



HG METAL MANUFACTURING LIMITED

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HG Metal delivers robust growth in 1HFY2007 with Profit Before Tax increased 85.6% to S\$9.5 million

- Excluding exceptional gains from disposal of quoted shares in 1H FY06, Profit Before Tax (PBT) would have risen 173%.
- Gross Profit Margin improved from 4.2% in 1H FY06 to 9.4% in 1H FY07 on the back of higher steel prices and cost containment.
- Sustained demand lifts revenue 23.6% to S\$214.04 million.

Singapore, 11 May 2007– Mainboard-listed HG Metal Manufacturing Limited (“HG Metal” or “The Group”), one of the largest steel stockists in Singapore and Southeast Asia, has registered robust results in First Half Financial Year 2007 (Financial Year ends 30 September). Profit Before Tax increased by 85.6% to S\$9.50 million in 1H FY07 compared to S\$5.12 million for the corresponding period in FY06. Revenue grew 23.6% to S\$214.04 million during 1H FY07, compared to S\$173.24 million in 1H FY06. This increase in revenue was driven by higher steel prices and sustained demand for steel products from the shipbuilding & ship-repair sector, as well as the construction sector.

Financial Highlights	1H FY2007 S\$'000	1H FY2006 S\$'000	% Change
Turnover	214,041	173,239	23.55%
Gross Profit	20,254	7,225	180.33%
Profit Before Tax	9,501	5,119	85.56%
Earnings	7,790	4,609	69.02%
Earnings per share (Singapore cents)	4.08	2.56	59.38%

Group Profit Before Tax rose 85.6% to S\$9.5 million during 1H FY2007. This increase would have been higher at 173% if exceptional gains from the disposal of quoted shares in the corresponding period of FY2006 were excluded.

CEO Wee Piew commented: "Our first half financial year 2007 results are highly satisfactory. I am especially pleased with our increase in gross profit margin which has widened significantly from 4.2% in the corresponding period of FY2006 to 9.4% for the half year 2007 ended 31 March. This was due to higher steel prices, and our containment of distribution costs and other operating expenses. "

Group shareholders' funds increased significantly during the period under review. As at 31 March 2007, these funds stood at S\$77.3 million, compared to S\$59.4 million as at 30 September 2006. (as at end-FY2006). The increase was due to the retention of profits for the first half of financial year 2007, the completion of the rights issue and the partial conversion of the convertible loan from OCBC Bank. The increased shareholders' funds have consequently brought gearing down to 1.38 times as at 31 March 2007, from 2.02 times as at end-FY2006. To date, OCBC Bank has fully converted the convertible loan of S\$10 million to 31,171,147 new ordinary shares.

The trading segment, comprising 93% of revenue, continues to fuel the bulk of revenue growth, while the manufacturing segment accounts for about 6% of Group turnover.

Over the period in review, the Group completed its rights issue which was 200.6% oversubscribed. The 2 for 5 rights issue was undertaken in tandem with the special dividend payout of S\$0.04 per share. In total, 74,039,797 shares were issued and net proceeds of S\$7.0 million were raised.

Operations Highlights and Outlook

Oriental Metals, a HG metal subsidiary, is in the process of installing a second sand blasting line as the first one is operating at maximum capacity. Costing \$1 million, the new line is expected to be operational by the end of FY2007. It will be financed internally.

CEO Wee Piew notes: "Besides launching the second sand blasting line, we are also proceeding with a feasibility study of our newly acquired land at Nusajaya which is within the Iskandar Development Region in Johor. In financial year 2008, we plan to build a new warehouse cum factory at our newly leased land at Jurong Port Road as well as another warehouse complex at 30 Jalan Buroh. These developments will allow us to cater to future growth."

He continued: "The Singapore economy will likely remain on an expansion path this year. In our particular business as a major steel stockist, we have positioned ourselves to capitalize on the buoyant shipbuilding and ship-repair sector, as well as the construction sector. Looking forward, we believe that prospects are promising, especially with the upcoming integrated resorts to be completed within the next four years, and the new Business and Financial Centre in Marina Bay in 2010, coupled with the sustained growth in the marine sector."

--The End--

About HG Metal

HG Metal is a premier 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 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

Issued for and on behalf of HG Metal Manufacturing Limited

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