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FOR IMMEDIATE RELEASE

HG Metal posts 3Q2012 net profit of S$0.4 million

- *Higher sales volume boosted 3Q sales by 28%, showing continued demand for steel despite global economic uncertainties*
- *3Q net profit was affected by decline in steel prices, foreign exchange fluctuation and lower fair value gain on derivatives*
- *Makes headway in its expansion plans with the set-up of a new subsidiary in Indonesia, and its first cut and bend plant expected to come on stream in Singapore at the end of this FY*

Financial Highlights

S$' million	3 months ended 30 June		Change	9 months ended 30 June		Change
	3Q2012	3Q2011	%	9M2012	9M2011	%
Revenue	85.7	67.2	+28	244.2	172.7	+41
Gross Profit	4.7	7.4	-36	12.4	20.9	-41
Net Profit/(Loss)	0.4	6.6	n.m.	(1.1)	15.3	n.m.

SINGAPORE – 13 August 2012 – 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, registered a 28% rise in sales to S$85.7 million for the third quarter ended 30 June 2012 ("3Q2012"), on the back of a higher sales volume.

Gross profit margin, however, slid by 5.5 percentage points year-on-year ("YoY") – from 11.0% in 3Q2011 to 5.5% in the latest third quarter – as a result of lower steel prices coupled with the sales of higher cost inventories purchased in the preceding quarter. This led to a subsequent decline of the Group's 3Q2012 gross profit by 36% to S$4.7 million.

Mr Goh Kian Sin, Managing Director and Chief Executive Officer of HG Metal said, "The demand for steel in ASEAN remained positive during the reporting quarter despite the economic uncertainties around the world, as evidenced by the healthy sales volume generated. However, the decline in steel prices, coupled with foreign exchange fluctuation and lower fair value gain on derivatives, affected our bottom line this quarter."

In the latest quarter, the Group's other operating income decreased by 81% YoY to S$0.9 million, mainly due to a net foreign exchange loss of S$1.0 million and a reduction of S$3.1 million in fair value gain on derivatives. In addition, the Group incurred higher expenses as a result of a write down in inventory, the downsizing of non-core business operations in a China subsidiary, Kunshan Niho Co., Ltd., as well as the set-up of a newly incorporated subsidiary in Indonesia.

"We feel that making the right investments to improve our capability is a necessary move in order to support future expansion and development of new businesses. We have made further headway in rationalising our operations and have streamlined our businesses to three core units – Construction Steel, Distribution, and Industrial Steel and Services. We have also expanded our geographic footprint with the incorporation of a new subsidiary in Indonesia and will continue to explore possible strategic opportunities in the region," added Mr Goh.

Despite the growth in sales volume, the Group's inventory increased marginally from S$96.7 million (as at 31 December 2011) to S$98.1 million (as at 30 June 2012) as a result of the Group's effective supply chain management which continued to reduce inventory turnover days from 137 days to the current 115 days.

The Group's gearing ratio remained low at 0.27 times while shareholders' equity for the period stood at S$132.2 million. The Group's cash and cash equivalents stood at S$15.9 million as at 30 June 2012.

<u>Looking Ahead</u>

The downward pressure on steel prices remains a concern, stemming from an oversupply situation as global steel production outpaces consumption during times of economic uncertainties, particularly when China is forecasting slower growth this year.

Operating in this challenging environment, the Group continues to focus on its multi-pronged strategy to expand geographically, diversify its business model, widen its product range and enhance its processing capabilities.

The Group has completed construction of Block 6 at its Jurong Port Road facility, which will enhance its warehousing and processing capabilities. The Group is also planning to set up its first cut and bend facility in Singapore by the end of the current financial year, which will enable it to participate directly in supplying steel for concrete solutions market. Other business initiatives that the Group has embarked on include enlarging its current construction steel plate business by providing rental services and offering customised steel solutions for the energy and oil and gas industries.

"We managed to restructure our financing arrangements and raise additional funds to finance the Group's business expansion plans. We have successfully implemented several initiatives and will continue to pursue new opportunities to grow our business," elaborated Mr Goh.

As part of the Group's efforts to manage its capital, improve shareholders' value and cater for its employee share option scheme, the Group has also embarked on a share buyback programme since May this year. To date, the Group has bought 8,698,000 shares from the market to be held as treasury shares.

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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 3,000 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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