

HG METAL MANUFACTURING LIMITED
(Company Registration Number: 198802660D)
(Incorporated in the Republic of Singapore)

PLACEMENT OF SHARES

1. INTRODUCTION

The Board of Directors (“**Directors**” or “**Board**”) of HG Metal Manufacturing Limited (“**Company**”, and together with its subsidiaries, “**Group**”) wishes to announce that the Company has today entered into placements agreements (“**Placement Agreements**”) with each of the placees set out in paragraph 2.3 of this announcement (“**Placees**”), pursuant to which the Placees will subscribe for, and the Company will allot and issue to the Placees, an aggregate of 213,600,000 new ordinary shares (“**Placement Shares**”) in the capital of the Company at an issue price of S\$0.069 per Placement Share (“**Issue Price**”), amounting to an aggregate consideration of S\$14,738,400 (“**Proposed Placement**”).

The Proposed Placement is to be undertaken by way of a private placement pursuant to Section 272B of the Securities and Futures Act (Cap. 289) of Singapore. As such, no prospectus or offer information statement will be lodged with the Monetary Authority of Singapore in connection with the issuance of the Placement Shares.

2. PRINCIPAL TERMS OF THE PROPOSED PLACEMENT

2.1 Issue Price

The Issue Price represents a discount of approximately 6.63% from the weighted average price of the Company’s shares (“**Shares**”) of S\$0.0739 based on trades done on the Main Board of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) on 7 October 2014, being the last full market day on which trades in the Shares were recorded prior to the Placement Agreements being signed. There were no trades in the Shares today.

2.2 Placement Shares

The Placement Shares are to be issued pursuant to the general share issue mandate approved and granted by shareholders of the Company (“**Shareholders**”) at the annual general meeting of the Company held on 23 April 2014.

The Placement Shares represent approximately 19.98% of the total number of issued Shares in the capital of the Company of 1,069,253,962 (excluding 23,268,000 treasury Shares) as at the date of this announcement. Assuming that all the Placement Shares are issued, on completion of the Proposed Placement (“**Completion**”), the number of issued Shares in the capital of the Company will increase to 1,282,853,962 Shares, and the Placement Shares will represent approximately 16.65% of the issued share capital of the Company on an enlarged basis (excluding treasury Shares).

The Placement Shares are to be issued by the Company free from all charges, liens and other encumbrances and shall, upon allotment and issue, rank *pari passu* in all respects with, and carry all rights similar to, the existing issued Shares of the Company, except that they will not rank for any dividend, right, allotment or other distributions, the record date for which falls on or before the date of Completion.

2.3 Information of the Placees

The number of Placement Shares allocated to each Placee and the consideration payable by each Placee to the Company for the Placement Shares allocated to it are as follows:

Name of Placees	Number of Placement Shares	Consideration Payable (\$\$)
SEAVI Advent Investments Ltd (“SEAVI”)	133,500,000	9,211,500
Rise Capital Ventures Ltd (“Rise Capital”)	80,100,000	5,526,900
TOTAL	213,600,000	14,738,400

The Placees are mainly business contacts of the Company’s Executive Director, Mr Foo Sey Liang. The Placees, who will be the legal and beneficial owners of their respective Placement Shares, are subscribing for their respective Placement Shares for investment purposes. No commission or other payment is to be made to Mr Foo Sey Liang for introducing the Placees to subscribe for their portion of the Placement Shares.

The Placees are not related in any way to each other and, to the best of the Company's knowledge, there is no agreement, arrangement or understanding between themselves and any other Placee or Shareholder of the Company to acquire Shares to obtain or consolidate effective control of the Company, and the Placees are not parties acting in concert with any other Placee or Shareholder of the Company, as defined in The Singapore Code on Take-Overs and Mergers. Under the Placement Agreements, the Placees have represented and warranted to the Company that they do not fall within the class of restricted persons to whom placements must not be made by the Company pursuant to Rule 812(1)(a) to (d) of the Listing Manual of the SGX-ST.

Upon Completion, each of the Placees will be interested in more than 5% of the enlarged issued and paid-up share capital of the Company.

SEAVI is an investment holding company incorporated in the British Virgin Islands. SEAVI is beneficially owned by SEAVI Advent Equity VI (Cayman) L.P. and Ocean Private Equity III Fund Limited (collectively known as the “SEAVI Advent Funds”). The SEAVI Advent Funds are private equity funds managed by SEAVI Advent Corporation Limited. As at the date of this announcement, SEAVI does not own any Shares in the Company.

