



HG Metal Manufacturing Limited
Registration No. 198802660D

30 Jalan Buroh Singapore 619486
Tel: (65) 6268 2828 Fax: (65) 6268 3838
Web: www.hgmetal.com

FOR IMMEDIATE RELEASE

HG Metal registers 44% rise in 2Q2012 revenue to S\$86.5 million

- *Posts 2Q2012 net loss of S\$2.0 million mainly due to decline of steel prices in the last few months and sales of higher cost inventories purchased in the first quarter*
- *2Q2012 inventory reduced due to the replacement of new steel purchases at lower prices, while stock turnover days improved due to effective implementation of its supply chain*

Financial Highlights

S\$' million	3 months ended 31 March		Change	6 months ended 31 March		Change
	2Q2012	2Q2011	%	1H2012	1H2011	%
Revenue	86.5	60.1	44	158.5	105.5	+50
Gross Profit	2.7	7.9	(65)	7.6	13.5	(44)
Net Profit/(Loss)	(2.0)	3.3	n.m.	(1.5)	8.7	n.m.

SINGAPORE – 15 May 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, today reported a 44% rise in its revenue to reach S\$86.5 million for the second quarter ended 31 March 2012 (“2Q2012”), on the back of a higher sales volume.

Against a decline in steel prices in recent months and the sales of higher cost inventories purchased in the first quarter of this year, the Group’s gross profit margin slid 9.9 percentage points from 13.1% in 2Q2011 to 3.2% in 2Q2012. As a result, gross profit decreased 65% to S\$2.7 million in 2Q2012.

Explaining the latest financial results, Mr Goh Kian Sin, Managing Director and Chief Executive Officer of HG Metal said, “The Group continued to drive sales both locally and overseas, which boosted our sales volume in 2Q2012. However, our bottom line was hit with the recent decline in steel prices against the sales of our higher-priced inventory purchased in 1Q2012. Besides the lower profit margin, we also incurred higher expenses as we continued to improve our capability to support our future business expansion plans and development of new businesses.”

On an operating level, administrative expenses grew 31% to S\$3.2 million in 2Q2012 mainly due to consultancy and legal services engaged for the Group's warehouse construction project and higher staff expenses due to the Group's business development and expansion plans.

Coupled with higher finance expenses and a lower share of associate profits, the Group posted a net loss of S\$2.0 million in 2Q2012, compared to a net profit of S\$3.3 million in the year ago period.

As at 31 March 2012, the Group's inventory stood at S\$90.1 million as compared to S\$108.5 million as at 31 December 2011. The inventory had reduced due to the replacement of new steel purchases at lower prices as well as a reduction in the stock turnover days from 141 days to 115 days as a result of the Group's effective implementation of its supply chain management.

For the period under review, shareholders' equity grew to S\$138.6 million, while cash and cash equivalents rose to S\$22.6 million. Net asset value per share as at 31 March 2012 was 12.69 Singapore cents.

Looking Ahead

During 2Q2012, the Group continued to forge ahead with the construction of the final building block at its Jurong Port Road premise. When completed by mid 2012, the final block will have a total floor area of about 83,550 square feet, where the first to third floor will be used for steel storage and the top floor for office use.

"We are on track to complete the construction of Block 6 at our Jurong Port Road facility by the mid of this year. When completed, our stock carrying capacity will increase notably and allow us the opportunity to further broaden our product range to include non-standard steel and higher grade materials to cater to niche markets," commented Mr Goh.

Based on preliminary data compiled by the South East Asia Iron & Steel Institute, ASEAN steel consumption is back on the growth track. In 2011, apparent steel consumption in ASEAN expanded by 4% year-on-year to 50.5 million tonnes, while Singapore's steel consumption grew by more than a million tonnes to hit 3.8 million tonnes in 2011.

According to the World Steel Association (“WSA”), global apparent steel use is expected to increase by 3.6% to 1,422 million tonnes in 2012, and grow further by 4.5% in 2013 to reach 1,486 million tonnes.

Going forward, there remain several factors which can dampen the outlook for the global steel industry, including high oil prices, geopolitical tensions in the oil producing regions and the continued slowdown of steel demand in China.

Against this backdrop, the Group remains cautiously optimistic about its growth prospects and will continue to focus on its multi-pronged strategy to expand geographically, diversify its business model, widen its product range and enhance its processing capabilities.

“We are not overly concerned about the short-term fluctuation of steel prices. We remain positive on the long-term prospects of the steel sector and are focused on driving sustainable growth. This year, we restructured our financing arrangements and secured new credit facilities in Singapore and Malaysia. With this enlarged war chest, we are positioning ourselves to expand our business, pursue new growth and strengthen our position as one of the largest steel distributors and processors in the region,” added Mr Goh.

###

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.

For more information, please contact:

August Consulting Pte Ltd

HO See Kim, seekim@august.com.sg

CHIN May Nah, maynah@august.com.sg

Tel: (65) 6733 8873 Fax: (65) 6733 9913