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FOR IMMEDIATE RELEASE

HG Metal's FY2011 earnings surge significantly to S$16.8 million

- *Revenue up 18% to S$238.8 million on higher sales volumes mainly in Singapore, Malaysia and Indonesia*
- *Proposed an interim tax-exempt cash dividend of 0.6 Singapore cents per share*
- *Focused on broad-based growth strategy of expanding in ASEAN, diversifying business model, widening product range and enhancing processing capabilities*

Financial Highlights

S$' million	3 months ended 30 September		Change	12 months ended 30 September		Change
	4Q 2011	4Q 2010	%	FY 2011	FY 2010	%
Revenue	66.1	37.5	+ 76	238.8	203.1	+ 18
Gross Profit	5.1	3.0	+ 69	26.0	23.7	+ 10
Net Profit	1.5	(10.4)	n.m.	16.8	0.3	n.m.

SINGAPORE – 24 November 2011 – Mainboard-listed **HG Metal Manufacturing Limited** 福源金属制造有限公司 ("HG Metal" or the "Group"), one of the largest steel distributors and processors in the region, has ended its 2011 financial year on a strong note, on the back of increased sales volumes mainly in Singapore, Malaysia and Indonesia.

For the 12 months ended 30 September 2011 ("FY2011"), the Group's revenue grew 18% to S$238.8 million, while gross profit rose 10% to S$26.0 million. Gross profit margin declined marginally by 0.8 percentage points from 11.7% in FY2010 to 10.9% in FY2011 due to a competitive business environment.

On an operating level, other operating expenses declined significantly by 66% to S$7.1 million mainly due to the S$12.9 million inventory write-down in FY2010. Finance expenses also dropped by 72% to S$1.9 million following the repayment of its long-term loan facility. As a result, net profit in FY2011 surged significantly to reach S$16.8 million, compared to S$0.3 million in FY2010.

Mr Goh Kian Sin, Managing Director and Chief Executive Officer of HG Metal, said, "HG Metal's strong performance was underpinned by the definite steps we took to drive new growth. We extended our product portfolio to include higher grade products and actively pushed the sales of our slower-moving stock. In spite of the weak and uncertain global economy, we managed to grow our sales volumes and market share, mainly in Singapore, Malaysia and Indonesia, and achieved a commendable set of results in FY2011."

"2011 has been a year of many achievements for HG Metal. We commemorated 40 years in the steel business on 11 November this year and we aim to grow bigger and better each year," added Mr Goh.

As at 30 September 2011, the Group's basic earnings per share were 1.78 Singapore cents (based on weighted average number of shares of 934,978,212), up from a loss of 0.32 Singapore cents (based on weighted average number of shares of 775,671,962) as at 30 September 2010. The Group's net asset value also rose to 13.12 Singapore cents as at 30 September 2011, from 12.71 Singapore cents as at 30 September 2010.

The Group's balance sheet remained healthy, with improved inventory turnover at 137 days in FY2011, from 207 days last year, as a result of the implementation of a more systematic inventory management in the current year. As at 30 September 2011, the Group maintained a relatively low gearing ratio at 0.3 times, and accumulated higher cash and cash equivalents of S$9.1 million.

In view of the strong performance and to reward its shareholders, the directors of HG Metal have proposed an interim tax-exempt cash dividend of 0.6 Singapore cents per share.

Emerging Economies to Drive Steel Growth

The World Steel Association forecasts that world steel demand will grow by 5.4% in 2012, with emerging and developing economies accounting for 73% of world steel demand.

According to the South East Asia Iron and Steel Institute, steel consumption in ASEAN in the first half of this year reached 26.1 million tonnes. Despite the severe flooding experienced in Thailand, the overall growth this year is expected to be healthy although demand will increase at a slower rate. Hence, steel consumption for 2011 could either come close to or surpass 50.0 million tonnes.

ASEAN's steel consumption continues to have room for growth because of its political and economic stability and high growth potential. ASEAN's domestic production of 19.6 million tonnes of semi-finished steel is insufficient, and is a large importer of finished and semi-finished steel. In 2010, ASEAN's steel imports hit 41.1 million tonnes, up from 35.3 million tonnes in 2009.

"We remain confident of the long-term prospects of the steel industry and believe that ASEAN will be the next growth engine in Asia. Nonetheless, given the global economic uncertainties and volatility, the Group is cautiously optimistic of our performance for FY2012. We expect margins to remain competitive and will continue to be prudent in the use of our balance sheet, with particular focus on cost management, foreign exchange hedging and non-core asset restructuring," said Mr Goh.

"To ensure long-term and sustainable growth, we continue to focus on our broad-based growth strategy to expand geographically, diversify our business model, widen our product range and enhance our processing capabilities. Some of our initiatives will take time and investments to come to fruition, but we believe we are on the right track," he concluded.

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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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