



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

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

	<b>Group</b>		
	1Q 2016 S\$'000	1Q 2015 S\$'000	% (+/-)
<b>Revenue</b>	<b>21,923</b>	<b>35,500</b>	<b>(38)</b>
Cost of sales	(20,247)	(33,508)	(40)
<b>Gross profit</b>	<b>1,676</b>	<b>1,992</b>	<b>(16)</b>
<b>Gross margin</b>	<b>7.6%</b>	<b>5.6%</b>	
Other operating income	2,762	1,978	40
Selling & distribution costs	(98)	(268)	(63)
Administrative expenses	(1,972)	(2,406)	(18)
Other operating expenses	(3,167)	(2,527)	25
Finance costs	(50)	(63)	(21)
Share of associate results	(257)	1,336	(119)
<b>(Loss)/profit before income tax</b>	<b>(1,106)</b>	<b>42</b>	<b>nm*</b>
Income tax expenses	-	-	nm*
<b>Net (loss)/profit for the period</b>	<b>(1,106)</b>	<b>42</b>	<b>nm*</b>
<b>Other comprehensive income:</b>			
Items that may be reclassified subsequently to profit or loss :			
Foreign currency translation	72	50	nm*
Share of other comprehensive income of associates	82	(67)	nm*
<b>Other comprehensive income for the period, net of tax</b>	<b>154</b>	<b>(17)</b>	<b>nm*</b>
<b>Total comprehensive income for the period</b>	<b>(952)</b>	<b>25</b>	<b>nm*</b>
<b>(Loss)/profit attributable to:</b>			
Owners of the Company	(1,128)	68	nm*
Non-controlling interests	22	(26)	nm*
	<b>(1,106)</b>	<b>42</b>	<b>nm*</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the Company	(985)	60	nm*
Non-controlling interests	33	(35)	nm*
	<b>(952)</b>	<b>25</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	
	1Q 2016	1Q 2015
Loss before tax is arrived at after crediting/(charging) the following:	S\$'000	S\$'000
Reversal of allowance for impairment of receivables	97	10
Amortisation of intangible assets	(8)	(8)
Recognition of deferred income	357	357
Depreciation of property, plant and equipment	(623)	(585)
Fair value gain/(loss) on derivatives, net	300	(94)
Foreign exchange (loss)/gain, net	(1,017)	100
Interest income	85	1
Finance cost	(50)	(63)
Gain on disposal of property, plant and equipment	97	5
Write off of property, plant and equipment	(4)	-

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## 1(b)(i) A Statement of Financial Position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year

	Group		Company	
	31.03.2016 S\$'000	31.12.2015 S\$'000	31.03.2016 S\$'000	31.12.2015 S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	14,991	14,905	9,667	9,400
Intangible assets	85	92	82	89
Investment in subsidiaries	-	-	13,147	13,147
Investment in associates	48,485	49,503	505	505
	63,561	64,500	23,401	23,141
<b>Current assets</b>				
Derivative financial instruments*	241	-	241	-
Inventories	5,358	5,381	4,253	4,381
Trade and other receivables	19,956	31,889	33,881	46,362
Income tax recoverable	63	61	-	-
Prepaid expenses	218	191	185	178
Cash and cash equivalents	58,698	50,514	40,515	33,701
	84,534	88,036	79,075	84,622
<b>Current liabilities</b>				
Trade and other payables	7,197	8,853	7,093	9,254
Finance lease payables	244	246	239	239
Bank borrowings	4,200	4,171	4,200	4,171
Provision for taxation	13	13	-	-
Deferred income	1,429	1,429	1,429	1,429
Derivative financial instruments	-	59	-	59
	13,083	14,771	12,961	15,152
<b>Net current assets</b>	71,451	73,265	66,114	69,470
<b>Non-current liabilities</b>				
Finance lease payables	318	378	318	378
Bank borrowings	1,571	2,646	1,571	2,646
Provision for reinstatement costs	1,000	1,000	700	700
Deferred income	4,048	4,405	4,048	4,405
	6,937	8,429	6,637	8,129
	128,075	129,336	82,878	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	1,783	1,640	2,527	2,527
Accumulated losses	(23,842)	(22,714)	(69,486)	(68,191)
	127,778	129,072	82,878	84,482
<b>Non-controlling interests</b>	297	264	-	-
<b>Total equity</b>	128,075	129,336	82,878	84,482

\*The derivative financial instruments relate to fair value adjustments pertaining to forward currency contracts entered into by the Group to hedge foreign currency exchange fluctuations arising from receipts from customers which are not denominated in Singapore Dollars.

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

	As at 31 March 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	4,200	-	244	4,171	-	246
Repayable after one year	1,571	-	318	2,646	-	378
Total	5,771	-	562	6,817	-	624

#### Details of collaterals

The Group's borrowings of approximately S\$5.8 million are secured by way of:

- (i) Fixed charge over investment in BRC Asia Limited; and
- (ii) legal mortgage over properties of the Group and of the Company.

