



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

Unaudited Financial Statements for the 3rd Quarter Ended 30 June 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		
	YTD FY08 S\$'000	YTD FY07 S\$'000	% +/- (-)	3Q FY 08 S\$'000	3Q FY 07 S\$'000	% +/- (-)
Revenue	533,567	337,446	58	233,968	123,404	90
Cost of sales	(444,099)	(298,320)	49	(191,243)	(104,532)	83
Gross profit	89,468	39,126	129	42,725	18,872	126
Other operating income	10,383	2,442	325	2,479	1,360	82
Distribution expenses	(6,715)	(4,220)	59	(3,154)	(1,688)	87
Administrative expenses	(14,446)	(6,520)	122	(4,353)	(1,817)	140
Other operating expenses	(5,029)	(5,367)	(6)	(1,279)	(4,893)	(74)
Finance expenses	(7,781)	(6,663)	17	(2,722)	(2,537)	7
Profit before tax	65,880	18,798	250	33,696	9,297	262
Income tax expense	(9,731)	(3,370)	189	(4,970)	(1,658)	200
Net profit for the period	56,149	15,428	264	28,726	7,639	276
Attributable to:						
Equity holders of the Company	55,830	15,218	267	28,528	7,570	277
Minority interest	319	210		198	69	
	56,149	15,428		28,726	7,639	
Earnings per share – Basic (cents)	13.15	4.71		6.72	2.34	
Earnings per share – Diluted (cents)	11.86	4.17		6.06	2.07	

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

	Group		Group	
	YTD FY08 S\$'000	YTD FY07 S\$'000	3Q FY 08 S\$'000	3Q FY07 S\$'000
Interest income	211	167	39	67
Interest on borrowings	7,781	6,663	2,722	2,537
Depreciation	1,577	1,109	493	467
Allowance for doubtful debts	2,525	524	3	524
Write back of allowance for doubtful debts	1,619	247	815	166
Foreign exchange gain / (loss)	9,882	(1,975)	2,338	(3,515)
Fair value loss on investment held for trading	350	-	350	-
Profit on sale of property, plant and equipment	61	81	7	5

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	
	30.06.2008 S\$'000	30.09.2007 S\$'000	30.06.2008 S\$'000	30.09.2007 S\$'000
Non current assets				
Property, plant and equipment	16,682	13,276	8,004	4,657
Intangible assets	905	175	893	163
Investment in subsidiaries	-	-	6,601	6,601
Deferred tax assets	-	480	-	480
	17,587	13,931	15,498	11,901
Current assets				
Investment held for trading	1,650	-	-	-
Inventories	220,881	182,409	196,935	167,561
Trade and other receivables	157,263	98,547	147,122	93,866
Cash and cash equivalents	41,899	31,121	37,090	26,164
	421,693	312,077	381,147	287,591
Current liabilities				
Trade and other payables	107,456	75,367	97,494	71,316
Finance lease payables	360	298	33	-
Bank borrowings	146,742	122,633	131,182	114,221
Income tax payable	10,264	3,590	9,392	3,315
Derivative financial instruments	-	2,667	-	2,667
	264,822	204,555	238,101	191,519
Net current assets	156,871	107,522	143,046	96,072
Non current liabilities				
Finance lease payables	462	585	-	-
Bank borrowings	2,042	3,178	900	1,650
Deferred taxation	397	379	56	56
	2,901	4,142	956	1,706
	171,557	117,311	157,588	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	(143)	(88)	-	-
Retained earnings	89,206	37,358	76,859	27,730
Equity attributable to equity holders of the Company	169,792	115,807	157,588	106,267
Minority interests	1,765	1,504	-	-
Total equity	171,557	117,311	157,588	106,267

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

	As at 30 June 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	3,066	143,676	360	1,711	120,922	298
Repayable after one year	2,042	-	462	3,178	-	585
Total	5,108	143,676	822	4,889	120,922	883

Details of collaterals:

