



## HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

### Financial Statements and Dividend Announcement for Financial Period Ended 31 December 2010 ("1Q2011")

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

**1(a)(i) Consolidated Statement of Comprehensive Income for the first quarter ended 31 December 2010, together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Group		
	1Q2011 S\$'000	1Q2010 S\$'000	% (+/-)
<b>Revenue</b>	<b>45,383</b>	<b>90,728</b>	<b>(50)</b>
Cost of sales	(39,790)	(76,941)	(48)
<b>Gross profit</b>	<b>5,593</b>	<b>13,787</b>	<b>(59)</b>
Other operating income	2,584	7,185	(64)
Distribution expenses	(368)	(544)	(32)
Administrative expenses	(1,773)	(3,984)	(55)
Other operating expenses	(1,087)	(3,145)	(65)
Finance expenses	(496)	(1,411)	(65)
Share of joint venture profits	-	223	nm*
Share of associate profits	809	629	28
<b>Profit before tax</b>	<b>5,262</b>	<b>12,740</b>	<b>(59)</b>
Income tax credit (expense)	159	(1,121)	nm*
<b>Net profit for the period</b>	<b>5,421</b>	<b>11,619</b>	<b>(53)</b>
<b>Other comprehensive income:</b>			
Currency translation adjustments	(91)	35	nm*
Share of other comprehensive income of associate	(1)	-	nm*
<b>Other comprehensive income for the period, net of tax</b>	<b>(92)</b>	<b>35</b>	
<b>Total comprehensive income for the period</b>	<b>5,329</b>	<b>11,653</b>	<b>(54)</b>
<b>Profit attributable to:</b>			
Equity holders of the Company	5,372	8,703	(38)
Non-controlling interests	49	2,916	
	5,421	11,619	
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company	5,304	11,647	(54)
Non-controlling interests	25	7	
	5,329	11,654	

\*nm denotes not meaningful

## HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 31 December 2010

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

	Group	
	1Q2011 S\$'000	1Q2010 S\$'000
Interest income	3	-
Interest on borrowings	(496)	(1,411)
Depreciation	(546)	(872)
Allowance for doubtful debts	(19)	(549)
Writeback of allowance for doubtful debts	-	24
Foreign exchange gain (loss), net	272	(1,036)
Loss on sale of property, plant and equipment	-	(43)
Amortisation of computer software	(42)	(42)
Amortisation of customer relationship	-	(246)
Fair value gain on derivatives, net	1,962	223
Fair value (loss) gain on investment held for trading	(95)	90
Gain on disposal of subsidiary	-	6,373

# HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 31 December 2010

**1(b)(i) Statements 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	
	31.12.2010 S\$'000	30.09.2010 S\$'000	31.12.2010 S\$'000	30.09.2010 S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	32,103	32,173	24,009	23,753
Intangible assets	392	434	345	384
Investment in subsidiaries	-	-	12,520	12,520
Investment in associates	33,770	32,963	713	713
	66,265	65,570	37,587	37,370
<b>Current assets</b>				
Investment held for trading	285	380	-	-
Inventories	62,288	62,504	51,514	49,733
Trade and other receivables	25,849	30,235	34,758	36,145
Prepaid expenses	253	75	210	14
Cash and cash equivalents	10,397	5,108	4,681	1,165
	99,072	98,302	91,163	87,057
<b>Current liabilities</b>				
Trade and other payables	22,542	31,458	19,833	27,216
Finance lease payables	146	150	39	39
Bank borrowings	17,447	25,297	14,070	20,168
Provision for taxation	-	19	-	-
Derivative financial instruments	3,602	1,048	3,602	1,048
	43,737	57,972	37,544	48,471
<b>Net-current assets</b>	55,335	40,330	53,619	38,586
<b>Non current liabilities</b>				
Finance lease payables	437	477	119	129
Bank borrowings	3,875	4,512	1,776	2,097
Deferred taxation	296	297	-	-
	4,608	5,286	1,895	2,226
	116,992	100,614	89,311	73,730
<b>Capital and reserves</b>				
Share capital	122,779	111,730	122,779	111,730
Call option	-	-	-	-
Other reserves	2,185	2,253	2,527	2,527
Accumulated losses	(10,040)	(15,412)	(35,995)	(40,527)
Equity attributable to equity holders of the Company	114,924	98,571	89,311	73,730
Non-controlling interests	2,068	2,043	-	-
<b>Total equity</b>	116,992	100,614	89,311	73,730

## HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 31 December 2010

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

	As at 31 December 2010			As at 30 September 2010		
	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000
Repayable within one year	13,623	3,824	146	20,532	4,765	150
Repayable after one year	-	3,875	437	-	4,512	477
Total	13,623	7,699	583	20,532	9,277	627

#### Details of collaterals

The Group's borrowings of approximately \$13.6 million is secured by way of fixed and floating charge over all assets of the Company, legal mortgage over properties of the Company and fixed deposits pledged to banks by Malaysian subsidiaries.

# HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 31 December 2010

**1(c)(i) Consolidated Statement of Cash Flows for the first quarter ended 31 December 2010, together with a comparative statement for the corresponding period of the immediately preceding financial year**

	<b>Group</b>	
	1Q2011 S\$'000	1Q2010 S\$'000
<b>Cash flows from operating activities</b>		
Profit before tax	5,262	12,740
Adjustments for:		
Depreciation of property, plant and equipment	546	872
Loss on disposal of property, plant and equipment	-	43
Amortisation of computer software	42	42
Allowance for doubtful debts, net	19	525
Fair value gain on derivatives, net	(1,962)	(223)
Fair value loss (gain) on investment held for trading	95	(90)
Interest expense	496	1,411
Interest income	(3)	-
Share of joint venture results	-	(223)
Share of associates results	(809)	(629)
Amortisation of customer relationship	-	246
Gain from disposal of subsidiary	-	(6,373)
Foreign currency realignment	(15)	-
<b>Operating cash flow before working capital changes</b>	<b>3,671</b>	<b>8,341</b>
Working capital changes:		
Fixed deposits pledged	(9)	(12)
Inventories	251	15,181
Trade and other receivables	4,385	(7,352)
Trade and other payables	(9,183)	(11,527)
<b>Cash (used in) generated from operations</b>	<b>(885)</b>	<b>4,631</b>
Interest expense paid	(496)	(1,411)
Interest income received	3	-
Income tax refund (paid)	140	(38)
<b>Net cash flows (used in) generated from operating activities</b>	<b>(1,238)</b>	<b>3,182</b>
<b>Cash flows from investing activities</b>		
Net cash outflow from disposal of a subsidiary	-	(9,527)
Proceeds from disposal of property, plant and equipment	14	231
Purchase of property, plant and equipment	(518)	(2,850)
<b>Net cash flows used in investing activities</b>	<b>(504)</b>	<b>(12,146)</b>
<b>Cash flows from financing activities</b>		
Net repayment of bank borrowings	(8,507)	(495)
Proceeds from issue of new shares in the Company	15,565	-
Repayment of finance lease payables	(44)	(185)
<b>Net cash flows generated from (used in) financing activities</b>	<b>7,014</b>	<b>(680)</b>
Net change in cash and cash equivalents	5,272	(9,644)
Cash and cash equivalents at beginning of the period	4,348	15,843
<b>Cash and cash equivalents at end of period</b>	<b>9,620</b>	<b>6,199</b>

## HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 31 December 2010

### 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	
	As at 31 Dec 2010 S\$'000	As at 31 Dec 2009 S\$'000
Cash and bank balances	9,784	6,199
Fixed deposits	613	542
	10,397	6,741
<i>Less</i> : Fixed deposits pledged with banks <sup>(1)</sup>	(613)	(542)
<i>Less</i> : Bank overdrafts <sup>(2)</sup>	(164)	-
Cash and cash equivalents per consolidated cash flow statement	9,620	6,199

<sup>(1)</sup> The Group's Malaysian subsidiaries have fixed deposits pledged with banks to secure credit facilities granted to them.

<sup>(2)</sup> Bank overdrafts are classified as part of current secured borrowings in the consolidated statement of financial position.

## HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 31 December 2010

1(d)(i) Statements of Changes in Equity (for the issuer and group) showing all changes in equity, 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 Reserve S\$'000	Share Capital Reserve S\$'000	Share Option Reserve S\$'000	Fair Value Reserve S\$'000	Premium Paid On Acquisition S\$'000	Currency Translation Reserve S\$'000	Accumulated Profits / (Losses) S\$'000	Total S\$'000	Non-controlling Interests S\$'000	Total Equity S\$'000
Balance as at 1 October 2010	111,730	2,527	-	1	-	(275)	(15,412)	98,571	2,043	100,614
Other comprehensive income for the financial period	-	-	-	-	-	(68)	-	(68)	(24)	(92)
Profit for the financial period	-	-	-	-	-	-	5,372	5,372	49	5,421
Issuance of ordinary shares	11,049	-	-	-	-	-	-	11,049	-	11,049
Balance as at 31 December 2010	122,779	2,527	-	1	-	(343)	(10,040)	114,924	2,068	116,992

