



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

ENTRY INTO PLACEMENT AGREEMENT

PLACEMENT OF 25,059,406 NEW SHARES TO RAISE PLACEMENT CONSIDERATION OF S\$6.97 MILLION

1. INTRODUCTION

- 1.1 The Board of Directors ("**Board**" or "**Directors**") of HG Metal Manufacturing Limited ("**Company**" and together with the subsidiaries of the Company, "**Group**") wishes to announce that the Company has on 31 August 2023 entered into a conditional placement agreement ("**Placement Agreement**") with Mr. Xue Jun ("**Mr. Xue**") and Mr. Zheng Dazhai ("**Mr. Zheng**" and together with Mr. Xue, the "**Subscribers**"), in relation to a proposed placement of shares ("**Shares**") in the Company ("**Proposed Placement**").
- 1.2 Mr. Xue and Mr. Zheng will each subscribe for 12,529,703 new Shares (collectively, "**Placement Shares**"), at an issue price of S\$0.278 per Placement Share ("**Issue Price**"), which will amount to a cash consideration of S\$3,483,257.434 each (collectively, "**Placement Consideration**"). Each Subscriber is subscribing for the Placement Shares as principal and for his own benefit.
- 1.3 The Proposed Placement is intended to be made pursuant to the private placement exemption under Section 272B of the Securities and Futures Act 2001 of Singapore. As such, no prospectus or offer information statement will be issued by the Company in connection with the Proposed Placement.
- 1.4 The Company did not appoint any placement agent for the purposes of the Proposed Placement, and no commission, fee or other selling or promotional expenses is payable or incurred by the Company in connection with the Proposed Placement, other than those incurred for administrative or professional service.

2. THE SUBSCRIBERS

As at the date of this announcement, none of the Subscribers (i) holds any Shares, whether directly or indirectly; and (ii) is related to and/or has any business relationship with the Directors, substantial shareholders of the Company, the other Subscriber and/or their respective associates (as defined in the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**")).

Each of Mr. Xue and Mr. Zheng, who are private investors, had approached Ms. Xiao Xia, the Company's Executive Director and Chief Executive Officer, whom they became acquainted with through their respective business dealings, with an interest in investing in the Company as a passive investor for his own personal investment portfolio by way of the Proposed Placement.

3. RATIONALE AND USE OF PROCEEDS

- 3.1 The Proposed Placement will provide funds for the Company's working capital and to strengthen its balance sheet position, taking into consideration the future growth and expansion plans of the Company and the Group.

- 3.2 The estimated gross proceeds of the Proposed Placement is approximately S\$6.97 million ("**Placement Proceeds**"). Approximately 98.9% of the Placement Proceeds will be applied to fund the Group's working capital needs, with the balance applied towards transactional costs and expenses to be incurred by the Company in relation to the Proposed Placement.
- 3.3 The Company will make periodic announcements on the use of the Placement Proceeds as and when the proceeds are materially disbursed and provide a status report on the use of the Placement Proceeds in the Company's financial results announcements and annual reports. The Company will disclose a breakdown with specific details on the use of the Placement Proceeds in such announcements and annual reports.

4. SALIENT TERMS

As at the date of this announcement, the Company has an issued share capital comprising 125,297,035 Shares (excluding treasury shares and subsidiary holdings). Save for the foregoing, there are no outstanding securities issued by the Company which are convertible or exchangeable for, or warrants, rights or options to purchase shares in the capital of the Company.

The Placement Shares will be allotted and issued pursuant to a general share issue mandate (the "**General Mandate**") obtained from Shareholders at the annual general meeting of the Company held on 26 April 2023 ("**2023 AGM**"). The General Mandate authorises the Directors to allot and issue new Shares not exceeding 50% of the total number of issued Shares (excluding treasury shares), of which the aggregate number of Shares to be issued other than on a *pro rata* basis to Shareholders does not exceed 20% of the total number of issued Shares (excluding treasury shares) as at the date of the 2023 AGM.

