

**OFFER INFORMATION STATEMENT DATED 23 JULY 2007**

(Lodged with the Monetary Authority of Singapore on 23 July 2007)

**THIS DOCUMENT IS IMPORTANT. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR LEGAL, FINANCIAL, TAX OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

A copy of this Offer Information Statement (as defined herein) has been lodged with the Monetary Authority of Singapore ("**Authority**"). The Authority assumes no responsibility for the contents of this Offer Information Statement. Lodgment of this Offer Information Statement with the Authority does not imply that the Securities and Futures Act, Chapter 289 of Singapore, or any other legal or regulatory requirements, have been complied with. The Authority has not, in any way, considered the merits of the Placement Shares (as defined herein) being offered for investment.

An application will be made to the Singapore Exchange Securities Trading Limited ("**SGX-ST**") for permission to deal in and quotation of the Placement Shares (as defined herein) on the Official List of the SGX-ST.

The SGX-ST assumes no responsibility for the accuracy of any of the statements made, reports contained and opinions expressed in this Offer Information Statement. In-principle approval granted by the SGX-ST for the listing and quotation of the Placement Shares on the Official List of the SGX-ST is not to be taken as an indication of the merits of HG Metal Manufacturing Limited ("**Company**"), its subsidiaries, the Shares (as defined herein) or the Placement Shares.

No Placement Shares shall be allotted or allocated on the basis of this Offer Information Statement later than six months after the date of lodgment of this Offer Information Statement.



**HG METAL MANUFACTURING LIMITED**

(Registration No. 198802660D)

(Incorporated in the Republic of Singapore on 4 August 1988)

**PROPOSED PLACEMENT (THE " PLACEMENT ")  
OF UP TO 37,000,000 NEW ORDINARY SHARES (THE "PLACEMENT SHARES")  
IN THE CAPITAL OF THE COMPANY**

**This Offer Information Statement has been prepared solely in relation to the above transaction and shall not be relied upon by any other person and for any other purpose.**

## IMPORTANT NOTES

Persons wishing to subscribe for the Placement Shares offered by this Offer Information Statement should, before deciding whether to so subscribe, carefully read this Offer Information Statement in its entirety in order to make an informed assessment of the assets and liabilities, profits and losses, financial position and performance and prospects of the Company and the Group (as defined herein) and the rights and liabilities attaching to the Placement Shares. They should also make their own independent enquiries and investigations of any bases and assumptions, upon which financial projections, if any, are made or based, and carefully consider this Offer Information Statement in the light of their personal circumstances (including financial and taxation affairs). It is recommended that such persons seek professional advice from their accountant, stockbroker, bank manager, solicitor or other professional adviser before deciding whether to acquire the Placement Shares.

No person has been authorised to give any information or to make any representations, other than those contained in this Offer Information Statement, in connection with the Placement or the issue of the Placement Shares and, if given or made, such information or representations must not be relied upon as having been authorised by the Company. Save as expressly stated in this Offer Information Statement, nothing contained herein is, or may be relied upon as, a promise or representation as to the future performance or policies of the Company or the Group. Neither the delivery of this Offer Information Statement nor the issue of the Placement Shares shall, under any circumstances, constitute a continuing representation, or give rise to any implication, that there has been no material change in the affairs of the Company or the Group, or any of the information contained herein since the date hereof. Where such changes occur after the date hereof and are material, or are required to be disclosed by law and/or the SGX-ST, the Company may make an announcement of the same to the SGX-ST and, if required, lodge a supplementary or replacement document with the Authority. All subscribers of the Placement Shares should take note of any such announcement and, upon the release of such announcement or lodgment of such supplementary or replacement document, as the case may be, shall be deemed to have notice of such changes.

The Company is not making any representation to any person regarding the legality of an investment in the Placement Shares or the Shares by such person under any investment or any other laws or regulations. No information in this Offer Information Statement should be considered to be business, financial, legal or tax advice. Each prospective investor should consult his own professional or other adviser for business, financial, legal or tax advice regarding an investment in the Placement Shares.

This Offer Information Statement has been prepared solely for the purpose of the acceptance and subscription of the Placement Shares pursuant to the Placement, and may not be relied upon by any persons or for any other purpose.

This Offer Information Statement may not be used for the purpose of, and do not constitute, an offer, invitation to or solicitation by anyone in any jurisdiction or in any circumstances in which such an offer, invitation or solicitation is unlawful or not authorised or to any person to whom it is unlawful to make such an offer, invitation or solicitation.

