

CIRCULAR DATED 26 OCTOBER 2010

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION.

If you are in any doubt as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant or any other professional adviser immediately.

If you have sold or transferred all your shares in the capital of HG Metal Manufacturing Limited (the "**Company**"), please forward this Circular with the Notice of Extraordinary General Meeting and the attached Proxy Forms immediately to the purchaser or the transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

The Singapore Exchange Securities Trading Limited (the "**SGX-ST**") assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular. Approval in-principle granted by the SGX-ST to the Company for the listing and quotation of the New Shares (as defined herein) and the Option Shares (as defined herein) is not to be taken as an indication of the merits of the Company, its securities, the Proposed Subscription (as defined herein), the New Shares or the Option Shares.



HG METAL MANUFACTURING LIMITED

(Company Registration No.: 198802660D)
(Incorporated in the Republic of Singapore)

CIRCULAR TO SHAREHOLDERS

IN RELATION TO

- (1) THE PROPOSED (A) ALLOTMENT AND ISSUE OF 163,850,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE "NEW SHARES") AT THE ISSUE PRICE OF S\$0.095 FOR EACH NEW SHARE; AND (B) THE GRANT OF A CALL OPTION TO SUBSCRIBE FOR 153,000,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY (THE "OPTION SHARES") AT AN EXERCISE PRICE OF S\$0.095 FOR EACH OPTION SHARE, TO ORIENTAL CASTLE SDN BHD; AND**
- (2) THE PROPOSED APPOINTMENT OF MR GOH KIAN SIN AND MR WONG KEAN SHYONG (KENN) AS DIRECTORS OF THE COMPANY.**

IMPORTANT DATES AND TIMES

Last date and time for lodgement of Proxy Forms : 8 November 2010 at 9.30 a.m.
Date and time of Extraordinary General Meeting : 10 November 2010 at 9.30 a.m.
Place of Extraordinary General Meeting : 28 Jalan Buroh, Singapore 619484

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DEFINITIONS

For the purpose of this Circular, the following definitions apply throughout unless the context otherwise requires or otherwise stated:

“3Q”	:	The nine-month financial period ended on 30 June 2010
“Act”	:	The Companies Act (Chapter 50 of Singapore) as amended or modified from time to time
“Board”	:	The board of directors of the Company, as at the date of this Circular
“Business Day”	:	A day (excluding Saturdays, Sundays and gazetted public holidays) on which commercial banks are open for business in Singapore
“Call Option”	:	The call option granted by the Company to the Subscriber in consideration of the payment of S\$1.00 by the Subscriber, exercisable during the Option Period, to subscribe for all (and not some only) of the Option Shares at the Option Exercise Price, in accordance with the terms and subject to the conditions of the Subscription Agreement
“CDP”	:	The Central Depository (Pte) Limited
“Circular”	:	This circular dated 26 October 2010
“Code”	:	The Singapore Code on Take-overs and Mergers
“Company”	:	HG Metal Manufacturing Limited
“Completion”	:	Completion of the subscription of the New Shares
“Completion Date”	:	The third Business Day after the date on which all the conditions described in paragraph 2.4 of this Circular have been satisfied or waived, or such other date as the Company and the Subscriber may agree in writing
“Directors”	:	The directors of the Company, as at the date of this Circular
“EGM”	:	The extraordinary general meeting of Shareholders, notice of which is set out on page 25 of this Circular
“FY”	:	Financial year ended or ending, as the case may be, on 30 September
“Group”	:	The Company and its subsidiaries
“Latest Practicable Date”	:	22 October 2010, being the latest practicable date prior to the printing of this Circular
“Listing Manual”	:	The listing manual of the SGX-ST
“MYR”	:	Ringgit Malaysia, the lawful currency of Malaysia
“New Directors”	:	Mr Goh Kian Sin and Mr Wong Kean Shyong (Kenn)

“New Shares”	:	The 163,850,000 new Shares to be allotted and issued to the Subscriber, in accordance with the terms and subject to the conditions of the Subscription Agreement
“Nominating Committee”	:	Has the meaning ascribed to it in paragraph 8.2 of this Circular
“NTA”	:	Net tangible assets
“Option Exercise Price”	:	S\$0.095 per Option Share
“Option Period”	:	The period commencing from 19 July 2010 and expiring at 5 p.m. on 19 July 2011
“Option Shares”	:	The 153,000,000 (or such other number representing 14% of the enlarged share capital of the Company after the exercise of the Call Option) new Shares to be subscribed by the Subscriber pursuant to the exercise of the Call Option
“Ordinary Resolutions”	:	The ordinary resolutions as set out in the notice of EGM as set out on page 25 of this Circular
“Proposed Appointment”	:	The proposed appointment of the New Directors as directors of the Company
“Proposed Subscription”	:	The proposed (i) allotment and issue of New Shares at the Subscription Price; and (ii) grant of the Call Option, to the Subscriber
“Record Date”	:	In relation to any dividend, right, allotment or other distributions, the date as at the close of business, on which members of the Company must be registered in order to participate in such dividend, right, allotment or other distributions
“Securities Account”	:	A securities account maintained by a Depositor with CDP but does not include a securities sub-account
“SGX-ST”	:	Singapore Exchange Securities Trading Limited
“Shares”	:	Ordinary shares in the capital of the Company
“Shareholders”	:	Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, means the persons named as Depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited
“Strategic Services Agreement”	:	Has the meaning ascribed to it in paragraph 5.1 of this Circular
“Subscriber”	:	Oriental Castle Sdn Bhd
“Subscription Agreement”	:	The subscription agreement dated 19 July 2010 entered into between the Company and the Subscriber in relation to the Proposed Subscription
“Subscription Price”	:	S\$0.095 per New Share

“ Substantial Shareholder ”	:	A Shareholder who has an interest in 5% or more of the voting shares of the Company
“ VWAP ”	:	Volume weighted average price
“ S\$ ” or “ cents ”	:	Singapore dollar, and cents respectively, unless otherwise stated
“ % ” or “ per cent. ”	:	Per centum or percentage

The terms “**Depositor**” and “**Depository Register**” shall have the same meanings ascribed to them respectively in Section 130A of the Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter gender and *vice versa*. References to persons shall, where applicable, include corporations.

Any reference in this Circular to any enactment is a reference to that statute or enactment for the time being amended or re-enacted. Any term defined under the Act or the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Act or the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided.

Any discrepancies in tables included herein between the amounts in the columns of the tables and the totals thereof are due to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures that precede them.

Any reference to a time of day in this Circular shall be a reference to Singapore time unless otherwise stated.