Term loan facility outstanding of S\$5.1million is secured by way of 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	
	YTD FY08 S\$'000	YTD FY07 S\$'000	3Q FY 08 S\$'000	3Q FY 07 S\$'000
Cash Flows from Operating Activities				
Profit before tax	65,880	18,798	33,696	9,297
Adjustments for non cash items:				
Depreciation of property, plant and equipment	1,577	1,109	493	423
Amortisation of computer software	38	-	38	-
Gain on disposal of property, plant and equipment	(61)	(81)	(7)	(5)
Loss on disposal of intangible assets	-	39	-	39
Fair value loss on investment held for trading	350	-	350	-
Adjustment to minority interest	-	(71)	-	(71)
Interest expense	7,781	6,663	2,722	2,537
Interest income	(211)	(167)	(59)	(67)
Foreign currency realignment	(81)	69	(83)	31
Operating profit before working capital changes	75,273	26,359	37,150	12,184
Working capital changes:				
Inventories	(38,472)	(41,482)	(9,821)	(29,284)
Trade and other receivables	(58,716)	(15,319)	(13,962)	(15,231)
Trade and other payables	32,089	13,535	(2,226)	12,314
Cash generated / (used in) from operations	10,174	(16,907)	11,141	(20,017)
Interest expense paid	(7,781)	(6,663)	(2,722)	(2,537)
Interest income received	211	167	59	67
Income tax paid	(3,039)	(2,320)	(944)	(1,127)
Net cash (used in) / generated from operating activities	(435)	(25,723)	7,534	(23,614)
Cash Flows from Investing Activities				
Proceeds from disposal of property, plant and equipment	246	89	10	4
Proceeds from disposal of intangible assets	-	22	-	22
Purchase of quoted equity shares	(2,000)	-	(2,000)	-
Purchase of computer software	(768)	-	(768)	-
Purchase of property, plant and equipment	(4,873)	(752)	(652)	(324)
Net cash used in investing activities	(7,395)	(641)	(3,410)	(298)
Cash Flows from Financing Activities				
Net Proceeds from bank borrowings	22,973	18,488	9,076	24,578
Dividend paid to equity holders	(3,982)	(7,414)	-	-
Dividend paid to minority shareholders	(10)	(10)	-	-
Proceeds from warrant conversion & rights issue	5	14,850	-	1
Repayment of finance lease liabilities	(378)	(271)	(135)	(64)
Net cash generated from financing activities	18,608	25,643	8,941	24,515
Net change in cash and cash equivalents	10,778	(721)	13,065	603
Cash and cash equivalent at beginning of financial period	31,121	19,601	28,834	18,277
Cash and cash equivalent at end of financial period	41,899	18,880	41,899	18,880

Group cash and cash equivalents comprise of the following:

	Group	
	As at 30 June 2008 S\$'000	As at 30 June 2007 S\$'000
Cash and bank balances	16,687	7,003
Fixed deposits*	25,212	11,877
	41,899	18,880

*Included in the fixed deposits was S\$482,000 (FY 2007: S\$452,000) which were pledged to a bank to secure 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

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	-	-	-	(55)	-	(55)	(48)	(103)
Net income directly recognised in equity	-	-	2,187	(55)	-	2,132	(48)	2,084
Profit for the financial period	-	-	-	-	55,830	55,830	319	56,149
Total net income for the financial period	-	-	2,187	(55)	55,830	57,962	271	58,233
Warrant conversion	5	-	-	-	-	5	-	5
Dividends	-	-	-	-	(3,982)	(3,982)	(10)	(3,992)
Balance as at 30 June 2008	78,202	2,527	-	(143)	89,206	169,792	1,765	171,557
Balance as at 1 October 2006	35,273	100	(3,896)	(96)	26,664	58,045	1,366	59,411
Currency translation adjustments	-	-	-	47	-	47	(42)	5
Profit for the financial period	-	-	-	-	15,218	15,218	210	15,428
Total net income for the financial period	-	-	-	47	15,218	15,265	168	15,433
Loan conversion	10,000	-	-	-	-	10,000	-	10,000
Warrant conversion	42	-	-	-	-	42	-	42
Rights issue	14,808	-	-	-	-	14,808	-	14,808
Dividends	-	-	-	-	(7,414)	(7,414)	(10)	(7,424)
Balance as at 30 June 2007	60,123	100	(3,896)	(49)	34,468	90,746	1,524	92,270

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	-	-	-	53,111	53,111
Total net income for the financial period	-	-	2,187	53,111	55,298
Warrants conversion	5	-	-	-	5
Dividends	-	-	-	(3,982)	(3,982)
Balance as at 30 June 2008	78,202	2,527	-	76,859	157,588
Balance as at 1 October 2006	35,273	100	(3,896)	18,853	50,330
Profit for the financial period	-	-	-	13,626	13,626
Loan conversion	10,000	-	-	-	10,000
Warrant conversion	42	-	-	-	42
Rights issue	14,808	-	-	-	14,808
Dividends	-	-	-	(7,414)	(7,414)
Balance as at 30 June 2007	60,123	100	(3,896)	25,065	81,392

- 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 9 months financial period ended 30 June 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.

