



**HG METAL MANUFACTURING LIMITED**

Registration No: 198802660D

30 Jalan Buroh

Singapore 619486

Tel: (65) 6268 2828 Fax: (65) 6268 3838

[www.hgmetal.com](http://www.hgmetal.com)

## **HG Metal turns 2H2005 net loss of \$5.5 million around to 1H2006 net profit of \$4.6 million**

- **1H2006 turnover increases by 12.2% to S\$173.2m year-on-year on strong demand from marine & offshore sector**

*Singapore, 10 May 2006* – Mainboard-listed **HG Metal Manufacturing Limited** (“**HG Metal**”, “**the Group**” or “**福源金属制造**”) Singapore’s only steel stockist with manufacturing capabilities, achieved net profit of \$4.6 million in 1H2006, compared to a net loss of \$5.5 million in 2H2005. This turnaround in net earnings was achieved despite 1H2006 revenue being 7.2% lower at S\$173.2 million compared to S\$186.6 million in 2H2005. First half revenues are usually lower compared to second half due to lesser activities during the Chinese New Year break. The improvement in net earnings was due to the gain on the disposal of Ferrochina’s share, and foreign exchange gains for inventory arising from the weakening of US Dollar.

### **Financial highlights**

<b>S\$000</b>	<b>1H2006 (ended 31/3/2006)</b>	<b>2H2005 (ended 30/9/2005)</b>	<b>1H2006 vs 2H2005</b>
<b>Revenue</b>	173,239	186,648	-7.2%
<b>Profit before tax</b>	5,119	-5,954	Turnaround
<b>Profit After Tax</b>	4,609	-5,496	Turnaround
<b>EPS</b>	2.63	-3.43	Turnaround

**Review of financial performance**

HG Metal CEO Mr Wee Piew (“黄彪”) said, “After the sharp correction in steel prices during the middle of 2005, steel prices remained relatively flat and weak for the remaining 2nd half of 2005. Prices remained flat in the beginning of 2006 until sometime in March 2006 when it started to pick up again.”

“The good news is steel prices now appear to be recovering somewhat as Chinese authorities are encouraging the merger of smaller plants and the shutting down of unprofitable plants.” he added.

Demand for HG Metal's steel plates, accounting for more than 50% of total sales, remains strong. Demand for steel plates by shipbuilders in the booming marine sector has contributed a positive impact on HG Metal's sales. At the same time, demand for HG Metal's construction-related products like bars and beams also picked up pace, in line with the recovering property market.

**Strategy and outlook**

In the last two financial years, the Group has gradually expanded its market position as one of the largest steel stockists in Singapore. By being a large player, the Group enjoys cost savings through bulk discounts and lower transportation costs for steel. To raise funds for implementing HG Metal's growth strategy, the Group secured a S\$10 million convertible loan from OCBC Bank in April 2005.

The International Iron & Steel Institute expects total global consumption of finished steel products for 2006 to grow 7.3% year-on-year to exceed one billion tonnes. The Group continues to see strong demand both for steel and ship-plates, and construction related steel products. The recovery in steel prices is due to the rebound in the steel market in China, given the underlying strong demand for steel and the consolidation in steel supply. Accordingly, the management expects demand for steel to remain healthy, driven by the marine & offshore and construction sectors.

In expectation of higher sales in the marine & offshore industry, HG Metal has stepped up its value-adding activities for the customers by venturing into sand-blasting for ship plates. The Group's subsidiary, Oriental Metals Pte Ltd (“东方五金”), has completed construction of the Group's new sand-blasting plant. Sand-blasting facilities are being installed and production will start in the last quarter of FY2006.

- ends -

## 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](http://www.hgmetal.com).

---

## Issued for and on behalf of HG Metal Manufacturing Limited

Lorenz Chuah [Lorenz@financialpr.com.sg](mailto:Lorenz@financialpr.com.sg)

Sim Kih [Simkih@financialpr.com.sg](mailto:Simkih@financialpr.com.sg)

Financial PR Pte Ltd

Address: No.3 Phillip Street, #15-04 Commerce Point Singapore 048693

Tel: 6438 2990 Fax: 6438 0064