



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

**Unaudited Financial Statement for the First Quarter Ended 31 December 2007**

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**

	Group		
	1st quarter ended 31/12/2007 S\$'000	1st quarter ended 31/12/2006 S\$'000	Increase / (Decrease) %
<b>Turnover</b>	<b>117,321</b>	<b>101,524</b>	<b>15.6</b>
Cost of Sales	(101,804)	(92,912)	9.6
Gross Profit	15,517	8,612	80.2
Other Operating Income	3,705	1,786	107.4
Distribution Costs	(1,705)	(1,235)	38.1
Administrative Expenses	(3,536)	(1,986)	78.1
Other Operating Expenses	(1,147)	(556)	106.3
Finance Costs	(2,398)	(2,021)	18.7
<b>Profit Before Income Tax</b>	<b>10,436</b>	<b>4,600</b>	<b>126.9</b>
Income Tax	(1,900)	(850)	123.5
<b>Profit for the Period</b>	<b>8,536</b>	<b>3,750</b>	<b>127.6</b>
<b>Attributable to:</b>			
Equity Holders of the Company	8,481	3,679	130.5
Minority Interests	<b>55</b>	<b>71</b>	<b>NM</b>
	<b>8,536</b>	<b>3,750</b>	<b>127.6</b>
Earnings per share - Basic	2.66	2.09	
Earnings per share – Diluted	2.34	1.92	

NM: Not Meaningful

**The net profit attributable to shareholders included the following:**

	Group	
	1st quarter ended 31/12/2007 S\$'000	1st quarter ended 31/12/2006 S\$'000
Interest Income	113	*
Interest on Borrowings	2,398	2,021
Depreciation and Amortisation	417	328
Allowance for Doubtful Debts	858	-
Foreign Exchange Gain – Net	3,573	1,583

\* - 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	
	31/12/2007 S\$'000	30/09/2007 S\$'000	31/12/2007 S\$'000	30/09/2007 S\$'000
<b>Non-current assets</b>				
Property, Plant & Equipment	13,622	13,276	4,963	4,657
Intangible assets	175	175	163	163
Subsidiary companies	-	-	6,601	6,601
Deferred tax asset	102	102	424	424
	<b>13,899</b>	<b>13,553</b>	<b>12,151</b>	<b>11,845</b>
<b>Current assets</b>				
Inventories	182,275	182,410	163,578	167,561
Trade & other receivables	99,462	98,547	92,202	93,866
Fixed deposits with banks	20,176	10,823	19,691	6,558
Cash and bank balances	7,027	20,298	3,486	19,606
	<b>308,940</b>	<b>312,078</b>	<b>278,957</b>	<b>287,591</b>
<b>Current liabilities</b>				
Trade & other payables	56,096	75,232	50,348	71,181
Provision for directors' fees	135	135	135	135
Finance lease payables	396	299	98	-
Income Tax Payable	4,674	3,590	4,326	3,315
Bank borrowings	129,736	122,633	117,969	114,221
	<b>191,037</b>	<b>201,889</b>	<b>172,876</b>	<b>188,852</b>
<b>Net current assets</b>	<b>117,903</b>	<b>110,189</b>	<b>106,081</b>	<b>98,739</b>
<b>Non-current liabilities</b>				
Finance lease payables	552	584	-	-
Derivative financial instruments	2,667	2,667	2,667	2,667
Bank borrowings	2,787	3,178	1,400	1,650
	<b>6,006</b>	<b>6,431</b>	<b>4,067</b>	<b>4,317</b>
	<b>125,796</b>	<b>117,311</b>	<b>114,165</b>	<b>106,267</b>

<b>Share capital and Reserves</b>				
Share capital	78,200	78,197	78,200	78,197
Retained profits	45,840	37,359	35,625	27,730
Foreign currency translation reserve	(140)	(89)	-	-
Other Reserves	340	340	340	340
<b>Interest of equity holders of the Company</b>	<b>124,240</b>	<b>115,807</b>	<b>114,165</b>	<b>106,267</b>
Minority interests	1,556	1,504	-	-
	<b>125,796</b>	<b>117,311</b>	<b>114,165</b>	<b>106,267</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 31/12/2007 S\$'000		As at 30/09/2007 S\$'000	
Secured	Unsecured	Secured	Unsecured
2,325	127,411	2,009	120,922

**Amount repayable after one year**

As at 31/12/2007 S\$'000		As at 30/09/2007 S\$'000	
Secured	Unsecured	Secured	Unsecured
2,787	-	3,763	-

**Details of any collateral**

Term Loan Facility outstanding of S\$5.1 million is secured by legal mortgage over leasehold buildings of the Group with net book value of S\$7.4 million as at 31 Dec 2007 (31/12/2006: S\$7.9 million).

