

# *HG Metal Manufacturing Limited*

Full Year Financial Statement and Dividend Announcement  
30 September 2004

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

**1(a) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year**

	<b>Group</b>		
	<b>11 months ended 30/09/2004</b>	<b>Year ended 31/10/2003</b>	<b>Increase / (Decrease)</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>%</b>
<b>Turnover</b>	<b>174,689</b>	<b>108,370</b>	<b>61.2%</b>
Cost of Sales	(139,660)	(95,732)	45.9%
Gross Profit	35,029	12,638	177.2%
Other Operating Income	1,077	974	10.6%
Distribution Costs	(1,825)	(1,412)	29.2%
Administrative Expenses	(7,469)	(4,898)	52.5%
Other Operating Expenses	(3,792)	(1,178)	221.9%
Profit from Operations	23,020	6,124	275.9%
Finance Costs	(2,013)	(1,819)	10.7%
<b>Profit Before Income Tax</b>	<b>21,007</b>	<b>4,305</b>	<b>388.0%</b>
Income Tax	(4,319)	(998)	332.8%
<b>Profit After Income Tax</b>	<b>16,688</b>	<b>3,307</b>	<b>404.6%</b>
Minority Interests	(118)	(143)	(17.5%)
<b>Net Profit Attributable to Shareholders</b>	<b>16,570</b>	<b>3,164</b>	<b>423.7%</b>

Note: During the period, the Company changed its financial year end from 31 October to 30 September. The figures are eleven months' results from 1 November 2003 to 30 September 2004.

**The net profit attributable to shareholders included the following for the period ended 30 September 2004 :**

	<b>Group</b>	
	<b>11 months ended 30/09/2004</b>	<b>Year ended 31/10/2003</b>
	S\$'000	S\$'000
Interest Income	*	*
Interest on Borrowings	2,013	1,819
Depreciation and Amortisation	848	831
Allowance for Doubtful Receivables and Bad Receivables Written Off	2,353	*
Allowance for Stock Obsolescence	*	*
Gain or Loss on Disposal of Plant & Equipment	*	*
Foreign Exchange Gain	640	419
Adjustments for Underprovision of Income Tax in respect of prior years	114	106

\* - denotes less than S\$100,000.

**1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year :**

	Group		Company	
	As at 30/09/2004 S\$'000	As at 31/10/2003 S\$'000	As at 30/09/2004 S\$'000	As at 31/10/2003 S\$'000
<b>Non-current assets</b>				
<b>Property, Plant &amp; Equipment</b>	9,908	9,897	4,797	4,583
<b>Intangible assets</b>	(36)	(80)	163	212
<b>Subsidiary companies</b>	-	-	4,854	4,854
	<b>9,872</b>	<b>9,817</b>	<b>9,814</b>	<b>9,649</b>
<b>Current assets</b>				
Inventories	62,400	34,471	51,764	27,811
Trade receivables	51,287	29,307	46,628	24,855
Other receivables	765	1,195	678	1,062
Due from related parties	132	442	132	442
Due from subsidiary	-	-	5,276	5,411
Fixed deposits with banks	8,112	1,596	8,021	1,503
Cash and bank balances	7,402	3,449	6,404	2,798
	<b>130,098</b>	<b>70,460</b>	<b>118,903</b>	<b>63,882</b>
<b>Current liabilities</b>				
Trade payables	12,924	6,291	11,769	5,207
Other payables	4,930	1,975	4,113	1,650
Provision for directors' fees	220	-	220	-
Finance lease payables	44	58	-	11
Current tax payable	3,987	1,077	3,625	782
Bank borrowings	65,072	38,288	59,746	35,077
	<b>87,177</b>	<b>47,689</b>	<b>79,473</b>	<b>42,727</b>
<b>Net current assets</b>	<b>42,921</b>	<b>22,771</b>	<b>39,430</b>	<b>21,155</b>
<b>Non-current liabilities</b>				
Finance lease payables	(142)	(185)	-	-
Bank borrowings	(4,738)	(6,592)	(4,738)	(6,592)
Deferred tax	(187)	(328)	(56)	(16)
	<b>(5,067)</b>	<b>(7,105)</b>	<b>(4,794)</b>	<b>(6,608)</b>
	<b>47,726</b>	<b>25,483</b>	<b>44,450</b>	<b>24,196</b>
<b>Share capital and Reserves</b>				
Share capital	26,432	18,266	26,432	18,266
Share premium	3,030	657	3,030	657
Retained profits	17,698	6,041	14,988	5,273
Foreign currency translation reserve	(58)	(27)	-	-
Minority interests	624	546	-	-
	<b>47,726</b>	<b>25,483</b>	<b>44,450</b>	<b>24,196</b>