Group	Attributable to equity shareholders of the Company									
	Share Capital Reserve S\$'000	Share Capital Reserve S\$'000	Share Option Reserve S\$'000	Fair Value Reserve S\$'000	Premium Paid On Acquisition S\$'000	Currency Translation Reserve S\$'000	Accumulated Profits / (Losses) S\$'000	Total S\$'000	Non-controlling Interests S\$'000	Total Equity S\$'000
Balance as at 1 October 2009	111,730	2,527	17	-	(539)	(293)	(12,929)	100,513	32,505	133,018
Other comprehensive income for the financial period	-	-	-	-	-	28	-	28	7	35
Profit for the financial period	-	-	-	-	-	-	8,703	8,703	2,916	11,619
Disposal of a subsidiary	-	-	(17)	-	539	44	-	566	(33,852)	(33,286)
Balance as at 31 December 2009	111,730	2,527	-	-	-	(221)	(4,226)	109,810	1,576	111,386

# HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 31 December 2010

<b>Company</b>	<b>Share Capital</b>	<b>Capital Reserve</b>	<b>Accumulated Profits / (Losses)</b>	<b>Total</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Balance as at 1 October 2010	111,730	2,527	(40,527)	73,730
Profit for the period	-	-	4,532	4,532
Issuance of ordinary shares	11,049	-	-	11,049
Balance as at 31 December 2010	122,779	2,527	(35,995)	89,311
Balance as at 1 October 2009	111,730	2,527	(27,989)	86,268
Loss for the period	-	-	(1,099)	(1,099)
Balance as at 31 December 2009	111,730	2,527	(29,088)	85,169

**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 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**

In November 2010, a total of 163,850,000 new ordinary shares were issued by the Company at S\$0.095 per share to Oriental Castle Sdn. Bhd ("OCS").

The company granted a call option to OCS, to subscribe for 153,000,000 (or such other number representing 14% of the enlarged share capital of the Company after the exercise of the Call Option) new ordinary shares in the capital of the company at an exercise price of S\$0.095 for each option share. The call option is expiring on 19 July 2011.

The company issued 60,000,000 warrants to United Overseas Bank Limited and Oversea-Chinese Banking Corporation Limited. The warrants carry the rights to subscribe for shares at an exercise price of \$0.1248 per share for a period of 3 years from 23 November 2009.

As at 31 December 2010 and 31 December 2009, there were 60,000,000 and 122,049,369 outstanding warrants respectively. 62,049,369 warrants were expired during the financial year ended 30 September 2010.

**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.**

	<b>31 December 2010</b>	<b>30 September 2010</b>
Total number of issued shares	<u>939,521,962</u>	<u>775,671,962</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.



## HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 31 December 2010

**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 year and the most recent audited annual financial statements for the financial year ended 30 September 2010.

**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 1 October 2010.

**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	
	1Q2011	1Q2010
Earnings per ordinary shares:		
(a) Basic (cents)	0.63	1.12
(b) Diluted (cents)	0.50	0.89

(a) Earnings per share were calculated based on weighted average number of shares of 857,596,962 during the period ended 31 December 2010 and 775,671,962 number of shares as at 31 December 2009.

(b) Diluted earnings per share were calculated based on adjusted weighted average number of shares during the period.

Adjusted weighted average number of shares as of 31 December 2010 and 31 December 2009 were 1,081,559,674 and 982,845,271 shares respectively.

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Financial Statements and Dividend Announcement for Financial Period Ended 31 December 2010

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

	Group		Company	
	31.12.2010	30.09.2010	31.12.2010	30.09.2010
Net asset value per ordinary share (cents)	12.23	12.71	9.51	9.51

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 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. Any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

### **Revenue and Gross Profit**

The Group recorded a lower revenue and gross profit for 1Q2011, compared to 1Q2010, following the non-consolidation of the financial performance in BRC Asia Limited ("BRC") from December 2009 as BRC ceased to be a subsidiary of the Group. Revenue declined 50% to S\$45.4 million, from S\$90.7 million, while gross profit decreased 59% to S\$5.6 million, from S\$13.8 million.

#### *Revenue and Gross Profit of HG Group without BRC*

(S\$'000)	1Q2011	1Q2010	(%) +/-
Revenue	45,383	51,146	(11)
Gross Profit	5,593	4,253	32
Gross Profit Margin (%)	12.3%	8.3%	-

Excluding contributions from BRC, the Group's revenue dipped 11% to S\$45.4 million, due mainly to lower contribution from its manufacturing business. However, gross profit rose 32% to S\$5.6 million, due to an improvement in gross profit margin to 12.3% from 8.3%. The improvement was due to higher selling prices and better inventory management for its steel trading business.