HG METAL MANUFACTURING LIMITED

(Company Registration No.: 198802660D)
(Incorporated in the Republic of Singapore)

Directors

Yap Xi Ming (Chairman)
Chng Hee Kok (Chief Executive Officer and Executive Director)
Tan Chan Too (Executive Director)
Tan Eng Liang (Independent Director)
Gui Kim Young @ Gui Kim Gan (Independent Director)
Ling Chung Yee Roy (Independent Director)

Registered Office

30 Jalan Buroh
Singapore 619486

26 October 2010

To: The Shareholders of HG Metal Manufacturing Limited

Dear Sir/Madam

1. **INTRODUCTION**

1.1 The Proposed Subscription

On 19 July 2010, the Directors announced that the Company had entered into the Subscription Agreement pursuant to which, and subject to the terms and conditions stated in the Subscription Agreement, the Company has agreed to:

- (a) allot and issue to the Subscriber 163,850,000 New Shares at the Subscription Price of S\$0.095 for each New Share, for an aggregate consideration of S\$15,565,750; and
- (b) grant the Call Option to the Subscriber, exercisable during the Option Period, to subscribe for all (and not some only) of the 153,000,000 (or such other number representing 14% of the enlarged share capital of the Company after the exercise of the Call Option) Option Shares at the Option Exercise Price of S\$0.095 for each Option Share.

The New Shares and the Option Shares (assuming the Call Option is exercised) will constitute approximately 40.85% of the share capital of the Company as at the Latest Practicable Date and approximately 29.0% of the enlarged share capital of the Company on a fully diluted basis (taking into account the issue of the New Shares and assuming the exercise of the Call Option). The number of New Shares and Option Shares to be issued by the Company exceeds the number of Shares which the Directors are authorised to issue pursuant to the general share issue mandate approved by the Shareholders at the Company's annual general meeting on 29 January 2010.

Rule 805(1) of the Listing Manual provides that an issuer must obtain the prior approval of shareholders in a general meeting for the issue of shares or convertible securities or the grant of options carrying rights to subscribe for shares of the issuer except where a general mandate for such issue has been obtained from shareholders in a general meeting.

As such, the Proposed Subscription is subject to Shareholders' approval pursuant to Rule 805(1) of the Listing Manual.

Rule 803 of the Listing Manual states that an issuer must not issue securities to transfer a controlling interest without prior approval by shareholders in general meeting. A "**controlling shareholder**" is defined in the Listing Manual as a person who:

- (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the company; or
- (b) in fact exercises control over a company.

The Subscriber will become a controlling shareholder of the Company following the Proposed Subscription.

As such, the Proposed Subscription is subject to Shareholders' approval pursuant to Rule 803 of the Listing Manual.

A copy of the announcement issued by the Company in relation to the Proposed Subscription is available on the SGX-ST's website at www.sgx.com.

1.2 The Proposed Appointment

In connection with the Proposed Subscription and subject to Shareholders' approval being obtained, the Company proposes to appoint the New Directors as directors of the Company, such appointment to take effect from the Completion Date.

1.3 Extraordinary General Meeting

The Directors are convening an EGM to be held of 9.30 a.m. on 10 November 2010 at 28 Jalan Buroh, Singapore 619484 to seek the approval of the Shareholders for the Ordinary Resolutions relating to the Proposed Subscription and the Proposed Appointment as set out in the notice of EGM on page 25 of this Circular. The purpose of this Circular is to provide Shareholders with the relevant information relating to the same.

The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.

2. THE PROPOSED SUBSCRIPTION

2.1 Information on the Subscriber

The Subscriber was incorporated in Malaysia in 1998. As at the Latest Practicable Date, the Subscriber has an issued and paid up share capital of Ringgit Malaysia Twenty Million (MYR20,000,000) comprising of 20,000,000 ordinary shares of MYR1 each, of which 16,000,000 ordinary shares are held by Mr Goh Kian Sin, the managing director of the Subscriber and the balance 4,000,000 ordinary shares are held by Mr Hew Yuen Hin. As at the Latest Practicable Date, the Subscriber has three (3) directors and they are Messrs Goh Kian Sin, Hew Yuen Hin and Chee Teck Seng.

Since its incorporation, the Subscriber has successfully grown and expanded to become one of the One Stop Steel Foundation Solutions Provider in Asia with offices in the ASEAN region and China.

The Subscriber has three processing plants in Port Klang, Gelang Patah, Johor and Batu Gajah, Perak of Malaysia for the manufacture of spiral welded pipes, heavy gauge cold formed steel sections and steel fibers. It also has a processing plant in Baoshan China for the manufacture of heavy gauge cold formed steel sections.

The Subscriber has also established sales and service network throughout the ASEAN region and China. In addition to the steel business, the Subscriber's other businesses include marketing and distribution of high end architectural products such as in roofing shingles and the provision of engineering and construction services and solutions in foundations.

As of the Latest Practicable Date, the Subscriber, its directors and/or shareholders do not have any interest, direct or indirect, in the Company's share capital.

2.2 The Subscription Agreement

Under the terms of the Subscription Agreement, the Company has agreed to (i) allot and issue to the Subscriber 163,850,000 New Shares at the Subscription Price of S\$0.095 for each New Share, and (ii) grant the Call Option to the Subscriber, exercisable during the Option Period, to subscribe for all (and not some only) of the 153,000,000 (or such other number representing 14% of the enlarged share capital of the Company after the exercise of the Call Option) Option Shares at the Option Exercise Price of S\$0.095 for each Option Share.

The New Shares and the Option Shares shall be issued free from all claims, mortgages, charges, liens and other encumbrances whatsoever and shall rank *pari passu* in all respects with and carry all rights similar to existing Shares 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 of the subscription for the New Shares or the completion of the subscription for the Option Shares (as the case may be).

The Subscription Agreement does not provide for the Option Period to be extended. In the event the Call Option is not exercised by the Subscriber by the end of the Option Period, the Call Option will lapse and the Subscriber shall pay to the Company an amount equivalent to 5% of the aggregate Option Exercise Price as compensation for the Company's legal and other costs and expenses incurred in connection with the negotiation, preparation, execution and performance by it of the Subscription Agreement and all ancillary documents in connection with the foregoing.

2.3 Subscription Price and Option Exercise Price

The Subscription Price of S\$0.095 for each New Share and the Option Exercise Price of S\$0.095 for each Option Share represents a discount of approximately 9.52% to the VWAP per Share for trades done on the SGX-ST on 19 July 2010 (being the full market day on which the Subscription Agreement was signed). The Subscription Price and the Option Exercise Price was arrived at on an arm's-length basis following negotiations between the Company and the Subscriber.

Under the terms of the Subscription Agreement, the Option Exercise Price of S\$0.095 for each Option Share is subject to adjustment in the event of any consolidation, subdivision or conversion of the share capital of the Company. The Option Exercise Price shall be adjusted in consultation with, and with the concurrence of, the auditors of the Company.

