



# HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

## Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2013

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 together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Group		
	Jan to Mar 2013	Jan to Mar 2012	%
	S\$'000	S\$'000	(+/-)
<b>Revenue</b>	<b>73,123</b>	<b>86,507</b>	<b>(15)</b>
Cost of sales	(67,909)	(83,761)	(19)
<b>Gross profit</b>	<b>5,214</b>	<b>2,746</b>	<b>90</b>
<b>Gross margin</b>			
Other operating income	1,010	970	4
Distribution expenses	(592)	(452)	31
Administrative expenses	(2,916)	(3,200)	(9)
Other operating expenses	(2,176)	(1,611)	35
Finance expenses	(391)	(675)	(42)
Share of associate profits	2,289	293	681
<b>Profit/(Loss) before tax</b>	<b>2,438</b>	<b>(1,929)</b>	<b>nm*</b>
Income tax (expense) / credit	6	(37)	nm*
<b>Net profit/(loss) after tax</b>	<b>2,444</b>	<b>(1,966)</b>	<b>nm*</b>
<b>Other comprehensive income</b>			
Currency translation adjustments	87	(4)	nm*
Share of other comprehensive income of associates	4	(22)	nm*
<b>Other comprehensive income for the period, net of tax</b>	<b>91</b>	<b>(26)</b>	<b>nm*</b>
<b>Total comprehensive income for the period</b>	<b>2,535</b>	<b>(1,992)</b>	<b>nm*</b>
<b>Profit/(Loss) attributable to:</b>			
Equity holders of the Company	2,441	(1,920)	nm*
Non-controlling interests	3	(46)	nm*
	<b>2,444</b>	<b>(1,966)</b>	<b>nm*</b>
<b>Total comprehensive income attributable to:</b>			
Equity holders of the Company	2,506	(1,944)	nm*
Non-controlling interests	29	(48)	nm*
	<b>2,535</b>	<b>(1,992)</b>	<b>nm*</b>

\*nm denotes not meaningful

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

	Group	
	Jan to Mar 2013	Jan to Mar 2012
Profit before tax is arrived at after charging/(crediting) the following:		
	SS'000	SS'000
(Writeback) / Allowance for doubtful debts, net	(9)	(15)
Bad Debts written off/(recovered)	14	-
Amortisation of computer software	47	43
Amortisation of deferred income	(238)	-
Depreciation of property, plant and equipment	604	733
Fair value (gain)/loss on investment held for trading	(18)	25
Fair value (gain)/loss on derivatives, net	(76)	43
Foreign exchange loss / (gain), net	(34)	(648)
Interest income	(6)	-
Interest on borrowings	391	675
Loss/(gain) on sale of property, plant and equipment	14	-

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## 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	
	31.03.2013 S\$'000	31.12.2012 S\$'000	31.03.2013 S\$'000	31.12.2012 S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	17,728	17,637	9,274	9,403
Intangible assets	335	381	317	361
Investment in subsidiaries	-	-	13,488	13,488
Investment in associates	43,039	42,853	713	713
	61,102	60,871	23,792	23,965
<b>Current assets</b>				
Investment held for trading	93	75	-	-
Derivative financial instruments	86	22	51	22
Inventories	102,445	86,202	87,690	71,571
Trade and other receivables	59,346	96,629	69,247	114,140
Prepaid expenses	1,434	320	1,021	128
Cash and cash equivalents	26,108	18,522	11,720	5,589
	189,512	201,770	169,729	191,450
<b>Current liabilities</b>				
Trade and other payables	59,885	47,377	48,424	42,614
Finance lease payables	147	183	54	87
Bank borrowings	29,606	55,743	20,233	47,971
Provision for taxation	257	108	-	-
Deferred income	1,072	1,310	1,072	1,310
Derivative financial instruments	-	12	-	-
	90,967	104,733	69,783	91,982
<b>Net-current assets</b>	98,545	97,037	99,946	99,468
<b>Non current liabilities</b>				
Finance lease payables	178	195	-	-
Bank borrowings	8,346	8,947	8,346	8,947
Provision for reinstatement costs	1,000	1,000	700	700
Deferred income	8,690	8,690	8,690	8,690
Deferred taxation	9	187	-	-
	18,223	19,019	17,736	18,337
	141,424	138,889	106,002	105,096
<b>Capital and reserves</b>				
Share capital	137,314	137,314	137,314	137,314
Treasury Share	(1,885)	(1,885)	(1,885)	(1,885)
Other reserves	1,966	1,901	2,527	2,527
Accumulated (losses) / profits	2,139	(302)	(31,954)	(32,860)
Equity attributable to equity holders of the Company	139,534	137,028	106,002	105,096
Non-controlling interests	1,890	1,861	-	-
<b>Total equity</b>	141,424	138,889	106,002	105,096

