



HG METAL MANUFACTURING LIMITED

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**HG Metal grows full-year FY2005 revenue by 95% to
\$341 million, posts \$5.4 net earnings**

- **Company has proposed final dividends of 1 cent per share and special dividends of 0.25 cent per share**
- **New sandblasting plant for ship plates will commence operations in 2HFY2006**

(Singapore, 22 November 2005) – Mainboard-listed HG Metal Manufacturing Limited, Singapore's only steel stockist with manufacturing capability, today announced its full-year revenue grew by 95.23% from S\$174.7 million to \$341.0 million buoyed by higher sales to existing and new customers. Net profit attributable to shareholders, however fell victim to a sharp correction in steel prices globally, sliding to \$5.4 million, from \$16.5 million a year ago when steel prices boomed.

Cash and cash equivalents continued to strengthen from \$15.4 million to \$21.2 million. The company has proposed final dividends of 1 cent per share and special dividends of 0.25 cent per share.

Overall Highlights	FY2005 (ended 30 Sep 2005) \$'000	FY2004 (ended 30 Sep 2004) \$'000	% of change
Turnover	341,048	174,689	95.23
Gross Profit	28,496	35,029	-18.65
Profit before tax	7,680	20,964	-63.37
Profit After Tax	5,528	16,645	-66.79
Earnings per share	3.39 cents	14.62 cents	-76.81

HG Metal CEO Mr Wee Piew said, "It has been a volatile year for the steel industry. While the beginning of 2005 saw strong demand and rising steel prices, the market took a sharp turn around the middle of the year. This was a result of various factors – chiefly, high oil prices and glut in steel supply, mainly from China. The anticipated recovery took longer than expected and happened while we were growing our sales, thus the magnitude of its impact on our bottom line was significant.

"The good news is steel prices now appear to have somewhat stabilized. Overall demand for steel still remains healthy with steady demand coming from China and the Middle East," he added.

Demand for the Group's steel plates remained strong, accounting for about 47% of total sales. At the same time, demand for construction-related products like bars and beams also picked up pace, in line with the recovering property market. The Manufacturing Division also saw an increase in sales, crossing the \$20 million mark for the first time.

Besides the sharp correction in steel prices, two other factors impacted the Group's net earnings. The Group had to make \$1.5 million provision for the diminution in value for its stake in Ferrochina Ltd. It also incurred unrealized exchange loss of \$1.8 million due to the stronger US dollar.

"The challenges we face, as you can see were mainly external. The company, as it has always been, remains fundamentally strong and committed to our growth objectives which is to create a better balance between trading and the more cyclical-resistant manufacturing operations," Mr Wee added.

To this end, the Group has stepped up its value-adding activities by venturing into sandblasting for ship plates. Its subsidiary, Oriental Metals has begun construction of a new factory that will house a sandblasting plant. Expected to cost nearly \$1 million, the plant will commence operations in the second half of the next financial year.

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About HG Metal

HG Metal is a premier steel stockist and manufacturer of steel products. With more than 30 years in the steel business, HG Metal offers more than 2,000 different types of steel products of various dimensions for a wide variety of industrial and engineering applications. With their “one-stop supermarket” strategy, HG Metal is able to satisfy the needs of their customers with one visit to their extensive stockyard and manufacturing facility.

HG Metal has also differentiated itself from its peers in its strategic move to custom-manufacture steel products. HG Metal currently manufactures customized flat steel bars used in a wide variety of engineering processes and mild steel lip channels commonly used as roofing support in commercial and industrial buildings. The Directors believe that HG Metal is the only steel stockist in Singapore with such manufacturing capability. This gives HG Metal a distinct competitive advantage against their competitors, as they can fulfill their customers’ requirements more quickly and completely, especially for specifications that are not readily available in the market.

You may also visit the Company’s website at www.hgmetal.com.