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

**Amount repayable in one year or less, or on demand**

As at 30/09/2004 S\$'000		As at 31/10/2003 S\$'000	
Secured	Unsecured	Secured	Unsecured
2,561	62,555	2,563	35,725

**Amount repayable after one year**

As at 30/09/2004 S\$'000		As at 31/10/2003 S\$'000	
Secured	Unsecured	Secured	Unsecured
4,880	-	6,592	-

**Details of any collateral**

Transferable Loan Facility outstanding of S\$7.2 million is secured by legal mortgage over leasehold buildings of the Group with net book value of S\$6,370,745 as at 30 September 2004 (31/10/2003: S\$7,077,615). The balance is amount due to finance lease payables which are secured by Property, Plant & Equipment acquired under the respective finance lease contracts.

**1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year**

	<b>Group</b>	
	<b>11 months ended 30/09/2004 S\$'000</b>	<b>Year ended 31/10/2003 S\$'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before Income Tax	21,007	4,305
Adjustments for non-cash items:		
Amortisation of negative goodwill	(92)	(101)
Amortisation of purchased goodwill	48	53
Depreciation of Property, Plant & Equipment	892	879
(Gain) / Loss on disposal of Plant & Equipment	(72)	3
Interest expense	2,013	1,819
Interest income	(32)	(44)
Currency re-alignment	(30)	(9)
Provision for directors' fees	220	-
Allowance for stock obsolescence	55	1
Allowance for doubtful trade receivables	2,203	46
Bad trade receivables written off	151	185
Reversal for allowance for doubtful trade receivables	-	(178)
Operating profit before working capital changes	26,363	6,959
Working capital changes:		
Increase in inventories	(27,984)	(4,176)
Increase in trade and other receivables	(23,904)	(6,848)
Increase / (Decrease) in trade and other payables	9,588	(2,799)
Decrease / (Increase) in amounts due by related parties	310	(331)
Decrease in amounts due to related parties	-	(345)
Cash used in operations	(15,627)	(7,540)
Interest expense paid	(2,013)	(2,735)
Interest income received	32	44
Income tax paid	(1,590)	(777)
Net cash used in operating activities	(19,198)	(11,008)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of Plant & Equipment	(953)	(1,856)
Proceeds from disposal of Plant & Equipment	120	4
Net cash used in investing activities	(833)	(1,852)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from bank borrowings	24,930	12,258
Net repayments to finance lease creditors	(56)	(178)
Proceeds from issue of share capital net of issue expenses	6,539	3,343
Dividends paid on ordinary shares by the Company	(913)	(773)
Dividends paid to minority shareholders	-	(21)
Net cash generated from financing activities	30,500	14,629
Increase in cash and cash equivalents	10,469	1,769
Cash and cash equivalents at 1 November 2003	5,045	3,276
Cash and cash equivalents at 30 September 2004 *	15,514	5,045

\* Cash and cash equivalents at 30 September 2004 comprise of:

	<b>Group</b>	
	<b>As at 30/09/2004 S\$'000</b>	<b>As at 31/10/2003 S\$'000</b>
Cash and cash balances	7,402	3,449
Fixed deposits with banks	8,112	1,596
	<b>15,514</b>	<b>5,045</b>

