



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

**Second Quarter Financial Statements and Dividend Announcement  
for Financial Period Ended 30 June 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		
	2Q 2016 S\$'000	2Q 2015 S\$'000	% (+/-)	1H 2016 S\$'000	1H 2015 S\$'000	% (+/-)
<b>Revenue</b>	<b>33,718</b>	<b>35,996</b>	<b>(6)</b>	<b>55,641</b>	<b>71,496</b>	<b>(22)</b>
Cost of sales	(31,795)	(34,799)	(9)	(52,042)	(68,307)	(24)
<b>Gross profit</b>	<b>1,923</b>	<b>1,197</b>	<b>61</b>	<b>3,599</b>	<b>3,189</b>	<b>13</b>
<b>Gross margin</b>	<b>5.7%</b>	<b>3.3%</b>		<b>6.5%</b>	<b>4.5%</b>	
Other operating income	2,162	2,127	2	4,924	3,989	23
Selling & distribution costs	(38)	(209)	(82)	(136)	(477)	(71)
Administrative expenses	(2,036)	(2,174)	(6)	(4,008)	(4,580)	(12)
Other operating expenses	(1,902)	(2,968)	(36)	(5,069)	(5,379)	(6)
Finance costs	(36)	(62)	(42)	(86)	(125)	(31)
Share of associate results	1,339	775	73	1,082	2,111	(49)
<b>Profit/(loss) before income tax</b>	<b>1,412</b>	<b>(1,314)</b>	<b>nm*</b>	<b>306</b>	<b>(1,272)</b>	<b>nm*</b>
Income tax expenses	10	(11)	nm*	10	(11)	nm*
<b>Net profit/(loss) for the period</b>	<b>1,422</b>	<b>(1,325)</b>	<b>nm*</b>	<b>316</b>	<b>(1,283)</b>	<b>nm*</b>
<b>Other comprehensive income:</b>						
Items that may be reclassified subsequently to profit or loss :						
Foreign currency translation	(38)	(6)	nm*	34	44	nm*
Share of other comprehensive income of associates	(177)	35	nm*	(95)	(32)	nm*
<b>Other comprehensive income for the period, net of tax</b>	<b>(215)</b>	<b>29</b>	<b>nm*</b>	<b>(61)</b>	<b>12</b>	<b>nm*</b>
<b>Total comprehensive income for the period</b>	<b>1,207</b>	<b>(1,296)</b>	<b>nm*</b>	<b>255</b>	<b>(1,271)</b>	<b>nm*</b>
<b>Profit/(loss) attributable to:</b>						
Owners of the Company	1,428	(1,326)	nm*	300	(1,258)	nm*
Non-controlling interests	(6)	1	nm*	16	(25)	nm*
	<b>1,422</b>	<b>(1,325)</b>	<b>nm*</b>	<b>316</b>	<b>(1,283)</b>	<b>nm*</b>
<b>Total comprehensive income attributable to:</b>						
Owners of the Company	1,220	(1,282)	nm*	235	(1,222)	nm*
Non-controlling interests	(13)	(14)	nm*	20	(49)	nm*
	<b>1,207</b>	<b>(1,296)</b>	<b>nm*</b>	<b>255</b>	<b>(1,271)</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

	Group		Group	
	2Q 2016	2Q 2015	1H 2016	1H 2015
Profit/(loss) before tax is arrived at after crediting/(charging) the following:	S\$'000	S\$'000	S\$'000	S\$'000
(Allowance)/reversal of allowance for impairment of receivables	(105)	-	(7)	10
Bad debts recovered	-	10	-	10
Amortisation of intangible assets	(6)	(8)	(14)	(16)
Recognition of deferred income	357	357	714	714
Depreciation of property, plant and equipment	(626)	(535)	(1,249)	(1,120)
Fair value gain on investment held for trading	-	20	-	20
Fair value (loss)/gain on derivatives, net	(243)	(75)	57	(169)
Foreign exchange gain/(loss), net	350	(555)	(667)	(455)
Interest income	85	1	170	2
Finance cost	(36)	(62)	(86)	(125)
Gain on disposal of property, plant and equipment	172	50	269	54
Write off of property, plant and equipment	(29)	(46)	(33)	(46)

