



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

**First Quarter Financial Statements and Dividend Announcement  
for Financial Period Ended 31 March 2014**

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		
	1Q 2014	1Q 2013	%
	S\$'000	S\$'000	(+/-)
<b>Revenue</b>	<b>53,452</b>	<b>73,123</b>	<b>(27)</b>
Cost of sales	(49,780)	(67,909)	(27)
<b>Gross profit</b>	<b>3,672</b>	<b>5,214</b>	<b>(30)</b>
<b>Gross margin</b>	<b>6.9%</b>	<b>7.1%</b>	
Other operating income	1,286	1,010	27
Distribution expenses	(506)	(592)	(15)
Administrative expenses	(2,911)	(2,916)	(0)
Other operating expenses	(2,362)	(2,176)	9
Finance expenses	(385)	(391)	(2)
Share of associate profits	1,626	2,289	(29)
<b>Profit before tax</b>	<b>420</b>	<b>2,438</b>	<b>(83)</b>
Income tax credit	-	6	nm*
<b>Net profit after tax</b>	<b>420</b>	<b>2,444</b>	<b>(83)</b>
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss			
Currency translation adjustments	22	87	(75)
Share of other comprehensive income of associates	(2)	4	nm*
<b>Other comprehensive income for the period, net of tax</b>	<b>20</b>	<b>91</b>	<b>(78)</b>
<b>Total comprehensive income for the period</b>	<b>440</b>	<b>2,535</b>	<b>(83)</b>
<b>Profit attributable to:</b>			
Owners of the Company	463	2,441	(81)
Non-controlling interests	(43)	3	nm*
	<b>420</b>	<b>2,444</b>	<b>(83)</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	479	2,506	(81)
Non-controlling interests	(39)	29	nm*
	<b>440</b>	<b>2,535</b>	<b>(83)</b>

\*nm denotes not meaningful

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

	Group	
	1Q 2014	1Q 2013
Profit before tax is arrived at after charging/(crediting) the following:		
	S\$'000	S\$'000
Allowance/ (Reversal of allowance) for impairment of receivables, net	9	5
Amortisation of intangible assets	10	47
Recognition of deferred income	(357)	(238)
Depreciation of property, plant and equipment	621	604
Fair value gain on investment held for trading	(15)	(18)
Fair value loss/(gain) on derivatives, net	89	(76)
Foreign exchange (gain)/ loss, net	(250)	34
Interest income	(22)	(6)
Interest on borrowings	385	391
Loss on sale of property, plant and equipment	2	14
Write back of allowance for stock obsolescence	(7)	-

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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	
	31.03.2014 S\$'000	31.12.2013 S\$'000	31.03.2014 S\$'000	31.12.2013 S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	18,427	18,277	8,413	8,457
Intangible assets	330	340	319	326
Investment in subsidiaries	-	-	13,488	13,488
Investment in associates	50,262	48,628	713	713
	69,019	67,245	22,933	22,984
<b>Current assets</b>				
Investment held for trading	68	53	-	-
Derivative financial instruments	-	44	-	34
Inventories	85,116	96,705	67,352	79,015
Trade and other receivables	53,766	55,495	86,798	85,597
Income tax recoverable	115	115	-	-
Prepaid expenses	681	281	188	154
Cash and cash equivalents	26,437	16,123	15,638	8,754
	166,183	168,816	169,976	173,554
<b>Current liabilities</b>				
Trade and other payables	29,912	24,913	34,389	30,848
Finance lease payables	42	66	-	-
Bank borrowings	46,144	51,052	40,014	44,860
Provision for taxation	71	77	-	-
Deferred income	1,429	1,429	1,429	1,429
Derivative financial instruments	35	-	44	-
	77,633	77,537	75,876	77,137
<b>Net-current assets</b>	88,550	91,279	94,100	96,417
<b>Non current liabilities</b>				
Finance lease payables	70	65	-	-
Bank borrowings	9,992	11,035	9,992	11,035
Provision for reinstatement costs	1,000	1,000	700	700
Deferred income	6,905	7,262	6,905	7,262
Deferred taxation	9	9	-	-
	17,976	19,371	17,597	18,997
	139,593	139,153	99,436	100,404
<b>Capital and reserves</b>				
Share capital	137,314	137,314	137,314	137,314
Treasury shares	(1,885)	(1,885)	(1,885)	(1,885)
Other reserves	2,166	2,150	2,527	2,527
Accumulated profits/( losses)	363	(100)	(38,520)	(37,552)
Equity attributable to equity holders of the Company	137,958	137,479	99,436	100,404
Non-controlling interests	1,635	1,674	-	-
<b>Total equity</b>	139,593	139,153	99,436	100,404

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

	As at 31 March 2014			As at 31 December 2013		
	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000
Repayable within one year	41,041	5,103	42	45,709	5,343	66
Repayable after one year	9,992	-	70	11,035	-	65
Total	51,033	5,103	112	56,744	5,343	131

#### Details of collaterals

The Group's borrowings of approximately S\$51.0 million are secured by way of:

- (i) fixed and floating charge over inventories, receivables and bank balance of the Company; and
- (ii) legal mortgage over properties of the Group and of the Company.