2.4 Conditions

Completion is subject to the following conditions precedent being fulfilled:

- (a) the in-principle approval for the additional listing application to the SGX-ST for the New Shares and the Option Shares to be admitted to the Official List of the SGX-ST and be listed for quotation on the Main Board of the SGX-ST being obtained from the SGX-ST and not having been revoked or amended and, where such approval is subject to conditions, to the extent that such conditions for the listing and quotation of the New Shares and the Option Shares on the Main Board of the SGX-ST are required to be fulfilled on or before Completion Date, they are so fulfilled;
- (b) the receipt by the Company of the approval of the Shareholders:
 - (i) as required under Section 161 of the Act (in the form of specific approval) for the issue of the New Shares and the Option Shares; and
 - (ii) for the issue of the New Shares and the Option Shares to the Subscriber pursuant to and in accordance with the terms and conditions of the Subscription Agreement and that the Company's entry into the Subscription Agreement be ratified; and
 - (iii) for the Proposed Appointment,

having been obtained and such approval not having been revoked, suspended or amended and the same being in full force and effect as at Completion;
- (c) the allotment, issue and subscription of the New Shares and the Option Shares not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Subscription Agreement by any legislative, executive or regulatory body or authority of Singapore which is applicable to the Company or the Subscriber;

- (d) on the Completion Date, the undertakings and warranties of the Company contained in the Subscription Agreement 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 thereunder to be performed on or before the Completion Date;
- (e) the entry by the Company and the Subscriber into the Strategic Services Agreement;
- (f) a confirmation from the Singapore Securities Industry Council that the issuance of the New Shares and the grant of Call Option to the Subscriber pursuant to the terms and conditions of the Subscription Agreement together with the entry by the Company and the Subscriber into the Strategic Services Agreement will not trigger a mandatory general offer obligation under Rule 14.1 of the Code on the Subscriber; and
- (g) no material adverse change in the financial position of the Company and its subsidiaries taken as a whole shall have occurred or been announced prior to Completion since the date of the Subscription Agreement.

As announced on 20 September 2010, the Company has received the in-principle approval for the additional listing application to the SGX-ST for the New Shares and the Option Shares to be admitted to the Official List of the SGX-ST and be listed for quotation on the Main Board of the SGX-ST. SGX-ST's in-principle approval is not to be taken as an indication of the merits of the Proposed Subscription, the New Shares, the Option Shares or the Group.

The main terms of the Strategic Services Agreement are set out in paragraph 5.4 below.

3. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS AND CHANGES IN SHAREHOLDING STRUCTURE

- 3.1 The interests of the Directors and the Substantial Shareholders in the share capital of the Company as at the Latest Practicable Date and the effects of the Proposed Subscription on the shareholding structure of the Company are set out below:

	← As at the Latest Practicable Date →				← After issue of New Shares →				← After issue of New Shares and Exercise of Call Option →			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number Of Shares	% ⁽¹⁾	Number Of Shares	% ⁽¹⁾	Number Of Shares	% ⁽²⁾	Number Of Shares	% ⁽²⁾	Number Of Shares	% ⁽²⁾	Number Of Shares	% ⁽²⁾
Directors												
Yap Xi Ming	5,710,000	0.7	80,646,574 ⁽⁴⁾	10.4	5,710,000	0.6	80,646,574 ⁽⁴⁾	8.6	5,710,000	0.5	80,646,574 ⁽⁴⁾	7.4
Chng Hee Kok	666	0.0	Nil	–	666	0.0	Nil	–	666	0.0	Nil	–
Tan Chan Too	21,455,187	2.8	Nil	–	21,455,187	2.3	Nil	–	21,455,187	2.0	Nil	–
Tan Eng Liang	Nil	–	Nil	–	Nil	–	Nil	–	Nil	–	Nil	–
Gui Kim Young @ Gui Kim Gan	Nil	–	Nil	–	Nil	–	Nil	–	Nil	–	Nil	–
Ling Chung Yee Roy	Nil	–	Nil	–	Nil	–	Nil	–	Nil	–	Nil	–

	As at the Latest Practicable Date				After issue of New Shares				After issue of New Shares and Exercise of Call Option			
	Direct Interest		Deemed Interest		Direct Interest		Deemed Interest		Direct Interest		Deemed Interest	
	Number Of Shares	% ⁽¹⁾	Number Of Shares	% ⁽¹⁾	Number Of Shares	% ⁽²⁾	Number Of Shares	% ⁽²⁾	Number Of Shares	% ⁽³⁾	Number Of Shares	% ⁽³⁾
Substantial Shareholders												
Oriental Castle Sdn Bhd	Nil	-	Nil	-	163,850,000	17.4	-	-	316,850,000	29.0	-	-
Goh Kian Sin	Nil	-	Nil	-	-	-	163,850,000 ⁽⁵⁾	17.4	-	-	316,850,000 ⁽⁵⁾	29.0
Hew Yuen Hin	Nil	-	Nil	-	-	-	163,850,000 ⁽⁶⁾	17.4	-	-	316,850,000 ⁽⁶⁾	29.0
Chye Hin Hardware Pte Ltd	80,646,574	10.4	Nil	-	80,646,574	8.6	Nil	-	80,646,574	7.4	Nil	-

Notes:

- (1) Based on 775,671,962 issued Shares as at the Latest Practicable Date.
- (2) Based on 939,521,962 issued Shares following the allotment and issue of 163,850,000 New Shares.
- (3) Based on 1,092,521,962 issued Shares following the allotment and issue of 163,850,000 New Shares and the allotment and issue of 153,000,000 Option Shares pursuant to the exercise of the Call Option.
- (4) Yap Xi Ming holds approximately 33.33% in the share capital of Chye Hin Hardware Pte Ltd and is therefore deemed interested in the shares held by Chye Hin Hardware Pte Ltd.
- (5) Goh Kian Sin holds 80% in the share capital of Oriental Castle Sdn Bhd and is therefore deemed interested in the shares held by Oriental Castle Sdn Bhd.
- (6) Hew Yuen Hin holds 20% in the share capital of Oriental Castle Sdn Bhd and is therefore deemed interested in the shares held by Oriental Castle Sdn Bhd.

3.2 Mr Yap Xi Ming, through the introduction of a bank, had approached the Subscriber in early March 2010 to explore the possibility of the Subscriber investing in the Company. Mr Yap, a major shareholder of Chye Hin Hardware Pte Ltd which has been a major creditor of the Company since late 2009, was concerned over the operating losses that the Company had suffered. After initiating discussions with the Subscriber and getting to know the Subscriber's business model and vision better, Mr Yap felt that there were synergies between the businesses of the Company and the Subscriber which could complement each other and therefore introduced the Subscriber to the Company's management in the middle of March 2010. Mr Yap was at that time neither a Director nor a Substantial Shareholder. Subsequently, Chye Hin Hardware Pte Ltd became a Substantial Shareholder on 29 March 2010 and Mr Yap was appointed as Director on 26 April 2010. As far as the Board is aware, there is no commission payable by the Company to any person in relation to the Proposed Subscription. As far as the Subscriber is aware, there is no commission payable by the Subscriber to any person in relation to the Proposed Subscription. Save as disclosed in paragraphs 3.1 and 3.2 and for Mr Chng Hee Kok whose appointment as chief executive officer of the Company is likely to be affected by the entry by the Company into the Strategic Services Agreement, none of the Directors or Substantial Shareholders:

- (a) has any interest, direct or indirect, in the Proposed Subscription;
- (b) has any connection (including business relationship) with the Subscriber, its directors and/or shareholders; and
- (c) is acting as a nominee in respect of any shareholder and/or taking instructions from any third party in respect of their shareholdings in the Company.