**1(d)(i) A statement (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**

The Group	Share Capital	Share Premium	Foreign Currency Translation Reserve	Retained Profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b><u>Year ended 31 October 2003</u></b>					
Balance as at 1 November 2002	15,466	115	(14)	3,650	19,217
Issue of 8,000,000 new ordinary shares of S\$0.20 pursuant to private placement	1,600	-	-	-	1,600
Placement of 6,000,000 new ordinary shares of S\$0.20 each at S\$0.2905 each	1,200	542	-	-	1,742
Dividends paid	-	-	-	(773)	(773)
Translation difference on financial statement of foreign subsidiary	-	-	(13)	-	(13)
Net profit for the financial year	-	-	-	3,164	3,164
Balance as at 31 October 2003	18,266	657	(27)	6,041	24,937
<b><u>Period ended 30 September 2004</u></b>					
Balance as at 1 November 2003	18,266	657	(27)	6,041	24,937
Bonus issue from retained profits	4,000	-	-	(4,000)	-
Bonus issue from share premium	566	(566)	-	-	-
Placement of 18,000,000 new ordinary shares of S\$0.20 each at S\$0.3633 each	3,600	2,939	-	-	6,539
Dividends paid	-	-	-	(913)	(913)
Translation difference on financial statement of foreign subsidiary	-	-	(31)	-	(31)
Net profit for the financial year	-	-	-	16,570	16,570
Balance as at 30 September 2004	26,432	3,030	(58)	17,698	47,102

<b>The Company</b>	<b>Share Capital</b>	<b>Share Premium</b>	<b>Retained Profits</b>	<b>Total</b>
	S\$'000	S\$'000	S\$'000	S\$'000
<b><u>Year ended 31 October 2003</u></b>				
Balance as at 1 November 2002	15,466	115	2,412	17,993
14,000,000 new ordinary shares of S\$0.20 pursuant to private placement	2,800	-	-	2,800
Share premium arising on issue of 6,000,000 ordinary shares at S\$0.20 each at S\$0.2905 each	-	542	-	542
Dividends paid	-	-	(773)	(773)
Net profit for the financial year	-	-	3,634	3,634
Balance as at 31 October 2003	18,266	657	5,273	24,196
<b><u>Period ended 30 September 2004</u></b>				
Balance as at 1 November 2003	18,266	657	5,273	24,196
Bonus issue from retained profits	4,000	-	(4,000)	-
Bonus issue from share premium	566	(566)	-	-
Placement of 18,000,000 new ordinary shares of S\$0.20 each at S\$0.3633 each	3,600	2,939	-	6,539
Dividends paid	-	-	(913)	(913)
Net profit for the financial year	-	-	14,628	14,628
Balance as at 30 September 2004	26,432	3,030	14,988	44,450



**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**

On 11 March 2004, the Company issued 22,832,495 new ordinary shares of S\$0.20 each on the basis of one new ordinary share of S\$0.20 each credited as fully paid for every four existing ordinary shares of S\$0.20 each held in the capital of the Company.

On 28 April 2004, the Company issued 18,000,000 new ordinary shares by way of placement shares at a placement price of S\$0.3633 per placement share.

**2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice**

The figures have not been audited.

**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**

The Group has applied the same accounting policies and methods of computation as in the most recently audited annual financial statements.

**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**

Effect of changes in Singapore Companies Legislation

Pursuant to the Singapore Companies (Amendment) Act 2002, with effect from financial year commencing on 1 November 2003, the Company and the Group are required to prepare and present their audited financial statements in accordance with the Singapore Financial Reporting Standards (“FRS”). These financial statements, including the comparative figures, have therefore been prepared in accordance with FRS.

Previously, the Company and the Group prepared the financial statements in accordance with Singapore Statements of Accounting Standards. The adoption of FRS has not had a material impact on the accounting policies and figures presented in the financial statements for the financial period ended 30 September 2004.

**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**

	<b>Group</b>	
	<b>11 months ended 30/09/2004</b>	<b>Year ended 31/10/2003</b>
(i) Based on the weighted average number of ordinary shares in issue	14.77 cents	4.00 cents
(ii) On a fully diluted basis	14.77 cents	4.00 cents
* Weighted average number of ordinary shares	113,003,747	81,663,333

**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**

<b>Group</b>	<b>As at 30/09/2004</b>	<b>As at 31/10/2003</b>
Net asset for the Group (S\$'000)	47,102	24,937
Number of ordinary shares (S\$'000)	132,162	91,330
Net asset value per ordinary share (cents)	35.64	27.30

<b>Company</b>	<b>As at 30/09/2004</b>	<b>As at 31/10/2003</b>
Net asset for the Company (S\$'000)	44,450	24,196
Number of ordinary shares (S\$'000)	132,162	91,330
Net asset value per ordinary share (cents)	33.63	26.49

- 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**

We have changed our financial period from 31 October to 30 September with effect from financial period 2004. Hence, for the financial period 2004, we will be reporting the result for 11 months ending 30 September 2004.