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Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2013

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

	As at 31 March 2013			As at 31 December 2012		
	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000
Repayable within one year	21,828	7,778	147	49,230	6,513	183
Repayable after one year	8,346	-	178	8,947	-	195
Total	30,174	7,778	325	58,177	6,513	378

#### Details of collaterals

The Group's borrowings of approximately S\$30.2 million are 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.

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

	<b>Group</b>	
	Jan to Mar 2013 S\$'000	Jan to Mar 2012 S\$'000
<b>Cash flows from operating activities</b>		
Profit / (Loss) before tax	2,438	(1,929)
Adjustments for:		
Depreciation of property, plant and equipment	604	733
Amortisation of computer software	47	43
Loss on disposal of property, plant and equipment	14	
(Writeback) / Allowance made for doubtful debts, net	(9)	(15)
Bad debts written off	14	-
Fair value loss on investment held for trading	(18)	25
Fair value loss/ (gain) on derivatives, net	(76)	43
Interest expense	391	675
Interest income	(6)	-
Share of associates results	(2,289)	(293)
Amortisation of deferred income	(238)	-
Foreign currency realignment	50	(5)
<b>Operating cash flow before working capital changes</b>	922	(723)
Working capital changes:		
Inventories	(16,245)	18,531
Trade and other receivables	(2,356)	(8,661)
Trade and other payables	12,976	(13,143)
<b>Cash generated from (used in) operations</b>	(4,703)	(3,996)
Interest expense paid	(391)	(675)
Interest income received	6	-
Income tax (paid) refund	(22)	(53)
<b>Net cash flows generated from (used in) operating activities</b>	(5,110)	(4,724)
<b>Cash flows from investing activities</b>		
Dividend income received from quoted investment	2,107	-
Fixed deposits pledged	-	(8)
Proceeds from disposal of property, plant and equipment	38,713	3
Purchase of property, plant and equipment	(1,298)	(1,493)
Purchase of intangible assets	-	(19)
<b>Net cash flows used in investing activities</b>	39,522	(1,517)
<b>Cash flows from financing activities</b>		
Proceeds from issue of new shares in the Company	-	7,268
Proceeds from bank borrowings	46,343	-
Repayment of bank borrowings	(73,127)	-
Repayment of finance lease payables	(53)	(78)
Restricted cash <sup>(2)</sup>	(2,441)	-
<b>Net cash flows (used in) generated from financing activities</b>	(29,278)	16,793
Net change in cash and cash equivalents	5,134	10,552
Cash and cash equivalents at beginning of the period	17,867	12,015
<b>Cash and cash equivalents at end of period</b>	23,001	22,567

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Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2013

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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	
	As at 31 Mar 2013 S\$'000	As at 31 Mar 2012 S\$'000
Cash and bank balances	25,442	22,818
Fixed deposits	666	659
	26,108	23,477
<u>Less</u> : Fixed deposits pledged with banks <sup>(1)</sup>	(666)	(659)
<u>Less</u> : Restricted cash <sup>(2)</sup>	(2,441)	-
<u>Less</u> : Bank overdrafts	0	(251)
Cash and cash equivalents per consolidated cash flow statement	23,001	22,567

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

<sup>(2)</sup> An order has been issued by the Malaysia Customs restricting one of the Malaysia subsidiaries to access its banking accounts amounting to S\$2.4 million. This arose as the Malaysia subsidiary had acquired a batch of materials from a local vendor, deemed to be without bone fide title and import duties not fully paid. The Company has appointed a legal counsel in Malaysia to look into this matter.