4. **FINANCIAL EFFECTS**

The financial effects of the Proposed Subscription, based on the audited financial statements of the Group for the financial year ended 30 September 2009 and the unaudited financial statements of the Group for the nine-month financial period ended 30 June 2010 (as announced via the SGXNET on 11 August 2010), assuming that the Proposed Subscription was completed as of 30 September 2009 and 30 June 2010, are as follows:

4.1 Share Capital

The effect of the Proposed Subscription on the share capital of the Company as at the Latest Practicable Date is as follows:

	Number of Shares
As at the Latest Practicable Date	775,671,962
After the issue of New Shares	
New Shares to be issued pursuant to the Proposed Subscription	163,850,000
Share capital after the issue of New Shares	939,521,692
After issue of New Shares and the exercise of the Call Option	
Option Shares to be issued pursuant to exercise of the Call Option	153,000,000
Share capital after the issue of New Shares the exercise of the Call Option	1,092,521,962

4.2 Net Tangible Assets

The financial effects of the Proposed Subscription on the NTA of the Group are as follows:

	FY2009 (Audited) (S\$'000)	3Q2010 (Unaudited) (S\$'000)
NTA (Equity attributable to Shareholders less intangibles)	74,277	108,512
Number of Shares in issue before Proposed Subscription ('000)	775,672	775,672
NTA per Share before the Proposed Subscription (cents)	0.10	0.14
Add: Proceeds from issue of New Shares	15,566	15,566
Less: Estimated expenses for the Proposed Subscription	(70)	(70)
Estimated NTA after issue of New Shares	89,773	124,008
Number of Shares in issue after issue of New Shares ('000)	939,522	939,522
Estimated NTA per Share after issue of New Shares (cents)	0.10	0.13
Add: Proceeds from issue of Option Shares	14,535	14,535
Estimated NTA after issue of Option Shares	104,308	138,543
Number of Shares in issue after issue of Option Shares ('000)	1,092,522	1,092,522
Estimated NTA per Share after issue of New Shares and exercise of Call Option (cents)	0.10	0.13

4.3 Gearing

The Group's gearing as adjusted for the Proposed Subscription is as follows:

	Before Proposed Subscription		After Issue of New Shares		After issue of New Shares and Exercise of Call Option	
	FY2009 (Audited) (S\$'000)	3Q2010 (Unaudited) (S\$'000)	FY2009 (Audited) (S\$'000)	3Q2010 (Unaudited) (S\$'000)	FY2009 (Audited) (S\$'000)	3Q2010 (Unaudited) (S\$'000)
Total borrowings ⁽¹⁾	93,380	41,947	77,884	26,451	63,349	11,916
Shareholders' equity	100,513	108,988	116,008	124,484	130,543	139,019
Gearing (times)	0.9	0.4	0.7	0.2	0.5	0.1

Notes:

(1) Borrowings is defined as bank borrowings plus finance lease payables.

5. VIEWS OF THE DIRECTORS WHO HAD VOTED IN FAVOUR OF THE PROPOSED SUBSCRIPTION

5.1 Rationale

The majority of the Directors, namely Mr Yap Xi Ming (Non-Executive Chairman), Mr Tan Chan Too (Executive Director) and Mr Gui Kim Young @ Gui Kim Gan (Independent Director), are of the view that the Subscriber possesses a wealth of experience and expertise in the steel industry. More specifically, the Subscriber would be able to contribute with its experience and expertise towards the revitalization of the Company's operations and the expansion into new and specialised steel products and services, so as to steer the Company towards its goal of becoming a leading supplier of steel products in the Southeast Asian region through its one-stop service and customised manufacturing solutions. In this regard, it is further noted that the Company and the Subscriber have agreed under the Subscription Agreement to enter into a Strategic Services Agreement (the "**Strategic Services Agreement**") which contains a strategic plan prepared by the Subscriber (and agreed to by the Company) comprising proposed business strategies and new growth paths for the growth of the Company other than the current business of the Company and excluding foundation business. It should be noted however that the Subscriber does not have any intention to dispose of any of its existing businesses to the Company. The detailed execution plans and budgets on the proposed growth paths will only be prepared after Completion after the Subscriber has acquired a full understanding of the resources, personnel and market reach of the Company. Accordingly, the Strategic Services Agreement does not provide any performance milestones or benchmarks to assess the implementation of the strategic plan. In view of the fact that the Subscriber will be making a significant equity investment in the Company and bearing the equity risk as a Shareholder in the implementation of the Subscriber's strategic plan for the Company, the majority of the Directors are of the view that it was not necessary for the Strategic Services Agreement to contain performance benchmarks and/or a profit guarantee. The majority of the Directors had also not requested for a profit guarantee to be provided by the Subscriber in relation to the potential benefits that the Company could reap from the strategic plan as they are of the view that such profit guarantees are typically only provided when an investor is injecting assets into the company, which is not the case in the Proposed Subscription.

5.2 Subscription Price

In relation to the issue price for each New Share and each Option Share, the Subscriber had originally requested for a 20% discount to the prevailing market price of the Shares at the time when the Subscriber and the Company were discussing the principal terms of the Proposed Subscription. However, this request was rejected by the Board. It was noted by the majority of the Directors that there had been market precedents for the placement of a controlling stake of the shares of a company at a discount to the VWAP of such shares. Accordingly, the majority of the Directors agreed to make a counter offer for the New Shares and Option Shares to be issued at an issue price of S\$0.095 for each New Share and each Option Share, which was based on the VWAP of the Shares at the time of such counter offer. This offer was subsequently accepted by the Subscriber.

5.3 Appointment of Independent Financial Adviser

Whilst some of the Directors had suggested that an independent financial adviser be appointed to advise on the merits of the Proposed Subscription, the majority of the Directors noted that the appointment of an independent financial adviser was not required under the provisions of the Listing Manual as the Subscriber is not an “interested person” under Chapter 9 of the Listing Manual. Further, as the Board had been considering the proposals from the Subscriber since April 2010, the majority of the Directors felt that the time required to source for and appoint an independent financial adviser and for the independent financial adviser to review and render its opinion on the Proposed Subscription would unnecessarily delay the injection of new capital required for the smooth operation of the Company’s business. As the majority of the Directors felt that the Proposed Subscription was a commercial decision for the Company and taking into account the costs and benefits of appointing an independent financial adviser, they accordingly voted against the appointment of an independent financial advisor.

