



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

**First Quarter Financial Statements and Dividend Announcement
for Financial Period Ended 31 March 2017**

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

	1Q 2017 S\$'000	1Q 2016 S\$'000	% (+/-)
Revenue	45,601	21,923	108
Cost of sales	(43,054)	(20,247)	113
Gross profit	2,547	1,676	52
Gross margin	5.6%	7.6%	
Other operating income	2,479	2,762	(10)
Selling & distribution costs	(119)	(98)	21
Administrative expenses	(2,013)	(1,972)	2
Other operating expenses	(3,243)	(3,167)	2
Finance costs	(4)	(50)	(92)
Share of associates' results	24	(257)	(109)
Loss before income tax	(329)	(1,106)	(70)
Income tax expenses	-	-	nm*
Net loss for the period	(329)	(1,106)	(70)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss :			
Foreign currency translation	(29)	72	nm*
Share of other comprehensive income of associates	(145)	82	nm*
Other comprehensive income for the period, net of tax	(174)	154	nm*
Total comprehensive income for the period	(503)	(952)	(47)
(Loss)/profit attributable to:			
Owners of the Company	(326)	(1,128)	(71)
Non-controlling interests	(3)	22	nm*
	(329)	(1,106)	(70)
Total comprehensive income attributable to:			
Owners of the Company	(496)	(985)	(50)
Non-controlling interests	(7)	33	nm*
	(503)	(952)	(47)

*nm denotes not meaningful

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

	Group	
	1Q 2017	1Q 2016
Loss before tax is arrived at after crediting/(charging) the following:	S\$'000	S\$'000
Reversal of allowance for impairment of receivables	54	97
Amortisation of intangible assets	(4)	(8)
Recognition of deferred income	357	357
Depreciation of property, plant and equipment	(644)	(623)
Fair value gain on derivatives, net	411	300
Foreign exchange loss, net	(991)	(1,017)
Interest income	40	85
Finance costs	(4)	(50)
Impairment on investment in an associate	(137)	-
Gain on disposal of property, plant and equipment	3	97
Write-off of property, plant and equipment	-	(4)

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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	
	31.03.2017 S\$'000	31.12.2016 S\$'000	31.03.2017 S\$'000	31.12.2016 S\$'000
Non-current assets				
Property, plant and equipment	13,367	13,864	9,083	9,421
Intangible assets	61	65	57	61
Investment in subsidiaries	-	-	13,147	13,147
Investment in associates	49,586	50,855	505	505
	63,014	64,784	22,792	23,134
Current assets				
Derivative financial instruments*	7	-	7	-
Inventories	14,356	14,217	12,712	12,269
Trade and other receivables	43,292	34,758	56,578	49,142
Prepaid expenses	173	316	138	263
Fixed deposits pledged with bank	7,055	7,038	7,055	7,038
Cash and cash equivalent	22,968	30,704	11,187	20,027
	87,851	87,033	87,677	88,739
Current liabilities				
Trade and other payables	15,170	13,957	24,529	23,493
Finance lease payables	239	239	239	239
Bank borrowings	1,121	1,963	1,121	1,963
Provision for taxation	13	13	-	-
Deferred income	1,429	1,429	1,429	1,429
Derivative financial instruments*	-	403	-	403
	17,972	18,004	27,318	27,527
Net current assets	69,879	69,029	60,359	61,212
Non-current liabilities				
Finance lease payables	79	139	79	139
Provision for reinstatement costs	1,000	1,000	700	700
Deferred income	2,619	2,976	2,619	2,976
	3,698	4,115	3,398	3,815
	129,195	129,698	79,753	80,531
Equity attributable to owners of the Company				
Share capital	152,052	152,052	152,052	152,052
Treasury shares	(2,215)	(2,215)	(2,215)	(2,215)
Other reserves	1,240	1,410	2,527	2,527
Accumulated losses	(22,144)	(21,818)	(72,611)	(71,833)
	128,933	129,429	79,753	80,531
Non-controlling interests	262	269	-	-
Total equity	129,195	129,698	79,753	80,531

*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 2017			As at 31 December 2016		
	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000
Repayable within one year	1,121	-	239	1,963	-	239
Repayable after one year	-	-	79	-	-	139
Total	1,121	-	318	1,963	-	378

