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## **HG Metal core business returns to black**

- **Core business net profit recovers to S\$2.8<sup>1</sup> million in 1Q2011, from loss in 1Q2010, excluding the contribution from BRC and fair value gain of \$2.0 million for the outstanding call option and warrant**
- **Full write down of slow moving inventories in previous quarter puts the Group in strong position to benefit from rising steel prices**
- **New strategic direction taking shape with first shipment of steel products directly to oil & gas project**

**Singapore, 10 February 2011** – Mainboard-listed HG Metal Manufacturing Limited (“HG Metal” or “The Group”), one of the largest steel stockists in Singapore and Southeast Asia, is pleased to announce that its core business (trading and manufacture of steel products) has returned to black with net profit of S\$2.8 million for the 3 months ended 31 December 2010 (“1Q2011”) from a loss of S\$0.5 million in 1Q2010. The earnings recovery was built upon rising steel prices and cost savings gained from better inventory management of its trading business.

### **Financial Review**

The Group recorded a lower revenue and gross profit for 1Q2011, compared to 1Q2010, due to the reduction of its stake and non-consolidation of the financial performance in BRC Asia Limited (“BRC”) from February 2010. This was the main reason behind the 50% year-on-year (“YoY”) decline in revenues to S\$45.4 million, from S\$90.7 million. Similarly, gross profit decreased 59% YoY to S\$5.6 million, from S\$13.8 million.

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<sup>1</sup> Core business net profit = Net Profit after tax - Contributions from BRC – fair value gains on financial instruments

### Revenue and Gross Profit of HG Group without BRC

(S\$'000)	1Q2011	1Q2010	(%) +/-
Revenue	45,383	51,146	(11)
Gross Profit	5,593	4,253	32
Gross Profit Margin (%)	12.3%	8.3%	-

Excluding the contributions from BRC, the Group's revenue from its core business dipped 11% YoY to S\$45.4 million, due mainly to lower contribution from its steel product manufacturing business. However, core business gross profit rose 32% YoY to S\$5.6 million, due to an improvement in gross profit margin to 12.3% from 8.3%.

### Strong Balance Sheet to Support Growth

By maintaining its conservative and prudent stance towards inventory management, the Group has managed to keep its inventory stable at S\$62.3 million as at 31 December 2010. In addition, the write down of all slow moving inventory purchased at the peak of the steel cycle in the last quarter, has resulted in a healthier cycle time for its inventory purchases.

*“Having adopted an aggressive approach towards the write down of slow moving inventory, we are now in a position to benefit from firmer steel prices.”*

**Mr Goh Kian Sin, MD of HG Metal**

The Group also made efforts to repay its bank borrowings, improving its gearing ratio to 0.19 times as at 31 December 2010, from 0.31 times as at 30 September 2010.

### New Strategic Direction

Following the entry of new controlling shareholder, Oriental Castle Sdn Bhd, on 15 November 2010, the Group has embraced a series of strategic steps to reduce its vulnerability to market volatility and steel price swings from its steel trading business.

*“I am pleased to report that we have recorded the maiden revenues from our move into direct project sales. This past quarter we have managed to win a contract to supply steel products to an oil & gas project in India. By building up our capabilities in direct project marketing we hope to increase sales of higher margin products and bring in more sustainable revenues to the Group.”*

**Mr Patrick Seil, CEO of HG Metal**

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**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 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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