



HG METAL MANUFACTURING LIMITED

(Company Registration No. 198802660D)

PROPOSED CAPITAL REDUCTION BY ASSOCIATED COMPANY

1. INTRODUCTION

The Board of Directors of HG Metal Manufacturing Limited (the “**Company**”) wishes to announce that POS-SEA Pte. Ltd. (“**POS-SEA**”), a 32.45% associated company of the Company has initiated a capital reduction exercise to return capital of US\$490,000 to the Company (the “**Capital Reduction**”). POS-SEA is engaged in the business of wholesale of metals and procurement of steel products and is a joint venture of the Company and Posco Processing & Service Co., Ltd., which is incorporated in the Republic of Korea.

2. DETAILS AND RATIONALE FOR THE CAPITAL REDUCTION

The Capital Reduction involves the reduction of the issued and paid-up share capital of POS-SEA from US\$1,510,000 to US\$1,020,000, by cancelling 490,000 ordinary shares of POS-SEA held by the Company (“**POS-SEA Shares**”). Upon completion of the Capital Reduction, POS-SEA will cease to be an associated company to the Company.

POS-SEA is undertaking the Capital Reduction to return the capital invested by the Company as part of the restructuring exercise by POS-SEA’s major shareholder.

3. VALUE OF AND NET PROFIT/LOSS ATTRIBUTABLE TO THE POS-SEA SHARES

Based on the audited financial statements of POS-SEA for the financial year ended 31 December 2016 (“**FY2016**”) and using an exchange rate of US\$1 to S\$1.4463 quoted by Monetary Authority of Singapore on 31 December 2016:

- a. The audited net assets value of POS-SEA as at 31 December 2016 is S\$1,865,203, and the excess of the proceeds from the Capital Reduction is S\$103,428; and
- b. The net profits before tax attributable to the POS-SEA Shares as at 31 December 2016 is S\$318,368.

4. USE OF PROCEEDS FROM CAPITAL REDUCTION

The Company expects to utilise the proceeds from the Capital Reduction of US\$490,000 for general working capital purpose.

5. FINANCIAL EFFECTS OF THE CAPITAL REDUCTION

The financial effects of the Capital Reduction set out below are purely for illustrative purposes only and do not reflect the future financial position of the Company or the Group after completion of the Capital Reduction.

- a. Net Tangible Assets (“**NTA**”)

The effect of the Capital Reduction on the NTA per share of the Group for FY2016, assuming that the Capital Reduction had been effected at the end of FY2016 is as follows:

	Before the Capital Reduction	After the Capital Reduction
NTA (S\$'000) ⁽¹⁾	129,364	129,340
Number of Shares ⁽²⁾	127,417,735	127,417,735
NTA per Share (cents)	102	102

Note:

(1) Based on NTA of the Group as at 31 December 2016.

(2) Based on 127,417,735 issued ordinary shares of the Company as at 31 December 2016.

b. Earnings Per Share (“EPS”)

The effect of the Capital Reduction on the earnings per share of the Group for FY2016, assuming that the Capital Reduction had been effected at the beginning of FY2016 is as follows:

	Before the Capital Reduction	After the Capital Reduction
Net profit attributable to ordinary shareholders of the Company (S\$'000) ⁽¹⁾	896	807
Number of Shares ⁽²⁾	127,437,235	127,437,235
Basic EPS (cents)	0.70	0.63

Note:

(1) Based on net profit of the Group as at 31 December 2016.

(2) Based on weighted average number of 127,437,235 Shares in issue for FY2016.

6. RELATIVE FIGURES COMPUTED BASED ON RULE 1006 OF THE LISTING MANUAL

The relative figures computed pursuant to Rule 1006 of the Listing Manual in respect of the Capital Reduction, based on the announced unaudited financial statements of the Company as at 30 June 2017, are set out below.

Basis in Rule 1006 of the Listing Manual	Size of Relative Figure
(a) Net asset value of the POS-SEA Shares (S\$661,254), compared with the Group's net asset value as at 30 June 2017 (S\$127.81 million)	0.5%
(b) Net loss of S\$136,552 attributable to the Shares in POS-SEA, compared with the Group's net loss ⁽¹⁾ of S\$1.17 million	11.7%
(c) Aggregate value of the consideration ⁽²⁾ received from the Proposed Disposal compared with the Group's market capitalisation of S\$73.4 million ⁽³⁾	0.91%
(d) The number of equity securities issued by the Company as consideration for an acquisition, compared with the number of equity securities previously in issue	Not Applicable
(e) The aggregate volume or amount of proven and probable reserves to be disposed of compared with the aggregate of the group's proven and probable reserves. This basis is applicable to a disposal of mineral, oil or gas assets by a mineral, oil and gas company, but not to an acquisition of such assets	Not Applicable

Note:

- (1) Net profit or "net loss" means profit or loss before income tax, minority interests and extraordinary items.
- (2) Expected net proceeds of USD490,000, converted based on exchange rate of US\$1 : S\$1.3606 as at the date of this announcement
- (3) The Company's market capitalisation is determined by multiplying the number of Shares in issue (being 127,417,735 Shares (excluding treasury Shares) by the volume-weighted average price of the Shares (being S\$0.5764) transacted on 3 October 2017 (being the last Market Day on which Shares were traded preceding the date of this announcement).

On the basis of Rule 1006(b) above, the Capital Reduction is a "discloseable transaction" pursuant to Chapter 10 of the SGX-ST Listing Manual.

7. INTERESTS OF DIRECTORS

Mr Foo Sey Liang is the Company's nominee on the board of POS-SEA.

Save as disclosed above, none of the Directors, substantial shareholders or controlling shareholders of the Company has any interest, directly or indirectly, in the Capital Reduction (save through their shareholdings in the Company, if any).

8. SERVICE CONTRACT

There is no director proposed to be appointed to the Company in connection with the Capital Reduction.

The Company will release a further announcement upon the completion of the Capital Reduction.

By Order of the Board

Foo Sey Liang
Executive Director

4 October 2017