



HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Full Year Financial Statement and Dividend Announcement for the Year Ended 30 September 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		
	Year ended 30/09/2006 S\$'000	Year ended 30/09/2005 S\$'000	Increase / (Decrease) %
Turnover	362,815	341,048	6.38%
Cost of Sales	(330,119)	(312,902)	5.50%
Gross Profit	32,696	28,146	16.17%
Other Operating Income	8,213	2,216	270.62%
Distribution Costs	(4,279)	(3,518)	21.63%
Administrative Expenses	(8,848)	(8,081)	9.49%
Other Operating Expenses	(4,036)	(5,773)	(30.09)%
Profit from Operations	23,746	12,990	82.80%
Finance Costs	(7,464)	(5,683)	31.34%
Profit Before Income Tax	16,282	7,307	122.83%
Income Tax	(2,471)	(2,153)	14.77%
Profit After Income Tax	13,811	5,154	167.97%
Attributable to:			
Equity Holders of the Company	13,691	5,038	171.75%
Minority Interests	120	116	3.45%
	13,811	5,154	

The net profit attributable to shareholders included the following for the year ended 30 September 2006:

	Group	
	Year ended 30/09/2006	Year ended 30/09/2005
	S\$'000	S\$'000
Interest Income	176	*
Interest on Borrowings	7,464	5,683
Depreciation and Amortisation	1,217	1,114
Allowance for Doubtful Receivables - Net (Note: 1)	2,575	191
(Write-back)/Allowance for impairment of Long-term Investment	(1,479)	1,479
Gain on Disposal of Long-term Investment	1,646	-
Bad Receivables Written Off	*	*
(Gain)/Loss on Disposal of Plant & Equipment	*	*
Foreign Exchange (Gain)/Loss – Net (Note: 2)	(3,235)	1,528

* - denotes less than S\$100,000.

Notes :

(1)

	30/09/2006 S\$	30/09/2005 S\$
Allowance for Doubtful Receivables	3,024,827	1,503,809
Write-back of Allowance for Doubtful Receivables	(450,001)	(1,312,325)
	2,574,826	191,484

(2)

	30/09/2006 S\$	30/09/2005 S\$
Unrealised Foreign Exchange Loss	474,403	1,847,558
Realised Foreign Exchange Gain	(3,708,798)	(319,351)
	(3,234,395)	1,528,207

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 30/09/2006 S\$'000	As at 30/09/2005 S\$'000	As at 30/09/2006 S\$'000	As at 30/09/2005 S\$'000
Non-current assets				
Property, Plant & Equipment	12,550	10,262	4,816	5,058
Intangible assets	224	163	163	163
Subsidiary companies	-	-	6,381	6,381
Long-term Investments	-	4,320	-	-
	12,774	14,745	11,360	11,602
Current assets				
Inventories	101,614	102,272	88,874	89,411
Trade & other receivables	92,132	91,300	84,379	91,505
Deferred Tax Asset	974	-	974	-
Fixed deposits with banks	5,174	7,117	5,080	6,020
Cash and bank balances	14,427	14,242	11,461	11,693
	214,321	214,931	190,768	198,629
Current liabilities				
Trade & other payables	43,229	40,577	41,883	39,546
Provision for directors' fees	276	106	276	106
Finance lease payables	327	102	-	-
Income Tax Payable	1,780	1,793	1,581	1,476
Bank borrowings	101,505	120,469	90,608	109,758
	147,117	163,047	134,348	150,886
Net current assets	67,204	51,884	56,420	47,743
Non-current liabilities				
Finance lease payables	750	174	-	-
Unamortised discount	(60)	-	(60)	-
Derivative Instruments	4,870	-	4,870	-
Bank borrowings	14,687	14,925	12,650	13,650
Deferred tax	386	332	56	56
	20,633	15,431	17,516	13,706
	59,345	51,198	50,264	45,639

Share capital and Reserves				
Share capital	35,273	35,243	35,273	35,243
Share premium	-	30	-	30
Retained profits	26,598	15,100	18,787	10,366
Foreign currency translation	(96)	(37)	-	-
Other Reserves	(3,796)		(3,796)	-
	57,979	50,336	50,264	45,639
Minority interests	1,366	862	-	-
	59,345	51,198	50,264	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 30/09/2006 S\$'000		As at 30/09/2005 S\$'000	
Secured	Unsecured	Secured	Unsecured
1,827	100,005	1,447	119,124