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Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2014

## 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

	<b>Group</b>	
	1Q 2014	1Q 2013
	S\$'000	S\$'000
<b>Cash flows from operating activities</b>		
Profit before tax	420	2,438
Adjustments for:		
Depreciation of property, plant and equipment	621	604
Amortisation of intangible assets	10	47
Loss on disposal of property, plant and equipment	2	14
Allowance/(Write back) for doubtful debts, net	9	5
Write back of allowance for stock obsolescence	(7)	-
Fair value gain on investment held for trading	(15)	(18)
Fair value loss/(gain) on derivatives, net	89	(76)
Interest expense	385	391
Interest income	(22)	(6)
Share of associates results	(1,626)	(2,289)
Recognition of deferred income	(357)	(238)
Unrealised foreign exchange difference	(365)	141
<b>Operating cash flow before working capital changes</b>	(856)	1,013
Working capital changes:		
Inventories	11,462	(16,245)
Trade and other receivables	1,320	(2,356)
Trade and other payables	5,147	12,976
<b>Cash generated from/ (used in) operations</b>	17,073	(4,612)
Interest expense paid	(385)	(391)
Interest income received	22	6
Income tax paid	-	(22)
<b>Net cash flows generated from/(used in) operating activities</b>	16,710	(5,019)
<b>Cash flows from investing activities</b>		
Dividend income received from quoted investment	-	2,107
Proceeds from disposal of property, plant and equipment	39	38,713
Purchase of property, plant and equipment	(792)	(1,298)
Purchase of intangible assets	(1)	-
<b>Net cash flows (used in)/ generated from investing activities</b>	(754)	39,522
<b>Cash flows from financing activities</b>		
Proceeds from bank borrowings	25,560	46,343
Repayment of bank borrowings	(31,098)	(73,127)
Repayment of finance lease payables	(50)	(53)
Restricted cash	-	(2,441)
<b>Net cash flows used in financing activities</b>	(5,588)	(29,278)
Net change in cash and cash equivalents	10,368	5,225
Effects on exchange rate changes on cash and cash equivalents	(54)	(91)
Cash and cash equivalents at beginning of the period	16,123	17,867
<b>Cash and cash equivalents at end of period</b>	26,437	23,001

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Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2014

### 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>	
	31 Mar 2014	31 Mar 2013
	S\$'000	S\$'000
Cash and bank balances	25,734	25,442
Fixed deposits	703	666
	26,437	26,108
<u>Less</u> : Fixed deposits pledged with banks	-	(666)
<u>Less</u> : Restricted cash pledged with banks	-	(2,441)
Cash and cash equivalents per consolidated cash flow statement	26,437	23,001

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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 equity shareholders of the Company								
	Share capital	Treasury shares	Capital reserve	Fair value reserve	Foreign currency translation reserve	Accumulated (losses)/ profits	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2014	137,314	(1,885)	2,527	(4)	(373)	(100)	137,479	1,674	139,153
Profit /(loss) for the period	-	-	-	-	-	463	463	(43)	420
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	-	-	18	-	18	4	22
Share of other comprehensive income of associate	-	-	-	-	(2)	-	(2)	-	(2)
Other comprehensive income for the period, net of tax	-	-	-	-	16	-	16	4	20
Total comprehensive income/(loss) for the period	-	-	-	-	16	463	479	(39)	440
Balance as at 31 March 2014	137,314	(1,885)	2,527	(4)	(357)	363	137,958	1,635	139,593

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Group	Attributable to equity shareholders of the Company								
	Share capital	Treasury shares	Capital reserve	Fair value reserve	Foreign currency translation reserve	Accumulated (losses)/ profits	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 January 2013	137,314	(1,885)	2,527	(4)	(622)	(302)	137,028	1,861	138,889
Profit for the period	-	-	-	-	-	2,441	2,441	3	2,444
<u>Other comprehensive income</u>									
Foreign currency translation	-	-	-	-	61	-	61	26	87
Share of other comprehensive income of associate	-	-	-	-	4	-	4	-	4
Other comprehensive income for the period, net of tax	-	-	-	-	65	-	65	26	91
Total comprehensive income for the period	-	-	-	-	65	2,441	2,506	29	2,535
Balance as at 31 March 2013	137,314	(1,885)	2,527	(4)	(557)	2,139	139,534	1,890	141,424



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Company	Share capital S\$'000	Treasury shares S\$'000	Capital reserve S\$'000	Accumulated losses S\$'000	Total S\$'000
Balance as at 1 January 2014	137,314	(1,885)	2,527	(37,552)	100,404
Loss for the year, representing total comprehensive income for the period	-	-	-	(968)	(968)
Balance as at 31 March 2014	137,314	(1,885)	2,527	(38,520)	99,436
Balance as at 1 January 2013	137,314	(1,885)	2,527	(32,860)	105,096
Profit for the period, representing total comprehensive income for the period	-	-	-	906	906
Balance as at 31 March 2013	137,314	(1,885)	2,527	(31,954)	106,002

**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**

There was no change in the Company's share capital during the 1<sup>st</sup> quarter ended 31 March 2014.

