



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

Unaudited Financial Statements for the 1st Half / 2nd Quarter Ended 31 March 2008

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

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

	Group			Group		
	1H FY 08 S\$'000	1H FY 07 S\$'000	% +/- (-)	2Q FY 08 S\$'000	2Q FY 07 S\$'000	% +/- (-)
Revenue	299,599	214,041	40	182,278	112,517	62
Cost of sales	(252,857)	(193,787)	30	(151,053)	(100,875)	50
Gross profit	46,742	20,254	131	31,225	11,642	168
Other operating income	7,903	2,704	192	4,217	973	333
Distribution expenses	(3,561)	(2,532)	41	(1,856)	(1,296)	43
Administrative expenses	(10,094)	(4,703)	115	(7,181)	(3,270)	120
Other Operating expenses	(3,749)	(2,097)	79	(1,995)	(1,383)	44
Finance expense	(5,058)	(4,125)	23	(2,660)	(2,105)	26
Profit before tax	32,183	9,501	239	21,750	4,561	377
Income tax expense	(4,761)	(1,712)	178	(3,132)	(921)	240
Net profit for the period	27,422	7,789	252	18,618	3,640	411
Attributable to:						
Equity holders of the Company	27,301	7,648	252	18,552	3,570	420
Minority Interest	121	141		66	70	
	27,422	7,789		18,618	3,640	
Earnings per share – Basic (cents)	6.43	2.60		4.37	1.22	
Earnings per share – Diluted (cents)	5.82	2.13		3.96	1.00	

1(a)(ii) Notes to the Consolidated Income Statement

	Group		Group	
	1H FY 08 S\$'000	1H FY 07 S\$'000	2Q FY 08 S\$'000	2Q FY07 S\$'000
Interest income	172	100	59	56
Interest on borrowings	5,058	4,125	2,660	2,105
Depreciation	1,084	642	667	314
Allowance for doubtful debts	1,717	15	860	21
Foreign exchange gain / (loss)	7,545	1,541	3,989	(382)
Profit on sale of property, plant and equipment	54	76	18	76

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	
	31.03.2008 S\$'000	30.09.2007 S\$'000	31.03.2008 S\$'000	30.09.2007 S\$'000
Non current assets				
Property, plant and equipment	16,542	13,276	8,108	4,657
Intangible assets	175	175	163	163
Investment in subsidiaries	-	-	6,601	6,601
Deferred tax assets	-	480	-	480
	16,717	13,931	14,872	11,901
Current assets				
Inventories	211,060	182,409	190,716	167,561
Trade and other receivables	143,301	98,547	136,115	93,866
Cash and cash equivalents	28,834	31,121	22,835	26,164
	383,195	312,077	349,666	287,591
Current liabilities				
Trade and other payables	109,683	75,367	101,267	71,316
Finance lease payables	406	298	78	-
Bank borrowings	137,286	122,633	125,729	114,221
Income tax payable	6,238	3,590	5,824	3,315
Derivative financial instruments	-	2,667	-	2,667
	253,613	204,555	232,898	191,519
Net current assets	129,582	107,522	116,768	96,072
Non current liabilities				
Finance lease payables	551	585	-	-
Bank borrowings	2,421	3,178	1,150	1,650
Deferred taxation	397	379	56	56
	3,369	4,142	1,206	1,706
	142,930	117,311	130,434	106,267
Capital and reserves				
Share capital	78,202	78,197	78,202	78,197
Capital reserves	2,527	2,527	2,527	2,527
Hedging reserves	-	(2,187)	-	(2,187)
Foreign currency translation reserves	(85)	(88)	-	-
Retained earnings	60,677	37,358	49,705	27,730
Equity attributable to equity holders of the Company	141,321	115,807	130,434	106,267
Minority interests	1,609	1,504	-	-
Total equity	142,930	117,311	130,434	106,267

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

	As at 31 March 2008			As at 30 September 2007		
	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000
Repayable in one year or less	1,940	135,346	406	1,711	120,922	298
Repayable after one year	2,421	-	551	3,178	-	585
Total	4,361	135,346	957	4,889	120,922	883

Details of collaterals:

Term loan facility outstanding of S\$4.4million is secured by legal mortgage over leasehold buildings of the Group.

