

HG METAL MANUFACTURING LIMITED

(Registration No:198802660D)

S\$10 MILLION CONVERTIBLE LOAN FACILITY

The board of directors (the "**Board**") of HG Metal Manufacturing Limited (the "**Company**") refers to the announcement made on 13 May 2005, where it announced that the Company had on 13 May 2005 entered into a S\$10,000,000 Convertible Loan Agreement (the "**2005 Loan Agreement**") with Oversea-Chinese Banking Corporation Limited ("**OCBC**").

The Board wishes to announce that it had on 15 August 2006 entered into a S\$10,000,000 Convertible Loan Agreement (the "**2006 Loan Agreement**"), for the purpose of re-financing the principal amount outstanding under the 2005 Loan Agreement. Under the terms of the 2006 Loan Agreement, OCBC has agreed to make available to the Company a convertible term loan facility (the "**Convertible Loan Facility**") in the aggregate amount of S\$10,000,000, upon the terms and subject to the conditions therein.

The 2006 Loan Agreement allows for, *inter alia*, OCBC to have the right to convert all or part of the Convertible Loan Facility into fully paid new ordinary shares in the capital of the Company (the "**New Shares**") in accordance with the provisions set out in the 2006 Loan Agreement (the "**Conversion Rights**").

The conversion price of each New Share will be 36.1 cents (the "**Conversion Price**"), subject to the adjustments under the 2006 Loan Agreement. In the event of a sale of New Shares by OCBC, the Company will receive from OCBC the following amounts: (i) firstly, the amount equivalent to the aggregate interest paid by the Company on the principal amount of the loan equivalent to the Conversion Amount (the "**Interest Rebate**"); (ii) secondly, the legal cost rebate as defined in accordance with the terms of the 2006 Loan Agreement (the "**Legal Cost Rebate**"); and (iii) 50% of the Net Sales Proceeds less the Interest Rebate and the Legal Costs Rebate. The amount received by the Company in relation to the sale will be in accordance with the terms of the 2006 Loan Agreement, and for the avoidance of doubt, the Company shall not participate in any losses resulting from the sale of the Conversion Shares.

The Net Sales Proceeds is defined as the gross sales proceeds less: (a) the aggregate sum of the Conversion Price (as adjusted) multiplied by the number of New Shares sold (the "**Conversion Amount**"); and (b) the transaction costs (such as brokerage and/or placement fees) incurred by OCBC in relation to such sale ("**Net Sales Proceeds**").

The draw down of the Convertible Loan Facility is conditional upon *inter alia*, the receipt of the receipt of all applicable governmental and regulatory approvals as well as any necessary third party consents (including, where required, the approval of SGX-ST).

None of the Company's directors or substantial shareholders has any interests, direct or indirect, or are deemed to be interested in the 2006 Loan Agreement.

By Order Of The Board
Foong Lee Heng
Company Secretary
15 August 2006