**The distribution of this Offer Information Statement may be prohibited or restricted by law (either absolutely or subject to various securities requirements, whether legal or administrative, being complied with) in certain jurisdictions. Any person having possession of this Offer Information Statement are advised by the Company to keep themselves informed of and observe such prohibitions and restrictions.**

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## DEFINITIONS

For the purpose of this Offer Information Statement the following definitions apply throughout unless the context otherwise requires or unless otherwise stated:

<b>"Authority"</b>	:	Monetary Authority of Singapore
<b>"CDP"</b>	:	The Central Depository (Pte) Limited
<b>"Companies Act"</b>	:	The Companies Act, Chapter 50 of Singapore, as amended or modified from time to time
<b>"Company" or "HG Metal"</b>	:	HG Metal Manufacturing Limited
<b>"Convertible Loan"</b>	:	A S\$10.0 million loan facility granted by OCBC Bank to the Company which was convertible into new Shares at a conversion price of S\$0.361 (and subsequently adjusted to S\$0.305 with effect from 12 February 2007, pursuant to the Rights Issue) under the terms of the Convertible Loan Agreement
<b>"Convertible Loan Agreement"</b>	:	A convertible loan agreement dated 15 August 2006 between the Company and OCBC Bank pursuant to which OCBC Bank granted the Convertible Loan to the Company
<b>"Depository Holder"</b>	:	Depository holder refers to an entity registered as a depository agent with CDP and which: <ul style="list-style-type: none"><li>(a) performs services as a depository agent for sub-account holders in accordance with the terms of a depository agent agreement entered into between CDP and the depository agent;</li><li>(b) deposits book-entry securities (as defined in the Companies Act) with CDP on behalf of sub-account holders; and</li><li>(c) establishes a securities account in its name with the CDP.</li></ul>
<b>"Directors"</b>	:	The directors of the Company, as at the date of this Offer Information Statement
<b>"EPS"</b>	:	Earnings per Share
<b>"FY"</b>	:	Financial year ended or, as the case may be, ending 30 September
<b>"Group"</b>	:	The Company and its subsidiaries, collectively
<b>"GST"</b>	:	GST means any goods and services tax or other value added tax or levies (whether imposed in Singapore or elsewhere)
<b>"HY"</b>	:	Six months ended 31 March
<b>"Latest Practicable Date"</b>	:	23 July 2007, being the latest practicable date prior to the

	lodgement of this Offer Information Statement
"Listing Manual"	: Listing Manual of the SGX-ST, as amended or modified from time to time
"Main Board"	: The main board of the SGX-ST
"OCBC Bank"	: Oversea-Chinese Banking Corporation Limited
"Offer Information Statement"	: This document, including any supplementary or replacement document lodged by the Company with the Authority which complies with the requirements prescribed in the Sixteenth Schedule of the Securities and Futures (Offers of Investments)(Shares and Debentures) Regulations 2005
"Placement "	: The proposed placement of the Placement Shares by the Placement Agent on a best efforts basis at the Placement Price pursuant to the Placement Agreement
"Placement Agent" or "CIMB-GK"	: CIMB-GK Securities Pte. Ltd.
"Placement Agreement"	: The placement agreement entered into between the Company and the Placement Agent on 23 July 2007 in relation to the Placement
"Placement Price"	: S\$0.52 for each Placement Share
"Placement Shares"	: Up to 37,000,000 new Shares to be allotted and issued by the Company pursuant to the Placement
"Rights Issue"	: The renounceable non-underwritten rights issue undertaken by the Company in February 2007 of 74,039,797 rights shares at an issue price of S\$0.20 for each rights share on the basis of two (2) rights shares for every five (5) existing shares
"Securities Account"	: Securities account maintained by a Depositor with CDP (but does not include a securities sub-account)
"Securities and Futures Act"	: Securities and Futures Act, Chapter 289 of Singapore, as amended or modified from time to time
"SGX-SESDAQ"	: SGX-ST Dealing and Automated Quotation System
"SGX-ST"	: Singapore Exchange Securities Trading Limited
"Shareholders"	: Registered holders of Shares, except that where the registered holder is CDP, the term "Shareholders" shall, in relation to such Shares and where the context admits, mean the persons named as Depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited. Any reference to Shares held by or shareholdings of Shareholders shall include Shares standing to the credit of their respective Securities Accounts
"Shares"	: Ordinary shares of the Company
"Singapore"	: The Republic of Singapore
"Subscribers"	: The subscribers of the Placement Shares to be procured by the Placement Agent pursuant to the Placement Agreement

<b>"Substantial Shareholder"</b>	:	A person who holds directly and/or indirectly 5% or more of the total issued share capital of the Company
<b>"Sub-Accounts"</b>	:	Sub-Accounts refers to a holder of an account maintained with a Depository Agent
<b>"Warrants"</b>	:	The outstanding warrants of the Company issued pursuant to the deed poll dated 12 August 2005, each warrant carrying the right to subscribe for one new Share at an exercise price of S\$0.50 (and subsequently adjusted to S\$0.4215 with effect from 1 March 2007, pursuant to the Rights Issue) for each warrant for a period of five (5) years from 20 August 2005
<b>"RM"</b>	:	Malaysian Ringgit
<b>"S\$" or "\$" and "cents"</b>	:	Singapore dollars and cents, respectively
<b>"US\$"</b>	:	United States dollars
<b>"sq ft"</b>	:	Square feet
<b>"%" or "per cent."</b>	:	Percentage or per centum

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the same meanings ascribed to them respectively in Section 130A of the Companies Act.

