivables	33	(76)	25	(66)
Bad debts (written off)/recovered	(7)	-	(7)	10
Amortisation of intangible assets	(8)	(8)	(22)	(24)
Recognition of deferred income	357	357	1,071	1,071
Depreciation of property, plant and equipment	(645)	(593)	(1,894)	(1,714)
Fair value gain on investment held for trading	-	180	-	200
Fair value loss on derivatives, net	(92)	(358)	(35)	(527)
Foreign exchange gain/(loss), net	545	902	(122)	446
Interest income	54	23	224	25
Finance cost	(5)	(57)	(91)	(182)
Gain/(loss) on disposal of property, plant and equipment	28	(12)	297	43
Write off of property, plant and equipment	-	-	(33)	(46)
Write off of inventories	-	(8)	-	(8)
Reversal of impairment/(impairment) of inventories, net	17	(130)	17	(130)

Note:

The share of associate results for BRC Asia Limited is based on estimation as BRC has not announced its quarter results ended 30 September 2016. The Group will issue another management's announcement to update the results if the estimation is significantly different from the BRC announcement of its Quarter 4 results.

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Financial Statements and Dividend Announcement for Financial Period Ended 30 September 2016

## 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	
	30.09.2016 S\$'000	31.12.2015 S\$'000	30.09.2016 S\$'000	31.12.2015 S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	14,618	14,905	9,927	9,400
Intangible assets	70	92	68	89
Investment in subsidiaries	-	-	13,147	13,147
Investment in associates	50,419	49,503	505	505
	65,107	64,500	23,647	23,141
<b>Current assets</b>				
Inventories	14,828	5,381	12,160	4,381
Trade and other receivables	22,911	31,889	38,286	46,362
Income tax recoverable	-	61	-	-
Prepaid expenses	199	191	167	178
Bank balances and fixed deposits	40,556	50,514	30,769	33,701
	78,494	88,036	81,382	84,622
<b>Current liabilities</b>				
Trade and other payables	8,264	8,853	18,420	9,254
Finance lease payables	239	246	239	239
Bank borrowings	-	4,171	-	4,171
Provision for taxation	13	13	-	-
Deferred income	1,429	1,429	1,429	1,429
Derivative financial instruments*	94	59	94	59
	10,039	14,771	20,182	15,152
<b>Net current assets</b>	68,455	73,265	61,200	69,470
<b>Non-current liabilities</b>				
Finance lease payables	199	378	199	378
Bank borrowings	-	2,646	-	2,646
Provision for reinstatement costs	1,000	1,000	700	700
Deferred income	3,333	4,405	3,333	4,405
	4,532	8,429	4,232	8,129
	129,030	129,336	80,615	84,482
<b>Equity attributable to owners of the Company</b>				
Share capital	152,052	152,052	152,052	152,052
Treasury shares	(2,215)	(1,906)	(2,215)	(1,906)
Other reserves	1,557	1,640	2,527	2,527
Accumulated losses	(22,643)	(22,714)	(71,749)	(68,191)
	128,751	129,072	80,615	84,482
<b>Non-controlling interests</b>	279	264	-	-
<b>Total equity</b>	129,030	129,336	80,615	84,482

\*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 30 September 2016			As at 31 December 2015		
	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000
Repayable within one year	-	-	239	4,171	-	246
Repayable after one year	-	-	199	2,646	-	378
Total	-	-	438	6,817	-	624

#### Details of collaterals

The bank loans and finance leases are secured by:

- (i) legal mortgage over properties of the Group and of the Company.
- (ii) Lessors' title to the lease asset.

As at 30 September 2016, there were no outstanding bank loans owing to the bank.