Rise Capital is an investment holding company incorporated in the British Virgin Islands. Rise Capital is 100% owned by Mr Aung Tin Htut. Mr Aung Tin Htut is a private investor and a businessman in international trading. As at the date of this announcement, Rise Capital does not own any Shares in the Company.

The Company has not appointed any placement agent in connection with the Proposed Placement and therefore, no placement commission will be payable in connection with the Proposed Placement.

2.4 Conditions Precedent

Completion is conditional upon:

- (a) the approval of the SGX-ST for the listing of and quotation for the Placement Shares being obtained, and where such approval is subject to conditions, such conditions being reasonably acceptable to the Company and the Placees;
- (b) the transactions contemplated in the Placement Agreements not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Placement Agreements by any legislative, executive or regulatory body or authority of Singapore which is applicable to either the Company or the Placees; and
- (c) the representations, warranties and undertakings by the Company and the Placees remaining true and correct in all material respects and each of them having performed all of its obligations under the Placement Agreements to be performed on or before Completion.

If any of the conditions is not satisfied on or before 31 December 2014, the Proposed Placement will not proceed.

2.5 Additional Listing Application

The Company will be submitting an application to the SGX-ST for the listing of and the quotation for the Placement Shares on the Main Board of the SGX-ST. The Company will make the necessary announcement(s) once the approval in-principle for the listing of and quotation for the Placement Shares on the Main Board of the SGX-ST has been obtained from the SGX-ST.

3. PURPOSES OF ISSUE AND USE OF PROCEEDS

Assuming that all the Placement Shares are successfully allotted and issued, the gross proceeds from the Proposed Placement will be S\$14,738,400. After deducting estimated costs and expenses of approximately S\$60,000 relating to the Proposed Placement, the estimated net proceeds of the Proposed Placement will be approximately S\$14,678,400 (the “**Net Proceeds**”).

The Company intends to use the entire Net Proceeds from the Proposed Placement for working capital purposes.

Pending the deployment of the Net Proceeds for the purposes mentioned above, such proceeds may be deposited with banks and/or financial institutions, invested in short-term money markets and/or marketable securities or used for any other purpose as the Directors may in their absolute discretion deem fit.

The Company will make announcement(s) on the utilisation of the Net Proceeds of the Proposed Placement as and when they are materially disbursed and provide a status report on the use of the Net Proceeds in the Company’s annual report (and subsequent annual reports, if applicable) until such time the proceeds from the Proposed Placement have been fully utilised.

4. FINANCIAL EFFECTS OF THE PROPOSED PLACEMENT

As at the date of this announcement, the issued and paid-up share capital of the Company is S\$143,311,380 comprising 1,069,253,962 Shares (excluding treasury Shares). Assuming that all the Placement Shares are issued on Completion, the issued and paid-up share capital of the Company will increase to S\$158,049,780 comprising 1,282,853,962 Shares (excluding treasury Shares).

Based on the latest audited consolidated financial statements of the Group for the year ended 31 December 2013:

- (a) assuming Completion took place on 1 January 2013 with all the Placement Shares being in issue during the period, the earnings per share of the Group after adjusting for the Placement Shares will decrease from 0.32 Singapore cents to 0.27 Singapore cents; and
- (b) assuming Completion took place on 31 December 2013, the net tangible asset value per share of the Group after adjusting for the Placement Shares and the Net Proceeds of the Proposed Placement will decrease from S\$0.128 to S\$0.118.

The financial effects of the Proposed Placement set out above are for illustrative purposes only and are therefore not indicative of the actual financial performance or position of the Group after Completion.

5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

None of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Placement.

6. TRADING CAUTION

Shareholders and potential investors are advised to exercise caution in trading their Shares. Completion is subject to certain conditions. As at the date of this announcement, there is no certainty or assurance that the Proposed Placement will be completed or that no changes will be made to the terms thereof. The Company will make the necessary announcements when there are further developments. Shareholders and potential investors are advised to read this announcement and any further announcements by the Company carefully. Shareholders and potential investors should consult their stock brokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take.

7. DOCUMENTS FOR INSPECTION

A copy of the Placement Agreements is available for inspection at the registered office of the Company at 15 Jurong Port Road, Singapore 619119 during normal business hours for a period of three (3) months commencing from the date of this announcement.

**BY ORDER OF THE BOARD OF DIRECTORS OF
HG METAL MANUFACTURING LIMITED**

Foo Sey Liang
Executive Director

8 October 2014