The term "**subsidiary**" shall have the meaning ascribed to it in Section 5 of the Companies Act.

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

Any reference in this Offer Information Statement to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the Securities and Futures Act or the Listing Manual or any modification thereof and used in this Offer Information Statement shall, where applicable, have the meaning assigned to it under the Companies Act, the Securities and Futures Act or the Listing Manual or such modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of day and dates in this Offer Information Statement shall be a reference to Singapore time and dates unless otherwise stated.

Any reference to any agreement or document shall include such agreement or document as amended, modified, varied, novated, supplemented or replaced from time to time.

Any discrepancies in figures included in this Offer Information Statement between the amounts listed and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Offer Information Statement may not be an arithmetic aggregation of the figures that precede them.

References in this Offer Information Statement to "**we**", "**our**" and "**us**" refer to the Company and its subsidiaries.

## CAUTIONARY NOTE ON FORWARD-LOOKING STATEMENTS

All statements contained in this Offer Information Statement, statements made in press releases and oral statements that may be made by the Company or its Directors, officers or employees acting on its behalf, that are not statements of historical fact, constitute "forward-looking statements". Some of these statements can be identified by words such as, without limitation, "anticipate", "believe", "could", "estimate", "expect", "forecast", "if", "intend", "may", "plan", "possible", "probable", "project", "should", "will" and "would" or other similar words. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding the Group's expected financial position, operating results, business strategies, plans and prospects are forward-looking statements. These forward-looking statements, including but not limited to statements as to the Group's revenue and profitability, prospects, future plans and other matters discussed in this Offer Information Statement regarding matters that are not historical facts, are only predictions. These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause the Group's actual results, performance or achievements to be materially different from any future results, performance or achievements expected, expressed or implied by such forward-looking statements.

Given the risks, uncertainties and other factors that may cause the Group's actual future results, performance or achievements to be materially different from that expected, expressed or implied by the forward-looking statements in this Offer Information Statement, undue reliance must not be placed on these statements. The Group's actual results, performance or achievements may differ materially from those anticipated in these forward-looking statements. Neither the Company nor any other person represents or warrants that the Group's actual future results, performance or achievements will be as discussed in those statements.

Further, the Company and CIMB-GK disclaim any responsibility to update any of those forward-looking statements or publicly announce any revisions to those forward-looking statements to reflect future developments, events or circumstances for any reason, even if new information becomes available or other events occur in the future. Where such developments, events or circumstances occur and are material, or are required to be disclosed by law and/or the SGX-ST, the Company may make an announcement of the same to the SGX-ST and, if required, lodge a supplementary or replacement document with the Authority.

**SIXTEENTH SCHEDULE OF THE SECURITIES AND FUTURES  
(OFFERS OF INVESTMENTS)  
(SHARES AND DEBENTURES) REGULATIONS 2005**

**PART II: IDENTITY OF DIRECTORS, ADVISERS AND AGENTS**

**Directors**

1. **Provide the names and addresses of each of the directors or equivalent persons of the relevant entity.**

<b>Names of Directors</b>	<b>Position</b>	<b>Address</b>
Tan Chan Too	Executive Chairman	56A Wilkinson Road, Singapore 436754
Wee Piew	Chief Executive Officer	162 Duchess Avenue, Singapore 269180
Lee Leng Loke	Executive Director	72 Seletar Terrace, Singapore 806954
Tan Ah Bee	Executive Director	2 Florence Road, Singapore 549465
Sia Ling Sing	Non-executive Director	72 Branksome Road, Singapore 439601
Gui Kim Young @ Gui Kim Gan	Independent Director	10 Kensington Park Drive #16-03, Singapore 557324
Ooi Seng Soon	Independent Director	334 Kang Ching Road #10-252, Singapore 610334
Poon Hon Thang Samuel	Independent Director	38 Cairnhill Road #13-04 Singapore 229658

**Advisers**

2. **Provide the names and addresses of —**

- (a) the issue manager to the offer, if any;**

Not applicable. No manager has been appointed by the Company for the Placement.

- (b) the underwriter to the offer, if any; and**

Not applicable. See name and address of Placement Agent below.

CIMB-GK Securities Pte. Ltd.  
50 Raffles Place  
#19-00 Singapore Land Tower  
Singapore 048623



- (c) the legal adviser for or in relation to the offer, if any.