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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		Group	
	3Q 2016 S\$'000	3Q 2015 S\$'000	YTD 2016 S\$'000	YTD 2015 S\$'000
<b>Cash flows from operating activities</b>				
(Loss)/Profit before income tax	(231)	63	75	(1,209)
Adjustments for:				
Depreciation of property, plant and equipment	645	593	1,894	1,714
Amortisation of intangible assets	8	8	22	24
(Reversal of allowance)/allowance for impairment of receivables	(33)	76	(25)	66
Bad debts written off/(recovered)	7	-	7	(10)
(Gain)/loss on disposal of property, plant and equipment	(28)	12	(297)	(43)
Write off of property, plant and equipment	-	-	33	46
Write off of inventories	-	8	-	8
(Reversal of impairment)/impairment of inventories, net	(17)	130	(17)	130
Fair value gain on investment held for trading	-	(180)	-	(200)
Fair value loss on derivatives, net	92	358	35	527
Finance cost	5	57	91	182
Interest income	(54)	(23)	(224)	(25)
Share of associate results	(772)	(637)	(1,854)	(2,748)
Recognition of deferred income	(357)	(357)	(1,071)	(1,071)
Unrealised foreign exchange loss/(gain),net	98	325	(117)	371
<b>Operating cash flow before working capital changes</b>	(637)	433	(1,448)	(2,238)
Working capital changes:				
Inventories	2,444	965	(11,017)	14,042
Trade and other receivables	10,642	3,223	9,186	7,648
Trade and other payables	(24,181)	3,843	(589)	(12,976)
<b>Cash (used in)/generated from operations</b>	(11,732)	8,464	(3,868)	6,476
Interest expense paid	(5)	(57)	(91)	(182)
Interest income received	54	23	224	25
Income tax refund	-	55	71	55
<b>Net cash flows (used in)/generated from operating activities</b>	(11,683)	8,485	(3,664)	6,374
<b>Cash flows from investing activities</b>				
Dividend income received from investments & associates	-	-	843	2,739
Fixed deposit pledged with a bank	(7,000)	-	(7,000)	-
Proceeds from disposal of property, plant and equipment	4	1	406	127
Purchase of property, plant and equipment	(144)	(130)	(355)	(326)
Purchase of intangible assets	-	-	-	(2)
<b>Net cash flows (used in)/generated from investing activities</b>	(7,140)	(129)	(6,106)	2,538
<b>Cash flows from financing activities</b>				
Acquisition of non-controlling interests	-	-	-	(94)
Purchase of treasury shares	-	-	(309)	-
Proceeds from bank borrowings	1,716	-	1,716	-
Repayment of bank borrowings	(1,716)	(1,034)	(8,533)	(4,855)
Repayment of finance lease payables	(62)	(30)	(187)	(90)
<b>Net cash flows used in financing activities</b>	(62)	(1,064)	(7,313)	(5,039)
Net (decrease)/increase in cash and cash equivalents	(18,885)	7,292	(17,083)	3,873
Effects on exchange rate changes on cash and cash equivalents	(115)	(373)	125	(278)
Cash and cash equivalents at beginning of financial period	52,556	49,337	50,514	52,661
<b>Cash and cash equivalents at end of financial period</b>	33,556	56,256	33,556	56,256

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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:

	<b>Group</b>	
	30 September 2016 S\$'000	30 September 2015 S\$'000
Cash and bank balances	18,519	33,244
Fixed deposits	22,037	23,012
	40,556	56,256
<i>Less</i> : Fixed deposits pledged with a bank <sup>(1)</sup>	(7,000)	-
Cash and cash equivalents per consolidated cash flow statement	33,556	56,256

- <sup>(1)</sup> Fixed deposit of S\$7.0 million (2015 : Nil) was pledged with a bank to secure trade credit facilities. The amount is restricted in use and may not be withdrawn without the bank's 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	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 2016	152,052	(1,906)	2,527	(4)	(211)	(672)	(22,714)	129,072	264	129,336
Loss for the period	-	-	-	-	-	-	71	71	14	85
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	12	-	12	1	13
Share of other comprehensive income of associate	-	-	-	-	-	(95)	-	(95)	-	(95)
Other comprehensive income for the period, net of tax	-	-	-	-	-	(83)	-	(83)	1	(82)
Total comprehensive income for the period	-	-	-	-	-	(83)	71	(12)	15	3
<u>Contribution by and distributions to owners</u>										
Purchase of treasury shares	-	(309)	-	-	-	-	-	(309)	-	(309)
Total contribution by and distributions to owners	-	(309)	-	-	-	-	-	(309)	-	(309)
Total transactions with owners in their capacity as owners	-	(309)	-	-	-	-	-	(309)	-	(309)
Closing balance at 30 September 2016	152,052	(2,215)	2,527	(4)	(211)	(755)	(22,643)	128,751	279	129,030