Amount repayable after one year

As at 30/09/2006 S\$'000		As at 30/09/2005 S\$'000	
Secured	Unsecured	Secured	Unsecured
5,413	10,024	5,099	10,000

Details of any collateral

Term Loan Facility outstanding of S\$6.1 million is secured by legal mortgage over leasehold buildings of the Group with net book value of S\$7.8 million as at 30 September 2006 (30/9/2005: S\$6.7 million). The balance is amount due to finance lease payables which are secured by Property, Plant & Equipment acquired under the respective finance lease contracts.

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	
	Year ended 30/09/2006	Year ended 30/09/2005
	S\$'000	S\$'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before Income Tax	16,282	7,307
Adjustments for non-cash items:		
Depreciation of Property, Plant & Equipment	1,217	1,114
Gain on disposal of Property, Plant & Equipment	(83)	(60)
Gain on disposal of investment	(1,646)	-
Interest expense	7,464	5,683
Interest income	(176)	(98)
Currency re-alignment	(86)	34
(Written back)/Allowance for impairment of long term investments	(1,479)	1,479
Operating profit before working capital changes	<u>21,493</u>	<u>15,459</u>
Working capital changes:		
Decrease/(Increase) in fixed deposits	2	(5)
Decrease/(Increase) in inventories	657	(39,871)
Increase in trade and other receivables	(833)	(39,116)
Increase in trade and other payables	2,821	22,566
Cash Generated from/(used in) operations	<u>24,141</u>	<u>(40,965)</u>
Interest expense paid	(7,464)	(5,683)
Interest income received	176	97
Income tax paid	(2,431)	(4,201)
Net cash generated from/(used in) operating activities	14,421	(50,752)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of quoted equity shares	-	(5,799)
Proceeds from disposal of long-term investments	7,444	-
Purchase of Intangible asset	(61)	-
Purchase of property, plant and equipment	(2,080)	(1,315)
Proceeds of disposal of plant and equipment	157	101
Net cash generated from/(used in) investing activities	<u>5,460</u>	<u>(7,013)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/Net proceeds from bank borrowings	(19,100)	65,584
Dividends paid on ordinary shares by the Company	(2,193)	(1,982)
Dividends paid to minority shareholders	(6)	(6)
Proceeds from issue of shares to minority interest	-	112
Repayment of finance lease liabilities	(393)	(103)
Net cash (used in)/ generated from financing activities	<u>(21,692)</u>	<u>63,605</u>
(Decrease)/Increase in cash and cash equivalents	(1,811)	5,840
Cash and cash equivalents at 1 October 2005	<u>21,262</u>	<u>15,422</u>
Cash and cash equivalents at 30 September 2006 *	<u><u>19,507</u></u>	<u><u>21,262</u></u>

* Cash and cash equivalents as at 30 September 2006 comprise :

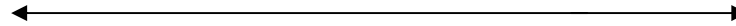
	Group	
	As at 30/09/2006 S\$'000	As at 30/09/2005 S\$'000
Cash and cash balances	14,427	14,242
Fixed deposits with banks	5,174	7,117
	19,601	21,359
Less: Fixed deposits pledged**	(94)	(97)
	19,507	21,262

** The fixed deposits are pledged to a bank as security for 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

The Group	← Attributable to equity holders of the Company →								
	Share Capital	Share Premium	Share Conversion Reserve	Hedging Reserve	Foreign Currency Translation Reserve	Retained Profits	Total Equity	Minority Interest	Total
<u>As At 30 September 2006</u>									
Balance as at 1 October 2006	35,243	30	-	-	(37)	15,100	50,336	862	51,198
Effect of Companies (Amendment) Act 2005	30	(30)				-		-	-
Acquisition of Subsidiary								545	545
Effect of adopting FRS 39 - Convertible Loan			100				100		100
Effect of adopting FRS 39 - Derivative Financial Instruments				(3,896)			(3,896)		(3,896)
Dividends paid	-	-				(2,193)	(2,193)		(2,193)
Translation difference on financial statement of foreign subsidiary	-	-			(59)		(59)	(161)	(220)
Net profit for the financial year						13,691	13,691	120	13,811
Balance as at 30 September 2006	35,273	-	100	(3,896)	(96)	26,598	57,979	1,366	59,345