WongPartnership  
One George Street  
#20-01  
Singapore 049145

### Registrars and Agents

3. Provide the names and addresses of the relevant entity's registrars, transfer agents and receiving bankers for the securities being offered, where applicable.

Share Registrar and Share Transfer Agent	:	M & C Services Private Limited 138 Robinson Road #17-00, The Corporate Office Singapore 068906
Receiving Banker	:	Not applicable

### PART III: OFFER STATISTICS AND TIMETABLE

#### Offer Statistics

1. For each method of offer, state the number of the securities being offered.

Placement: Up to 37,000,000 new Shares, representing approximately 13.1% of the existing issued share capital of the Company comprising 281,515,437 Shares as at the Latest Practicable Date.

Status of Placement Shares: The Placement Shares are to be issued by the Company free from all claims, charges, liens and other encumbrances and shall rank *pari passu* in all respects with the Shares existing as at the date of issue of the Placement Shares except for any dividends, distributions or entitlements the record date of which falls before such date of issue.

#### Method and Timetable

2. Provide the information referred to in paragraphs 3 to 7 of this Part to the extent applicable to —

- (a) the offer procedure; and
- (b) where there is more than one group of targeted potential investors and the offer procedure is different for each group, the offer procedure for each group of targeted potential investors.

Please see paragraphs 3 to 7 below.

3. State the time at, date on, and period during which the offer will be kept open, and the name and address of the person to whom the purchase or subscription applications are to be submitted. If the exact time, date or period is not known on the date of lodgment of the offer information statement, describe the arrangements for announcing the definitive time, date or period. State the circumstances under which the offer period may be extended or shortened, and the duration by which the period may be extended or shortened. Describe the manner in which any extension or early closure of the offer period shall be made public.

Pursuant to the Placement Agreement, the Placement Agent has agreed to use its best endeavours

to subscribe and pay and/or procure subscribers and payment for up to 37,000,000 Placement Shares at the Placement Price for each Placement Share.

Completion of the Placement is conditional upon, *inter alia*,:-

- (a) in-principle approval being obtained from the SGX-ST for the listing and quotation of the Placement Shares on the Main Board of the SGX-ST and such approval not having been revoked or amended;
- (b) the allotment, issue and subscription of the Placement Shares not being prohibited by any statute, order, rule, regulation, ruling, directive or request promulgated or issued after the date of this Agreement by any legislative, executive or regulatory body or authority (including the SGX-ST, the Monetary Authority of Singapore and the Securities Industry Council) which is applicable to the Company or the Placement Agent; and
- (c) on the completion date, the representations and warranties of the Company 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 under the Placement Agreement to be performed on or before the completion date.

Pursuant to the Placement Agreement, the Company has undertaken, *inter alia*, that it shall not, without the prior written consent of the Placement Agent (such consent not to be unreasonably withheld), issue at any time on or before the expiry of 180 days after the completion date, any marketable securities of the Company (in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities) or Shares (save for any Shares to be issued pursuant to the exercise of Warrants which are outstanding as at the date of the Placement Agreement), or any options therefore, declare or distribute any scrip dividend or vary, alter, subdivide or otherwise do anything to its capital structure (issued or otherwise).

Completion of the Placement is to take place on the date falling three business days after the date on which the last in time of the conditions to the completion of the Placement is satisfied (or such other date as the Company and the Placement Agent may agree in writing) but in any event being a date not later than the Cut-off Date (as defined herein). In the event that any of the conditions to the completion of the Placement is not satisfied on or before 20 August 2007 (being a date falling four (4) calendar weeks after signing of the Placement Agreement) or such other date as the Company and the Placement Agent may agree in writing (the “**Cut-off Date**”), the Placement Agreement will terminate and neither party shall have any claim against the other.

**4. State the method and time limit for paying up for the securities and, where payment is to be partial, the manner in which, and dates on which, amounts due are to be paid.**

Completion of the Placement is to take place on the date falling three business days after the date on which the last in time of the conditions to the completion of the Placement is satisfied (or such other date as the Company and the Placement Agent may agree in writing) but in any event being a date not later than the Cut-off Date.

On completion of the Placement, the Placement Agent is required to pay and/or procure payment to the Company the aggregate Placement Price of the Placement Shares for which the Placement Agent has subscribed or procured subscription for less the Placement commission payable to the Placement Agent and any tax thereon, by bank transfer to such account of the Company with such bank in Singapore as the Company may designate or cashier's order or bank draft issued by a licensed bank in Singapore made out in favour of the Company,

In the event that any of the conditions to the completion of the Placement is not satisfied on or before the Cut-off Date, the Placement Agreement will terminate and neither party shall have any claim against the other.

