



HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

Unaudited Financial Statements and Dividend Announcement for 1st Quarter Financial Period Ended 31 December 2008

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year.

| | Group | | |
|--------------------------------------|--------------------|--------------------|------------|
| | 1Q FY09 S\$'000 | 1Q FY08 S\$'000 | % (+/-) |
| Revenue | 182,023 | 117,321 | 55 |
| Cost of sales | (174,991) | (101,804) | 72 |
| Gross profit | 7,032 | 15,517 | (55) |
| Other operating income | 900 | 4,199 | (79) |
| Distribution expenses | (932) | (1,705) | (45) |
| Administrative expenses | (3,190) | (2,912) | 10 |
| Other operating expenses | (6,571) | (2,265) | 190 |
| Finance expenses | (4,147) | (2,398) | 73 |
| Share of joint venture profits | 666 | - | nm* |
| (Loss) / Profit before tax | (6,242) | 10,436 | (160) |
| Income tax expense | (100) | (1,900) | (95) |
| Net (loss) / profit for the period | (6,342) | 8,536 | (174) |
| Attributable to: | | | |
| Equity holders of the Company | (6,415) | 8,481 | (176) |
| Minority interest | 73 | 55 | |
| | (6,342) | 8,536 | |
| Earnings per share - Basic (cents) | (1.51) | 2.66 | |
| Earnings per share - Diluted (cents) | (1.10) | 2.37 | |

*nm denotes not meaningful

The Group financial results for 1st quarter FY 2009 include the 1st quarter FY 2009 financial results of BRC Asia Limited ("BRC Asia"), a subsidiary acquired on 18 September 2008 through HG Metal Pte Ltd, a 51% owned subsidiary of HG Metal Manufacturing Limited.

1(a)(ii) Notes to the Consolidated Income Statement

| | Group | |
|--|--------------------|--------------------|
| | 1Q FY09 S\$'000 | 1Q FY08 S\$'000 |
| Interest income | 19 | 113 |
| Interest on borrowings | (4,147) | (2,398) |
| Depreciation | (1,014) | (417) |
| Allowance for doubtful debts | - | (1,352) |
| Writeback of allowance for doubtful debts | 88 | 494 |
| Foreign exchange (loss) / gain, net | (3,513) | 3,573 |
| (Loss) / Profit on sale of property, plant and equipment | (2) | 36 |
| Amortisation of computer software | (38) | - |
| Fair value loss on derivatives, net | (1,400) | - |
| Fair value gain on investment held for trading | 400 | - |

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 | |
|--|-----------------------|-----------------------|-----------------------|-----------------------|
| | 31.12.2008 S\$'000 | 30.09.2008 S\$'000 | 31.12.2008 S\$'000 | 30.09.2008 S\$'000 |
| Non current assets | | | | |
| Property, plant and equipment | 55,366 | 50,629 | 15,879 | 13,527 |
| Intangible assets | 31,793 | 24,047 | 816 | 855 |
| Investment in subsidiaries | - | - | 9,167 | 9,167 |
| Investment in JV | 9,156 | 8,490 | - | - |
| Available for sale financial assets | 22 | 29 | - | - |
| Deferred tax assets | 365 | 365 | - | - |
| | 96,702 | 83,560 | 25,862 | 23,549 |
| Current assets | | | | |
| Derivative financial instruments | - | 67 | - | 67 |
| Investment held for trading | 1,400 | 1,000 | - | - |
| Inventories | 301,774 | 355,715 | 238,665 | 260,666 |
| Trade and other receivables | 141,661 | 167,900 | 111,486 | 132,746 |
| Prepaid expenses | 174 | 2,072 | - | - |
| Cash and cash equivalents | 20,851 | 49,983 | 5,686 | 29,315 |
| | 465,860 | 576,737 | 355,837 | 422,794 |
| Current liabilities | | | | |
| Trade and other payables | 142,361 | 196,355 | 109,683 | 126,379 |
| Finance lease payables | 809 | 1,509 | - | - |
| Bank borrowings | 245,136 | 296,281 | 148,896 | 190,123 |
| Provision for taxation | 6,546 | 6,259 | 3,998 | 3,998 |
| Provision for onerous contracts | 2,072 | 1,417 | - | - |
| Deferred revenue | 2,758 | 2,558 | - | - |
| Derivative financial instruments | 1,631 | 298 | 664 | - |
| | 401,313 | 504,677 | 263,241 | 320,500 |
| Net current assets | 64,547 | 72,060 | 92,596 | 102,294 |
| Non current liabilities | | | | |
| Finance lease payables | 1,652 | 675 | - | - |
| Bank borrowings | 1,918 | 1,662 | 400 | 650 |
| Provision for retirement benefits | 451 | 451 | - | - |
| Deferred taxation | 1,513 | 1,801 | 172 | 172 |
| | 5,534 | 4,589 | 572 | 822 |
| | 155,715 | 151,031 | 117,886 | 125,021 |
| Capital and reserves | | | | |
| Share capital | 78,203 | 78,203 | 78,203 | 78,203 |
| Capital reserves | 2,527 | 2,527 | 2,527 | 2,527 |
| Share option reserves | 16 | - | - | - |
| Other reserves | (5) | - | - | - |
| Foreign currency translation reserve | (120) | (120) | - | - |
| Retained earnings | 49,523 | 55,938 | 37,156 | 44,291 |
| Equity attributable to equity holders of the Company | 130,144 | 136,548 | 117,886 | 125,021 |
| Minority interests | 25,571 | 14,483 | - | - |
| Total equity | 155,715 | 151,031 | 117,886 | 125,021 |