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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	
	1Q 2016	1Q 2015
	S\$'000	S\$'000
<b>Cash flows from operating activities</b>		
(Loss)/profit before income tax	(1,106)	42
Adjustments for:		
Depreciation of property, plant and equipment	623	585
Amortisation of intangible assets	8	8
Reversal of allowance for impairment of receivables	(97)	(10)
Gain on disposal of property, plant and equipment	(97)	(5)
Write off of property, plant and equipment	4	-
Fair value (gain)/loss on derivatives, net	(300)	94
Finance cost	50	63
Interest income	(85)	(1)
Share of associate results	257	(1,336)
Recognition of deferred income	(357)	(357)
Unrealised foreign exchange (gain)/loss, net	(279)	379
<b>Operating cash flow before working capital changes</b>	(1,379)	(538)
Working capital changes:		
Inventories	(599)	(895)
Trade and other receivables	12,005	3,388
Trade and other payables	(1,658)	(6,695)
<b>Cash generated from/(used in) operations</b>	8,369	(4,740)
Interest expense paid	(50)	(63)
Interest income received	85	1
<b>Net cash flows generated from/(used in) operating activities</b>	8,404	(4,802)
<b>Cash flows from investing activities</b>		
Dividend income received from investments & associates	843	1,686
Proceeds from disposal of property, plant and equipment	104	39
Purchase of property, plant and equipment	(79)	(34)
<b>Net cash flows generated from investing activities</b>	868	1,691
<b>Cash flows from financing activities</b>		
Purchase of treasury shares	(309)	-
Repayment of bank borrowings	(1,046)	(2,794)
Repayment of finance lease payables	(62)	(37)
<b>Net cash flows used in financing activities</b>	(1,417)	(2,831)
Net increase/(decrease) in cash and cash equivalents	7,855	(5,942)
Effects on exchange rate changes on cash and cash equivalents	329	(293)
Cash and cash equivalents at beginning of financial period	50,514	52,661
<b>Cash and cash equivalents at end of financial period</b>	58,698	46,426

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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>	
	31 March 2016 S\$'000	31 March 2015 S\$'000
Cash and bank balances	24,903	46,426
Fixed deposits	33,795	-
	58,698	46,426
Cash and cash equivalents per consolidated cash flow statement	58,698	46,426

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**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Group	Attributable to owners of the Company									
	Share capital	Treasury shares	Capital reserve	Fair value reserve	Other reserves	Foreign currency translation reserve	Accumulated losses	Total	Non-controlling interests	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Opening balance at 1 January 2016	152,052	(1,906)	2,527	(4)	(211)	(672)	(22,714)	129,072	264	129,336
Loss for the period	-	-	-	-	-	-	(1,128)	(1,128)	22	(1,106)
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	61	-	61	11	72
Share of other comprehensive income of associate	-	-	-	-	-	82	-	82	-	82
Other comprehensive income for the period, net of tax	-	-	-	-	-	143	-	143	11	154
Total comprehensive income for the period	-	-	-	-	-	143	(1,128)	(985)	33	(952)
<u>Contribution by and distributions to owners</u>										
Purchase of treasury shares	-	(309)	-	-	-	-	-	(309)	-	(309)
Total contribution by and distributions to owners	-	(309)	-	-	-	-	-	(309)	-	(309)
Total transactions with owners in their capacity as owners	-	(309)	-	-	-	-	-	(309)	-	(309)
Closing balance at 31 March 2016	152,052	(2,215)	2,527	(4)	(211)	(529)	(23,842)	127,778	297	128,075

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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
Profit for the period	-	-	-	-	-	-	68	68	(26)	42
<u>Other comprehensive income</u>										
Foreign currency translation	-	-	-	-	-	59	-	59	(9)	50
Share of other comprehensive income of associate	-	-	-	-	-	(67)	-	(67)	-	(67)
Other comprehensive income for the period, net of tax	-	-	-	-	-	(8)	-	(8)	(9)	(17)
Total comprehensive income for the period	-	-	-	-	-	(8)	68	60	(35)	25
Closing balance at 31 March 2015	152,052	(1,885)	2,527	(4)	(177)	(423)	(17,191)	134,899	529	135,428



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Company	Share capital	Treasury shares	Capital reserve	Accumulated losses	Total
	S\$'000	S\$'000	S\$'000	S\$'000	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	-	-	-	(1,295)	(1,295)
<u>Contributions by and distributions to owners</u>					
Purchase of treasury shares	-	(309)	-	-	(309)
Total transactions with owners in their capacity as owners	-	(309)	-	-	(309)
Closing balance at 31 March 2016	152,052	(2,215)	2,527	(69,486)	82,878
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	-	-	-	(996)	(996)
Total transactions with owners in their capacity as owners	-	-	-	-	-
Closing balance at 31 March 2015	152,052	(1,885)	2,527	(61,584)	91,110

**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.

As at date of this announcement, the Company has not utilised the net proceeds of approximately S\$14.7 million.