**5. State, where applicable, the methods of and time limits for —**

- (a) **the delivery of the documents evidencing title to the securities being offered**

(including temporary documents of title, if applicable) to subscribers or purchasers;  
and

- (b) the book-entry transfers of the securities being offered in favour of subscribers or purchasers.**

Upon the completion of the Placement Agreement, the Company shall:

- (i) allot and issue the Placement Shares to the Subscribers and/or CDP for the account of each of the Subscribers and/or their respective nominees with the relevant number of Placement Shares as notified by the Placement Agent;
- (ii) deliver, or procure to be delivered, to CDP and/or the Subscribers the share certificates registered in the name of CDP and/or the Subscribers for the Placement Shares; and
- (iii) instruct CDP to credit the Securities Accounts or Sub-Accounts (as the case may be) of the Subscribers and/or their respective nominees with the relevant number of Placement Shares as notified by the Placement Agent.

- 6. In the case of any pre-emptive rights to subscribe for or purchase the securities being offered, state the procedure for the exercise of any right of pre-emption, the negotiability of such rights and the treatment of such rights which are not exercised.**

Not applicable.

- 7. Provide a full description of the manner in which results of the allotment or allocation of the securities are to be made public and, where appropriate, the manner for refunding excess amounts paid by applicants (including whether interest will be paid).**

The Placement Agent will subscribe and/or procure the Subscribers on a best endeavours basis pursuant to the Placement Agreement. The Company will announce the completion of the Placement (including the number of Placement Shares for which the Placement Agent has procured subscription) on the SGXNET.

#### **PART IV: KEY INFORMATION**

##### **Use of Proceeds from Offer and Expenses Incurred**

- 1. In the same section, provide the information set out in paragraphs 2 to 7 of this Part.**

Please see paragraphs 2 to 7 below.

- 2. Disclose the estimated amount of the proceeds from the offer (net of the estimated amount of expenses incurred in connection with the offer) (referred to in this paragraph and paragraph 3 of this Part as the net proceeds). Where only a part of the net proceeds will go to the relevant entity, indicate the amount of the net proceeds that will be raised by the relevant entity. If none of the proceeds will go to the relevant entity, provide a statement of that fact.**

Assuming that the Placement Agent procure Subscribers for all the 37,000,000 Placement Shares, the estimated net proceeds of the Placement to be received by the Company, after deducting estimated expenses incurred in connection with the Placement, are expected to be approximately S\$18.4 million.

3. **Disclose how the net proceeds raised by the relevant entity from the offer will be allocated to each principal intended use. If the anticipated proceeds will not be sufficient to fund all of the intended uses, disclose the order of priority of such uses, as well as the amount and sources of other funds needed. Disclose also how the proceeds will be used pending their eventual utilisation for the proposed uses. Where specific uses are not known for any portion of the proceeds, disclose the general uses for which the proceeds are proposed to be applied. Where the offer is not fully underwritten on a firm commitment basis, state the minimum amount which, in the reasonable opinion of the directors or equivalent persons of the relevant entity, must be raised by the offer of securities.**

The Placement will allow the Company to raise estimated net proceeds (the “**Net Proceeds**”) of up to approximately S\$18.4 million (after deducting expenses relating to the Placement and assuming that the Placement Agent procures subscription for all the 37,000,000 Placement Shares).

The Company intends to use the Net Proceeds in the following manner:

- (i) approximately S\$12.0 million to finance construction of new warehouses, acquisition of machineries and related expenses; and
- (ii) the balance for general working capital purposes.

Pending the deployment of the Net Proceeds, such proceeds may be placed as deposits with banks and financial institutions or invested in short term money markets or debt instruments or for any other purpose on a short-term basis as the Directors of the Company may in their absolute discretion deem fit from time to time.

Pursuant to the Placement Agreement, the Placement Agent has agreed to subscribe and/or procure Subscribers for the Placement Shares on a best endeavours basis. Accordingly, the Placement is not underwritten on a firm commitment basis. Although in the reasonable opinion of the Directors, there is no minimum amount which must be raised by the Company from the Placement for purpose of the items above, in the event the Placement is cancelled or terminated, such amount is proposed to be provided out of the Group’s internally generated funds and/or external borrowings.