1(b)(ii) Aggregate amount of group's borrowings and debt securities :

| | As at 31 December 2008 | | | As at 30 September 2008 | | |
|-------------------------------|------------------------|-----------|------------------|-------------------------|-----------|------------------|
| | Secured | Unsecured | Finance lease | Secured | Unsecured | Finance lease |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Repayable in one year or less | 17,417 | 227,719 | 809 | 3,711 | 292,570 | 1,509 |
| Repayable after one year | 1,918 | - | 1,652 | 1,662 | - | 675 |
| Total | 19,335 | 227,719 | 2,461 | 5,373 | 292,570 | 2,184 |
| | | | | | | |

Details of collaterals:

Term loan facility outstanding of S\$19.3million is secured by way of legal mortgage over leasehold buildings and shares of a subsidiary of the Group.

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 | |
|--|--------------------|--------------------|
| | 1Q FY09 S\$'000 | 1Q FY08 S\$'000 |
| Cash flows from operating activities | | |
| (Loss) / Profit before tax | (6,242) | 10,436 |
| Adjustments for non cash items: | | |
| Depreciation of property, plant and equipment | 1,014 | 417 |
| Amortisation of computer software | 38 | - |
| Loss / (Gain) on disposal of property, plant and equipment | 2 | (36) |
| (Write back) / Allowance for doubtful debts, net | (88) | 858 |
| Fair value loss on derivatives | 1,400 | - |
| Fair value gain on investment held for trading | (400) | - |
| Interest expense | 4,147 | 2,398 |
| Interest income | (19) | (113) |
| Share of joint venture results | (666) | - |
| Share option expense | 22 | - |
| Foreign currency realignment | 21 | (56) |
| Operating (loss) profit before working capital changes | (771) | 13,904 |
| Working capital changes: | | |
| Fixed deposits pledged | (14) | (5) |
| Inventories | 53,941 | 134 |
| Trade and other receivables | 28,225 | (1,773) |
| Trade and other payables | (53,139) | (19,136) |
| Cash used in operations | 28,242 | (6,876) |
| Interest expense paid | (4,147) | (2,398) |
| Interest income received | 19 | 113 |
| Income tax paid | (100) | (817) |
| Net cash generated from (used in) operating activities | 24,014 | (9,978) |
| Cash flows from investing activities | | |
| Proceeds from disposal of property, plant and equipment | 69 | 141 |
| Purchase of property, plant and equipment | (5,393) | (690) |
| Purchase of intangible assets | (44) | - |
| Acquisition of minority interests | (14,734) | - |
| Net cash used in investing activities | (20,102) | (549) |
| Cash flows from financing activities | | |
| Net (repayment of) proceeds from bank borrowings | (36,154) | 6,712 |
| Proceeds from issuance of shares in a subsidiary | 3,311 | - |
| Proceeds from warrant conversion | - | 3 |
| Repayment of finance lease payables | (216) | (112) |
| Net cash (used in) generated from financing activities | (33,059) | 6,603 |
| Net change in cash and cash equivalents | (29,147) | (3,924) |
| Cash and cash equivalents at beginning of financial year | 49,482 | 30,642 |
| Cash and cash equivalents at end of financial year | 20,335 | 26,718 |

Group cash and cash equivalents comprise of the following:

| | Group | |
|--|------------------------------|------------------------------|
| | As at 31 Dec 2008 S\$'000 | As at 31 Dec 2007 S\$'000 |
| Cash and bank balances | 20,335 | 7,027 |
| Fixed deposits | 515 | 20,176 |
| | 20,850 | 27,203 |
| Fixed deposits pledged with banks ⁽¹⁾ | (515) | (485) |
| Cash and cash equivalents per consolidated cash flow statement | 20,335 | 26,718 |
| | | |

⁽¹⁾ The Group's Malaysia subsidiaries had fixed deposits pledged with banks to secure credit facilities granted to them.