There was no change in the Company's share capital during the 1<sup>st</sup> quarter ended 31 March 2016.

As at 31 March 2016, the Company held 31,936,300 (31 March 2015: 23,268,000) of its issued shares as treasury shares.

**1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at end of the immediately preceding year.**

	31 March 2016	31 December 2015
Total number of issued shares	1,306,121,962	1,306,121,962
Treasury shares	(31,936,300)	(23,797,100)
Total number of issued shares excluding treasury shares	<u>1,274,185,662</u>	<u>1,282,324,862</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 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	
	1Q 2016	1Q 2015
Earnings per ordinary shares:		
(a) Basic (cents)	(0.09)	0.01
(b) Diluted (cents)	(0.09)	0.01

(a) Earnings per share were calculated based on weighted average number of shares of 1,274,965,679 and 1,282,853,962 for the period ended 31 March 2016 and 31 March 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.

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

	Group		Company	
	31.03.2016	31.12.2015	31.03.2016	31.12.2015
Net asset value per ordinary share (cents)	10.03	10.07	6.50	6.59

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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 1Q2016 versus 1Q2015

#### Revenue and Gross Profit

The Group recorded revenue of S\$21.9 million in 1Q2016 as compared to S\$35.5 million in 1Q2015 due to lower sales volume and lower average selling price which declined by an average of 10% and 31% respectively.

The Group's gross profit was reported as S\$1.7 million in 1Q2016 as compared to S\$2.0 million in 1Q2015, as a result of lower sales revenue. For 1Q2016, the gross profit margin had improved to 7.6% compared with 5.6% for 1Q2015, mainly due to lower average inventory cost.

#### Other Operating Income

Other operating income increased from S\$2.0 million in 1Q2015 to S\$2.8 million in 1Q2016. This was mainly attributed to increase in warehouse services income of S\$0.3 million and fair value gain on forward currency contracts of 0.3 million.

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

The Group's distribution expenses decreased 63% from S\$0.3 million in 1Q2015 to S\$0.1 million in 1Q2016, in tandem with lower sales revenue reported in 1Q2016 and cost saving initiatives implemented.

Administrative expenses decreased by 18% from S\$2.4 million in 1Q2015 to S\$2.0 million in 1Q2016, mainly due to reduced headcount and overall reduction in other administrative expenses.

Other operating expenses increased by 25% from S\$2.5 million in 1Q2015 to S\$3.2 million in 1Q2016. The increase was mainly due to increase on foreign exchange loss of S\$1.0 million due to the weakening of US Dollar against Singapore Dollar.

Lower finance expenses were incurred in 1Q2016 as compared to 1Q2015 as a result of repayment of bank borrowings.

#### Profitability

The Group recorded a net loss after tax of S\$1.1 million in 1Q2016, compared to a net profit of S\$42 thousand in 1Q2015 as a result of lower revenue, foreign exchange loss incurred and share of associate loss for the investments in BRC Asia Limited.

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## **Balance Sheet**

Trade and other receivables decreased in line with lower revenue and improved collection to S\$20.0 million as at 31 March 2016 as compared to S\$31.9 million as at 31 December 2015.

Trade and other payables decreased to S\$7.2 million as at 31 March 2016 compared to S\$8.9 million as at 31 December 2015 due to lower purchase volume and repayment.

Total bank borrowings decreased from S\$6.8 million as at 31 December 2015 to S\$5.8 million as at 31 March 2016 due to repayment made during 1Q2016.

## **Statement of Cash Flows**

Despite a net loss of S\$1.1 million, the net cash inflows generated from operating activities for 1Q2016 was S\$8.4 million. This was because trade and other receivables decreased by S\$12.0 million, but partially offset by increase in inventories of S\$0.6 million and decrease in trade and other payables of S\$1.7 million.

Net cash flows generated from investing activities for 1Q2016 was S\$0.9 million, mainly derived from dividend received from associates of S\$0.8 million.

Net cash flows used in financing activities for 1Q2016 was S\$1.4 million, mainly due to repayment of bank borrowings of S\$1.0 million.

The Group's cash and cash equivalents increased to S\$58.7 million as at 31 March 2016 in comparison to S\$46.4 million as at 31 March 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**

### ***Steel market sentiment has deteriorated***

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 sector
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 as well as optimising its business operations.

The Group will continue to seek business 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 1Q2016 pursuant to Rule 907 of the listing manual of the Singapore Exchange Securities Trading Limited.

## 14. Statement pursuant to Rule 705(5) of the Listing Manual

The Directors confirm that, to the best of their knowledge, nothing has come to the attention of the Board of Directors of HG Metal Manufacturing Limited which may render the unaudited financial results for the quarter ended 31 March 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**

**13 May 2016**