Outstanding warrants as at 30 June 2008 58,592,054 (2007: 43,968,207).

- 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	
	9 mths ended 30.06.2008	9 mths ended 30.06.2007	3 mths ended 30.06.2008	3 mths ended 30.06.2007
Earnings per ordinary shares:				
(a) Basic (cents)	13.15	4.71	6.72	2.34
(b) Diluted (cents)	11.86	4.17	6.06	2.07

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	
	30.06.2008	30.09.2007	30.06.2008	30.09.2007
Net asset value per ordinary share (cents)	39.98	36.36	37.10	33.36

Net asset value per ordinary share as of 30.06.2008 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

Sales turnover for the Group in the 9 months to 30 June 2008 crossed \$500 million for the first time to reach \$534 million, which represents an increase of 58% over the same period last year. With the achievement of this milestone, the Group has already achieved its targeted sales of \$500 million one year earlier than previously announced in 2006.

The strong increase in sales in the 3rd quarter came as a result of continued increase in steel prices and the strong demand for steel products from all sectors, including construction and shipbuilding and ship repair.

Gross Profit

The Group's gross profit margin continued to improve significantly from 15.3% in Q3 FY07 to 18.3% for Q3 FY08 as a result of higher steel prices and strong demand. On the 9 months basis, the gross margin of 16.1% for FY08 was also significantly higher than the average gross margin of 11.6% for the same period of FY 07. As a result of the increase in gross profit margin, gross profit increased from \$39.1 million for the 9 months of FY07 to \$89.5 million for the 9 months of FY08.

Distribution, Finance and Administrative Expenses

Distribution expense increased by 59.1% in line with the increase in turnover. Finance expense increased by a smaller 16.8% as financing cost remained low. Administration expenses increased by 121.6% due to increase in staff strength and the higher provision for directors' remuneration. The fair value loss on investment of \$350,000 was the fair value loss on the Group's investment on Novo Group Ltd, a company which is listed on the Main Board of SGX.

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

The Group's PBT for the 9 months of FY 08 increased by 250.5% to \$65.9 million compared to \$18.8 million for the same period last year due mainly to the improvement in gross profit margin and the gain in foreign exchange. For Q3 FY 08, PBT was \$33.7 million compared to \$9.3 million for Q3 FY 07.

The Group's PAT for the 9 months of FY 08 also increased by 263.9% to \$56.1 million compared to \$15.4 million for the same period last year. For Q3 FY 08, PAT was \$28.7 million compared to \$7.6 million for Q3 FY 07.

Cash Flow/Shareholders' Funds

For current quarter ended 30 June 08, net cash from operating activities had improved significantly from the same period last year due to significant increase in net profits and the smaller increase in inventories. As at 30 June 2008, cash and cash equivalents was higher at \$41.9 million compared to \$31.1 million as at 30 June 07. As at 30 June 2008, total Group's shareholders' funds had increased to \$169.8 million. As a result, the Group's gearing has improved to 0.89 times.

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

The outlook for the steel industry, as highlighted in the previous announcement, continues to be valid. Local demand for steel is likely to remain strong due to the ongoing robust construction sector. Government spending on infrastructural projects is likely to continue as evidenced by the recent announcement of a new Downtown Line connecting the Bukit Timah area to town. Globally, demand for steel is also expected to remain strong despite the possibility of a slowdown in the US economy.

The Group is currently in serious discussions on M & A possibilities. As and when such possibilities do materializes, the Group will make the necessary announcements at the appropriate time. 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/recommendeded, a statement to that effect.

No dividend has been declared for the 3rd quarter of the financial period ended 30 June 2008.