Riding on strong global and regional demand for steel, the Group's turnover was up almost 75.9% on an annualized basis to reach another record high of S\$174.7 million. This strong growth in turnover was boosted by strong demand for steel products like steel plates, higher steel prices and an expansion of our Sales Department. The strong shipbuilding and repair sector continues to be one of the main drivers of the sales growth for our Trading division. Our manufacturing division also has a record year with sales of S\$15.8 million (inclusive of inter-company sales of S\$3.1 million) with strong contribution from the new pipes manufacturing line.

The Group's profit before income tax (PBT) was 432.3% higher on an annualized basis to reach S\$21.0 million. During the financial period, both our trading and manufacturing divisions were able to enjoy higher profit margins given the strong demand for steel. On a Group basis, we were therefore able to achieve significantly higher gross profit margin of 20.1 % compared to 11.7 % last year. In line with the higher sales volume, distribution cost and administration expenses rose 41.0% and 66.4% respectively on an annualized basis. On the other hand, the Group's finance costs increased marginally despite the increase in turnover by 75.9% on annualized basis. As a result, the Group's profit after income tax was 5.5 times higher on an annualized basis to reach S\$16.7 million. During the financial period, the Group made a provision for doubtful receivables of S\$2.4 million, reflecting higher trade receivables from increased sales.

Despite an increase in the number of shares through the bonus share issue and share placements, EPS increased from 4.00 cents per share as at 31 October 2003 to 14.77 cents per share as at 30 September 2004.

The Group's cash and cash equivalents continue to strengthen, increasing from S\$5.0 million as at 31 October 2003 to S\$15.5 million as at 30 September 2004. The net cash of S\$19.2 million used in operating activities was attributable to the increase in sales, which resulted in an increase in inventories of S\$28.0 million, trade and other receivables of S\$23.9 million.

Similarly, the Group was able also to reduce our gearing from 1.79 as at end of financial year 2003 to 1.49 times as at end of financial period 2004.

**9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

No forecasts have been previously made to the shareholders. Our results for the year ended 30 September 2004 were in line with the prospect statement made for the six months ended 30 April 2004.

**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**

In March 2004, the Group successfully completed our bonus shares issue exercise. As a result of our bonus shares issue, the Group's number of shares increased from 91,330,000 shares to 114,162,500 shares.

In April 2004, the Group has placed out 18,000,000 new shares to a group of institutional investors and high networth individuals. This brings the total number of shares in the Group to 132,162,500 shares. The monies raised will be used mainly for working capital and for further expansion of the Group.

In May 2004, the Group was successfully upgraded to the Main Board of the Singapore Exchange, two years after our IPO in March 2002. The Group believes that both the share placement and our upgrade to the Main Board will further raise the profile of the Group as well as attract institutional investors as shareholders.

The underlying global and regional demand for steel products remains strong. Although demand from China has somewhat cooled off, there are strong demand coming from the Middle East e.g. Dubai and the United States. Around the region, we understand most shipyards' order books for 2005 are full. We also feel that there is a likelihood that conditions for the construction industry may improve in 2005 after many years of consolidating.

To further consolidate the Group's position as a leading stockist and to further expand our manufacturing capabilities, the Group is currently undertaking a few expansion projects. The Group is currently constructing a 15,000 sq foot warehouse extension which will allow the Group to carry more higher-value steel items. This extension should be completed before end of 2004 and is internally funded. Our subsidiary Oriental Metals Pte Ltd has also obtained an adjoining land of approximately 90,000 sq feet from the JTC for the construction of a factory cum warehouse. Construction of the new factory should begin sometime in the next financial year and will be funded internally and through bank borrowings.

Barring unforeseen circumstances, the directors remain positive about the outlook for financial year 2005. The directors expect the first half of financial year 2005 to be better than the first half of financial period 2004.