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

	Group		Group	
	1H FY 08 S\$'000	1H FY 07 S\$'000	2Q FY 08 S\$'000	2Q FY 07 S\$'000
Cash Flows from Operating Activities				
Profit before tax	32,183	9,501	21,750	4,561
Adjustments for non cash items:				
Depreciation of property, plant and equipment	1,084	642	667	314
Gain on disposal of property, plant and equipment	(54)	(76)	(18)	(76)
Interest expense	5,058	4,125	2,660	2,105
Interest income	(172)	(100)	(59)	(56)
Foreign currency realignment	1	38	53	89
Operating profit before working capital changes	38,100	14,130	25,053	6,937
Working capital changes:				
Inventories	(28,651)	(12,197)	(28,785)	(11,371)
Trade and other receivables	(44,754)	(88)	(43,841)	3,578
Trade and other payables	34,316	1,221	53,451	732
Cash (used in) / generated from operations	(989)	3,066	5,878	(124)
Interest expense paid	(5,058)	(4,125)	(2,660)	(2,105)
Interest income received	172	100	59	56
Income tax paid	(2,093)	(1,194)	(1,279)	(1,168)
Net cash (used in) / generated from operating activities	(7,968)	(2,153)	1,998	(3,341)
Cash Flows from Investing Activities				
Proceeds from disposal of property, plant and equipment	236	85	99	260
Purchase of property, plant and equipment	(4,361)	(384)	(3,537)	(338)
Net cash used in investing activities	(4,125)	(299)	(3,438)	(78)
Cash Flows from Financing Activities				
Net Proceeds / (Repayment of) bank borrowings	13,896	(6,090)	7,184	1,169
Decrease in fixed deposits pledged to bank	1	6	-	-
Dividend paid to equity holders	(3,982)	(7,415)	(3,982)	(7,415)
Dividend paid to minority shareholders	(10)	(10)	(10)	(10)
Proceeds from warrant conversion & rights issue	5	14,850	2	14,850
Repayment of finance lease liabilities	(104)	(206)	(123)	(118)
Net cash generated from financing activities	9,806	1,135	3,071	8,476
Net change in cash and cash equivalents	(2,287)	(1,317)	1,631	5,057
Cash and cash equivalent at beginning of financial period	31,121	19,507	27,203	13,220
Cash and cash equivalent at end of financial period	28,834	18,190	28,834	18,277

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

Group	Attributable to equity holders of the Company							
	Share capital	Capital reserves	Hedging reserves	Foreign currency translation account	Accumulated Profits	Total	Minority interest	Total equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 October 2007	78,197	2,527	(2,187)	(88)	37,358	115,807	1,504	117,311
Cash flow hedges	-	-	2,187	-	-	2,187	-	2,187
Currency translation adjustments	-	-	-	3	-	3	(26)	(23)
Net income directly recognised in equity	-	-	2,187	3	-	2,190	(26)	2,164
Profit for the financial period	-	-	-	-	27,301	27,301	121	27,422
Total net income for the financial period	-	-	2,187	3	27,301	29,491	95	29,586
Warrant conversion	5	-	-	-	-	5	-	5
Dividends	-	-	-	-	(3,982)	(3,982)	10	(3,972)
Balance as at 31 March 2008	78,202	2,527	-	(85)	60,677	141,321	1,609	142,930
Balance as at 1 October 2006	35,273	100	(3,896)	(96)	26,664	58,045	1,366	59,411
Currency translation adjustments	-	-	-	21	-	21	14	35
Profit for the financial period	-	-	-	-	7,648	7,648	141	7,789
Total net income for the financial period	-	-	-	21	7,648	7,669	155	7,824
Loan conversion	4,184	-	-	-	-	4,184	-	4,184
Warrant conversion	42	-	-	-	-	42	-	42
Rights issue	14,808	-	-	-	-	14,808	-	14,808
Dividends	-	-	-	-	(7,414)	(7,414)	(10)	(7,424)
Balance as at 31 March 2007	54,307	100	(3,896)	(75)	26,898	77,334	1,511	78,845

Company	Share capital	Capital reserves	Hedging reserves	Accumulated Profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 October 2007	78,197	2,527	(2,187)	27,730	106,267
Cash flow hedges	-	-	2,187	-	2,187
Profit for the financial period	-	-	-	25,957	25,957
Total net income for the financial period	-	-	2,187	25,957	28,144
Warrants conversion	5	-	-	-	5
Dividends	-	-	-	(3,982)	(3,982)
Balance as at 31 March 2008	78,202	2,527	-	49,705	130,434
Balance as at 1 October 2006	35,273	100	(3,896)	18,853	50,330
Profit for the financial period	-	-	-	6,873	6,873
Loan conversion	4,184	-	-	-	4,184
Warrant conversion	42	-	-	-	42
Rights issue	14,808	-	-	-	14,808
Dividends	-	-	-	(7,414)	(7,414)
Balance as at 31 March 2007	54,307	100	(3,896)	18,312	68,823

- 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**

Warrants conversion and bonus issue

During the 6 months financial period ended 31 March 2008, 13,500 ordinary shares were issued upon the exercise of warrants at the exercise price of \$0.4215.

In February 2008, the Company issued bonus shares of 106,177,458 in the capital of the Company. 14,648,013 additional warrants were issued and the exercise price was adjusted to \$0.3200 as a result of the bonus issue.

As at 31 March 2008, there were 58,592,054 outstanding warrants.

- 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 by our 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**

The Group has adopted the same accounting policies and methods of computation as in the most recently audited financial statements for the financial year ended 30 September 2007.

- 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**

	Group		Group	
	6 mths ended 31.03.2008	6 mths ended 31.03.2007	3 mths ended 31.03.2008	3 mths ended 31.03.2007
Earnings per ordinary shares:				
(a) Basic (cents)	6.43	2.60	4.37	1.22
(b) Diluted (cents)	5.82	2.13	3.96	1.00

The earnings per share is calculated based on weighted average number of shares during the period.

