



HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

(Incorporated in the Republic of Singapore on 4 August 1988)

PROPOSED PLACEMENT OF UP TO 37,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF HG METAL MANUFACTURING LIMITED (THE "PLACEMENT")

1. Introduction

The Board of Directors of HG Metal Manufacturing Limited (the "**Company**") wishes to announce that the Company has today entered into a placement agreement (the "**Placement Agreement**") with CIMB-GK Securities Pte. Ltd. ("**CIMB-GK**" or the "**Placement Agent**") pursuant to which the Company has agreed to issue up to 37,000,000 new ordinary shares ("**Shares**") in the capital of the Company (the "**Placement Shares**") and CIMB-GK has agreed to use their best endeavours to subscribe and pay and/or procure the subscription and payment for the Placement Shares, at an issue price of S\$0.52 per Placement Share (the "**Placement Price**"), amounting to an aggregate consideration of up to S\$19.2 million, and on the terms and conditions of the Placement Agreement.

The Placement Price represents a discount of approximately 3.47% to the volume-weighted average market price of S\$0.5387 for each Share, based on trades done on the Main Board of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") from 9.00 a.m. to 4.00 p.m. on 23 July 2007¹ and for the full market day on 20 July 2007 (being the preceding market day prior to the signing of the Placement Agreement).

The Company will pay to the Placement Agent a placement commission of 3.75% of the Placement Price (and any applicable goods and services tax thereon) for each Placement Share for which the Placement Agent procures subscription and payment.

The Placement Shares are to be issued by the Company free from all claims, charges, liens and other encumbrances and shall rank *pari passu* in all respects with the Shares existing as at the date of issue of the Placement Shares except for any dividends, distributions or entitlements, the record date of which falls before such date of issue.

The Placement Shares will be issued pursuant to the general mandate authorising the Directors of the Company to issue new Shares and convertible securities, which was granted by the shareholders of the Company by way of an ordinary resolution at the annual general meeting of the Company held on 30 January 2007. The Placement Shares represent 13.1% of the total issued share capital of the Company, comprising 281,515,437 Shares, as at the date of this Announcement and approximately 20.0% of the issued share capital (as adjusted for the exercise of 88,333 Warrants (as defined in the Placement Agreement)) comprising 185,104,493 Shares in the Company as at the date of the general mandate).

¹ Pursuant to the Company's request, trading in the Shares was halted from 4.00 p.m. on 23 July 2007.

Pursuant to the Placement Agreement, the Placement Agent has undertaken, *inter alia*, that it will not offer or sell or procure subscriptions or make an invitation for or in respect of the Placement Shares to or by any person who (to the best of the Placement Agent's knowledge, information and belief and after having made due and careful enquiries) falls within Rule 812 of the Listing Manual of the SGX-ST.

2. Conditions precedent to Completion

Completion of the Placement is conditional upon, *inter alia*,:-

- (a) in-principle approval being obtained from the SGX-ST for the listing and quotation of the Placement Shares on the Main Board of the SGX-ST and such approval not having been revoked or amended;
- (b) the allotment, issue and subscription of the Placement Shares not being prohibited by any statute, order, rule, regulation, ruling, directive or request promulgated or issued after the date of this Agreement by any legislative, executive or regulatory body or authority (including the SGX-ST, the Monetary Authority of Singapore and the Securities Industry Council) which is applicable to the Company or the Placement Agent; and
- (c) on the completion date, the representations and warranties of the Company being true, accurate and correct in all material respects as if made on the completion date, with reference to the then existing circumstances and the Company having performed in all material respects all of its obligations under the Placement Agreement to be performed on or before the completion date.

Pursuant to the Placement Agreement, the Company has undertaken, *inter alia*, that it shall not, without the prior written consent of the Placement Agent (such consent not to be unreasonably withheld), issue at any time on or before the expiry of 180 days after the completion date, any marketable securities of the Company (in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities) or Shares (save for any Shares to be issued arising from the exercise of the Company's warrants which are outstanding as at the date hereof) or any options therefor, declare or distribute any scrip dividend or vary, alter, subdivide or otherwise do anything to its capital structure (issued or otherwise).

Completion of the Placement is to take place on the date falling three (3) business days after the date on which the last in time of the conditions to the completion of the Placement is satisfied (or such other date as the Company and the Placement Agent may agree in writing) but in any event being a date not later than the Cut-off Date (as defined herein). In the event that any of the conditions to the completion of the Placement is not satisfied on or before 20 August 2007 (being a date falling four (4) calendar weeks after the date of signing of the Placement Agreement) or such other date as the Company and the Placement Agent may agree in writing (the "**Cut-off Date**"), the Placement Agreement will terminate and neither party shall have any claim against the other.

The Company has today, in respect of the Placement, lodged an Offer Information Statement with the Monetary Authority of Singapore pursuant to Section 277 of the Securities and Futures Act, Chapter 289. A copy of the Offer Information Statement is attached to this Announcement.

The Company will be making an application to the SGX-ST for the listing and quotation of the Placement Shares on the Main Board of the SGX-ST.

3. Use of Net Proceeds

The Placement will allow the Company to raise estimated net proceeds (the “**Net Proceeds**”) of up to approximately S\$18.4 million (after deducting expenses relating to the Placement and assuming that the Placement Agent procures subscription for all the 37,000,000 Placement Shares).

The Company intends to use the Net Proceeds in the following manner:

- (i) approximately S\$12.0 million to finance construction of new warehouses, acquisition of machineries and related expenses; and
- (ii) the balance for general working capital purposes.

Pending the deployment of the Net Proceeds, such proceeds may be placed as deposits with banks and financial institutions or invested in short term money market or debt instruments or for any other purpose on a short-term basis as the Directors of the Company may in their absolute discretion deem fit from time to time.

4. Financial Impact

Based on the issued share capital of the Company of approximately S\$60,125,331 comprising 281,515,437 Shares as at the date of this Announcement and assuming that all the 37,000,000 Placement Shares are issued, on completion of the Placement, the issued share capital of the Company will increase to approximately S\$78,572,976 million comprising 318,515,437 Shares. The 37,000,000 Placement Shares represent 13.1% of the present issued share capital of the Company and approximately 11.6% of the enlarged issued share capital of the Company immediately after the completion of the Placement (assuming all the 37,000,000 Placement Shares are issued).

Based on the unaudited consolidated financial statements of the Group for the six months ended 31 March 2007 (as announced by the Company on 11 May 2007), the Group’s net asset value per Share was approximately 29.47 cents as at 31 March 2007. Assuming that the Placement had been effected on 31 March 2007 and that all the 37,000,000 Placement Shares are issued on the same date, the Group’s net asset value per Share, after adjusting for the issue of the Placement Shares, would be approximately 31.99 cents.

5. General

Save as disclosed in this Announcement, to the best of the knowledge of the Directors of the Company, none of the Directors of the Company nor any controlling shareholder of the Company has any interest, whether direct or indirect, in the Placement.

By Order of the Board

Wee Piew
Chief Executive Officer
23 July 2007