Details of collaterals

The bank loans and finance leases are secured by fixed charge over investment in BRC Asia Limited, fixed deposit pledged with bank, mortgage over certain properties and 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	
	1 Q 2017	1 Q 2016
	S\$'000	S\$'000
Cash flows from operating activities		
Loss before income tax	(329)	(1,106)
Adjustments for:		
Depreciation of property, plant and equipment	644	623
Amortisation of intangible assets	4	8
Reversal of allowance for impairment of receivables	(54)	(97)
Gain on disposal of property, plant and equipment	(3)	(97)
Write-off of property, plant and equipment	-	4
Impairment on investment in an associate	137	-
Fair value gain on derivatives, net	(411)	(300)
Finance costs	4	50
Interest income	(40)	(85)
Share of associates' results	(24)	257
Recognition of deferred income	(357)	(357)
Unrealised foreign exchange loss, net	610	251
Operating cash flow before changes in working capital	181	(849)
Working capital changes:		
Inventories	(213)	(599)
Trade and other receivables	(9,059)	11,474
Trade and other payables	1,223	(1,657)
Cash (used in)/generated from operations	(7,868)	8,369
Interest expense paid	(4)	(50)
Interest income received	40	85
Net cash flows (used in)/generated from operating activities	(7,832)	8,404
Cash flows from investing activities		
Dividend income received from investments in associates	1,011	843
Fixed deposit pledged with a bank	(17)	-
Proceeds from disposal of property, plant and equipment	-	104
Purchase of property, plant and equipment	(75)	(79)
Net cash flows generated from investing activities	919	868
Cash flows from financing activities		
Purchase of treasury shares	-	(309)
Proceeds from bank borrowings	1,125	-
Repayment of bank borrowings	(1,943)	(1,046)
Repayment of finance lease payables	(60)	(62)
Net cash flows used in financing activities	(878)	(1,417)
Net (decrease)/increase in cash and cash equivalents	(7,791)	7,855
Effects on exchange rate changes on cash and cash equivalents	55	329
Cash and cash equivalents at beginning of financial period	30,704	50,514
Cash and cash equivalents at end of financial period	22,968	58,698

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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 2017 S\$'000	31 March 2016 S\$'000
Cash and bank balances	16,909	24,903
Fixed deposits	13,114	33,795
	30,023	58,698
<i>Less</i> : Fixed deposits pledged with a bank ⁽¹⁾	(7,055)	-
Cash and cash equivalents per consolidated cash flow statement	22,968	58,698

- ⁽¹⁾ Fixed deposit of S\$7.1 million 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							Total	Non-controlling interests	Total equity
	Share capital	Treasury shares	Capital reserve	Fair value reserve	Other reserves	Foreign currency translation reserve	Accumulated losses			
	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	152,052	(2,215)	2,527	(4)	(211)	(902)	(21,818)	129,429	269	129,698
Loss for the period	-	-	-	-	-	-	(326)	(326)	(3)	(329)
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	(25)	-	(25)	(4)	(29)
Share of other comprehensive income of associate	-	-	-	-	-	(145)	-	(145)	-	(145)
Other comprehensive income for the period, net of tax	-	-	-	-	-	(170)	-	(170)	(4)	(174)
Total comprehensive income for the period	-	-	-	-	-	(170)	(326)	(496)	(7)	(503)
Closing balance at 31 March 2017	152,052	(2,215)	2,527	(4)	(211)	(1,072)	(22,144)	128,933	262	129,195

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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 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	-	-	-	-	-	-	(1,128)	(1,128)	22	(1,106)
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	61	-	61	11	72
Share of other comprehensive income of associate	-	-	-	-	-	82	-	82	-	82
Other comprehensive income for the period, net of tax	-	-	-	-	-	143	-	143	11	154
Total comprehensive income for the period	-	-	-	-	-	143	(1,128)	(985)	33	(952)
<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 31 March 2016	152,052	(2,215)	2,527	(4)	(211)	(529)	(23,842)	127,778	297	128,075

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Company	Share capital S\$'000	Treasury shares S\$'000	Capital reserve S\$'000	Accumulated losses S\$'000	Total S\$'000
Opening balance at 1 January 2017	152,052	(2,215)	2,527	(71,833)	80,531
Loss for the period, representing total comprehensive loss for the period	-	-	-	(778)	(778)
<u>Contributions by and distributions to owners</u>					
Purchase of treasury shares	-	-	-	-	-
Total transactions with owners in their capacity as owners	-	-	-	-	-
Closing balance at 31 March 2017	152,052	(2,215)	2,527	(72,611)	79,753
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	-	-	-	(1,295)	(1,295)
<u>Contributions by and distributions to owners</u>					
Purchase of treasury shares	-	(309)	-	-	(309)
Total transactions with owners in their capacity as owners	-	(309)	-	-	(309)
Closing balance at 31 March 2016	152,052	(2,215)	2,527	(69,486)	82,878

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 1st quarter ended 31 March 2017.

As at 31 March 2017, the Company held 3,193,630 (31 March 2016: 3,193,630*) of its issued shares as treasury shares.

The Company did not hold any convertible shares as at 31 March 2017 and 31 March 2016.

*The Company undertook a share consolidation exercise whereby every ten existing issued ordinary shares of the Company were consolidated into one ordinary share. The share consolidation was approved by members of the Company at the Extraordinary General Meeting held on 29 April 2016 and was completed on May 11, 2016. The number of treasury shares was adjusted for the effect of share consolidation.

