



HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Half Year Financial Statement and Dividend Announcement for the Period ended 31 March 2006

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		
	6 months ended 31/03/2006 S\$'000	6 months ended 31/03/2005 (Restated) S\$'000	Increase / (Decrease) %
Turnover	173,239	154,400	12.20%
Cost of Sales	(166,014)	(134,301)	23.61%
Gross Profit	7,225	20,099	(64.05%)
Other Operating Income (Note 1)	8,233	2,665	208.93%
Distribution Costs	(2,113)	(1,500)	40.87%
Administrative Expenses	(3,891)	(4,660)	(16.50%)
Other Operating Expenses	(504)	(1,131)	(55.44%)
Profit from Operations	8,950	15,473	(42.16%)
Finance Costs	(3,831)	(2,212)	73.19%
Profit Before Income Tax	5,119	13,261	(61.40%)
Income Tax	(510)	(2,611)	NM
Total Profit	4,609	10,650	(56.72%)
Attributable to :			
Equity holders of the Company	4,514	10,508	(57.04%)
Minority Interests	95	142	(33.10%)
	4,609	10,650	

The net profit attributable to shareholders included the following items:-

	Group	
	6 months ended 31/03/2006	6 months ended 31/03/2005
	S\$'000	S\$'000
Interest Income	67	83
Interest on Borrowings	3,831	2,212
Depreciation and Amortisation	553	509
Write-back of Allowance for Doubtful Receivables and Bad Receivables Written Off (Note 2)	(336)	(426)
Gain on Disposal of Investment	1,646	-
Foreign Exchange Gain (Note 3)	4,108	1,255
Write-back of Allowance for Impairment in Value of Investments	(1,479)	-

NOTES:

- (1) Included in the Other Operating Income are foreign exchange gain of S\$4.1 million, write-back of provision for impairment in value of investments of S\$1.5 million and gain on disposal of investments in FerroChina Limited of S\$1.6 million.

(2)

	31/03/2006 S\$'000	31/03/2005 S\$'000
Bad debts written off	93	392
Write-back of Allowance for Doubtful Receivables	(429)	(818)
	(336)	(426)

(3)

	31/03/2006 S\$'000	31/03/2005 S\$'000
Realised Foreign Exchange Gain	1,082	2,028
Unrealised Foreign Exchange Gain/(Loss)	3,026	(773)
	4,108	1,255

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 31/03/2006 S\$'000	As at 30/09/2005 S\$'000	As at 31/03/2006 S\$'000	As at 30/09/2005 S\$'000
Non-current assets				
Property, Plant & Equipment	10,185	10,262	4,949	5,058
Intangible assets	163	163	163	163
Investment in subsidiaries	-	-	6,381	6,381
Other Investments	-	4,320	-	-
	10,348	14,745	11,493	11,602
Current assets				
Inventories	81,306	102,272	71,489	89,411
Trade receivables	78,977	90,763	73,407	83,877
Other receivables	2,693	496	220	247
Due from related parties	120	41	120	41
Due from subsidiaries	-	-	2,250	7,340
Fixed deposits with banks	6,129	7,117	6,035	6,020
Cash and bank balances	6,134	14,242	5,633	11,693
	175,359	214,931	159,154	198,629
Current liabilities				
Trade payables	13,665	36,815	13,276	35,672
Other payables	4,608	3,761	2,890	3,154
Provision for directors' fees	-	106	-	106
Due to subsidiaries	-	-	2,430	720
Finance lease payables	147	102	-	-
Current tax payable	1,028	1,793	875	1,476
Bank borrowings	97,577	120,469	94,935	109,758
	117,025	163,046	114,406	150,886
Net current assets	58,334	51,884	44,748	47,743
Non-current liabilities				
Finance lease payables	254	173	-	-
Bank borrowings	14,668	14,925	10,000	13,650
Deferred tax	325	332	56	56
	15,247	15,430	10,056	13,706
	53,435	51,198	46,185	45,639
Share capital and Reserves				
Share capital	35,273	35,243	35,273	35,243
Share premium	-	30	-	30
Retained profits	17,421	15,099	10,912	10,366
Foreign currency translation reserve	(72)	(36)	-	-
Minority interests	813	862	-	-
	53,435	51,198	46,185	45,639

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

Amount repayable in one year or less, or on demand

As at 31/03/2006 S\$'000		As at 30/09/2005 S\$'000	
Secured	Unsecured	Secured	Unsecured
2,047	95,677	1,345	119,124

Amount repayable after one year

As at 31/03/2006 S\$'000		As at 30/09/2005 S\$'000	
Secured	Unsecured	Secured	Unsecured
4,922	10,000	4,925	10,000

Details of any collateral

Term loans outstanding of S\$7.0 million as at 31 March 2006 is secured by legal mortgage over leasehold buildings of the Group with net book value of S\$6,495,887 (30/09/2005: S\$6,707,940).