5.4 Strategic Services Agreement

The Company and the Subscriber entered into the Strategic Services Agreement on 19 July 2010 together with the signing of the Subscription Agreement. The Subscriber will be entitled under the terms of the Strategic Services Agreement to, *inter alia*, (i) nominate two (2) persons for appointment to the Board as a director of the Company, (ii) nominate one (1) person for appointment as the chief executive officer of the Company, and (iii) nominate selected personnel to be seconded to the Company to provide management services to the Company. As the Company is currently a steel stockist, the experience of its management does not extend to the areas of business contemplated by the new growth paths under the strategic plan. Accordingly, the arrangement for the provision of management expertise to the Company by the Subscriber is intended to, *inter alia*, facilitate a quick start-up for the execution of the strategic plan by the Company with the assistance of the Subscriber. In this regard, the Company shall only reimburse the Subscriber on a “cost recovery” basis for the secondment of personnel by the Subscriber. The strategic plan, as set out in the Strategic Services Agreement, is based on a diversification strategy and new growth paths aimed at growing and developing the Company into a regional market player with a precisely defined business model, complementing the Company’s existing commodity based business model by extending the market reach of the Company through the following axes:

(a) Engaging in Direct Project Sales

The Company will diversify into direct sales to project customers in various engineering related sectors.

(b) Expansion of Product Range

The Company will work towards satisfying customers’ requirements through a comprehensive and well managed inventory of both standard and non-standard products.

(c) Extending the Geographical Reach

Singapore is traditionally the supplier of high-end steel products to South and South East Asia, Middle East and to a certain extent Australia. The Company will seek to participate in this material flow to a higher extent.

(d) Engaging in End User Sales

A number of steel users have large regular demands for certain specific steel products. The Company will therefore engage in direct targeted marketing efforts to reach out to these end users.

(e) Developing New Processing Capabilities.

It is noted that the Company has already taken some steps in engaging in basic processing. The Company will expand further into deep processing activities.

In addition, under the terms of the Strategic Services Agreement, the Subscriber has undertaken, for so long as it remains a controlling shareholder of the Company and/or has two (2) nominees on the Board, not to directly or indirectly compete with the existing business or activities of the Company and the future business of the Company as set out in the strategic plan proposed by the Subscriber in the Strategic Services Agreement. The Company has similarly undertaken, for so long as the Subscriber remains a controlling shareholder of the Company and/or has two (2) nominees on the Board, not to directly or indirectly compete with the business of the Subscriber on foundation projects or any solutions or services for foundation projects. The Strategic Services Agreement has a term of three (3) years and shall terminate upon the earlier of (i) the expiry of the said term or (ii) the Subscriber ceasing to be a controlling shareholder of the Company.

5.5 Benefits of Proposed Subscription to the Company

For the reasons set out in paragraphs 5.1 to 5.4 of this Circular, the majority of the Directors believe that the Proposed Subscription is beneficial to the Company as it provides the Group with:

- (a) new growth paths to diversify from the Group's current commodity based business model which renders the Company vulnerable to volatile steel commodity prices and thereby afford greater stability for the financial condition of the Group;
- (b) new growth opportunities through leveraging the experience, resources and reputation of the Subscriber as one of the One Stop Steel Foundation Solutions Providers in Asia;
- (c) increased working capital to fund its existing business operations and the new growth paths and opportunities identified under the Subscriber's strategic plan; and
- (d) a strategic controlling shareholder committed to supporting the Company in strengthening its current business model.

6. VIEWS OF THE DIRECTORS WHO HAD VOTED AGAINST THE PROPOSED SUBSCRIPTION

- 6.1 Dr Tan Eng Liang and Mr Ling Chung Yee Roy (both Independent Directors), who have voted against the Company's entry into the Proposed Subscription, are of the opinion that (i) a controlling premium needs to be offered for the Proposed Subscription, (ii) there should be clear performance benchmarks to monitor the implementation and progress of the Subscriber's strategic plan for the Company as set out in the Strategic Services Agreement, and (iii) an independent financial advisor should be appointed by the Board to evaluate the terms of the Proposed Subscription and whether it is in the best interests of Shareholders for the Company to enter into the Proposed Subscription. Dr Tan and Mr Ling wish to highlight that (1) the New Shares and the Option Shares are being issued at a discount to the NTA per Share of S\$0.14 as at 30 June 2010, (2) no performance benchmarks were set out in the Strategic Services Agreement, and (3) the appointment of an independent financial advisor was voted against by the majority of the Directors. The detailed views of Dr Tan and Mr Ling are set out below.

6.2 Subscription Price

- (a) As the Subscriber will become a controlling shareholder of the Company following the Proposed Subscription, as well as assume management control under the terms of the Strategic Services Agreement, Dr Tan and Mr Ling believe that the issue price for the New Shares and the Option Shares should have been at a premium to the VWAP per Share of S\$0.105 for trades done on the SGX-ST on the market day on which the Subscription Agreement was signed. Dr Tan and Mr Ling wish to highlight that whilst there may have been market precedents for the placement of a controlling stake at a discount to the VWAP of the shares, such instances, due to their respective differing circumstances, may not be suitable to be used as comparables for the issue price of the New Shares and the Option Shares. For example, one (1) of the precedents considered by the Board was the placement done by Middle East Development Singapore Ltd in October 2009 which, unlike the Proposed Subscription, had an independent financial adviser appointed as the placement triggered the mandatory offer obligation under the Code in addition to constituting an “interested person transaction” under Chapter 9 of the Listing Manual. Another precedent considered by the Board was the placement done by Esmart Holdings Limited in May 2009 which had no independent financial adviser appointed but was a placement done in the context of a debt restructuring. In comparison, the Company has no going concern issue as of 30 June 2010.
- (b) In addition, Dr Tan and Mr Ling are also of the view that the counter offer price of S\$0.095 for each New Share and each Option Share was made on the basis that the Subscriber will only have the right to nominate one (1) person for appointment to the Board. However, subsequent changes agreed by the Company gave the Subscriber the right to nominate (2) two persons for appointment to the Board and one (1) person for appointment as chief executive officer of the Company. This, Dr Tan and Mr Ling feel, effectively gives the Subscriber management control of the Company which should justify an increase in the counter offer issue price of S\$0.095. More importantly, Dr Tan and Roy believe that the Company should re-negotiate with the Subscriber to increase the Proposed Subscription to comprise at least 30.0% of the enlarged share capital of the Company, as opposed to the proposed 29.0%, so that the Shareholders will be entitled to receive a general offer from the Subscriber in return for giving the management control of the Company to the Subscriber. However, the majority of the Directors rejected this suggestion. Dr Tan and Mr Ling note that the offer prices of general offers in Singapore typically represent a premium to the respective VWAP of the shares of the respective targets. Based on general offers in Singapore resulting in a change of control, announced and completed between 1 January 2007 and 30 July 2010 and where transaction sizes implied by the respective offers are greater than S\$100 million, the offer prices represent an average premium of approximately 20% - 50% compared to the respective closing prices of the respective targets for the 1-day prior to the respective offer announcements, and the VWAP of the shares for the 1-month, 3-month, 6-month and 12-month periods prior to the respective offer announcements. Dr Tan and Mr Ling are of the view that such premia are indicative of the price Shareholders may receive on average if a general offer was made by the Subscriber. Accordingly, assuming the Subscriber makes a general offer, Dr Tan and Mr Ling are of the view that the Shareholders may receive an offer price representing a premium of approximately 30% - 130% to the issue price of S\$0.095 for each New Share and each Option Share.