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

| Group | Attributable to equity shareholders of the Company | | | | | | | | | |
|--|--|------------------|-----------------|----------------|------------------|---------------------|---------------------|---------|--------------------|--------------|
| | Share Capital | Capital Reserves | Share | Other Reserves | Hedging Reserves | Foreign Currency | Accumulated Profits | Total | Minority Interests | Total Equity |
| | | | Option Reserves | | | Translation Account | | | | |
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance as at 1 October 2008 | 78,203 | 2,527 | - | - | - | (120) | 55,938 | 136,548 | 14,483 | 151,031 |
| Currency translation adjustments | - | - | - | - | - | (0) | - | (0) | (30) | (30) |
| Fair value loss on available for sale financial assets | - | - | - | (5) | - | - | - | (5) | (2) | (7) |
| Net loss directly recognised in equity | - | - | - | (5) | - | (0) | - | (5) | (32) | (37) |
| Loss for the financial period | - | - | - | - | - | - | (6,415) | (6,415) | 73 | (6,342) |
| Total recognised net loss for the financial period | - | - | - | (5) | - | (0) | (6,415) | (6,420) | 41 | (6,379) |
| Employee share option scheme: | | | | | | | | | | |
| - value of employee services | - | - | 16 | - | - | - | - | 16 | 6 | 22 |
| Acquisition of minority interests | - | - | - | - | - | - | - | - | (3,656) | (3,656) |
| Capitalisation of advances from shareholders in a subsidiary | - | - | - | - | - | - | - | - | 14,697 | 14,697 |
| Balance as at 31 December 2008 | 78,203 | 2,527 | 16 | (5) | - | (120) | 49,523 | 130,144 | 25,571 | 155,715 |
| Balance as at 1 October 2007 | 78,197 | 2,527 | | | (2,187) | (88) | 37,358 | 115,807 | 1,504 | 117,311 |
| Currency translation adjustments | - | - | | | - | (53) | - | (53) | (3) | (56) |
| Profit for the financial period | - | - | | | - | - | 8,481 | 8,481 | 55 | 8,536 |
| Issue of shares | 3 | - | | | - | - | - | 3 | - | 3 |
| Balance as at 31 December 2007 | 78,200 | 2,527 | | | (2,187) | (141) | 45,839 | 124,238 | 1,556 | 125,794 |

| Company | Share Capital | Capital Reserves | Hedging Reserves | Accumulated Profits | Total |
|---------------------------------|------------------|---------------------|---------------------|------------------------|---------|
| | S\$'000 | S\$'000 | S\$'000 | S\$'000 | S\$'000 |
| Balance as at 1 October 2008 | 78,203 | 2,527 | - | 44,291 | 125,021 |
| Profit for the year | - | - | - | (7,135) | (7,135) |
| Issue of shares | - | - | - | - | - |
| Balance as at 31 December 2008 | 78,203 | 2,527 | - | 37,156 | 117,886 |
| Balance as at 1 October 2007 | 78,197 | 2,527 | (2,187) | 27,729 | 106,265 |
| Profit for the financial period | - | - | - | 7,896 | 7,896 |
| Issue of shares | 3 | - | - | - | 3 |
| Balance as at 31 December 2007 | 78,200 | 2,527 | (2,187) | 35,625 | 114,164 |

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

There is no change in the Company's share capital during the 1st quarter financial period ended 31 December 2008.

2. Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice

The figures have not been audited or reviewed by our auditors.

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

During the financial year, the Company had adopted the same accounting policies and methods of computation as in the most recently audited financial statements for the financial year ended 30 September 2008.

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

| | Group | |
|-------------------------------|----------------------------|----------------------------|
| | 3 mths ended 31.12.2008 | 3 mths ended 31.12.2007 |
| Earnings per ordinary shares: | | |
| (a) Basic (cents) | (1.51) | 2.66 |
| (b) Diluted (cents) | (1.10) | 2.37 |

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 | |
|--|--------------|------------|----------------|------------|
| | 31.12.2008 | 30.09.2008 | 31.12.2008 | 30.09.2008 |
| Net asset value per ordinary share (cents) | 30.64 | 32.15 | 27.76 | 29.44 |

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

Turnover

The Group's turnover for 1Q FY 2009 grew 55% to \$182.3 million as compared to \$117.3 million in 1Q FY 2008. The increase in turnover is mainly due to the consolidation of BRC Asia's results for the first time subsequent to the Group's acquisition as at last financial year end. During the quarter, steel prices and demand remained weak. While demand for ship plates has slowed, demand for construction steel products remained relatively healthy.