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

	<u>Group</u>	
	1 <sup>st</sup> Q FY2008 31/12/2007	1 <sup>st</sup> Q FY2007 31/12/2006
	S\$'000	S\$'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before Income Tax	10,436	4,600
Adjustments for non-cash items:		
Depreciation of Property, Plant & Equipment	417	328
Gain on disposal of Property, Plant & Equipment	(36)	-
Adjustment to minority interest	-	(71)
Interest expense	2,398	2,021
Interest income	(113)	(44)
Currency re-alignment	(56)	20
<b>Operating profit before working capital changes</b>	<b>13,046</b>	<b>6,854</b>
Working capital changes:		
Fixed Deposits pledged	(5)	(123)
Inventories	134	(826)
Trade and other receivables	(915)	(3,280)
Trade and other payables	(19,136)	442
Cash (used in)/generated from operations	(6,876)	3,067
Interest expense paid	(2,398)	(2,021)
Interest income received	113	44
Income tax paid	(817)	(26)
Net cash (used in)/generated from operating activities	(9,978)	1,064
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of property, plant and equipment	(690)	(46)
Proceeds of disposal of plant and equipment	141	-
Net cash used in investing activities	(549)	(46)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net proceeds from / Repayment of bank borrowings	6,712	(7,259)
Proceeds from Warrants Conversion	3	-
Repayment of finance lease liabilities	(112)	(265)
Net cash generated from/(used in) financing activities	6,603	(7,524)
Decrease in cash and cash equivalents	(3,924)	(6,506)
Cash and cash equivalents at beginning of period	30,642	19,507
Cash and cash equivalents at end of period	26,718	13,001

\* Cash and cash equivalents comprise of:

	<b>Group</b>	
	<b>As at 31/12/2007 S\$'000</b>	<b>As at 31/12/2006 S\$'000</b>
Cash and cash balances	7,027	9,693
Fixed deposits with banks	20,176	3,526
	27,203	13,219
Less: Fixed deposits pledged**	(485)	(218)
	26,718	13,001

\*\* The fixed deposits are pledged to a bank as security for credit facilities granted to a Malaysian subsidiary.

**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**

← Attributable to equity holders of the Company →

The Group	Share Capital	Capital Reserve	Hedging Reserve	Foreign Currency Translation Reserve	Retained Profits	Total	Minority Interest	Total Equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b><u>1<sup>st</sup> Quarter Ended 31 December 2007</u></b>								
Balance as at 1 October 2007	78,197	2,527	(2,187)	(87)	37,359	115,809	1,504	117,313
Warrant Conversion	3	-	-	-	-	3	-	3
Translation difference	-	-	-	(53)	-	(53)	(3)	(56)
Net profit for the quarter ended 31 December 2007	-	-	-	-	8,481	8,481	55	8,536
Balance as at 31 December 2007	78,200	2,527	(2,187)	(140)	45,840	124,240	1,556	125,796

← Attributable to equity holders of the Company →

The Group	Share Capital	Other Reserves	Foreign Currency Translation Reserve	Retained Profits	Total	Minority Interests	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b><u>1<sup>st</sup> Quarter Ended 31 December 2006</u></b>							
Balance as at 1 October 2006	35,273	(3,796)	(96)	26,664	58,045	1,366	59,411
Adjustment to prior yr profit	-	-	-	-	-	(72)	(72)
Translation difference	-	-	11	-	11	9	20
Net profit for the quarter ended 31 December 2006	-	-	-	3,679	3,679	71	3,750
Balance as at 31 December 2006	35,273	(3,796)	(85)	30,343	61,735	1,374	63,109

<b>The Company</b>	<b>Share Capital</b>	<b>Capital Reserve</b>	<b>Hedging Reserve</b>	<b>Retained Profits</b>	<b>Total</b>
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<b><u>1<sup>st</sup> Quarter Ended 31 December 2007</u></b>					
Balance as at 1 October 2007	78,197	2,527	(2,187)	27,730	106,267
Warrant Conversion	3	-	-	-	3
Net profit for the quarter ended 31 December 2007	-	-	-	7,895	7,895
Balance as at 31 December 2007	78,200	2,527	(2,187)	35,625	114,165

<b>The Company</b>	<b>Share Capital</b>	<b>Other Reserves</b>	<b>Retained Profits</b>	<b>Total</b>
	S\$'000	S\$'000	S\$'000	S\$'000
<b><u>1<sup>st</sup> Quarter Ended 31 December 2006</u></b>				
Balance as at 1 October 2006	35,273	(3,796)	18,853	50,330
Net profit for the quarter ended 31 December 2006			3,133	3,133
Balance as at 31 December 2006	35,273	(3,796)	21,986	53,463

- 1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

In the current reported financial period, the company issued 8,000 ordinary shares upon exercise of warrants by warrant holders.