4. **For each dollar of the proceeds from the offer that will be raised by the relevant entity, state the estimated amount that will be allocated to each principal intended use and the estimated amount that will be used to pay for expenses incurred in connection with the offer.**

The proportion of the net proceeds from the Placement that will be allocated to each principal intended use as set out in Section 3 of this Part IV (Key Information) above, and the estimated amount that will be used to pay for expenses incurred in connection with the Placement (assuming that the Placement Agent procures Subscribers for all the 37,000,000 Placement Shares) is set out below:

Intended uses	Approximate amount (S\$ million)	Approximate % of gross proceeds from Placement (%)
Construction of new warehouses, acquisition of machineries and related expenses	12.0	62.5
General working capital	6.4	33.3
Estimated expenses	0.8	4.2
<b>Total</b>	<b>19.2</b>	<b>100.0</b>

5. **If any of the proceeds to be raised by the relevant entity will be used, directly or indirectly, to acquire or refinance the acquisition of an asset other than in the ordinary course of business, briefly describe the asset and state its purchase price. If the asset has been or will be acquired from an interested person of the relevant entity, identify the interested person and state how the cost to the relevant entity is or will be determined.**

The net proceeds from the Placement will not be used, directly or indirectly, to acquire or refinance the acquisition of an asset that is not in the ordinary course of business.

6. **If any of the proceeds to be raised by the relevant entity will be used to finance or refinance the acquisition of another business, briefly describe the business and give information on the status of the acquisition.**

The net proceeds from the Placement will not be used to finance or refinance the acquisition of another business. As at the Latest Practicable Date, no specific business has been identified by the Company for acquisition.

7. **If any material part of the proceeds to be raised by the relevant entity will be used to discharge, reduce or retire the indebtedness of the relevant entity or, if the relevant entity is the holding company or holding entity of a group, of the group, describe the maturity of such indebtedness and, for indebtedness incurred within the past year, the uses to which the proceeds giving rise to such indebtedness were put.**

The net proceeds from the Placement will not be used to discharge, reduce or retire the indebtedness of the Group.

8. **In the section containing the information referred to in paragraphs 2 to 7 of this Part or in an adjoining section, disclose the amount of discount or commission agreed upon between the underwriters or other placement or selling agents in relation to the offer and the person making the offer. If it is not possible to state the amount of discount or commission, the method by which it is to be determined must be explained.**

The commission payable by the Company to the Placement Agent is 3.75% of the Placement Price (and GST thereon) for each Placement Share for which the Placement Agent procures subscription and payment upon completion of the Placement.

#### **Information on the Relevant Entity**

9. **Provide the following information :**

- (a) **the address and telephone and facsimile numbers of the relevant entity's registered office and principal place of business (if different from those of its registered office);**

Registered Office and Principal Place of Business : No. 30 Jalan Buroh  
Jurong Town  
Singapore 619486

Telephone number : (65) 6268 2828

Facsimile number : (65) 6268 3838

- (b) **the nature of the operations and principal activities of the relevant entity or, if it is the holding company or holding entity of a group, of the group;**

The Company was founded in 1971 as a partnership trading in steel products. It was listed on the SGX-SESDAQ on 21 March 2002 and was subsequently upgraded to the Main Board of the SGX-ST on 7 May 2004. The Group is a premier steel stockist and manufacturer of steel products. With more than 30 years in the steel business, the Group offers more than 2,000 different types of steel products of various dimensions for a wide variety of industrial and engineering applications. In addition to the manufacturing of pipes and mild steel lip channels, the Group also provides value-added services to the steel

industry such as sand-blasting and slitting of stainless steel coils.

The subsidiaries of the Company and their principal activities as at the Latest Practicable Date are as follows:

<b>Name of Subsidiaries</b>	<b>Country of Incorporation/ Establishment</b>	<b>Effective Equity Held (%)</b>	<b>Principal Activities</b>
<b><i>Held by the Company</i></b>			
Jin Heng Li Hardware Sdn. Bhd.	Malaysia	59.23	Trading in all types of hardware
Oriental Metals Pte Ltd	Singapore	99.99	Trading and manufacturing of steel products
HG Metal Investments Pte Ltd	Singapore	100.00	Investment holding
<b><i>Held by HG Metal Investments Pte Ltd</i></b>			
Niho (Singapore) Pte Ltd	Singapore	72.29	Slitting of stainless steel coils
Galaxia Pte Ltd	Singapore	100.00	Rental of steel plates
<b><i>Held by Niho (Singapore) Pte Ltd</i></b>			
Kunshan Niho Co. Ltd	People's Republic of China	72.29	Slitting of stainless steel coils

- (c) **the general development of the business from the beginning of the period comprising the 3 most recent completed financial years to the latest practicable date, indicating any material change in the affairs of the relevant entity or the group, as the case may be, since —**
- (i) **the end of the most recent completed financial year for which financial statements of the relevant entity have been published; or**
- (ii) **the end of any subsequent period covered by interim financial statements, if interim financial statements have been published;**

The general developments of the Group's business over the three most recent completed financial years are set out in the Company's annual reports for each of FY2004, FY2005 and FY2006. The Group's key developments during FY2004, FY2005 and FY2006 and since the end of FY2006 up to the Latest Practicable Date are described below.