Attributable to equity holders of the Company



The Group	Share Capital	Share Premium	Foreign Currency Translation Reserve	Retained Profits	Total	Minority Interests	Total Equity
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>As At 30 September 2005</u>							
Balance as at 1 October 2004	26,432	3,030	(58)	17,655	47,059	624	47,683
- effect of adopting FRS103				200	200	-	200
Bonus issue	8,811	(3,000)	-	(5,811)	-	-	-
Dividends paid	-	-	-	(1,982)	(1,982)	-	(1,982)
Translation difference on financial statements of foreign subsidiary	-	-	21	-	21	122	143
Net profit for the financial year	-	-	-	5,038	5,038	116	5,154
Balance as at 30 September 2005	35,243	30	(37)	15,100	50,336	862	51,198

The Company	Share Capital	Share Premium	Share Conversion Reserve	Hedging Reserve	Retained Profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Period ended 30 September 2006</u>						
Balance as at 1 October 2005	35,243	30	-		10,366	45,639
Effect of Companies (Amendment) Act 2005	30	(30)				
Effect of adopting FRS 39 - Convertible Loan			100			100
Effect of adopting FRS 39 - Derivative Financial Instruments				(3,896)		(3,896)
Dividends paid					(2,193)	(2,193)
Net profit for the financial year					10,614	10,614
Balance as at 30 September 2006	35,273	-	100	(3,896)	18,787	50,264

The Company	Share Capital	Share Premium	Retained Profits	Total
	S\$'000	S\$'000	S\$'000	S\$'000
<u>Period ended 30 September 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 financial year	-	-	3,214	3,214
Balance as at 30 September 2005	<u>35,243</u>	<u>30</u>	<u>10,366</u>	<u>45,639</u>

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

On 15 August 2006, the company and OCBC Bank entered into a convertible loan agreement pursuant to which OCBC Bank offered to the company a convertible loan facility of S\$10,000,000, upon the terms and subject to the conditions therein, convertible into new ordinary shares at an exercise price of S\$0.361.

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

The Group has adopted the same accounting policies and methods of computation as presented in the most recently audited annual financial statements for all other areas. From 1 October 2005, the Group and the Company adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual periods beginning on or after January 1, 2005:

FRS 1 (revised)	Presentation of Financial Statements
FRS 2 (revised)	Inventories
FRS 8 (revised)	Accounting Policies, Changes in Accounting Estimates and errors
FRS 10 (revised)	Events After the Balance Sheet Date

FRS 16 (revised)	Inventories
FRS 17 (revised)	Leases
FRS 21 (revised)	Effects of Changes in Foreign Exchange Rates
FRS 24 (revised)	Related Party Disclosures
FRS 27 (revised)	Consolidated and Separate Financial Statements
FRS 32 (revised)	Financial Instruments: Disclosure and Presentation
FRS 33 (revised)	Earnings Per Share
FRS 36 (revised)	Impairment of Assets
FRS 38 (revised)	Intangible Assets
FRS 39 (revised)	Financial Instruments: Recognition and Measurement
FRS 103(revised)	Business Combinations
FRS 105(revised)	Non-current Assets Held for Sales and Discontinued Operations

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**

Earnings per share based on profit attributable to shareholders:	Group	
	Year ended 30/09/2006	Year ended 30/09/2005
(i) Basic	7.77 cents	3.15 cents
(ii) Diluted	5.52 cents	3.15 cents

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	
	30/09/2006	30/9/2005	30/09/2006	30/9/2005
Net asset value per ordinary share (cents)	32.22	28.47	28.43	25.81

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**

The Group was able to build on last year's strong sales volume to post another record sales of \$362.8 million for FY 2006 (compared to \$341.0 million for FY 2005). The buoyant shipbuilding and repair sectors, together with the recovering construction market, continued to fuel strong demand for ship and steel plates as well as construction related steel products. Sales from manufacturing activity was lower at \$23.6 million compared to \$28.2 million last year due to a weaker first half.