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Financial Statements and Dividend Announcement for Financial Period Ended 30 September 2016

Group	Attributable to owners of the Company									
	Share capital	Treasury shares	Capital reserve	Fair value reserve	Other reserves	Foreign currency translation reserve	Accumulated losses	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 2015	152,052	(1,885)	2,527	(4)	(177)	(415)	(17,259)	134,839	564	135,403
Loss for the period	-	-	-	-	-	-	(1,177)	(1,177)	(43)	(1,220)
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	(94)	-	(94)	(67)	(161)
Share of other comprehensive income of associate	-	-	-	-	-	(426)	-	(426)	-	(426)
Other comprehensive income for the period, net of tax	-	-	-	-	-	(520)	-	(520)	(67)	(587)
Total comprehensive income for the period	-	-	-	-	-	(520)	(1,177)	(1,697)	(110)	(1,807)
<u>Contribution by and distributions to owners</u>										
Acquisition of non-controlling interest	-	-	-	-	-	-	-	-	(47)	(47)
Premium paid on acquisition of non-controlling interest	-	-	-	-	(47)	-	-	(47)	-	(47)
Total change in ownership interest in subsidiary	-	-	-	-	(47)	-	-	(47)	(47)	(94)
Total transactions with owners in their capacity as owners	-	-	-	-	(47)	-	-	(47)	(47)	(94)
Closing balance at 30 September 2015	152,052	(1,885)	2,527	(4)	(224)	(935)	(18,436)	133,095	407	133,502



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Company	Share capital	Treasury shares	Capital reserve	Accumulated losses	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2016	152,052	(1,906)	2,527	(68,191)	84,482
Loss for the period, representing total comprehensive loss for the period	-	-	-	(3,558)	(3,558)
<b>Contributions by and distributions to owners</b>					
Purchase of treasury shares	-	(309)	-	-	(309)
Total transactions with owners in their capacity as owners	-	(309)	-	-	(309)
Closing balance at 30 September 2016	152,052	(2,215)	2,527	(71,749)	80,615
Opening balance at 1 January 2015	152,052	(1,885)	2,527	(60,588)	92,106
Loss for the period, representing total comprehensive loss for the period	-	-	-	(6,740)	(6,740)
Closing balance at 30 September 2015	152,052	(1,885)	2,527	(67,328)	85,366

**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 also the number of shares that may be issued on conversion of all the outstanding convertibles as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares 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**

On 31 October 2014, the Company issued and allotted 213,600,000 new ordinary shares in the capital of the Company (the "Placement Share") pursuant to a private placement at an issue price of S\$0.069 for each Placement Share to raise net proceeds of approximately S\$14.7 million.

As at date of this announcement, the Company had utilised S\$11.7 million from the net proceeds of approximately S\$14.7 million for working capital purpose.

The above utilisation of proceeds is in accordance to the intended use as set out in the announcement dated 8 October 2014.

The Company will continue to provide updates on the use of the net proceeds as and when such proceeds have been materially disbursed.

## **Details of changes in the Company's issued share capital**

The Company had undertaken a share consolidation of every ten (10) existing issued ordinary shares in the share capital of the Company into one (1) consolidated ordinary share, which was approved by members of the Company at the Extraordinary General Meeting held on 29 April 2016. The share consolidation exercise was completed on 11 May 2016.

	No of ordinary shares	
	Share capital	Treasury shares
As at 1 January 2016	1,306,121,962	23,797,100
Treasury shares acquired during the financial period	-	8,139,200
Number of shares before share consolidation	1,306,121,962	31,936,300
Number of shares after consolidation	130,611,365	3,193,630
As at 30 September 2016	130,611,365	3,193,630

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As at 30 September 2016, the Company held 3,193,630 (30 September 2015: 23,268,000) of its issued shares as treasury shares.

