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FOR IMMEDIATE RELEASE

HG Metal surges ahead with strong 3Q net profit of S$6.6 million

- *Revenue up 95% to S$67.2 million on higher sales volumes*
- *Net profit turns around from the S$0.3 million loss in 3Q 2010, with contributions from fair value and foreign exchange gains*
- *Existing distribution business has recovered; at the same time, the Group is in the process of restructuring activities into key business units, and diversifying its business model to one that offers higher value products and services*

Financial Highlights

S$' million	3 months ended 30 June		Change	9 months ended 30 June		Change
	3Q 2011	3Q 2010	%	9M 2011	9M 2010	%
Revenue	67.2	34.4	+ 95	172.7	165.6	+ 4
Gross Profit	7.4	4.2	+ 75	20.9	20.7	+ 1
Net Profit	6.6	(0.3)	n.m.	15.3	10.7	+ 42

SINGAPORE – 12 August 2011 – Continuing its profitability trend, Mainboard-listed **HG Metal Manufacturing Limited** 福源金属有限公司 ("HG Metal" or the "Group"), one of the largest steel distributors and processors in the region, has turned in a net profit of S$6.6 million for the third quarter ended 30 June 2011 ("3Q 2011"), a turnaround from the S$0.3 million loss in the corresponding period last year ("3Q 2010").

Driven by increased sales volumes, the Group's revenue almost doubled from S$34.4 million in 3Q 2010 to S$67.2 million in 3Q 2011. Gross profit surged 75% to S$7.4 million in 3Q 2011, up from S$4.2 million a year ago.

On a year-to-date basis, the Group achieved a net profit of S$15.3[1] million for the nine months ended 30 June 2011, on the back of S$172.7 million in sales.

Said Mr Goh Kian Sin, Managing Director and Chief Executive Officer of HG Metal, "Since the beginning of the financial year, the Company has taken definite steps to drive new growth. We have been actively pushing sales of our products to regain market share, resulting in higher sales volumes."

"While Singapore continues to be our major market, we have widened our sales coverage in Malaysia and Indonesia, and on a smaller scale, penetrated into Sri Lanka, Thailand, Myanmar and Vietnam markets. We have also expanded our product portfolio to include more standard steel products as well as higher grade, difficult-to-attain products," he added.

Adding a boost to the Group's bottom line in 3Q 2011 was a S$4.4 million increase in other operating income to S$4.9 million. The increase was mainly due to a fair value gain of S$3.6 million for the call option and warrants, as well as a foreign exchange gain of S$0.8 million as a result of the weakening of the United States Dollar.

As at 30 June 2011, the Group's basic earnings per share were 0.72 Singapore cents (based on weighted average number of shares of 912,213,629), up from a loss of 0.05 Singapore cents (based on weighted average number of shares of 775,671,962) as at 30 June 2010. The Group's net asset value also rose to 13.26 Singapore cents as at 30 June 2011, from 12.71 Singapore cents as at 30 September 2010.

The Group's balance sheet remained healthy, with improved inventory turnover and debtor turnover at 141 days and 51 days respectively. As at 30 June 2011, the Group maintained a relatively low gearing ratio at 0.3 times, and accumulated higher cash and cash equivalents of S$8.0 million.

[1] Unadjusted net profit which includes contributions from BRC Asia Limited ("BRC"), gain on disposal of BRC shares in 1Q2010, loss on disposal of shares in an associate in 2Q2010, fair value gain on derivatives (call option and warrants) and write-down of inventories. The adjusted 9M 2011 net profit of the Group was S$9.3 million, compared to S$0.9 million loss in 9M 2010. BRC ceased to be a subsidiary of the Group from December 2009 and its financials have not been consolidated into the Group since 2Q2010.

Clear Strategies to Drive New Growth

Since the Oriental Castle Group ("OCG") became the Group's major shareholder in November 2010, HG Metal has been leveraging the expertise and network of OCG to unleash greater value from the Company. OCG – which currently has a 23.66% stake in HG Metal – was founded by Mr Goh in 1999 and is one of the region's key players in the steel foundation sector, with offices throughout South East Asia and China.

Explaining the Group's growth strategy, Mr Goh said, "We want to leverage the 40-year track record of HG Metal to grow the Company into a niche regional player in steel distribution and processing. We are in the process of restructuring our activities into key business units, and diversifying our business model from a commodity-based steel stockist to one that offers higher value products and services."

The Group has also recently beefed up its management team with the addition of two new Chief Operating Officers: Mr Ho Vui Soon, Chief Operating Officer of the Flat Steel Processing Business Unit, and Mr Georges Norbert Keipes, Chief Operating Officer of the Long Processing Business Unit.

"We plan to enhance our current steel processing and value-added capabilities, with the focus on offering more down-stream and customisation services to meet our end-users' needs. Our strategy is to engage our end-users directly, so as to understand their needs and enable us to provide more comprehensive solutions. In addition, we intend to leverage Singapore as a hub to expand into the ASEAN region and capture greater market share," said Mr Goh.

ASEAN will be the next growth engine in Asia

According to the South East Asia Iron and Steel Institute, the ASEAN steel industry has picked up significantly after the financial crisis in 2008. Total steel consumption in the region touched nearly 49 million tonnes in 2010, an increase of 17.5% year-on-year. The substantial increase was led mainly by the high growth rate in Thailand, Indonesia and Malaysia. The construction sector is the major driver for steel consumption in ASEAN.

On the global front, the outlook for the steel industry is mixed. According to the World Steel Association, global steel demand is forecast to grow steadily to reach 1,440 million tonnes in 2012.

After a strong rebound in 2010, the recovery in global steel demand is anticipated to slow in 2011, in line with slower growth in the world economy. There also remain downside risks such as further rises in steel raw material prices, continued sluggish growth in developed economies, and high oil prices.

Since July 2011, the global financial markets have been very volatile, triggered by the European and US debt crises and more recently, the downgrade of US credit rating. With heightened global downside risks, Singapore's economy could stall or see a sequential decline in the next six months, according to the Ministry of Trade and Industry ("MTI"). MTI has narrowed its 2011 forecast from an earlier 5-7% growth range to 5-6%.

"Steel demand in emerging Asia is expected to grow at a moderate pace in 2011 and 2012. Asia and Oceania currently dominates the world market for steel, with apparent steel use in these regions continuing to rise. With the current global economic risks and uncertainties, the Group is cautiously optimistic of our performance for the rest of the year. Nonetheless, in view that steel is an essential material for a wide range of industries, we remain positive on the long-term prospects for steel," concluded Mr Goh.

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About HG Metal

Founded in 1971, HG Metal Manufacturing Limited (Bloomberg Code: HGM.SP) is a leading steel distributor and processor in the region. With more than 2,000 types of steel products in stock, it also conducts downstream activities and value-added services to provide customised products. It has about 1,000 customers from diversified industries, who are located predominantly in Singapore, Malaysia and Indonesia. With the entry of steel foundation specialist, the Oriental Castle Group, as its major shareholder, coupled with its multi-pronged growth strategy, HG Metal is well-positioned to grow into a niche regional player in steel distribution and processing.

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