**11. Dividend**

**(a) Current financial period reported on**

*Any dividend recommended for the current financial period reported on? Yes*

Name of Dividend : Final  
Dividend Type : Cash  
Dividend rate : 1 cent per ordinary share (net of tax)  
Par value of shares : S\$0.20  
Tax rate : 20%

Name of Dividend : Special  
Dividend Type : Cash  
Dividend rate : 0.5 cent per ordinary share (net of tax)  
Par value of shares : S\$0.20  
Tax rate : 20%

**(b) Corresponding period of the immediately preceding financial year**

*Any dividend recommended for the corresponding period of the immediately preceding financial year? Yes*

Name of Dividend : Final  
Dividend Type : Cash  
Dividend rate : 1 cent per ordinary share (net of tax)  
Par value of shares : S\$0.20  
Tax rate : 22%

**(c) Date payable**

To be announced later.

**(d) Books closure date**

To be announced later.

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

Not applicable.

**PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year results)**

**13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year**

	<b>Trading</b>	<b>Manufacturing</b>	<b>Group</b>
	S\$'000	S\$'000	S\$'000
<b>2004</b>			
Sales to external customers	162,274	12,415	174,689
Segment results	19,811	3,177	22,988
Interest expense	(1,865)	(148)	(2,013)
Interest income	31	1	32
Profit before income tax	17,977	3,030	21,007
Income Tax	(3,988)	(331)	(4,319)
Minority interest	(118)	-	(118)
Net profit	13,871	2,699	16,570
Segment assets	121,231	18,739	139,970
Segment liabilities	81,842	6,228	88,070
Capital expenditure	684	269	953
Depreciation expense	471	421	892
Amortisation expense	21	(65)	(44)
	<b>Trading</b>	<b>Manufacturing</b>	<b>Group</b>
	S\$'000	S\$'000	S\$'000
<b>2003</b>			
Sales to external customers	97,286	11,084	108,370
Segment results	4,158	1,922	6,080
Interest expense	(1,566)	(253)	(1,819)
Interest income	40	4	44
Profit before income tax	2,632	1,673	4,305
Income Tax	(680)	(318)	(998)
Minority interest	(143)	-	(143)
Net profit	1,809	1,355	3,164
Segment assets	65,877	14,400	80,277
Segment liabilities	49,841	3,548	53,389
Capital expenditure	529	1,394	1,923
Depreciation expense	498	381	879
Amortisation expense	23	(71)	(48)

	<b>Singapore</b>	<b>Malaysia</b>	<b>Group</b>
	S\$'000	S\$'000	S\$'000
<b>2004</b>			
Sales to external customers	166,376	8,313	174,689
Segment assets	137,125	2,845	139,970
Capital expenditure	936	17	953

	<b>Singapore</b>	<b>Malaysia</b>	<b>Group</b>
	S\$'000	S\$'000	S\$'000
<b>2003</b>			
Sales to external customers	99,338	9,032	108,370
Segment assets	77,666	2,611	80,277
Capital expenditure	1,907	16	1,923

**14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments**

Please refer to item no. 8.

**15. A breakdown of sales**

	<b>Group</b>		
	<b>11 months ended 30/09/2004</b>	<b>Year ended 31/10/2003</b>	<b>Increase / (Decrease)</b>
	S\$'000	S\$'000	%
<b><u>First Half</u></b>			
Sales reported for first half year	78,344	45,615	71.8%
Operating profit after tax before deducting minority interests reported for first half year	5,413	1,394	288.3%
<b><u>Second Half</u></b>			
Sales reported for second half year	96,345	62,755	53.5%
Operating profit after tax before deducting minority interests reported for second half year	11,275	2,013	489.4%



**16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year**

Total Annual Dividend (Refer to Para 16 of Appendix 7.2 for the required details)

	<b>Latest Full Year (S\$'000)</b>	<b>Previous Full Year (S\$'000)</b>
Ordinary	1,982	913
Preference	-	-
<b>Total :</b>	<b>1,982</b>	<b>913</b>

**17. Interested Persons Transactions**

**The aggregate value of transactions conducted pursuant to the IPT Mandate obtained during the Annual General Meeting held on 27 February 2004 are as follows:**

<b>Name of interested persons</b>	<b>Aggregate value of all interested persons transactions, conducted under the IPT Mandate (excluding transactions less than S\$100,00)</b>
Super Marine Supplies Pte Ltd	2,195,986
Lingco Shipbuilding Pte Ltd	228,862

BY ORDER OF THE BOARD  
Wee Piew  
Chief Executive Officer  
24/11/2004