The Company did not hold any convertible shares as at 30 September 2016 and 30 September 2015.

**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.**

**Before Share Consolidation**

**31 December 2015**

Total number of issued shares	1,306,121,962
Less: Treasury shares	(23,797,100)
Total number of issued shares excluding treasury shares	<u>1,282,324,862</u>

**After Share Consolidation**

**30 September 2016**

Total number of issued shares	130,611,365
Less: Treasury shares	(3,193,630)
Total number of issued shares excluding treasury shares	<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.**

Not applicable.

**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**

Except as disclosed in Note 5 below, the Group has applied the same accounting policies and methods of computation to the financial statements for the current financial period and the most recent audited financial statements for the financial year ended 31 December 2015.

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**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 new or revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") which became effective for the current financial year, where applicable. The adoption of these FRS and INT FRS did not result in any substantial changes to the Group's accounting policies and there is no material impact on the financial statements of the Group since 31 December 2015.

**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		Group	
	3Q 2016	3Q 2015*	YTD 2016	YTD 2015*
Earnings per ordinary shares:				
(a) Basic (cents)	(0.18)	0.06	0.06	(0.92)
(b) Diluted (cents)	(0.18)	0.06	0.06	(0.92)

(a) Earnings per share were calculated based on weighted average number of shares of 127,443,736 and 128,284,565\* for the period ended 30 September 2016 and 30 September 2015 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 quarter and the comparative quarter last year.

\* The computations of comparative earnings per share and weighted average number of shares were adjusted for the effect of share consolidation.

**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	
	30.09.2016	31.12.2015*	30.09.2016	31.12.2015*
Net asset value per ordinary share (S\$)	1.01	1.01	0.63	0.66

Net asset value per ordinary share was calculated based on 127,417,735 and 128,231,655\* as at 30 September 2016 and 31 December 2015 respectively.

\* The computations of comparative net asset value per ordinary share and number of shares were adjusted for the effect of share consolidation.

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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 3Q2016 versus 3Q2015**

The Group's revenue decreased by 45% from S\$31.1 million in the quarter ended 30 September 2015 (3Q2015) to S\$17.1 million in the quarter ended 30 September 2016 (3Q2016). This was mainly due to lower sales volume which declined by 45% on account of significant drop in export sales volume during the quarter.

The Group recorded lower gross profit of S\$0.5 million in 3Q2016 compared to S\$1.3 million in 3Q2015 as a result of lower sales volume and gross profit margin. The gross profit margin was affected by the higher weighted average cost of inventory sold.

## **Other Operating Income**

Other operating income decreased from S\$3.5 million in 3Q2015 to S\$2.7 million in 3Q2016. This was mainly due to decrease in foreign exchange gain of S\$0.4 million, decline in gain from rental income of S\$0.1 million and absence of fair value gain from investment held for trading of S\$0.2 million in 3Q2016 as compared to 3Q2015.

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

The Group's distribution expenses decreased by 83% from S\$0.2 million in 3Q2015 to S\$0.03 million in 3Q2016 as a result of cost saving initiatives implemented by the Group.

Administrative expenses decreased by 10% from S\$2.3 million in 3Q2015 to S\$2.1 million in 3Q2016, mainly due to overall reduction in administrative expenses.

Other operating expenses dropped by 22% from S\$2.7 million in 3Q2015 to S\$2.1 million in 3Q2016. This was mainly due to the decrease in fair value loss in forward currency contracts of S\$0.3 million, reduction in provision for doubtful debts and inventories of S\$0.1 million and 0.1 million respectively.

Lower finance expenses was incurred in 3Q2016 as compared to 3Q2015 following the full repayment of bank borrowings.

## **Profitability**

The Group reported a net loss after tax of S\$0.2 million in 3Q2016 compared to a net gain of S\$0.06 million in 3Q2015, mainly attributed to lower revenue and gross profit margin in 3Q2016.