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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	
	30.06.2016 S\$'000	31.12.2015 S\$'000	30.06.2016 S\$'000	31.12.2015 S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	14,629	14,905	9,673	9,400
Intangible assets	77	92	75	89
Investment in subsidiaries	-	-	13,147	13,147
Investment in associates	49,648	49,503	505	505
	64,354	64,500	23,400	23,141
<b>Current assets</b>				
Inventories	17,925	5,381	16,558	4,381
Trade and other receivables	33,278	31,889	47,785	46,362
Income tax recoverable	-	61	-	-
Prepaid expenses	254	191	202	178
Cash and cash equivalents	52,556	50,514	41,520	33,701
	104,013	88,036	106,065	84,622
<b>Current liabilities</b>				
Trade and other payables	32,453	8,853	40,898	9,254
Finance lease payables	241	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*	1	59	1	59
	34,137	14,771	42,567	15,152
<b>Net current assets</b>	69,876	73,265	63,498	69,470
<b>Non-current liabilities</b>				
Finance lease payables	258	378	258	378
Bank borrowings	-	2,646	-	2,646
Provision for reinstatement costs	1,000	1,000	700	700
Deferred income	3,690	4,405	3,690	4,405
	4,948	8,429	4,648	8,129
	129,282	129,336	82,250	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	1,575	1,640	2,527	2,527
Accumulated losses	(22,414)	(22,714)	(70,114)	(68,191)
	128,998	129,072	82,250	84,482
<b>Non-controlling interests</b>	284	264	-	-
<b>Total equity</b>	129,282	129,336	82,250	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 accounts receivable.

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

	As at 30 June 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	-	-	241	4,171	-	246
Repayable after one year	-	-	258	2,646	-	378
Total	-	-	499	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 balance sheet date, 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	
	2Q 2016	2Q 2015	1H 2016	1H 2015
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Cash flows from operating activities</b>				
Profit/(loss) before income tax	1,412	(1,314)	306	(1,272)
Adjustments for:				
Depreciation of property, plant and equipment	626	535	1,249	1,120
Amortisation of intangible assets	6	8	14	16
Allowance/(reversal of allowance) for impairment of receivables	105	-	7	(10)
Bad debts recovered	-	(10)	-	(10)
Gain on disposal of property, plant and equipment	(172)	(50)	(269)	(54)
Write off of property, plant and equipment	29	46	33	46
Fair value gain on investment held for trading	-	(20)	-	(20)
Fair value loss/(gain) on derivatives, net	243	75	(57)	169
Finance cost	36	62	86	125
Interest income	(85)	(1)	(170)	(2)
Share of associate results	(1,339)	(775)	(1,082)	(2,111)
Recognition of deferred income	(357)	(357)	(714)	(714)
Unrealised foreign exchange loss/(gain),net	65	(336)	(214)	46
<b>Operating cash flow before working capital changes</b>	<b>569</b>	<b>(2,137)</b>	<b>(811)</b>	<b>(2,671)</b>
Working capital changes:				
Inventories	(12,862)	13,973	(13,461)	13,078
Trade and other receivables	(13,461)	1,038	(1,456)	4,425
Trade and other payables	25,250	(10,123)	23,592	(16,818)
<b>Cash (used in)/generated from operations</b>	<b>(504)</b>	<b>2,751</b>	<b>7,864</b>	<b>(1,986)</b>
Interest expense paid	(36)	(62)	(86)	(125)
Interest income received	85	1	170	2
Income tax refund	71	-	71	-
<b>Net cash flows (used in)/generated from operating activities</b>	<b>(384)</b>	<b>2,690</b>	<b>8,019</b>	<b>(2,109)</b>
<b>Cash flows from investing activities</b>				
Dividend income received from investments & associates	-	1,054	843	2,739
Proceeds from disposal of property, plant and equipment	297	87	402	126
Purchase of property, plant and equipment	(132)	(161)	(211)	(196)
Purchase of intangible assets	-	(2)	-	(2)
<b>Net cash flows generated from investing activities</b>	<b>165</b>	<b>978</b>	<b>1,034</b>	<b>2,667</b>
<b>Cash flows from financing activities</b>				
Acquisition of non-controlling interests	-	(94)	-	(94)
Purchase of treasury shares	-	-	(309)	-
Repayment of bank borrowings	(5,771)	(1,028)	(6,817)	(3,822)
Repayment of finance lease payables	(62)	(23)	(124)	(61)
<b>Net cash flows used in financing activities</b>	<b>(5,833)</b>	<b>(1,145)</b>	<b>(7,250)</b>	<b>(3,977)</b>
Net (decrease)/increase in cash and cash equivalents	(6,052)	2,523	1,803	(3,419)
Effects on exchange rate changes on cash and cash equivalents	(90)	388	239	95
Cash and cash equivalents at beginning of financial period	58,698	46,426	50,514	52,661
<b>Cash and cash equivalents at end of financial period</b>	<b>52,556</b>	<b>49,337</b>	<b>52,556</b>	<b>49,337</b>