As at the date of this announcement, the Company has not issued any new Shares pursuant to the General Mandate. As no new Shares had previously been issued pursuant to the General Mandate, the total number of new Shares that may be issued other than on a *pro rata* basis is 25,059,407 Shares. The proposed allotment and issuance of 25,059,406 Placement Shares will therefore fall within the limits of the General Mandate. Accordingly, the prior approval of the Shareholders is not required for the issue of the Placement Shares under the Proposed Placement.

On completion of the Proposed Placement, the Placement Shares will represent in aggregate approximately 16.67% of the issued Shares on an enlarged basis. On completion of the Proposed Placement, Mr. Xue and Mr. Zheng will each hold approximately 8.33% of the issued Shares on an enlarged basis.

4.1 Issue Price

The Issue Price represents a discount of approximately 8.85% to the volume weighted average price of S\$0.305 per share based on trades done on the SGX-ST on 31 August 2023, being the date of the full market day on which Shares were traded immediately preceding the date the Placement Agreement was signed. The Issue Price was commercially agreed between the Company and the Subscribers after arm's length negotiations and taking into account historical trading performance of the Company and prevailing market conditions.

4.2 Conditions Precedent

Completion of the Proposed Placement will take place on the date falling three (3) business days following the date on which the condition precedent set out in paragraph 4.2(a) below is satisfied, and is conditional upon the satisfaction or waiver of:

- (a) the approval granted by the SGX-ST for the dealing in, listing of and quotation for the Placement Shares on the SGX-ST having been obtained, and where the aforesaid approval is obtained subject to any conditions, (i) such conditions being reasonably acceptable to the parties to the Placement Agreement, and (ii) if such conditions are

required to be fulfilled on or before completion, such conditions having been fulfilled on or before such date and the aforesaid approval remaining in full force and effect as of completion;

- (b) the Proposed Placement not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Placement Agreement by any legislative, executive or regulatory body or authority of Singapore which is applicable to any party to the Placement Agreement; and
- (c) the representations, warranties and undertakings by each party to the Placement Agreement remaining true and correct in all material respects and each of them having performed all of its obligations hereunder to be performed on or before completion.

The Company will be submitting an application to the SGX-ST for the listing and quotation of the Placement Shares on the SGX-ST. In the event that any of the aforementioned conditions precedent as set out in the Placement Agreement is not satisfied on or before 29 February 2024 (or such later date as the parties to the Placement Agreement may agree in writing), the Placement Agreement shall forthwith terminate.

4.3 **Moratorium**

As demonstration of their confidence and conviction in the Company, each Subscriber has further undertaken to observe a moratorium of 24 months from the Completion Date ("**Moratorium Period**") whereby the Subscribers shall not sell, transfer or otherwise dispose of any of their respective interests in the Placement Shares during the Moratorium Period.

5. **DIRECTORS' OPINION ON WORKING CAPITAL**

The Directors are of the opinion that:

- (a) taking into consideration the present bank facilities available to the Group, the Group's internal resources and operating cash flows, the working capital available to the Group is sufficient to meet its present requirements, and the Proposed Placement is being undertaken for the aforesaid reasons and the intended use of proceeds; and
- (b) after taking into consideration the present bank facilities available to the Group and the proceeds arising from the Proposed Placement, the working capital available to the Group is sufficient to meet its present requirements.

6. **DOCUMENTS FOR INSPECTION**

A copy of the Placement Agreement is available for inspection during normal business hours at the registered office of the Company at 28 Jalan Buroh, Singapore 619484, for a period of three (3) months commencing from the date of this announcement.

7. **INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS**

None of the Directors or substantial shareholders of the Company has any interest, whether direct or indirect, in the Proposed Placement save for their direct or indirect interests (if any) arising by way of their shareholdings and/or directorships, as the case may be, in the Company.

8. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Placement (other than information relating to the Subscribers) and the Group, and the Directors are not aware of any facts, the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, 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 announcement in its proper form and context.

9. CAUTION AND FURTHER ANNOUNCEMENTS

The Board would like to emphasise that there is no certainty or assurance that the Proposed Placement will be consummated or completed.

The Company will make the necessary announcements as and when there are further material developments.

BY ORDER OF THE BOARD

Xiao Xia
Executive Director and Chief Executive Officer

31 August 2023