6.3 Strategic Services Agreement

- (a) Dr Tan and Mr Ling feel that the Strategic Services Agreement should have contained clear performance benchmarks that create value for Shareholders and/or a profit guarantee from the Subscriber to convince Shareholders of the merits of the Proposed Subscription. This will also allow the exercise of the Call Option to be made subject to the satisfaction of such performance benchmarks (i.e. the Subscriber must have proven its contributions to the Company before they can be rewarded with the exercise of the Call Option).

- (b) Dr Tan and Mr Ling also feel that a detailed execution roadmap and milestones should be included in the Subscriber's strategic plan for the future business of the Company. Dr Tan and Mr Ling note that a detailed execution plan will only be prepared after Completion after the Subscriber has acquired a full understanding of the resources, personnel and market reach of the Company and that this execution plan will be submitted to the Board for approval. Dr Tan and Mr Ling note that such approval will be a formality as the Subscriber would have both voting and management control at the material time. Further, the Company and the Subscriber had entered into a non-disclosure agreement during the negotiations of the Proposed Subscription and Dr Tan and Mr Ling feel that this allows the Subscriber and the Company to, notwithstanding that the Proposed Subscription had yet to be concluded and the Subscriber is not yet a Shareholder, hold extensive discussions to provide the Subscriber with a full understanding of the business of the Company in order to prepare a more detailed Strategic Services Agreement containing an appropriate execution plan and to better structure the alliance between the Company and the Subscriber.
- (c) Dr Tan and Mr Ling also note that the Subscriber had presented to the Board a significant profit projection for each of the first three (3) years following the Proposed Subscription and that the Subscriber was confident of achieving these projections. However, Dr Tan and Mr Ling wish to highlight to Shareholders that the Subscriber is not prepared to give an assurance as to the ability of the Company to achieve such projections and as such cannot be held accountable for such projections.
- (d) Furthermore, Dr Tan and Mr Ling wish to highlight that the Subscriber's foundation steel expertise will not be shared with the Company. This is a relevant consideration as the foundation steel segment is the key driver of the Subscriber's business. In Dr Tan and Mr Ling's views, the foundation steel segment could be further developed and turned into an important profit driver for the Company in the future. Not only will the Subscriber not be sharing its expertise in foundation steel with the Company so as to allow the Company to develop this particular capability, the Company is also specifically prohibited under the terms of the Strategic Services Agreement from competing with the Subscriber for foundation steel business for the duration of the said agreement.
- (e) Lastly, Dr Tan and Mr Ling also wish to highlight to Shareholders that the Strategic Services Agreement does not have any exit provisions for the Company or the Subscriber in the event the strategic plan fails to improve the performance of the Company.

6.4 Appointment of Independent Financial Adviser

Lastly, even though the Proposed Subscription does not require the appointment of an independent financial adviser as the Subscriber is not an "interested person" under Chapter 9 of the Listing Manual and the Proposed Subscription does not trigger a mandatory offer obligation under the Code, Dr Tan and Mr Ling feel that the Board should go further than satisfying the minimum requirements of corporate governance and accordingly still appoint one (1). Dr Tan and Mr Ling are of the view that an independent financial adviser can assist the Board in evaluating the full range of strategic and financing options available to the Company and provide a fair, independent and external evaluation of the merits of the Proposed Subscription to the Shareholders. This is especially important given that the Proposed Subscription contains both financing and strategic objectives which renders the evaluation of the merits of the Proposed Subscription more complicated for the Board. Dr Tan and Mr Ling are of the view that without an independent financial adviser, they are unable to determine if the Proposed Subscription is in the best interests of Shareholders relative to the other available financing options (e.g. rights issue, placement to financial investors etc.).

7. USE OF PROCEEDS FROM PROPOSED SUBSCRIPTION

- 7.1 The gross proceeds arising from the issue of the New Shares amounts to approximately S\$15.6 million. Approximately 20% of the gross proceeds from the issue of the New Shares will be used for the repayment of a bank loan while the remainder will be used for general working capital purposes. The gross proceeds arising from the issue of the Option Shares (assuming the Call Option is exercised) of approximately S\$14.5 million will be used for general working capital purposes. The Company will make an announcement on the utilisation of proceeds from the issue of the New Shares and the Option Shares (assuming the Call Option is exercised) on a quarterly basis or as and when such proceeds are materially disbursed. A status report on the use of such proceeds will also be provided in the annual report(s) of the Company.
- 7.2 Pending the deployment of the proceeds for the purposes mentioned above, the proceeds may be deposited with banks and/or financial institutions as the Directors may deem appropriate in the interests of the Group.

8. THE PROPOSED APPOINTMENT

- 8.1 In connection with the Proposed Subscription, it is proposed that the following persons be appointed as directors of the Company, such appointment to take effect from the Completion Date:

- (a) Mr Goh Kian Sin; and
- (b) Mr Wong Kean Shyong (Kenn).

Please refer to Appendix 1 to this Circular for information relating to the New Directors required under Rule 704(7) of the Listing Manual. As at the date hereof, none of the New Directors has any interest, direct or indirect, in the share capital of the Company.

- 8.2 The nominating committee of the Company comprising Dr Tan Eng Liang, Mr Gui Kim Young @ Gui Kim Gan and Mr Ling Chung Yee Roy (all Independent Directors) (the “**Nominating Committee**”) has reviewed the curriculum vitae of the New Directors. Having considered their professional credentials (as set out in Appendix 1 to this Circular), and noting their experience and track record with the Subscriber, the Nominating Committee is of the opinion that the New Directors are suitable as directors of the Company.

9. DIRECTORS’ RECOMMENDATIONS

9.1 The Proposed Subscription

As Mr Chng Hee Kok’s appointment as chief executive officer of the Company is likely to be affected by the entry by the Company into the Strategic Services Agreement under the terms of the Subscription Agreement, he abstains from making any recommendations to Shareholders to vote in favour of Ordinary Resolution (1), as set out in the notice of EGM on page 25 of this Circular, in respect of the Proposed Subscription.

For the reasons set out in Section 6 of this Circular, Dr Tan Eng Liang and Mr Ling Chung Yee Roy have voted against the Company’s entry into the Proposed Subscription. Accordingly, Dr Tan and Mr Ling recommend that Shareholders vote against Ordinary Resolution (1) as set out in the notice of EGM on page 25 of this Circular, in respect of the Proposed Subscription.

Save for the foregoing, for the reasons set out in Section 5 of this Circular, the remaining Directors (i.e. Mr Yap Xi Ming, Mr Tan Chan Too and Mr Gui Kim Young @ Gui Kim Gan) are of the opinion that the Proposed Subscription is in the best interests of the Company, and accordingly, they recommend that Shareholders vote in favour of Ordinary Resolution (1), as set out in the notice of EGM on page 25 of this Circular, in respect of the Proposed Subscription.

9.2 The Proposed Appointment

As the Proposed Appointment is related to the Proposed Subscription, for the same reasons set out in paragraph 9.1 of this Circular, Mr Chng Hee Kok abstains from making any recommendations to Shareholders to vote in favour of Ordinary Resolutions (2) and (3), as set out in the notice of EGM on page 25 of this Circular, in respect of the Proposed Appointment.