#### **Key Developments in FY2004**

In March 2004, the Company had a bonus issue of 22,832,495 Shares on the basis of one (1) new Share credited as fully paid for every four (4) existing Shares held in the capital of the Company.

In April 2004, the Company also placed out 18,000,000 new Shares to a group of institutional investors and high net-worth individuals at a placement price of S\$0.3633 per

new Share.

On 7 May 2004, the Company upgraded its listing status to the Main Board of the SGX-ST.

#### **Key Developments in FY2005**

On 11 February 2005, the Company undertook a bonus issue of 44,053,665 new Shares on the basis of one (1) new Share for every three (3) existing Shares held.

On 13 May 2005, the Company and OCBC Bank entered into a convertible loan agreement ("**2005 Convertible Loan Agreement**") pursuant to which OCBC Bank agreed to make available to the Company a convertible loan facility in the aggregate amount of S\$10,000,000, upon the terms and subject to the conditions therein, convertible into Shares over a period of three years.

In May 2005, the Company successfully applied for 10,000,000 ordinary shares at S\$0.50 for each share in the share capital of FerroChina Limited ("**FerroChina**") which were offered to the Company pursuant to the initial public offering of FerroChina. The Company had fully disposed of its above-mentioned investment in FerroChina.

On 23 August 2005, the Company undertook a bonus issue of 44,054,040 Warrants on the basis of one (1) Warrant for every four (4) existing Shares held.

#### **Key Developments in FY2006**

On 15 August 2006, the Company and OCBC Bank entered into the Convertible Loan Agreement, for the purpose of re-financing the principal amount outstanding under the 2005 Convertible Loan Agreement. Under the terms of the Convertible Loan Agreement, OCBC Bank agreed to make available to the Company a convertible loan facility in the aggregate amount of S\$10,000,000, upon the terms and subject to the conditions therein, convertible into new Shares.

On 23 August 2006, the Group completed its acquisition of 72.29% interest in Niho Singapore Pte Ltd ("**Niho**") for S\$1.5 million. Niho provides slitting of stainless steel coils, catering mainly to the metal stamping industry.

#### **Key Developments from 1 October 2006 to the Latest Practicable Date**

On 23 November 2006, the Company announced the Rights Issue.

On 11 December 2006, the Company announced that to be in line with the Code of Corporate Governance 2005, Mr Wee Piew resigned as member of the Remuneration Committee and Mr Sia Ling Sing was appointed as member of the Remuneration Committee in his place with immediate effect.

On 8 January 2007, 26 February 2007, 5 April 2007, 17 April 2007 and 10 May 2007, OCBC Bank fully converted the Convertible Loan into 8,800,000, 3,300,000, 3,300,000, 6,600,000 and 9,171,147 new Shares, respectively, comprising an aggregate of 31,171,147 new Shares.

On 7 February 2007, 13 March 2007, 8 May 2007, 9 June 2007 and 4 July 2007, the Company announced receipts from OCBC Bank, in accordance with the Convertible Loan Agreement, amounts of S\$379,769.86, S\$382,988.80, S\$465,916.10, S\$689,047.45 and S\$508,764.64 in relation to the disposal of 4,830,000 Shares, 3,970,000 Shares, 7,663,000 Shares, 8,376,000 Shares, and 6,332,147 Shares, respectively, by OCBC Bank which would be utilised for general working capital purposes.

On 18 January 2007, the Company accepted the letter of offer from JTC Corporation for the lease of a parcel of land at Jurong Port Road in Jurong Industrial Estate by the Company for a term of 28 years starting from 25 March 2007. The conditions stated in the letter of offer include, *inter alia*, fixed investment criteria of a minimum of approximately S\$6.9 million for plant and machinery investment. Subject to obtaining necessary approvals, the Company

intends to develop the land for use as a warehouse and manufacturing facility.

On 12 February 2007, the Company announced that pursuant to the Rights Issue, the exercise price of the Warrants would be adjusted from S\$0.50 to S\$0.4215 with effect from 1 March 2007 and the conversion price of the Convertible Loan would be adjusted from S\$0.361 to S\$0.305 with effect from 12 February 2007.

On 13 February 2007, the Company's indirectly owned subsidiary, HG Metal Manufacturing Sdn. Bhd. entered into a sale and purchase agreement with Nusajaya Industrial Park Sdn. Bhd. pursuant to which the Group acquired for a cash consideration of RM23,948,417 (approximately S\$10.5 million) five plots comprising 26.18 acres of freehold industrial land in Nusajaya Industrial Park 1 (Phase 2), Johor held under the Master Titles HS(D) 330762 PTD123287 and HS(D)330763 PTD 123288, respectively, all in the Mukim Pulai, Johor Bahru, Johor. This acquisition which was funded through internal resources would allow the Group to expand its production and warehouse capabilities.