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 2017	31 December 2016
Total number of issued shares	130,611,365	130,611,365
Treasury shares	(3,193,630)	(3,193,630)
Total number of issued shares excluding treasury shares	127,417,735	127,417,735

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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 2016.

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 2016.

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 2017	1Q 2016*
Earnings per ordinary shares:		
(a) Basic (cents)	(0.26)	(0.88)
(b) Diluted (cents)	(0.26)	(0.88)

(a) Earnings per share were calculated based on weighted average number of shares of 127,417,735 and 127,495,737* for the period ended 31 March 2017 and 31 March 2016 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.

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* The Company undertook a share consolidation exercise whereby every ten existing issued ordinary shares of the Company were consolidated into one ordinary share. The share consolidation was approved by members of the Company at the Extraordinary General Meeting held on 29 April 2016 and was completed on May 11, 2016. 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	
	31.03.2017	31.12.2016	31.03.2017	31.12.2016
Net asset value per ordinary share (S\$)	1.01	1.02	0.63	0.63

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 1Q2017 versus 1Q2016

Revenue and Gross Profit

The Group achieved revenue of S\$45.6 million in 1Q2017 as compared to S\$21.9 million in 1Q2016, contributed by 43% increase in sales volume and 46% increase in average selling price in the 1Q2017

Despite the lower gross profit margin registered in 1Q2017 compared to 1Q2016, the Group's gross profit increased from S\$1.7 million in 1Q2016 to S\$2.5 million in 1Q2017 due to increased revenue.

Other Operating Income

Other operating income declined from S\$2.8 million in 1Q2016 to S\$2.5 million in 1Q2017. This was mainly due to lower warehousing and rental income, reduced gain from disposal of fixed assets and less miscellaneous income of S\$0.4 million. These reductions were partially offset by the increase in fair value gain on forward currency contracts from S\$0.3 million in 1Q2016 to \$0.4 million in 1Q2017.

Distribution, Administrative, Other Operating and Finance Expenses

The Group's distribution expenses increased in line with the higher revenue achieved in 1Q2017.

There was no significant increase in administrative expenses and other operating expenses compared to previous corresponding quarter. Included in other operating expenses was foreign exchange loss of about S\$1.0 million in 1Q2017 and 1Q2016 respectively mainly due to the revaluation of net foreign currency monetary assets and liabilities arising from the weakening of the US Dollar against the Singapore Dollar.

Finance expenses decreased significantly in 1Q2017 as compared to 1Q2016 as a result of repayment of bank borrowings.

Profitability

The Group recorded a net loss after tax of S\$0.3 million in 1Q2017, compared to a net loss after tax of S\$1.1 million in 1Q2016.

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Balance Sheet

Trade and other receivables increased in line with higher revenue to S\$43.3 million as at 31 March 2017 as compared to S\$34.8 million as at 31 December 2016.

Trade and other payables increased to S\$15.2 million as at 31 March 2017 compared to S\$14.0 million as at 31 December 2016.

Total bank borrowings decreased from S\$2.0 million as at 31 December 2016 to S\$1.1 million as at 31 March 2017 due to repayment of bank borrowings made during 1Q2017.

Statement of Cash Flows

The net cash flows used in operating activities was S\$7.8 million in 1Q2017 compared to net cash flows generated from operating activities of S\$8.4 million in 1Q2016. This was mainly attributable to the increase in trade and other receivables of S\$9.1 million, increase in inventories of S\$0.2 million and partially offset by increase in trade and payables of S\$1.2 million.

Net cash flows generated from investing activities for 1Q2017 was S\$0.9 million, mainly derived from dividend received from associate of S\$1.0 million.

Net cash flows used in financing activities for 1Q2017 was S\$0.9 million, mainly due to repayment of bank borrowings of S\$2.0 million and partially offset by proceeds of new bank borrowings of S\$1.1 million.

The Group's cash and cash equivalents was S\$23.0 million as at 31 March 2017 in comparison to S\$59.0 million as at 31 March 2016.

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 Group expects the operating environment for the steel industry to remain challenging. The volatile steel prices, competitive environment, the fluctuations in USD dollar, as well as increasing geopolitical uncertainty that will affect the global and Singapore economy continue to pose challenges to the industry.

The Group is therefore moving forward cautiously through further streamlining of its operations and cost control, prudent expansion of sales channels and optimising its inventory holdings.

The Group will continue to seek business opportunities, locally and overseas.

11. Dividend

(a) Current financial period reported on

Any dividend recommended for the current financial period reported on?

None.

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(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.

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 were no interested person transactions with aggregate value of more than S\$100,000 during 1Q2017 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 2017 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 May 2017