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

The figures have not been audited or reviewed.

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 same accounting policies and methods of computation as in the most recently audited financial statements have been applied.

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

Not applicable

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

Earnings per share based on profit attributable to shareholders:	Group	
	1st quarter ended 31/12/2007	1 <sup>st</sup> quarter ended 31/12/2006
(i) Basic	2.66	2.09
(ii) Diluted	2.34	1.92

Earnings per share is calculated based on 318,531,603 and 176,216,160 ordinary shares in issue as at 31 December 2007 and 31 December 2006 respectively.

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

	Group		Company	
	31/12/2007	30/09/2007	31/12/2007	30/09/2007
Net asset (S\$'000)	124,240	115,808	114,165	106,267
Number of ordinary shares('000)	318,532	318,524	318,532	318,524
Net asset value per ordinary share (cents)	39.00	36.36	35.84	32.36

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**

REVIEW OF RESULTS FOR THE FIRST QUARTER ENDED 31 DECEMBER 2007

Turnover

The Group's sales revenue for 1<sup>st</sup> quarter ended 31 December 2007 increased by 15.6% to \$117.3 million from \$101.5 million. Demand for steel products continues to remain robust in the current quarter with steel prices continuing to rise strongly. This is the result of strong demand in both the construction and the shipbuilding /ship-repair sectors.

Gross Profit

The Group's gross profit margin improved significantly from 8.5% in 1QFY07 to 13.2% for 1QFY08 as a result of higher steel prices and strong demand. The gross margin of 13.2% for 1QFY08 is also higher than the average gross margin of 11.4% for the full year of FY 07. As a result of the increase in gross profit margin, gross profit rose to \$15.5 million in 1QFY08 from \$8.6 million in 1QFY07.

Other Operating Income

Other operating income increased to \$3.7 million from \$1.8 million in 1QFY07 mainly due to foreign exchange gain as a result of weakening US dollar.

Distribution, Administrative, Other Operating Expenses and Finance Costs

Distribution, administrative, other operating expenses and finance costs increased by 38.1 %, 78.1%, 106.3% and 18.7% respectively in line with higher sales turnover and a general increase in cost of operation in current period.

### Profit before Tax/Profit After Tax

The Group's Profit Before Tax (PBT) for 1QFY08 increased by 126.9% to \$10.4 million compared to 1QFY07's PBT of \$4.6 million due mainly to the improvement in gross profit margin.

The Group's Profit After Tax (PAT) for 1QFY08 also increased by 127.6% to \$8.5 million compared to \$3.8 million for 1QFY07.

### REVIEW OF FINANCIAL POSITION AS AT 31 DECEMBER 2007

While inventories as at 31 December 2007 remained unchanged at \$182.2 million, inventory turnover days has improved as compared to financial year ended 31 September 2007.

Net cash from operating activities was negative due to a reduction in trade and other payables. Cash and cash equivalents was higher at \$26.7 million as at 31 December 07. As at 31 December 2007, total Group's shareholders' fund has increased to \$124.2 million.

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

No forecast or a prospect statement has been previously disclosed to shareholders.

**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**

Since our last full year results' announcement for FY 2007, the Group has already completed the 3 warehouse complex at Jalan Buroh. The Group will begin construction of the new 3 warehouse complex at Jurong Port Road sometime in February/March this year.

As mentioned before, the construction sector continues to stay robust. Recently, the government has announced new projects for the coming years – the new Sports Hub and new MRT extension lines which are likely to continue to boost the construction industry. However, the impact of a US recession this year will continue to cloud the general economic outlook.

Barring unforeseen circumstances, the directors remained cautiously optimistic about the outlook for the remainder of FY 2008.

**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.**

Not applicable

BY ORDER OF THE BOARD

Wee Piew

Chief Executive Officer

01/02/2008



HG METAL MANUFACTURING LIMITED

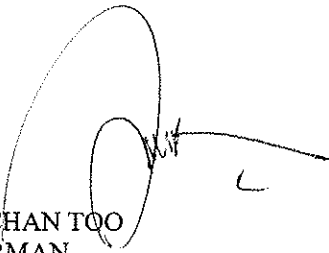
(Company Registration No: 198802660D)

Unaudited results for the First Quarter Ended 30 December 2007

**Confirmation by the Board pursuant to Rule 705(4) of the Listing Manual of the SGX-ST**

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

On behalf of the Board,



TAN CHAN TOO  
CHAIRMAN



WEE PIEW  
CHIEF EXECUTIVE OFFICER

1 February 2008