



**HG METAL MANUFACTURING LIMITED**

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## **HG Metal's FY06 net profit surges 168 % to S\$13.8 m on strong demand from shipbuilding and construction sectors**

- Optimistic outlook for FY07 due to strong and continued demand from key customers
- Aims to achieve annual sales revenue of at least \$500m in 2009
- Propose rights issue of two rights for every five shares held
- Special dividend at 4 Singapore cents per share

**Singapore, 23 November 2006** – Mainboard-listed HG Metal Manufacturing Limited (“HG Metal” or “The Group”), one of the largest steel stockists in Singapore and Southeast Asia, posted a 168.0% increase in net profit to S\$13.8 million and 6.4% increase in turnover to a record S\$ 362.8 million for FY2006 (twelve months ended 30 September 2006). This was attributable to strong demand from key customers, a better product mix and gains from disposal of listed securities, thus translating into a leap of 146.7% in earnings per share to 7.77 cents.

<b>Financial Highlights</b>	<b>FY2006 S\$'000</b>	<b>FY2005 S\$'000</b>	<b>% Change</b>
Turnover	362,815	341,048	6.4%
Gross Profit	32,696	28,146	16.2%
PBT	16,282	7,307	122.8%
Net Profit After Tax	13,811	5,154	168.0%
Earnings per share (Singapore cents)	7.77	3.15	146.7%
Dividend per share (Singapore cents)	4.0	1.25	220.0%

### **FY2006 Financial Review**

The Trading segment contributed 93.5% of revenue and the remainder from the Manufacturing segment. Trading revenue is mainly attributed to the strong steel demand from the buoyant shipbuilding and construction sectors.

Gross profit grew 16.2% to S\$32.7 million for FY 2006 due to stabilized steel prices and a better product mix. An increase in other operating income, as a result of the gain in the disposal of Ferrochina shares, and lower operating expenses resulted in a 122.8% surge in the profit before tax to S\$16.3 million.

Taking the good financial results into consideration, the Directors have recommended a final dividend of 4 Singapore cents per share ("Special Dividend"), representing a 51.0% dividend payout of the Group's net profit for FY2006.

### **Proposing of 2 for 5 Rights Issue**

The Group has proposed a renounceable rights issue of up to 99,188,412 rights ("Rights") on the basis of two rights shares for every five existing shares. The issue price for each Right is fixed at S\$0.20, representing a discount of about 57.0% to the closing share price of S\$0.465, as of 23 November 2006.

Shareholders will have the option to utilize all or part of their Special Dividend to subscribe for the Rights.

For illustrative purposes, as at the Books Closure Date<sup>1</sup>, a shareholder who holds 10,000 HG Metal shares could choose to:

- (a) Receive Special Dividends of 4.0 cents per share, amounting to S\$400; and
- (b) Accept his provisional allotment of 4,000 Rights at S\$0.20 each, amounting to S\$800 that is payable by the Shareholder.

Alternatively, the shareholder could choose to utilize all his Special Dividends of \$400 and pay an additional S\$400 to subscribe for his provisional allotment of 4,000 Rights.

As a demonstration of confidence in HG Metal's future prospects, the following shareholders, Lingco Marine Pte Ltd, Tian Chye Heng, Tan Chan Too, Tan Ah Bee and Sia Ling Sing, who hold an aggregate 32.3% in the Group's issued share capital, have undertaken to fully utilize the full amount of their Special Dividend and fully subscribe for their respective rights entitlement. Based on this subscription alone and the current issued share capital of 176,216,160 shares, the Group can expect to raise minimum gross proceeds of S\$2.3 million.

Mr Wee Piew, CEO of HG Metal, commented, "The Rights Issue has been proposed to increase shareholders' funds and reward our shareholders for their loyalty and continual support for the Group. By subscribing to the Rights Issue, shareholders will be able to participate in the future growth and development of the Group. Thus, we will be able to use these funds from the Rights Issue for general working capital purposes and finance HG Metal's expansion through acquisitions as and when opportunities arise."

The Rights Issue is managed by Oversea-Chinese Banking Corporation Limited ("OCBC").

### **Outlook**

The Building and Construction Authority ("BCA") of Singapore has raised its forecast of construction demand by 17% for 2006, to between S\$14 billion and S\$16 billion. With the

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<sup>1</sup> The Books Closure Date have yet to be determined as the Rights Issue is subject to the approval of shareholders at the Extraordinary General Meeting, the Singapore Exchange Securities Trading Limited ("SGX-ST") and the Monetary Authority of Singapore ("MAS").

Integrated Resorts (“IRs”) scheduled for completion within the next 4 years, by 2010, the new Business and Financial Centre (“BFC”) at Marina Bay will be completed as well. Plans to redevelop Orchard Road, Bras Basah Road and Bugis are in place. Also, several new condominium and housing developments are underway, as Singapore’s private residential market is picking up.

In addition, the Monetary Authority of Singapore states that the marine engineering sector will drive Singapore’s economic growth for 2007. Hence HG Metal expects continued strong demand for steel products in the shipbuilding and construction sectors.

HG Metal has adopted a long-term growth strategy of providing a diverse suite of products and services for the steel industry. This is seen with the recent acquisition of Niho Singapore Pte Ltd, a stainless steel specialist, as well as the setting up a sand blasting facility at its subsidiary, Oriental Metals.

Mr Wee Piew, CEO of HG Metal, stated, “Singapore has launched many initiatives such as the BFC and IRs to market itself as Asia’s global city and we hope to benefit from these exciting initiatives. We are also looking for acquisitions to widen our product range and customer base. We are optimistic about our prospects for FY2007 and have a goal to work towards achieving annual sales of at least S\$500 million by 2009.”

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

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Issued for and on behalf of HG Metal Manufacturing Limited

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