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	
	31/03/2006 S\$'000	31/03/2005 S\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before Income Tax	5,119	13,261
Adjustments for non-cash items:		
(Gain)/Loss on disposal of investment	(1,646)	-
Write-back Provision of impairment of investments	(1,479)	-
Depreciation of Property, Plant & Equipment	552	509
(Gain) / Loss on disposal of Plant & Equipment	49	7
Interest expense	3,831	2,212
Interest income	(67)	(83)
Currency re-alignment	(50)	(33)
Operating profit before working capital changes	6,309	15,873
Working capital changes:		
Decrease/(Increase) in inventories	20,966	(17,636)
Decrease/(Increase) in trade and other receivables	9,510	(17,690)
(Decrease)/Increase in trade and other payables	(22,411)	5,437
Cash used in operations	14,374	(14,016)
Interest expense paid	(3,831)	(1,700)
Interest income received	67	83
Income tax paid	(1,281)	(2,103)
Net cash generated from/(used in) operating activities	9,329	(17,736)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Plant & Equipment	(423)	(894)
Proceeds from sale of quoted equity	7,444	-
Proceeds from disposal of Plant & Equipment	63	28
Net cash generated from/(used in) investing activities	7,084	(866)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net proceeds from bank borrowings	(23,148)	31,526
Net repayments to finance lease payables	(40)	(34)
(Increase)/Decrease in Fixed Deposits	(4)	2
Disposal of shares to minority interest	(114)	-
Dividends paid on ordinary shares by the Company	(2,193)	(1,982)
Dividends paid to minority shareholders	(6)	(6)
Net cash (used in)/ generated from financing activities	(25,505)	29,504
(Decrease)/Increase in cash and cash equivalents	(9,092)	10,904
Cash and cash equivalents at beginning of the financial period	21,262	15,422
Cash and cash equivalents at end of the financial period	12,170	26,326

* Cash and cash equivalents at 31 March 2006 comprise of:

	Group	
	As at 31/03/2006 S\$'000	As at 31/03/2005 S\$'000
Cash and cash balances	6,135	18,304
Fixed deposits with banks	6,129	8,112
	12,264	26,416
Less: Fixed deposit pledged **	(94)	(90)
	12,170	26,326

** S\$94,252 of the fixed deposits is pledged to a bank as security for credit facilities granted to 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

The Group	Share Capital	Share Premium	Foreign Currency Translation Reserve	Retained Profits	Share Equity Total	Minority Interest	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
6 months ended 31 March 2005							
Balance as at 1 October 2004 (Restated)	26,432	3,030	(58)	17,855	47,259	624	47,883
Bonus issue	8,811	(3,000)	-	(5,811)	-	-	-
Dividends paid	-	-	-	(1,982)	(1,982)	-	(1,982)
Translation difference on financial statement of foreign subsidiary	-	-	(22)	-	(22)	(21)	(43)
Net profit for the six months ended 31 March 2005	-	-	-	10,508	10,508	142	10,650
Balance as at 31 March 2005	35,243	30	(80)	20,570	55,763	745	56,508

6 months ended 31 March 2006

Balance as at 1 October 2005	35,243	30	(36)	15,099	50,336	862	51,198
Transfer to share capital	30	(30)	-	-	-	-	-
Dividends paid	-	-	-	(2,192)	(2,192)	-	(2,192)
Translation difference on financial statement of foreign subsidiary	-	-	(36)	-	(36)	(144)	(180)
Net profit for the six months ended 31 March 2006	35,273	-	-	4,514	4,514	95	4,609
Balance as at 31 March 2005	35,273	-	(72)	17,421	51,622	813	53,435

The Company	Share Capital	Share Premium	Retained Profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000
<u>6 months ended 31 Mar 2005</u>				
Balance as at 1 October 2004	26,432	3,030	14,945	44,407
Bonus issue	8,811	(3,000)	(5,811)	-
Dividends paid	-	-	(1,982)	(1,982)
Net profit for the six months ended 31 March 2005	-	-	9,380	9,380
Balance as at 31 March 2005	35,243	30	16,532	51,805

<u>6 months ended 31 March 2006</u>				
Balance as at 1 October 2005	35,243	30	10,366	45,639
Transfer to share capital	30	(30)	-	-
Dividends paid	-	-	(2,193)	(2,193)
Net profit for the six months ended 31 March 2006	-	-	2,739	2,739
Balance as at 31 March 2006	35,273	-	10,912	46,185

- 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**

No Changes in the share capital since the end of the previous period reported on.

