

**HG METAL MANUFACTURING LIMITED**

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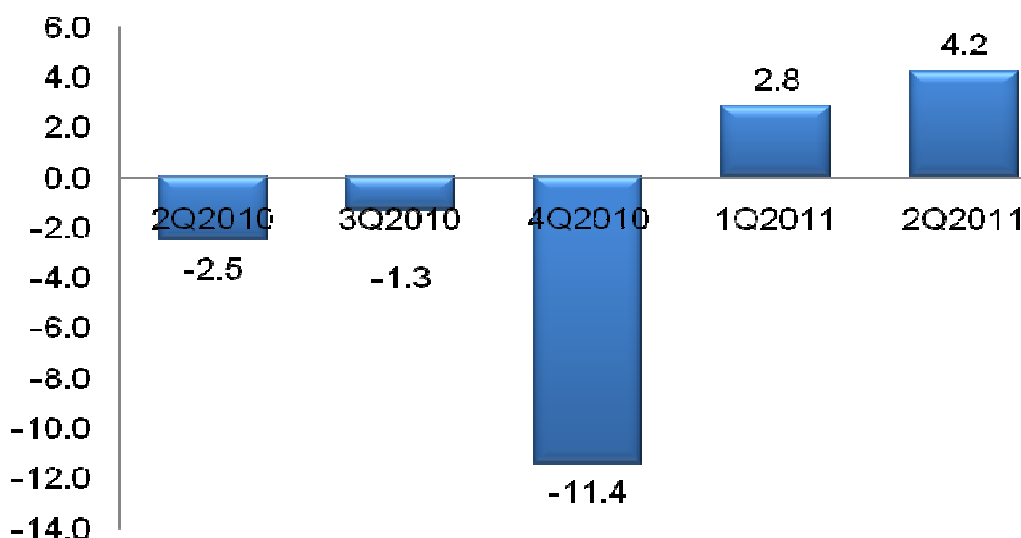
[www.hgmetal.com](http://www.hgmetal.com)

## HG Metal maintains growth momentum with adjusted net profit<sup>1</sup> of S\$4.2 million in 2Q2011

- Revenue up 49% YOY to S\$60.1 million on turnaround of steel trading business
- Gross profit margin almost doubles to 13.1% due to increased sales volume, selling prices and sales of inventory previously written down
- Brings in more high grade products in light of resilient local steel demand expected for the remainder of FY2011

**Singapore, 13 May 2011** – Mainboard-listed HG Metal Manufacturing Limited (“HG Metal” or “The Group”), a leading steel stockist in Singapore and Southeast Asia is pleased to announce that it has maintained its growth momentum into the new year with a core business (trading and manufacture of steel products) net profit of S\$4.2 million for the 3 months ended 31 March 2011 (“2Q2011”) from a loss of S\$2.5 million in 2Q2010.

### Adjusted Net Profit Trend



### Financial Review

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

(S\$'000)	2Q2011	2Q2010	(%) +/-
Revenue	60,148	40,489	49
Gross Profit	7,895	2,696	193
Gross Profit Margin (%)	13.1%	6.7%	-
Net Profit / (Loss) Attributable to Shareholders	3,265	(620)	NM
Net Profit Margin (%)	5.5%	-	-
Adjusted Net Profit / (Loss)	4,209	(2,504)	

Revenue increased 49% year-on-year (“YOY”) to S\$60.1 million in 2Q2011, from S\$40.5 million due to increased sales volume, higher selling prices and the sales of inventory previously written down. Similarly, the Group recorded a gross profit of S\$7.9 million in 2Q2011 from S\$2.7 million a year ago, representing a 193% increase, a result of the significant improvement in gross profit margin to 13.1% from 6.7%.

*“We are pleased to see sales of our products rise steadily over the quarter, as we managed to achieve a healthy turnover of approximately 20,000 tonnes of steel products per month. At the same time, we managed to further reduce the level of slow moving stock in our inventory by another 14%. As such, we are delighted to present shareholders with a net profit of S\$3.3 million in 2Q2011. In fact, excluding the fair value loss on warrants and call option, and contributions from BRC, our adjusted net profit was even stronger at S\$4.2 million.”*

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

### Industry Outlook

Following an upwards pricing trend in iron ore which is a major component of steel, production cost of steel is expected to increase. However, lacklustre demand in Europe and North America has limited the ability of steel mills in passing on the higher costs. On the other hand, reasonable demand and firm prices has shielded the Asian steel trading market.

*“In view of the positive outlook for the steel trading business in Asia, we have taken the opportunity to further increase our inventory levels. We now have a good mix of both standard and high grade steel products that will help us meet the different needs of our customers. That said, we intend to maintain our prudent purchasing policy and inventory management to mitigate against potential steel price swings.”*

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

In Singapore, prospects for steel trading remain promising with strong construction demand projected for the remainder of the year. According to the Building and Construction Authority, Singapore's construction demand is expected to reach between S\$22 billion to S\$28 billion in 2011 on a steady flow of public sector contracts. The recovery in shipbuilding activities and expansion plans of local shipyards have also provided a welcome boost to domestic steel traders. The construction and shipbuilding industries are major end users of the Group's products.

--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 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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