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

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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 June 2016 S\$'000	30 June 2015 S\$'000
Cash and bank balances	25,499	49,337
Fixed deposits	27,057	-
	<b>52,556</b>	<b>49,337</b>
Cash and cash equivalents per consolidated cash flow statement	52,556	49,337

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

**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
Profit for the period	-	-	-	-	-	-	300	300	16	316
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	30	-	30	4	34
Share of other comprehensive income of associate	-	-	-	-	-	(95)	-	(95)	-	(95)
Other comprehensive income for the period, net of tax	-	-	-	-	-	(65)	-	(65)	4	(61)
Total comprehensive income for the period	-	-	-	-	-	(65)	300	235	20	255
<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 June 2016	152,052	(2,215)	2,527	(4)	(211)	(737)	(22,414)	128,998	284	129,282

# HG METAL MANUFACTURING LIMITED

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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 2015	152,052	(1,885)	2,527	(4)	(177)	(415)	(17,259)	134,839	564	135,403
Loss for the period	-	-	-	-	-	-	(1,258)	(1,258)	(25)	(1,283)
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	68	-	68	(24)	44
Share of other comprehensive income of associate	-	-	-	-	-	(32)	-	(32)	-	(32)
Other comprehensive income for the period, net of tax	-	-	-	-	-	36	-	36	(24)	12
Total comprehensive income for the period	-	-	-	-	-	36	(1,258)	(1,222)	(49)	(1,271)
<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 June 2015	152,052	(1,885)	2,527	(4)	(224)	(379)	(18,517)	133,570	468	134,038



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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 2016	152,052	(1,906)	2,527	(68,191)	84,482
Loss for the period, representing total comprehensive loss for the period	-	-	-	(1,923)	(1,923)
<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 June 2016	152,052	(2,215)	2,527	(70,114)	82,250
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	-	-	-	(5,842)	(5,842)
Total transactions with owners in their capacity as owners	-	-	-	-	-
Closing balance at 30 June 2015	152,052	(1,885)	2,527	(66,430)	86,264

**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.

The Company announced on 8 July 2016 it had utilised S\$8.7 million from the net proceeds of approximately S\$14.7 million for working capital purpose. As at the date of this announcement, a further S\$3.0 million has been used as follows:

Use of Proceeds	Amount allocated S\$'000	Balance as at 8 July 2016 S\$'000	Amount utilised as at the date of this announcement S\$'000	Balance as at the date of this announcement S\$'000
General working capital	14,683	6,000	3,000 <sup>(1)</sup>	3,000

**Note**

<sup>(1)</sup> General working capital consists of purely trade payments.