**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 2014	31 December 2013
Total number of issued shares	1,092,521,962	1,092,521,962
Treasury shares	(23,268,000)	(23,268,000)
Total number of issued shares excluding treasury shares	1,069,253,962	1,069,253,962

**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

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Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2014

**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 2013.

**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 2013.

**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 2014	1Q 2013
Earnings per ordinary shares:		
(a) Basic (cents)	0.04	0.23
(b) Diluted (cents)	0.04	0.23

(a) Earnings per share were calculated based on weighted average number of shares of 1,069,253,962 for the period ended 31 March 2014 and 31 March 2013 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.

**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	
	31.03.2014	31.12.2013	31.03.2014	31.12.2013
Net asset value per ordinary share (cents)	12.90	12.86	9.30	9.39

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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 1Q 2014 versus 1Q 2013**

### **Revenue and Gross Profit**

The Group recorded revenue of S\$53.5 million in 1Q2014 as compared to S\$73.1 million in 1Q2013 due to lower sales volume and average selling price which declining by an average of 16% and 13% respectively.

The Group's gross profit was reported as S\$3.7 million in 1Q2014 as compared to S\$5.2 million in 1Q2013. Gross profit margin decreased marginally to 6.9% in 1Q2014 from 7.1% in 1Q2013 as the decreased in average selling price was compensated substantially by the corresponding declined in weighted average cost of sales, led by the downturn in international steel price.

### **Other Operating Income**

Other operating income increased from S\$1.0 million in 1Q2013 to S\$1.3 million in 1Q2014. This was mainly due to a one-time foreign exchange gain of S\$0.3 million reported in 1Q2014, arising from trade payables and bill payables denominated in US dollars.

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

The Group's distribution expenses decreased 15% from S\$0.6million in 1Q2013 to S\$0.5million in 1Q2014, in tandem with lower sales volume reported in 1Q2014

Other operating expenses increased by 9% from S\$2.2 million in 1Q2013 to S\$2.4 million in 1Q2014. The increase was mainly due to the 3 months rental payments for office and warehouse at Jaron Port Road (JPR) for 1Q2014 compared to 2 months rental payment for 1Q2013 with the completion of the sale and leaseback of JPR in end January 2013.

The lower finance expenses in 1Q2014 as compared to 1Q2013 were resulted from reduced bank borrowings.

### **Profitability**

The Group recorded a net profit after tax of S\$0.4 million in 1Q2014, compared to a net profit of S\$2.4 million in 1Q2013 as a result of declined in revenue, gross profit and share of associate results.

### **Balance Sheet**

The Group held an inventory level of S\$85.1 million as at 31 March 2014, as compared to S\$96.7 million as at 31 December 2013, due to lower purchase activities in the month of March 2014.

Excluding the disposal proceeds from the sale and leaseback of the Group's property at Jurong Port Road, trade and other receivables decreased in line with lower revenue to S\$49.2 million as at 31 March 2014 as compared to S\$50.9 million as at 31 December 2013.

Trade and other payables increased to S\$29.9 million as at 31 March 2014 compared to S\$24.9 million as at 31 December 2013.

Total bank borrowings decreased from S\$62.1 million as at 31 December 2013 to S\$56.1 million as at 30 March 2014 due to reduced financing requirement led by lower inventory holding.

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Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2014

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## Statement of Cash Flows

The Group's cash and cash equivalents were S\$26.4 million as at 31 March 2014 in comparison to S\$23.0 million as at 31 March 2013.

The net cashflow generated from operating activities for 1Q 2014 was S\$16.7 million. This was mainly due to better management of working capital, particularly from inventory (S\$11.5 million) and trade and other payables (S\$5.1 million).

**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 factors that may significantly affect the Group in the next 12 months are:

1. The demand and supply of steel products, coupled with the state of the Singapore economy
2. The intensity of the compensation in the industry
3. The fluctuation of the US dollar against Singapore dollar

A cost rationalization exercise will be implemented to optimize the Group's costs and operations. This will include a review on the Group's level of inventory, disposing of inventory items which are old obsolete.

The Group will also put in marketing and sales programs to increase the sales volume.

**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.

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

No dividend has been declared for the reporting period.

# HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2014

## 13. Interested persons transactions

<b>Name of Interested persons</b>	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)*	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)*
	1Q 2014	1Q 2014
Chye Hin Hardware Pte Ltd Sales	-	613
Oriental Sheet Piling Pte Ltd Purchase	-	842
Oriental SP Steelwork Sdn Bhd Other Charges	-	202

## 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 2014 to be false or misleading in any material respect.

On behalf of the Board of Directors

**Ang Yew Lai**  
Executive Director

**Foo Sey Liang**  
Executive Director

9 May 2014