



**HG METAL MANUFACTURING LIMITED**

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## **HG Metal rides on surging steel prices with 130.5% increase in net profit attributable to shareholders to S\$8.5 million in 1Q2008**

- Gross profit margin almost doubled to 13.2% y-o-y on rising steel prices
- On track to achieve annual sales revenue of at least S\$500m by 2009 on the back of construction boom

**Singapore, 1 February 2008** – 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 for the first quarter of FY2008 ended 31 Dec 2007.

### **1Q2008 Financial Review**

<b>Financial Highlights</b>	<b>1Q2008 S\$'000</b>	<b>1Q2007 S\$'000</b>	<b>Change</b>
<b>Revenue</b>	117,321	101,524	15.6%
<b>Gross Profit</b>	15,517	8,612	80.2%
<b>Profit Before Tax</b>	10,436	4,600	126.9%
<b>Net Profit Attributable to Shareholders</b>	8,481	3,679	130.5%
<b>Earnings per share (Singapore cents)</b>	2.66	2.09	27.3%

The Group's net profit attributable to shareholders increased by 130.5% to S\$8.5 million, on the back of 15.6% revenue growth to S\$117.3 million in 1Q2008. The increase in revenue is attributed to higher steel prices and an increase in demand for steel products from both the construction and shipbuilding and ship-repair sectors. Gross profit margin improved significantly from 8.5% in 1Q2007 to 13.2% in 1Q2008, which

has surpassed the average gross profit margin of 11.4% for the whole of FY2007, as a result of higher steel prices and strong demand.

***“Demand for steel in Singapore remains strong with major construction projects in the pipeline. To cope with higher sales volume, HG Metal has completed 3 new warehouse complexes at Jalan Buroh and construction of additional 3 warehouses at Jurong Port Road is scheduled to commence by 2Q2008.”***

**Mr Wee Piew, CEO of HG Metal**

Distribution, finance, administrative expenses and other operating expenses increased by 38.1%, 18.7%, 78.1% and 106.3% respectively in line with higher turnover and a general increase in cost of operation in the current period.

As at 31 December 2007, cash and cash equivalent improved to S\$26.7 million and the total shareholders' fund has increased to S\$124.2 million.

### **Going Forward**

Major steel manufactures in the world are currently negotiating on iron-ore prices with the top iron ore producers BHP Billiton, Rio Tinto and Vale do Rio Coce. Cost of production of iron ore, the main component of steel, is expected to go up between 20% to 70%<sup>1</sup>.

In Singapore, prospects continue to remain strong with new construction initiatives announced by the government. Major projects such as the new Sports Hub (targeted for completion in 2011), the new MRT extension lines, new expressways (North-South Expressway and Marina Coastal Expressway) and the newly announced University Town (targeted for completion in 2010) will boost the construction industry for the coming years.

According to a recently released industry report by UBS Investment Research<sup>2</sup>, the typical Singapore construction up-cycle lasts between five to eight years and Singapore is currently in year three of another long-tailed cycle. There is still strength in the domestic building cycle.

Barring unforeseen circumstances, the directors are cautiously optimistic about the outlook for the remainder of FY2008.

**--The End--**

About HG Metal Manufacturing Limited (Bloomberg Code: HGM.SP)

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

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<sup>1</sup> Bloomberg, “China’s mills have ‘sharp discrepancy’ with iron-ore suppliers”, 30<sup>th</sup> Jan 2008

<sup>2</sup> UBS Investment Research, “Singapore Construction”, 25<sup>th</sup> Jan 2008

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

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Issued for and on behalf of HG Metal Manufacturing Limited

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