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**

During the financial period ended 30 June 2016, the Company undertook 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.

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Financial Statements and Dividend Announcement for Financial Period Ended 30 June 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	<u>1,306,121,962</u>	<u>31,936,300</u>
Number of shares after consolidation	130,611,365	3,193,630
As at 30 June 2016	<u>130,611,365</u>	<u>3,193,630</u>

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

The Company did not hold any convertible shares as at 30 June 2016 and 30 June 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	<u>(23,797,100)</u>
Total number of issued shares excluding treasury shares	<u>1,282,324,862</u>

## After Share Consolidation

**30 June 2016**

Total number of issued shares	130,611,365
Less: Treasury shares	<u>(3,193,630)</u>
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

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

**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.

**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	
	2Q 2016	2Q 2015*	1H 2016	1H 2015*
Earnings per ordinary shares:				
(a) Basic (cents)	1.12	(1.03)	0.24	(0.98)
(b) Diluted (cents)	1.12	(1.03)	0.24	(0.98)

(a) Earnings per share were calculated based on weighted average number of shares of 127,456,736 and 128,284,565\* for the period ended 30 June 2016 and 30 June 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	
	30.06.2016	31.12.2015*	30.06.2016	31.12.2015*
Net asset value per ordinary share (cents)	101.24	100.65	64.55	65.88

Net asset value per ordinary share was calculated based on 127,417,735 and 128,231,655\* as at 30 June 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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Financial Statements and Dividend Announcement for Financial Period Ended 30 June 2016

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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 2Q2016 versus 2Q2015**

The Group recorded revenue of S\$33.7 million in 2Q2016 as compared to S\$36.0 million in 2Q2015. The decrease in revenue was mainly due to lower average selling price which declined by an average of 6.0%. Notwithstanding that international steel prices had gone up in recent months, the market prices in 2Q2016 remained lower than the same quarter last year.

The Group's gross profit improved to S\$1.9 million in 2Q2016 compared to S\$1.2 million in 2Q2015 as a result of higher gross profit margin. The gross margin was 5.7% for 2Q2016 compared to 3.3% for 2Q2015 mainly due to lower average inventory cost.

### **Other Operating Income**

Other operating income increased from S\$2.1 million in 2Q2015 to S\$2.2 million in 2Q2016. This was mainly attributed to the gain on disposal of fixed assets of S\$0.1 million.

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

The Group's distribution expenses decreased 82% from S\$0.2 million in 2Q2015 to S\$0.04 million in 2Q2016 as a result of cost saving initiatives implemented by the Group.

Administrative expenses decreased by 6% from S\$2.2 million in 2Q2015 to S\$2.0 million in 2Q2016, mainly due to overall reduction in administrative expenses.

Other operating expenses dropped by 36% from S\$3.0 million in 2Q2015 to S\$1.9 million in 2Q2016. This was mainly due to the decrease in foreign exchange loss of S\$0.9 million.

Lower finance expenses was incurred in 2Q2016 as compared to 2Q2015 as a result of repayment of bank borrowings.

### **Profitability**

The Group posted a net profit after tax of S\$1.4 million in 2Q2016 compared to a net loss of S\$1.3 million in 2Q2015 attributed to improved gross profit, increase in share of profit from associates and overall reduction in operating expenses.

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## **Results for 1H 2016 versus 1H 2015**

### **Revenue and Gross Profit**

The Group's revenue decreased by 22% from S\$71.5 million in first half of FY2015 (1H2015) to S\$55.6 million in first half of FY2016 (1H2016), arising from lower sale volume of 5% and lower average selling prices of 18%.

Gross profit increased to S\$3.6 million in 1H2016 from S\$3.2 million in 1H2015, driven by improvement in gross profit margin which rose to 6.5% in 1H2016 as compared to 4.5% in 1H2015, mainly due to lower average inventory cost.

