



HG METAL MANUFACTURING LIMITED
(Company Registration No. 198802660D)

RESPONSE TO SGX QUERIES ON THE COMPANY'S ANNOUNCEMENTS DATED 5 SEPTEMBER 2016

The Board of Directors of HG Metal Manufacturing Limited (the "**Company**") refers to the Company's announcements dated 5 September 2016 set out in paragraphs 1 and 2 below (the "**Announcements**"). The Company has received queries from the Singapore Exchange Securities Trading Limited ("**SGX-ST**") regarding the Announcements on 8 September 2016 and sets out its responses as follows:-

SGX-ST's queries:

We refer to the two SGXNet announcements released on 5 September 2016, as follows:-

1. The announcement titled, "*Termination of sales and purchase agreement with Mutual Profit Trading Limited and joint venture with Min Dhama Heavy Industrial Co. Ltd in respect of Min Dhama Steel Structures Co., Ltd*" (the "**Termination of Sales and Purchase Agreement and Joint Venture Announcement**"), accessible via the following web-link:- http://infopub.sgx.com/FileOpen/Announcement_on_Termination_of_JV_Agreement.ashx?App=Announcement&FileID=420218; and
2. The announcement titled, "*Termination of the proposed placement of 253,498,089 new ordinary shares in the capital of HG Metal Manufacturing Limited*" (the "**Termination of the Proposed Placement Announcement**"), accessible via the following web-link:- http://infopub.sgx.com/FileOpen/Announcement_on_Termination_of_Placement_of_Shares.ashx?App=Announcement&FileID=420251.
 - a. Please clarify the reason(s) for the termination as set out in the Termination of Sales and Purchase Agreement and Joint Venture Announcement; and
 - b. Please clarify (i) the reason(s) for the termination as set out in the Termination of the Proposed Placement Announcement; and (ii) whether the termination of the proposed placement is related to the termination of the sales and purchase agreement and joint venture.

Company's response:

- a. The Sale and Purchase Agreement and the Joint Venture Agreement ("**Agreements**") were terminated after taking into consideration the significant changes in the external environment (mainly arising from political changes and challenging business environment) in Myanmar since the signing of the Agreements.

The Company wishes to inform that shortly after the announcement of the signing of the Agreements on 12 Oct 2015, a general election was held in Myanmar on 8 November 2015, and a new cabinet was sworn in on 30 March 2016 at the Assembly of the Union in Naypyidaw.

Amid these political changes, construction activities in Yangon have slowed, resulting in some developers choosing to delay the construction of existing projects or commencement of new projects (as the case may be). As a result, the Company noted that the business operations at

Min Dhama Steel Structures Co. Ltd. (being the joint venture company) has been affected and the utilization levels are not optimal. After negotiations with the relevant counter parties of the Joint Venture Agreement, the parties mutually decided to terminate the Joint Venture Agreement.

As a result of the termination of the Joint Venture Agreement, the parties mutually agreed to terminate the Sales and Purchase Agreement on the basis of non-satisfaction of the conditions precedents stated in the Sale and Purchase Agreement, one of which is the execution of the Joint Venture Agreement (as set out in paragraph 3.2(d) of the relevant Company's announcement dated 12 October 2015).

- b. The share placement agreement was terminated by mutual agreement as the subscribers had notified the Company that the conditions precedent stated in Clause 3.1 of the Placement Agreement as disclosed in paragraph 2.4 of the relevant Company's announcement dated 12 October 2015) were not satisfied.

The Company wishes to clarify that the termination of the proposed placement is not related to the termination of the sales and purchase agreement and joint venture agreement.

By Order of the Board

Foo Sey Liang
Executive Director

9 September 2016