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## **Results for YTD 2016 versus YTD 2015**

The Group's revenue decreased by 29% from S\$102.6 million in nine months ended 30 September 2015 (YTD2015) to S\$72.7 million in nine months ended 30 September 2016 (YTD2016) due to decline in sale volume and average selling price by 18% and 13% respectively. Gross profit dropped by 8% from S\$4.5 million in YTD2015 to S\$4.1 million in YTD2016 due to lower sales volume.

## **Other Operating Income**

Other operating income increased from S\$7.0 million in YTD2015 to S\$7.1 million in YTD2016. This was mainly attributed to the increase in warehouse services income of S\$0.7 million, but partially offset by lower foreign exchange gain of S\$0.4 million and absence of fair value gain from investment held for trading of S\$0.2 million.

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

The Group's distribution expenses declined by 75% from S\$0.7 million in YTD2015 to S\$0.2 million in YTD2016 as a result of cost savings and cost optimization initiatives implemented by the Group.

Administrative expenses decreased by 12% from S\$6.9 million in YTD2015 to S\$6.1 million in YTD2016 mainly due to overall reduction in other administrative expenses.

Other operating expenses decreased by 13% from S\$7.6 million in YTD2015 to S\$6.6 million in YTD2016. This was mainly attributed to lower repair and maintenance expenses incurred and reduction in fair value loss for forward currency contracts.

Finance expenses decreased to S\$0.09 million in YTD2016 as compared to S\$0.2 million in YTD2015 as result of repayment of bank borrowings.

## **Profitability**

The Group recorded a net profit after tax of S\$85k in YTD2016, compared to a net loss after tax of S\$1.2 million in YTD2015. The improved result achieved in YTD2016 was mainly attributable to the increase in gross profit margin and overall reduction in operating expenses, partially offset by the reduction in share of profit from associates of S\$0.9 million.

## **Balance Sheet**

As at 30 September 2016, the Group's inventory on hand increased to S\$14.8 million as compared to S\$5.4 million as at 31 December 2015 in view of stock replenishments during the period ended 30 September 2016.

Trade and other receivables decreased as a result of lower revenue and improved debt collection to S\$22.9 million as at 30 September 2016 as compared to S\$31.9 million as at 31 December 2015.

Trade and other payables decreased to S\$8.3 million as at 30 September 2016 compared to S\$8.9 million as at 31 December 2015 due to lower purchase volume in 3Q2016 and repayment.

As at 30 September 2016 there were no outstanding bank borrowings as the group had fully repaid its banks loans in the quarter ended 30 June 2016.

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## **Statement of Cash Flows**

The net cash flows used in operating activities was S\$3.7 million in YTD2016 compared to net cash flows generated from operating activities of S\$6.4 million in YTD2015. This was mainly attributable to the decrease in trade and other payables of S\$0.6 million, increase in inventories of S\$11.0 million and partially offset by the decrease in trade and other receivables of S\$9.1 million.

Net cash flows used in investing activities for YTD2016 was S\$6.1 million, mainly due to fixed deposit pledged with a bank which partially offset by dividends received from associate investment.

Net cash flows used in financing activities for YTD2016 was S\$7.3 million, primarily for the repayment of bank borrowings of S\$8.5 million.

The Group's cash and cash equivalents was S\$33.6 million as at 30 September 2016 in comparison to S\$56.3 million as at 30 September 2015.

**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**

The operating environment for the steel industry remains challenging amid overseas geopolitical and economic uncertainties, volatile steel prices, fluctuation in foreign exchange rates and intensifying local competition.

Notwithstanding the uncertainties over the economic climate, but backed by a strong balance sheet, the Group will continue to seek business opportunities, locally and overseas, including to expand its distribution business in Myanmar.

**11. Dividend**

**(a) Current financial period reported on**

*Any dividend recommended for the current financial period 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.

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

No dividend has been declared for the reporting period.

**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 was no interested person transactions with aggregate value of more than S\$100,000 during financial period ended 30 September 2016 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 30 September 2016 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 of Directors**

**Foo Sey Liang**  
**Director**

**Teo Yi-Dar**  
**Director**

**11 November 2016**