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HG Metal strengthens leading position with acquisition of stainless steel specialist Niho

- **Adding stainless steel to its existing wide product range**
- **Niho targeting to hit S\$20 million sales in 2 to 3 years time**

Singapore, 13 July 2006 – HG Metal Manufacturing Limited (“HG Metal”, “the Group” or “福源金属制造”), Singapore’s largest steel stockist which offers more than 2,000 different types of steel products of various dimensions for a wide variety of industrial and engineering applications, is acquiring majority stake in Niho (Singapore) Pte Ltd (“Niho”) for S\$1.5 million. Niho supplies stainless steel coils and provides customized metal processing services to major metal stamping companies and electronic companies in Singapore, Malaysia, Indonesia, Thailand and China.

The acquisition will add high-in-demand stainless steel products to HG Metal’s existing wide product range and extend its customer base to metal stamping and electronic industry. HG Metal will fund the acquisition internally, initially acquiring 72.29% of the enlarged share capital of Niho. Niho recorded S\$7.3 million in revenue for financial year 2004 and 2005, and 43.9% increase in net profit from S\$123,000 to \$177,000 for financial year 2005.

Business Impact

Niho plans to use the S\$1.5 million investment from HG Metal to increase its market share by increasing its working capital for Singapore operations and expanding its manufacturing capacity in Kunshan, China.

Niho continues to further build its existing business relationships with stamping and engineering companies in these countries. Also, with the increased capital, Niho will be able to diversify its product range for the building and engineering sectors and move towards becoming a comprehensive stainless steel supplier. Amtek, a Singapore listed company providing precision sheet metal stamping service, is Niho’s current major customer.

Financial Impact

The acquisition is not expected to have any material impact on the net tangible assets or earnings per share of HG Metal for the financial year ending 30 September 2006.

Outlook

Geographically, China continued to be the main beneficiary of the global outsourcing trend due to its low cost base. The precision steel coil slitting & shearing service center located in China and the increasing strong demand for metal stamping services from hard disk drive, automobile, consumer electronic, home appliance and computer & peripherals industries will continue to fuel Niho's growth.

Commenting on the acquisition, HG Metal CEO, Mr Wee Piew said, "We believe this acquisition will significantly broaden our steel product offerings and give us a much stronger platform in Asia to serve our customers. We expect Niho to achieve at least S\$20 million in sales in 2 to 3 years' time and it could be eventually listed if it meets our minimum requirement."

HG Metal recorded net profit of \$4.6 million in 1H2006, compared to a net loss of \$5.5 million in 2H2005. With the excellent prospects for continued steel demand in the market, the Group is optimistic about the outlook for 2H2006.

- Ends -

About Niho (Singapore) Pte Ltd

Niho specializes in steel and, other ferrous and non-ferrous raw materials. It has one precision slitting and shearing steel service center in Singapore and Kunshan, China. Niho supplies ferrous & non-ferrous raw material to computer, electronics, automobiles and telecommunication related industries in Singapore, Malaysia, Indonesia, Thailand and China.

Niho's customers supply their products to the major MNC manufactures in Asia, such as, Seagate, Maxtor, Philips, HP, Sony, Canon, Nokia and Motorola. These MNC recognized Niho, an ISO 9000 awarded company, as a high quality and experienced supplier in precision slitting.

For more information, please visit www.nihosingapore.com.

About HG Metal

HG Metal is a premier steel 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 used in a wide variety of engineering processes and mild steel lip channels commonly used as roofing support in commercial and industrial buildings. 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.

For more information, please visit www.hgmetal.com.

Issued for and on behalf of HG Metal Manufacturing Limited

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