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

	Group		Company	
	31.03.2008	30.09.2007	31.03.2008	30.09.2007
Net asset value per ordinary share (cents)	33.27	36.36	30.71	33.36

Net asset value per ordinary share as of 31.03.2008 is calculated based on 424,714,561 shares, which included the bonus shares of 106,177,458. The net asset value as of 30.09.2007 is calculated based on 318,523,603 shares.

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**

Turnover

The Group's sales increased 40% year-on-year from \$214 million in 1st Half FY 07 to approximately \$300 million in 1st Half FY 08. The timely expansion of the Group's warehousing capacity at the end of 2007 has allowed the Group to increase its inventory levels to meet rising sales. The increase in sales was a result of higher steel prices and the increase in demand for steel products from both the construction and the shipbuilding /ship-repair sectors. Sales in Q2 FY 08 increased by 62% to \$182.3mil compared to \$112.5mil in Q2 FY 07.

Gross Profit

In line with the increase in steel prices and strong demand for steel products in Q2 FY 08, the Group's gross profit margin improved significantly from 10% in Q2 FY07 to 17% in Q2 FY 08. On a year-on-year basis, gross profit margin increased from 9.4% in 1st Half FY07 to 15.6% in 1st Half FY08. As a result of the increase in gross profit margin, gross profit increased by 131% to \$46.7 million in 1st Half of FY08.

Distribution, Finance and Administrative Expenses

Higher turnover and general increase in cost of operation resulted in the increase in distribution, finance, administrative and other operating expenses by 41%, 23%, 115% and 79% respectively. The increase in administration expenses was due to provision for directors' remuneration, provision for doubtful debts and increase in staff strength.

Profit Before Tax (PBT) / Profit After Tax (PAT)

The Group's PBT for 1st Half FY 08 increased by 239% to \$32.2 million compared to 1st Half FY 07's PBT of \$9.5 million due mainly to the higher sales revenue, the improvement in gross profit margin and increase in other operating income. Increase in other operating income relates to exchange gain as a result of weakening US dollars as purchases of the steel products are in US dollars.

The Group's PAT for 1st Half FY08 also increased by 252% to \$27.4 million as compared to \$7.8 million for 1st Half FY07. As a result of the higher PAT, earnings per share increased to 6.43 cents compared to 2.60 cents for the same period last year.

Cash Flow/Shareholders' Funds

Net cash from operating activities was negative due to the increase in inventories and trade payables. With the improvement in shareholders' funds, the gearing of the Group has improved from 1.10 times as at 30 Sep 07 to 1.00 times as at 31 March 2008. As at 31 March 2008, total Group shareholders' funds had increased to \$141.3 million.

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

Not applicable.

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

In line with the Group's growth, the group has been expanding its warehousing capacity. Last year we saw the completion of a 3 warehouse complex at Jalan Buroh. The Group has now commenced construction of a new 3 warehouse/office complex at Jurong Port Road which is expected to be completed within 3 years. The new facility will add about 150,000 sq feet of covered warehouse space to the Group's existing warehousing space at Jalan Buroh. To facilitate the construction of the new warehouse complex, the Group has already leased additional land in the vicinity to accommodate the inventories.

As part of the Group's longer term plan to expand into the Malaysian market, the Group will also embark on the construction of its first warehouse facility at its Nusajaya land. The new warehouse facility will sit on the 1st and smallest plot of the 5 plots which the Group acquired previously. The total land size of this first plot is approximately 130,000 sq feet. The new warehouse will have a built in space of about 100,000 sq feet with a 2 storey office block. The construction will commence in the 2nd half of 2008 and should be completed in 1st half of 2009. Estimated cost of the construction is about RM 6 million.

The Group is also in the final stages of evaluation with joint venture partners on the setting up of a pipe manufacturing plant on a 2nd plot of its Nusajaya site. The pipe plant being considered will tap the demand for pipes in the growing IDR and Southern Malaysian markets as well as the Singapore market. Once the decision is finalized, the Group will make the necessary announcement.

In terms of local industry outlook, the Singapore government recently announced that they will call tender of more than \$5 billion worth of construction contracts during 2008. This augurs well for the construction sector and is likely to continue to increase demand for steel. Globally, pig iron cost has increased 65% this year with coking coal expected to increase at least 200% this year. This has increased the cost of production of steel. While the US economy is experiencing a slowdown, demand for steel from the Middle East and the BRIC countries have continued to be strong.

Barring unforeseen circumstances, the Group is on track to achieve record annual sales revenue and profitability for FY2008. In 2006, the Group mentioned that it aims to achieve sales revenue of \$500 million on or before FY 2009. The Group should be able to meet this target during this current financial year i.e FY 2008 which is one year earlier than expected. Going forward, besides organic growth, the Group will continue to look for strategic alliances and possible M & A for future growth.

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/recommendeded, a statement to that effect.

No dividend has been declared for the first half of the financial period ended 31 March 2008.