- 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**

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation in the financial statements for the current financial period reported as in the last 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**

The Group adopted the Financial Reporting Standards ('FRS') which are mandatory for the financial years beginning on or after 1 January 2005:

FRS 1 – Presentation of Financial Statements
FRS 103 – Business Combination

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 Ordinary Share	Group	
	6 months ended 31/03/2006	6 months ended 31/03/2005
(i) Basic	2.56 cents	7.34 cents
(ii) On a fully diluted basis	2.63 cents	7.34 cents

The earnings per share is calculated based on number of ordinary shares of 172,216,160 during the financial period and weighted average number of ordinary share of 143,175,911 during the previous financial 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	As at 31/03/2006	As at 30/09/2005
Net asset for the Group (S\$'000)	52,458	50,709
Number of ordinary shares ('000)	176,216	176,216
Net asset value per ordinary share (cents)	29.86	28.78

Company	As at 31/03/2005	As at 30/09/2005
Net asset for the Company (S\$'000)	46,022	46,013
Number of ordinary shares ('000)	176,216	176,216
Net asset value per ordinary share (cents)	26.21	26.11

- 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**

After the sharp correction in steel prices during the middle of 2005, steel prices remained relatively flat and weak for the remaining second half of 2005. Prices remained flat in the beginning of 2006 until sometime in March 2006 when it started to pick up again. The recovery in steel prices is due to rebound in the steel market in China given the underlying strong demand for steel and a consolidation in steel supply.

Despite flat and weak steel prices, the Group was able to register an increase of about 12% in sales turnover to a half year sales of \$173.2 million. In the last two financial years, the Group has gradually expanded its market position as one of the largest steel stockists in Singapore. The Group continues to see strong demand both for ship and steel plates and construction related steel products. Sales from manufacturing activity was lower at \$9.9 million (including inter-companies) compared to \$11.2 million in the same period last year as it was also impacted by weak steel prices.

The Group's Profit Before Tax (PBT) for the first half year for FY 2006 was lower at \$5.1 million when compared to the same period for FY 2005. However, it should be noted that the results in the first half in FY 2005 was exceptional due to sharp rises in steel prices during the period. Gross and net profit margin remains low due to the weak steel prices. However, when compared to the second half of FY2005, the Group's performance has improved. The Group's net profit was boosted by a profit of \$3.1 million upon the full disposal of the Group's shares in FerroChina Limited as was previously announced. In addition, the increase in other operating income also includes foreign exchange gain due to the weakening USD.

The Group's Profit After Tax for the half year for FY 2006 was \$4.6 million. This compared with the Group's Profit After Tax for the whole of FY 2005 of \$5.15 million.

The Group was able to reduce both its inventory level and trade account receivables despite the increase in sales revenue. Significantly, with the improvement in working capital cycle, the Group was able to report a positive cash flow from operating activities of \$9.3 million. At the same time, the group has reduced its gearing from 2.7 times as at end of FY 2005 to 2.1 times as at 31 March 2006. The Group's cash and cash equivalents continue to remain at a healthy level of S\$ 12.2 million as at 31 Mar 2006.

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

Between February and March 2006, the Group has fully disposed of its investment in FerroChina Limited for a net gain of \$3.1 million over book value. The Group decided to dispose of the shares in FerroChina as it was unable to derive synergies from the investment. The distributorship agreement with FerroChina Limited has lapsed, without concluding any business transaction.

Our subsidiary Oriental Metals Pte Ltd (OM) has completed the construction of the new sand blasting factory. Currently, the sandblasting equipment is being installed and is expected to start production in the last quarter of FY 2006.

Even when steel prices were weak, the demand for steel products from Singapore and the region continues to be strong. This year, we expect to continue to see healthy demand for steel products from the shipbuilding and construction sectors. This is especially so for the construction industry which seem to be recovering. The China over-supply situation which plagued the industry last year appears to have improved and steel prices have begun to recover since March 2006.

Barring unforeseen circumstances, the directors are optimistic about the outlook for the second half of FY 2006.

11. Dividend

(a) Current financial period reported on

Any dividend recommended for the current financial period reported on? **None**

Name of Dividend	:
Dividend Type	:
Dividend rate	:
Par value of shares	:
Tax rate	:

(b) Corresponding period of the immediately preceding financial year

Any dividend recommended for the corresponding period of the immediately preceding financial year? **None**

Name of Dividend :
Dividend Type :
Dividend rate :
Par value of shares :
Tax rate :

(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.

BY ORDER OF THE BOARD
Wee Piew
Chief Executive Officer
10/05/2006