Similarly, as Dr Tan Eng Liang and Mr Ling Chung Yee Roy have voted against the Company's entry into the Proposed Subscription, they abstain from making any recommendations to Shareholders to vote in favour of Ordinary Resolutions (2) and (3), as set out in the notice of EGM on page 25 of this Circular, in respect of the Proposed Appointment.

Based on the rationale set out in Section 8 of this Circular, the remaining Directors (i.e. Mr Yap Xi Ming, Mr Tan Chan Too and Mr Gui Kim Young @ Gui Kim Gan) are of the opinion that the proposed appointment of the New Directors is in the best interests of the Company, and accordingly, they recommend that Shareholders vote in favour of Ordinary Resolutions (2) and (3), as set out in the notice of EGM on page 25 of this Circular, in respect of the Proposed Appointment.

10. **EXTRAORDINARY GENERAL MEETING**

The EGM, notice of which is set out on page 25 of this Circular, will be held at 28 Jalan Buroh, Singapore 619484 on 10 November 2010 at 9.30 a.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolutions as set out on page 25 of this Circular.

11. **ACTION TO BE TAKEN BY SHAREHOLDERS**

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend and vote on his behalf, he should complete, sign and return the attached proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company at 30 Jalan Buroh, Singapore 619486, not less than 48 hours before the time fixed for the EGM. The completion and return of a proxy form by a Shareholder does not preclude him from attending and voting in person at the EGM if he wishes to do so. A depositor shall not be regarded as a member entitled to attend, speak and vote at the EGM unless his name appears in the Depository Register 48 hours before the time appointed for holding the EGM.

12. **DIRECTORS' RESPONSIBILITY STATEMENT**

Save for (i) the information in Section 5 of this Circular relating to the views of Mr Yap, Mr Tan and Mr Gui, the accuracy of which has been independently confirmed by each of Mr Yap, Mr Tan and Mr Gui and (ii) the information in Section 6 of this Circular relating to the views of Dr Tan and Mr Ling, the accuracy of which has been independently confirmed by each of Dr Tan and Mr Ling, this Circular has been approved by all the Directors who collectively and individually accept responsibility for the accuracy of the information given in this Circular and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and the opinions expressed in this Circular are fair and accurate in all material respects as at the date hereof and that there are no material facts the omission of which would make any statement in this Circular misleading.

Where any information has been extracted from published or otherwise publicly available sources or obtained from the Subscriber or their respective directors, agents or representatives, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Circular. The Directors have accordingly not conducted an independent review or verification of the accuracy of such information.

13. DOCUMENTS FOR INSPECTION

Copies of the following documents are available for inspection at the registered office of the Company at 30 Jalan Buroh, Singapore 619486 during normal business hours from the date hereof up to and including the date of the EGM:

- (a) the Memorandum and Articles of Association of the Company;
- (b) the Subscription Agreement;
- (c) the Strategic Services Agreement; and
- (d) the 2009 Annual Report of the Company.

Yours faithfully

For and on behalf of
the Board of Directors of
HG Metal Manufacturing Limited

Chng Hee Kok
Chief Executive Officer and Executive Director

APPENDIX 1

INFORMATION AND QUALIFICATION OF THE NEW DIRECTORS

Mr Goh Kian Sin

Personal Information

Nationality : Malaysian

Country of Residence : Malaysia

Age : 42

Address : No 1 – Jalan 21 I 13, SEA Park, 46300 Petaling Jaya
Selangor Darul Ehsan, Malaysia

Job Title : Executive Director

Highlights on business and working experience for the past 10 years

Mr Goh is an accountant by training and is a Certified Public Accountant of Australia. Mr Goh also holds a Master in Business Administration from the University of Hull, United Kingdom.

Mr Goh had served 10 years with a Bursa Saham listed company involved in the steel industry in Malaysia at senior management level. Prior to leaving the group in 1999 to pursue his personal aspiration and goals, he held the position of Group Senior General Manager.

Mr Goh then set up his own group of companies – Oriental Castle Sdn. Bhd. and Oriental Sheet Piling Sdn. Bhd. in 1999 and within a short span of five years, grown these companies to become one of the region's key players in the steel application and provider sector with offices throughout the ASEAN region and China, including two processing plants – one in Gelang Patah, Malaysia and the other located at Baoshan China.

In 2005, Mr Goh's entrepreneur skills and business acumen took him further to develop his family used car business into a major automotive player in the northern region of Malaysia. Today the automotive division proudly represents top Japanese marques such as Lexus, Toyota and Europe makes like Volkswagen and Malaysia's national brand of Proton with several showroom and service centers located in the state of Perak, Kedah and Penang.

In 2008, Mr Goh further ventured into the foundation pipe solution business and in the same year set up its very own spiral welded steel pipe plant located at Port Klang, Malaysia and this company has become one of the region's leading players in the foundation pipe industry.

His other business ventures include the marketing and distribution of roofing shingles, the manufacturing of steel fibers, civil construction and project management services.

With his credentials and successful track record, Mr Goh was appointed CEO – Arcelor Mittal Project Asia and also appointed a member of the Arcelor Mittal Project Management Board in 2009.

The present directorships and the directorships held by Mr Goh in the past five (5) years are set out below.

LIST OF PRESENT DIRECTORSHIPS	
Companies incorporated in Malaysia	Companies incorporated outside Malaysia (Country of Incorporation)
Oriental Castle Sdn Bhd	Oriental Steel Pipe Pte Ltd (Singapore)
Oriental Housetop Sdn Bhd	Oriental Sheet Piling Pte Ltd (Singapore)
Timuran Engineering Sdn Bhd	Oriental Sheet Piling Vietnam Co Ltd (Vietnam)
Oriental Steel Pipe Sdn Bhd	PT Oriental Sheet Piling Sdn Bhd (Indonesia)
Telagamas Capital Sdn Bhd	Oriental Sheet Piling Pte Ltd (Thailand)
Telagamas Motors Sdn Bhd	Oriental Sheet Piling (Taiwan) Ltd (Taiwan)
Goh Brothers Sdn Bhd	Arcelor International Steel Trading (Shanghai) Co Ltd (China)
Oriental Sheet Piling Sdn Bhd	Oriental Sheet Piling (Shanghai) Leasing Co Ltd (China)
Oriental SP Sdn Bhd	Oriental Heavy Gauge Cold Forming (Shanghai) Co Ltd (China)
Oriental SP Steelworks Sdn Bhd	Oriental Castle (China) Co Ltd (China)
Wirazest Sdn Bhd	Oriental Sheet Piling (China) Co Ltd (Hong Kong)
LIST OF PAST DIRECTORSHIPS IN THE LAST FIVE YEARS	
DPM Engineering Sdn Bhd	

Mr Wong Kean Shyong (Kenn)

Personal Information

Nationality : Malaysian
Country of Residence : China, Shanghai
Age : 46
Address : 113 - Santa Villa, 158 Xuylin Road, Xujin, Shanghai
Job Title : Non-Executive Director

Highlights on business and working experience for the past 10 years

Mr Wong is a civil engineer by training. He graduated from the National University of Singapore with a degree in civil engineering.