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## 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	Treasury Share	Capital Reserves	Fair value reserves	Foreign Currency Translation Account	Accumulated 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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Group	Attributable to equity shareholders of the Company								
	Share Capital	Treasury Share	Capital Reserves	Fair value reserves	Foreign Currency Translation Account	Accumulated 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 October 2011	130,046	-	2,527	(9)	(454)	704	132,814	2,135	134,949
Profit for the period	-	-	-	-	-	5,549	5,549	(213)	5,336
<u>Other comprehensive income</u>									-
Foreign currency translation	-	-	-	-	(132)	-	(132)	(49)	(181)
Share of other comprehensive income of associate	-	-	-	5	(36)	-	(31)	-	(31)
Other comprehensive income for the period, net of tax	-	-	-	5	(168)	-	(163)	(49)	(212)
Total comprehensive income for the period	-	-	-	5	(168)	5,549	5,386	(262)	5,124
<u>Contribution by and distributions to owners</u>									
Issuance of ordinary shares	7,268	-	-	-	-	-	7,268	-	7,268
Purchase of treasury shares	-	(1,885)	-	-	-	-	(1,885)	-	(1,885)
Dividend on ordinary shares	-	-	-	-	-	(6,555)	(6,555)	(12)	(6,567)
Total contributions by and distributions to owners	7,268	(1,885)	-	-	-	(6,555)	(1,172)	(12)	(1,184)
Balance as at 31 December 2012	137,314	(1,885)	2,527	(4)	(622)	(302)	137,028	1,861	138,889



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Company	Share Capital	Treasury Share	Capital Reserve	Accumulated Profits / (Losses)	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
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
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares	-	-	-	-	-
Purchase of treasury shares	-	-	-	-	-
Dividend on ordinary shares	-	-	-	-	-
Total contributions by and distributions to owners	-	-	-	-	-
Balance as at 31 March 2013	137,314	(1,885)	2,527	(31,954)	106,002
Balance as at 1 October 2011	130,046	-	2,527	(27,872)	104,701
Profit for the period, representing total comprehensive income for the period	-	-	-	1,567	1,567
<u>Contributions by and distributions to owners</u>					
Issuance of ordinary shares	7,268	-	-	-	7,268
Purchase of treasury shares	-	(1,885)	-	-	(1,885)
Dividend on ordinary shares	-	-	-	(6,555)	(6,555)
Total contributions by and distributions to owners	7,268	(1,885)	-	(6,555)	(1,172)
Balance as at 31 December 2012	137,314	(1,885)	2,527	(32,860)	105,096

**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**

There was no change in the Company's share capital during the 1st quarter financial period ended 31 March 2013.

**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 March 2013</b>	<b>31 December 2012</b>
Total number of shares	1,092,521,962	1,092,521,962
Treasury shares	<u>(23,268,000)</u>	<u>(23,268,000)</u>
Total number of shares excluding treasury shares	<u>1,069,253,962</u>	<u>1,069,253,962</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.

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**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 31 December 2012.

**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 not adopted the following new or revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") applicable for the financial period beginning 1 January 2013.

FRS which became effective for the Group's financial period beginning 1 January 2013:

- FRS 19 Employee Benefits
- FRS 113 Fair Value Measurements

The Group does not expect any significant financial impact on its financial position or performance from the adoption of these amendments to FRS.

**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	
	Jan to Mar 2013	Jan to Mar 2012
Earnings per ordinary shares:		
(a) Basic (cents)	0.23	(0.18)
(b) Diluted (cents)	0.23	(0.18)

(a) Earnings per share were calculated based on weighted average number of shares of 1,069,253,962 during the period ended 31 March 2013 and 1,035,146,962 numbers of shares as at 31 March 2012.

(b) Diluted earnings per share were calculated based on the 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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Financial Statements and Dividend Announcement for Financial Period Ended 31 March 2013

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	
	31.03.2013	31.12.2012	31.03.2013	31.12.2012
Net asset value per ordinary share (cents)	13.05	12.82	9.91	9.83

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**

### **Results for Jan to Mar 2013 ("1Q2013") versus Jan to Mar 2012 ("2Q2012")**

(Note: There are 5 quarters in financial period ended 31 December 2012 due to change of its year end.)

#### **Revenue and Gross Profit**

The Group's revenue decreased by S\$13.4 million (15%) to S\$73.1 million in 1Q2013, from S\$86.5 million in 2Q2012, due to lower selling prices and volume declining by an average of 6% and 16% respectively.

However, the Group's gross profit increased by S\$2.5 million (90%) to S\$5.2 million in 1Q2013, from S\$2.7 million in 2Q2012 mainly due to the Group's gross profit margin in 1Q2013 rising by 3.9 percentage points to 7.1% from 3.2% a year ago.