Gross Profit

The Group's gross profit margin had weakened from 13% in 1Q FY 2008 to 4% in 1Q FY 2009 as a result of lower steel prices, weak demand for steel and the Group's move towards more cash sales rather than credit sales. With the decrease in gross profit margin, gross profit for 1Q FY 2009 declined to \$7.0 million from \$15.5 million in 1Q FY 2008.

Other Operating Income

Other operating income decreased by 79% from \$4.2 million in 1Q FY 2008 to \$0.9 million in 1Q FY 2009. The significant decrease was a result of appreciation of US dollar against Singapore dollar which led to a foreign exchange loss in 1Q FY 2009.

Distribution, Administrative, Other Operating and Finance Expenses

Distribution expense decreased by 45% from \$1.7 million in 1Q FY 2008 to \$0.9 million in 1Q FY 2009 as a result of lower export sales. Administrative expense for 1Q FY 2009 had remained relatively unchanged as compared to 1Q FY 2008 despite the consolidation of BRC Asia's results. Other operating expenses of the Group increased from \$2.3 million in 1Q FY 2008 to \$6.6 million in 1Q FY 2009 due mainly to foreign exchange loss with the appreciation of the US dollar against the Singapore dollar. Finance expense had increased by 73% from \$2.4 million in 1Q FY 2008 to \$4.1 million in 1Q FY 2009 consistent with the higher steel prices.

(Loss) Profit Before Tax / (Loss) Profit After Tax

The Group made a loss before tax of \$6.2 million in 1Q FY 2009 as compared to profit before tax of \$10.4 million for the same period last year. Contributing factors for the loss include weaker selling prices and loss in foreign exchange arising from the appreciation of the US dollar as mentioned earlier.

Cash Flow / Shareholders' Funds

The Group's cash and cash equivalents was \$20.3 million as at 31 December 2008. Net cash from operating activities had improved significantly from a cash outflow of \$10.0 million as at 30 September 2008 to a positive cash inflow of \$24.0 million as a result of lower inventory levels and receivables.

As at 31 December 2008, total Group's shareholders' funds (excluding minority interests) was \$130.1 million. On the other hand, the Group's gearing ratio had improved from 2.67 as at 30 September 2008 to 2.54 as at 31 December 2008.

Balance Sheet

In view of the weakening market, the Group had reduced its inventory levels from \$355.7 million as at 30 September 2008 to \$301.8 million as at 31 December 2008. Trade and other receivables and trade and other payables had also decreased as a result of the weaker demand.

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

Not applicable.

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

Market conditions remained challenging as buyers are only buying enough to replenish their inventories. Further, the current credit squeeze is also affecting buyers' ability to purchase. On the various industrial sectors, the shipbuilding industry continues to be weak. The only positive sector is likely to be the construction sector. With more public projects being awarded, the demand for construction steel is likely to remain healthy.

On the whole, the directors expect the rest of FY 2009 to remain challenging.

11. Dividend

(a) Current financial period reported on

Any dividend recommended for the current financial period reported on?

None

(b) Corresponding period of the immediately preceding financial year

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

None

(c) Date payable

Not applicable

(d) Books closure date

Not applicable

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

Not applicable

By Order of the Board

**Wee Piew
Chief Executive Officer
13 February 2009**



HG METAL MANUFACTURING LIMITED

(Company Registration No: 198802660D)

Unaudited results for the First Quarter Ended 31 December 2008

Confirmation by the Board pursuant to Rule 705(4) of the Listing Manual of the SGX-ST

We, the undersigned, do hereby confirm on behalf of the Board of Directors that taking into account the matters announced and publicly disclosed by the Company prior to the date of this confirmation and the prevailing accounting policies adopted by the Company in accordance with the Singapore Financial Reporting Standards, to the best of the knowledge of the Board of Directors of the Company, nothing has come to the attention of the Board of Directors of the Company which may render the first quarter financial statements false or misleading in any material respect.

On behalf of the Board,



TAN CHAN TOO
CHAIRMAN

13 February 2009



WEE PIEW
CHIEF EXECUTIVE OFFICER