### **Other Operating Income**

Other operating income decreased to S\$2.6 million in 1Q2011 from S\$7.2 million in 1Q2010. The latter included a one-off gain of S\$6.4 million from the disposal of BRC shares. Included in other operating income for 1Q2011 is fair value gain of S\$2.0 million for the call option granted to Oriental Castle Sdn Bhd ("OCS") and outstanding warrants.

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

Distribution and administrative expenses decreased mainly due to the non-consolidation of BRC. Other operating expenses declined 65%, to S\$1.09 million in 1Q2011 from S\$3.1 million in 1Q2010, mainly due to the reduction in provision for doubtful debts.

Finance expenses were reduced by 65%, to S\$0.5 million in 1Q2011 from S\$1.4 million in 1Q2010, as the Group repaid some of its borrowings.

## HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 31 December 2010

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### **Results For The Financial Period**

The Group recorded a net profit after tax of S\$5.4 million in 1Q2011, compared to S\$11.6 million for 1Q2010, which included contributions and disposal gains from BRC.

Excluding the contribution from BRC and fair value gain of \$2.0 million for the outstanding call option and warrant, net profit after tax from the Group returned to the black with profits of S\$2.8 million in 1Q2011 compared to a net loss of S\$0.5 million in 1Q2010.

### **Balance Sheet**

As at 31 December 2010, the Group's inventory balance remained stable at S\$62.3 million, with the Group maintaining its conservative approach towards inventory management. The Group continues to see a healthy cycle time for its inventory, having finished writing down slow-moving inventories purchased during the peak of the steel cycle in the financial year ended 30 September 2010.

Trade and other receivables was S\$25.8 million as at 31 December 2010, compared to S\$30.2 million as at 30 September 2010. Debtor-turnover was around 51 days, which is within the general credit period extended to customers.

With the decline in bank borrowings, the Group's gearing ratio improved to 0.19 times as at 31 December 2010, from 0.31 times as at 30 September 2010.

### **Cash Flow Statement**

The Group raised S\$15.6 million in November 2010 from the issue of new shares to its new controlling shareholder, OCS. Part of the proceeds was used to retire some of its borrowings and payables. The remainder was used as working capital, which caused its cash and cash equivalents to grow to S\$9.6 million, compared to S\$4.4 million as at 30 September 2010.

**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 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 outlook for steel in Asia continues to improve in 2011. External events such as the flooding in Australia have impacted supplies of steel making raw materials, which in turn have led to firmer steel prices. Combined with the comprehensive review and write-down of slow moving inventory in financial year ended 30 September 2010, this uptrend places the Group in a favorable market position.

A certain surge of industry restocking in the recent months may however result in some uncertainty in the near term. As such, the Group will remain prudent and conservative approach towards purchasing and inventory management.

The Group continues to develop its new direct project based business model. Management had secured a first contract to supply offshore grade steel to an Indian oil & gas project in current period ended 31 December 2010.

Going forward, the Group will continue to leverage on its strategic links with the new controlling shareholder, OCS, to extend both its geographic reach and product offering.

## HG METAL MANUFACTURING LIMITED

Financial Statements and Dividend Announcement for Financial Period Ended 31 December 2010

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### 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.

### 13. Interested persons transactions

Name of interested persons	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)*
<b>Chye Hin Hardware Pte Ltd</b>	S\$'000
- Sales	552
- Purchase	1,656
- Other Charges	35

\* The above includes all transactions regardless of value

### 14. Confirmation by the Board

The directors of the Company confirm that to the best of their knowledge, nothing has come to their attention which may render the unaudited financial results for the quarter ended 31 December 2010 to be false or misleading in any material respect.

**By Order of the Board**

**Goh Kian Sin**  
Managing Director

**10 February 2011**



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

Unaudited results for the First Quarter Ended 31 December 2010

**Confirmation by the Board pursuant to Rule 705(5) of the Listing Manual of the SGX-ST**

We, the undersigned, do hereby confirm on behalf of the Board of Directors that taking into account the matters announced and publicly disclosed by the Company prior to the date of this confirmation and the prevailing accounting policies adopted by the Company in accordance with the Singapore Financial Reporting Standards, to the best of the knowledge of the Board of Directors of the Company, nothing has come to the attention of the Board of Directors of the Company which may render the first quarter financial statements false or misleading in any material respect.

On behalf of the Board,

A handwritten signature in black ink, appearing to be 'Goh Kian Sin'.

GOH KIAN SIN  
MANAGING DIRECTOR

10 February 2011

A handwritten signature in black ink, appearing to be 'Tan Chan Too'.

TAN CHAN TOO  
EXECUTIVE DIRECTOR

10 February 2011