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

Distribution expenses increased to S\$0.6 million in 1Q2013 from S\$0.45 million in 2Q2012, mainly due to carriage outward costs incurred for the new cut and bend business activities this quarter.

Administrative expenses decreased to S\$2.9 million in 1Q2013 from S\$3.2 million in 2Q2012. This was because in 2Q2012, the Group incurred a one-off consultancy and legal services fee related to the construction of the new warehouse at Jurong Port Road.

Other operating expenses increased to S\$2.2 million in 1Q2013 from S\$1.6 million in 2Q2012, mainly due to the payment of office-cum-warehouse rental at Jurong Port Road with the Group's completion of the sale and leaseback of the property in December 2012.

Finance expenses were reduced by S\$0.3 million (42%) to S\$0.4 million in 1Q2013 from S\$0.7 million in 2Q2012, as the Group had utilised the sale proceeds from the sale and leaseback of Jurong Port road property to pay down the bank borrowings, thus reducing the interest incurred. Escalation of rental accruals amounting to S\$35,000 per quarter had been taken into account in accordance to financial reporting standard requirements.

#### **Net Profit After Tax**

The Group recorded a net profit after tax of S\$2.4 million in 1Q2013, compared to a loss of S\$2.0 million in 2Q2012.

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## **Balance Sheet**

As at 31 March 2013, the Group's inventory balance increased to S\$102.4 million due to slower sales activities in March 2013.

Out of the S\$96.6 million trade and other receivables as at 31 December 2012, S\$38.7 million was received in this quarter from the sale and leaseback of the Group's property at Jurong Port road. Excluding the disposal proceeds, trade and other receivables were maintained at S\$59.3 million as at 31 March 2013.

Trade and other payables increased to S\$59.9 million as at 31 March 2013 compared to S\$47.4 million as at 31 December 2012. The purchases were made in view of an anticipated increase in business activities in the next quarter.

## **Cash Flow Statement**

The Group's cash and cash equivalents were S\$23.0 million as at 31 March 2013.

S\$5.1 million of net cash flows was used in operating activities in 1Q2013 as a result of the increase in inventory and trade payable balance.

**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**

Following 2012's healthy steel demand, the South East Asian Iron and Steel Institute ("SEAISI") predicts the region to continue this trend by remaining a net importer of steel, with the construction and shipping sectors expected to be the main drivers of consumption. In view of this, the Group is taking keen notice of the prospects of its ASEAN markets.

The Group will continue to ramp up its business development and expansion efforts, and will invest strategically to enhance its capabilities and value-added services.

**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.

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**(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)*		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)*	
	1 <sup>st</sup> Quarter Ended 31 March 2013 S\$'000	2 <sup>nd</sup> Quarter Ended 31 March 2012 <sup>#</sup> S\$'000	1 <sup>st</sup> Quarter Ended 31 March 2013 S\$'000	2 <sup>nd</sup> Quarter Ended 31 March 2012 <sup>#</sup> S\$'000
<b>Chye Hin Hardware Pte Ltd</b>				
Sales	-	-	569	2,205
Purchases	-	-	938	4,495
Other Charges	-	-	16	232
<b>Oriental Sheet Piling Pte Ltd</b>				
Sales	-	-	3,334	1,122
Purchase	-	-	2,167	-
Other Charges	-	-	249	-
<b>Oriental Sheet Piling (China)</b>				
Purchase	-	2,425	-	-
<b>Oriental Castle Sdn Bhd</b>				
Management support services	-	-	29	-
Other Charges	-	-	39	111
<b>Oriental SP Sdn Bhd</b>				
Other Charges	3	-	-	-
<b>Oriental Husetop Sdn Bhd</b>				
Other Charges	-	4	-	-
<b>Timuran Engineering Sdn Bhd</b>				
Other Charges	-	30	-	-
<b>PT OSP</b>				
Sales	(7)	-	-	-

\* The above includes all transactions regardless of value

<sup>#</sup> There are 5 quarters in financial period ended 31 December 2012 due to change of its year end.

# **HG METAL MANUFACTURING LIMITED**

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## **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 March 2013 to be false or misleading in any material respect.

**On behalf of the Board,**

**Mr Goh Kian Sin  
Managing Director**

**13 May 2013**