### **Other Operating Income**

Other operating income increased from S\$4.0 million in 1H2015 to S\$4.9 million in 1H2016. This was mainly attributed to the increase in warehouse services income of S\$0.4 million, fixed deposit interest income of S\$ 0.2 million and gain on disposal of fixed assets of S\$ 0.2 million.

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

The Group's distribution expenses declined by 71% from S\$0.5 million in 1H2015 to S\$0.1 million in 1H2016. The decrease was attributed to implementation of cost saving and cost optimization initiatives.

Administrative expenses decreased by 12% from S\$4.6 million in 1H2015 to S\$4.0 million in 1H2016 mainly due to reduced headcount and overall reduction in other administrative expenses.

Other operating expenses decreased by 6% from S\$5.4 million in 1H2015 to S\$5.1 million in 1H2016. The decrease was mainly due to lower rental expenses and repair maintenance expense incurred in first half of 2016.

Finance expenses decreased to S\$0.09 million in 1H2016 as compared to S\$0.1 million in 1H2015 as result of repayment of bank borrowings.

### **Profitability**

The Group recorded a net profit after tax of S\$0.3 million in 1H2016, compared to a net loss after tax of S\$1.3million in 1H2015. The better result achieved in 1H2016 was mainly attributable to improved gross profit, overall reduction in operating expenses and an increase in other operating income. These gains were partially offset by the reduction in share of profit from associates of S\$1.0 million.

### **Balance Sheet**

As at 30 June 2016, the Group's inventory on hand increased to S\$18.0 million as compared to S\$5.4 million as at 31 December 2015 in view of stock replenishments in 2Q2016.

Trade and other receivables increased to S\$33.2 million as at 30 June 2016 as compared to S\$31.9 million as at 31 December 2015.

Trade and other payables increased to S\$32.5 million as at 30 June 2016 compared to S\$8.9 million as at 31 December 2015 due to the purchase of inventories.

As at 30 June 2016 there was no outstanding bank borrowings as the group had fully repaid its banks loans during the quarter 2Q2016.

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## Statement of Cash Flows

The net cash flows generated from operating activities was S\$8.0 million in 1H2016 compared to net cash flows used in operating activities of S\$2.1 million in 1H2015. This was mainly attributable to the profit before tax amounted to S\$0.3 million and increase in trade and other payables of S\$23.6 million, offset by the increase in inventories as well as trade and other receivables of S\$13.5 million and S\$1.5 million respectively.

Net cash flows generated from investing activities for 1H2016 was S\$1.0 million mainly derived from dividends received from quoted investment.

Net cash flows used in financing activities for 1H2016 was S\$7.3 million, primarily for the repayment of bank borrowings of S\$6.8 million.

The Group's cash and cash equivalents was S\$52.6 million as at 30 June 2016 in comparison to S\$49.3 million as at 30 June 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 steel market sentiment has been weak as most traders do not expect the steel price rebound in the first half of the year to be sustainable given the overall dismal macro-economic outlook for China and the country's continuing high levels of steel production. The slowdown in the global economies and the collapse of oil prices further exacerbated the issue.

Against this backdrop, the business outlook for the steel industry is expected to remain challenging. Demand for steel is expected to remain soft as customers remain wary of increasing their inventories, amidst volatility of steel prices and general downturn in the global economy

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

1. The fluctuations of steel prices which are driven by global demand and supply of steel products
2. The state of Singapore economy and the growth of the construction and infrastructure sectors
3. The political and economy of our export markets
4. The intensity of the competition in the industry
5. The fluctuations of the US dollar against Singapore dollar

Notwithstanding the uncertainties over the economic climate, the Group endeavors to remain focus on growing its core businesses and expand its distribution business in Myanmar. The Group will continue to adopt a prudent and cautious approach in its inventory holding vis-à-vis the prevailing market conditions and steel price volatility.

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

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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 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 June 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 June 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**  
Executive Director

**Teo Yi-Dar (Zhang Yida)**  
Non-Executive Director

**10 August 2016**