The Group's Profit Before Income Tax (PBT) for FY 2006 more than doubled to reach \$16.3 million (or an increase of 122.8% over FY 2005's PBT of \$7.3 million). PBT was higher due to an increase in gross profit margins, reduction in operating expenses and an increase in other operating income. The increase in other operating income and reduction in operating expenses was due to the gain and write-back on the disposal of Ferrochina shares, write-back on trade receivables and gain on foreign exchange due to the strengthening of the SGD against the USD. Distribution costs increased in line with the higher sales volume while administration costs increased only marginally.

The Group's Profit After Income Tax for FY 2006 increased by 167.9% to \$13.8 million compared to \$5.2 million in FY 2005.

Compared to FY 2005, the Group was able to report a positive cash flow from operating activities of \$14.4 million for FY 2006. At the same time, the group has reduced its gearing from 2.68 times as at end of FY 2005 to 1.98 times as at end of FY 2006. Shareholders' funds stand at \$57.9 million as at 30 September 2006 compared to \$50.3 million as at 30 September 2005. The Group's cash and cash equivalents continue to remain at a healthy level of S\$ 19.6 million as at 30 September 2006.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

No forecast on a prospect statement has been previously disclosed to shareholders.

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

As mentioned in our 1st half 2006 commentary, the Group has disposed all of its investment in Ferrochina as it was unable to derive synergies from the investment.

The sand blasting facility at our subsidiary, Oriental Metals Pte Ltd (OM) started full operation in August 2006 and is now running at full capacity. We are now evaluating plans to start a second facility.

On 15 August 2006, we completed our 72.3% acquisition of Niho Singapore Pte Ltd (Niho) for \$1.5 million. Niho provides value-added services of stainless steel products catering mainly to the metal stamping industries.

On 15 August 2006, the Group successfully re-financed the convertible loan facility of \$10 million from OCBC Bank on improved terms.

The Group views the sand blasting facility and the acquisition of Niho as part of its longer term strategy to widen its product range and enhance its capabilities to offer a wide suite of services catering to the steel industry. The Group therefore does not rule out further acquisitions and investments to further broaden its product and service base as part of this strategy. In line with this longer term strategy, the Group aims to achieve annual sales revenue of at least \$500 million on or before 2009.

As for 2007, demand for steel products from the shipbuilding and construction sectors is likely to remain strong. In the construction sector particularly, there is a strong stream of new mega projects like the Integrated Resorts and the redevelopments of parts of Orchard Road like Orchard Turn which is likely to increase demand for steel products. Hence, barring unforeseen circumstances, the directors are optimistic about the outlook for FY 2007.

11. Dividend

(a) Current financial period reported on

Any dividend recommended for the current financial period reported on? Yes

Name of Dividend : Special
Dividend Type : Cash
Dividend rate : 4 cents per ordinary share (net of tax)
Tax rate : 20%

Note :

The company has a Section 44A balance of approximately S\$1.6 million which is available for franking maximum gross dividends amounting to approximately S\$8.0 million at the current corporate tax rate of 20%. The breakdown of the special dividend into frankable and tax exempt will be determined based on the issued share capital of the company as at a books closure date to be announced. Based on its existing issued share capital of 176,216,160 shares, the net special dividend will comprise 3.6 cents (frankable) and 0.4 cent (tax exempt). If all the outstanding convertibles are exercised prior to the books closure date (comprising 44,054,040 warrants and 27,700,831 new shares to be issued pursuant to its outstanding S\$10 million convertible loan), the maximum issued share capital will comprise 247,971,031 shares, and the net special dividend will comprise 2.5 cents (frankable) and 1.5 cents (tax exempt).

Subject to the approval of shareholders for the special dividend at the annual general meeting to be convened, entitled shareholders will be given an option to elect to utilize all or part of their net special dividend to subscribe for rights shares which are proposed to be issued by the company. Please refer to the separate announcement made by the company on 23 November 2006 in connection with the proposed rights issue for further details.

(b) Corresponding period of the immediately preceding financial year

Any dividend recommended for the corresponding period of the immediately preceding financial year? Yes

Name of Dividend : Final

Dividend Type : Cash
Dividend rate : 1 cent per ordinary share (net of tax)
Tax rate : 20%

Name of Dividend : Special
Dividend Type : Cash
Dividend rate : 0.25 cent per ordinary share (net of tax)
Tax rate : 20%

(c) Date payable

To be announced later.