Mr Wong has extensive commercial experience in the international steel trading industry. For the period between 1989 and 2002 (a total of about 13 years), Mr Wong worked for the Marubeni Group serving in the group's offices in Japan, Singapore and Hong Kong.

In 2002, Mr Wong left the Marubeni Group to join VSC Holdings as President – Construction Material Division. He remained with VSC Holdings until 2008.

Mr Wong currently holds the position of Chief Marketing Officer – heading the OSP China Steel Foundation Business, Oil and Gas and Civil Construction Division.

Mr Wong is presently a director of Euasia Global Trading (HK) Limited. In the past five (5) years, Mr Wong was also a director of China Steel Case (CAMP) Pte. Ltd., VSC Building Products Company Limited and 亞萬鋼國際貿易(上海)有限公司.

None of the New Directors:

- (a) has, at any time during the last 10 years, had an application or a petition under any bankruptcy laws of any jurisdiction filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within two years from the date he ceased to be a partner;
- (b) has, at any time during the last 10 years, had an application or a petition under any law of any jurisdiction filed against an entity (not being a partnership) of which he was a director or an equivalent person or a key executive, at the time when he was a director or an equivalent person or a key executive of that entity or at any time within two years from the date he ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency;
- (c) has any unsatisfied judgment against him;
- (d) has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or have been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose;
- (e) has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which you are aware) for such breach;
- (f) has, at any time during the last 10 years, had judgment entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, nor has he been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part;
- (g) has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust;
- (h) has, ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust;
- (i) has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body permanently or temporarily enjoining him from engaging in any type of business practice or activity;
- (j) has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:
 - (i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere;
 - (ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere;
 - (iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or

(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere,

in connection with any matter occurring or arising during the period when he was so concerned with the entity or business trust; and

(k) has ever been the subject of any current or past investigation or disciplinary proceedings, or have been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere.

HG METAL MANUFACTURING LIMITED

(Company Registration No.: 198802660D)

(Incorporated in the Republic of Singapore)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Unless otherwise defined, all capitalised terms herein shall bear the same meaning as used in the circular dated 26 October 2010 issued by HG Metal Manufacturing Limited (the "Circular").

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting ("**EGM**") of HG Metal Manufacturing Limited (the "**Company**") will be held at 28 Jalan Buroh, Singapore 619484 on 10 November 2010 at 9.30 a.m. for the purpose of considering, and if thought fit, passing, with or without modifications:

1. ORDINARY RESOLUTION: THE PROPOSED SUBSCRIPTION

THAT approval be and is hereby given for the Directors or any of them to:

- (a) allot and issue 163,850,000 New Shares to the Subscriber at the Subscription Price of S\$0.095 for each New Share, pursuant to the terms and subject to the conditions of the Subscription Agreement entered into between the Company and the Subscriber;
- (b) allot and issue 153,000,000 (or such other number representing 14% of the enlarged share capital of the Company after the exercise of the Call Option) Option Shares at the Option Exercise Price of S\$0.095 (or such other price following from any adjustment to the Option Exercise Price) for each Option Share, pursuant to the terms and subject to the conditions of the Subscription Agreement entered into between the Company and the Subscriber; and
- (b) complete and do all such acts and things, including without limitation, to execute all such documents and to approve any amendments, alteration or modification to any documents as they may consider necessary, desirable or expedient to give full effect to the Proposed Subscription and this Resolution, and the entry into the Subscription Agreement by the Company be hereby approved, confirmed and ratified.

2. ORDINARY RESOLUTION: THE APPOINTMENT OF MR GOH KIAN SIN AS DIRECTOR

THAT subject to and contingent upon the passing of Ordinary Resolution 1 above, Mr Goh Kian Sin be appointed as a director of the Company, with effect from the Completion Date.

3. ORDINARY RESOLUTION: THE APPOINTMENT OF MR WONG KEAN SHYONG (KENN) AS DIRECTOR

THAT subject to and contingent upon the passing of Ordinary Resolution 1 above, Mr Wong Kean Shyong (Kenn) be appointed as a director of the Company, with effect from the Completion Date.

BY ORDER OF THE BOARD

Chng Hee Kok
Chief Executive Officer and Executive Director

Singapore

26 October 2010

Notes:

1. A member entitled to attend and vote at the EGM is entitled to appoint a proxy to attend and vote in his stead. A proxy need not be a member of the Company.
2. The instrument appointing a proxy must be deposited at the registered office of the Company at 30 Jalan Buroh, Singapore 619486 not less than 48 hours before the time appointed for holding the EGM.

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HG METAL MANUFACTURING LIMITED

(Company Registration Number: 198802660D)
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy HG Metal Manufacturing Limited's shares, this Circular is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the EGM as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We _____ (Name)

of _____ (Address)

being a member/members* of HG Metal Manufacturing Limited (the "**Company**") hereby appoint

Name	Address	NRIC/ Passport Number	Percentage of shareholdings	
			No. of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/ Passport Number	Percentage of shareholdings	
			No. of Shares	%

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Extraordinary General Meeting (the "**Meeting**") of the Company to be held at 28 Jalan Buroh, Singapore 619484 on 10 November 2010 at 9.30 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Ordinary Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

	To be used on a show of hands		To be used in the event of a poll	
	For*	Against*	Number of Votes For**	Number of Votes Against**
Ordinary Resolution (1) The Proposed Subscription				
Ordinary Resolution (2) The appointment of Mr Goh Kian Sin as Director				
Ordinary Resolution (3) The appointment of Mr Wong Kean Shyong (Kenn) as Director				

* Please indicate your vote "For" or "Against" with a tick (✓) within the box provided.

** If you wish to exercise all your votes "For" or "Against", please tick (✓) within the box provided. Otherwise, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2010.

Shares in:	No. of Shares
(a) Depository Register	
(b) Register of Members	
Total	



Signature(s) of Shareholder(s) or, Common Seal
of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES ON THE REVERSE CAREFULLY BEFORE COMPLETING THIS FORM

NOTES TO PROXY FORM:

1. Please insert the number of shares held by you and registered in your name in the Register of Members and in the Depository Register of The Central Depository (Pte) Limited. If no number is inserted, the instrument of proxy will be deemed to relate to all the shares held by you.
2. A member of the Company entitled to attend and vote at the meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the second named proxy shall be an alternate to the first named or at the Company's option to treat the instrument of proxy as invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office (the "**Registered Office**") of the Company at 30 Jalan Buroh, Singapore 619486 not less than 48 hours before the time appointed for the Meeting.
5.
 - (i) The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing.
 - (ii) Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.
 - (iii) Where the instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or the power of attorney or other authority, if any, or a duly certified true copy thereof shall (failing previous registration with the Company) if required by law, be duly stamped and be deposited at the Registered Office, not less than 48 hours before the time for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote and in default the instrument of proxy shall not be treated as valid.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.