(d) Books closure date

To be announced later.

12. If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

PART II – ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT (This part is not applicable to Q1, Q2, Q3 or Half Year results)

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year

	Trading	Manufacturing	Elimination	The Group
	S\$'000	S\$'000	S\$'000	S\$'000
2006				
Sales to external customers	339,151	23,664		362,815
Inter-segment sales	5,459	1,226	(6,685)	-
Total	344,610	24,890	(6,685)	362,815
Segment results	22,806	2,398	(1,634)	23,570
Interest expense	(6,878)	(586)		(7,464)
Interest income	167	9		176
Profit before income tax	16,095	1,821	(1,634)	16,282
Income Tax	(2,099)	(372)		(2,471)
Minority interest	(117)	(3)		(120)
Net profit	13,879	1,446	(1,634)	13,691
Segment assets	206,905	32,888	(12,698)	227,095
Segment liabilities	153,079	19,445	(4,774)	167,750
Capital expenditure	540	2,736		3,276
Depreciation expense	625	592		1,217

	Trading	Manufacturing	Elimination	The Group
	S\$'000	S\$'000	S\$'000	S\$'000
2005				
Sales to external customers	312,895	28,153		341,048
Inter-segment sales	6,097	4,345	(10,442)	-
Total	318,992	32,498	(10,442)	341,048
Segment results	10,443	2,513	(64)	12,892
Interest expense	(5,251)	(432)	-	(5,683)
Interest income	93	5	-	98
Profit before income tax	5,285	2,086	(64)	7,307
Income Tax	(1,658)	(495)	-	(2,153)
Minority interest	(116)	-	-	(116)
Net profit	3,511	1,591	(64)	5,038
Segment assets	213,148	26,448	(9,919)	229,677
Segment liabilities	163,060	23,147	(9,855)	176,352
Capital expenditure	843	664	-	1,507
Depreciation expense	593	521	-	1,114
Provision for impairment of other investments	1,479	-	-	1,479

	Singapore	Malaysia	Indonesia	Others	Elimination	Group
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2006						
Sales to external customers	164,305	122,056	67,668	8,786		362,815
Inter-segment sales	6,685	-	-	-	(6,685)	-
Total	170,990	122,056	67,668	8,786	(6,685)	362,815
Segment assets	235,459	3,218		1,116	(12,698)	227,095
Capital expenditure	3,097	179	-	-	-	3,276
	Singapore	Malaysia	Indonesia	Others	Elimination	Group
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
2005						
Sales to external customers	172,511	79,915	72,920	15,702	-	341,048
Inter-segment sales	10,442	-	-	-	(10,442)	-
Total	182,953	79,915	72,920	15,702	(10,442)	341,048
Segment assets	236,576	3,069	-	-	(9,919)	229,676
Capital expenditure	1,507	-	-	-	-	1,507

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments

Please refer to item no. 8.

15. A breakdown of sales

	Group		
	Year ended 30/09/2006	Year ended 30/09/2005	Increase / (Decrease)
	S\$'000	S\$'000	%
<u>First Half</u>			
Sales reported for first half year	173,239	154,400	12.20%
Operating profit after tax before deducting minority interests reported for first half year	4,609	10,650	(56.72)%
<u>Second Half</u>			
Sales reported for second half year	189,576	186,648	1.57%
Operating profit after tax before deducting minority interests reported for second half year	9,202	(5,496)	NM

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year

Total Annual Dividend (Refer to Para 16 of Appendix 7.2 for the required details)

	Latest Full Year (S\$'000)	Previous Full Year (S\$'000)
Ordinary	7,049	2,203
Preference	-	-
Total :	7,049	2,203

17. Interested Persons Transactions

The aggregate value of transactions conducted pursuant to the IPT Mandate obtained during the Annual General Meeting held on 25 January 2006 are as follows:

Name of interested persons	Aggregate value of all interested persons transactions, conducted under the IPT Mandate (excluding transactions less than S\$100,00)	
	Year ended 30/09/2006	Year ended 30/09/2005
Super Marine Supplies Pte Ltd	1,108,638	4,414,927
Lingco Shipbuilding Pte Ltd	36,398	1,373

BY ORDER OF THE BOARD

Wee Piew

Chief Executive Officer

23/11/2006