In March 2007, the Company completed the Rights Issue.

On 28 April 2007, the Company announced the resignation of Mr Lee Bon Leong as Independent Director of the Company with effect from 30 April 2007 due to health reasons. Mr Lee Bon Leong also resigned from his position as the Chairman of Remuneration Committee and as member of the Audit and Nominating Committee.

On 11 May 2007, the Company announced the appointment of Mr Poon Hon Thang, Samuel as Independent Director of the Company with effect from 15 May 2007. Following the appointment of Mr Poon Hon Thang, Samuel, the Audit Committee comprises Mr Gui Kim Young @ Gui Kim Gan (Chairman), Mr Ooi Seng Soon and Mr Poon Hon Thang, Samuel, the Nominating Committee comprises Mr Ooi Seng Soon (Chairman), Mr Wee Piew and Mr Gui Kim Young @ Gui Kim Gan, while the Remuneration Committee comprises Mr Gui Kim Young @ Gui Kim Gan (Chairman), Mr Sia Ling Sing and Mr Poon Hon Thang, Samuel.

On 22 May 2007, the Company announced the resignation of Mr Tian Chye Heng as Executive Director of the Company from 22 May 2007 due to health reasons.

On 6 July 2007, the Company announced that the Group had already started construction of new warehouses at its existing premises at 30 Jalan Buroh while construction of its new 300,000 sq ft Jurong Port Road facility is likely to start in September or October 2007. The construction of these warehouses is to be financed with the proceeds from the Placement. These new warehouse facilities are expected to add warehousing capacity of an additional 50,000 tonnes when fully completed.

Save as disclosed in this Offer Information Statement and in public announcements released by the Company, there has been no material change to the affairs of the Group during the period from 1 October 2006 to the Latest Practicable date.

**(d) the equity capital and the loan capital of the relevant entity as at the latest practicable date, showing —**

- (i) in the case of the equity capital, the issued capital; or**
- (ii) in the case of the loan capital, the total amount of the debentures issued and outstanding, together with the rate of interest payable thereon;**

As at the Latest Practicable Date, the Company's issued and paid-up share capital is S\$60,125,331.235 comprising 281,515,437 Shares. The Company does not have any loan capital.

**(e) where —**

- (i) the relevant entity is a corporation, the number of shares of the relevant entity owned by each substantial shareholder as at the latest practicable date; or**



- (ii) **the relevant entity is not a corporation, the amount of equity interests in the relevant entity owned by each substantial interest-holder as at the latest practicable date;**

The interests of the substantial shareholders, as extracted from the Register of substantial shareholders, as at the Latest Practicable Date are set out below:

Substantial Shareholders	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% <sup>(1)</sup>	No. of Shares	%	No. of Shares	% <sup>(1)</sup>
Lingco Marine Pte Ltd <sup>(2)</sup>	20,090,000	7.14	-	-	20,090,000	7.14
Tan Chan Too	15,910,928	5.65	-	-	15,910,928	5.65
Tan Ah Bee	14,665,466	5.21	-	-	14,665,466	5.21
Sia Ling Sing <sup>(2)</sup>	10,164,000	3.61	20,090,000	7.14	30,254,000	10.75

**Notes:**

- (1) Based on the issued share capital of the Company of 281,515,437 Shares as at the Latest Practicable Date.
- (2) As at the Latest Practicable Date, Sia Ling Sing holds 30.17% in the share capital of Lingco Marine Pte Ltd and is therefore deemed interested in the Shares held by Lingco Marine Pte Ltd by virtue of Section 7 of the Companies Act.

- (f) **any legal or arbitration proceedings, including those which are pending or known to be contemplated, which may have, or which have had in the 12 months immediately preceding the date of lodgment of the offer information statement, a material effect on the financial position or profitability of the relevant entity or, where the relevant entity is a holding company or holding entity of a group, of the group;**

As at the date of this Offer Information Statement, the Directors are not aware of any litigation or arbitration proceedings to which the Group is a party or which is pending or known to be contemplated that may have or would have had in the 12 months immediately preceding the date of lodgment of this Offer Information Statement, a material effect on the financial position or profitability of the Group.

- (g) **where any securities or equity interests of the relevant entity have been issued within the 12 months immediately preceding the latest practicable date —**

- (i) **if the securities or equity interests have been issued for cash, state the prices at which the securities have been issued and the number of securities or equity interests issued at each price; or**

On 8 January 2007, 26 February 2007, 5 April 2007, 17 April 2007 and 10 May 2007, the Company issued 31,171,147 new Shares to OCBC Bank arising from the conversion of the Convertible Loan.

On 7 February 2007, the Company issued a total of 83,333 Shares arising from the exercise of the Warrants.

On 14 March 2007, the Company issued 74,039,797 Shares at an issue price of S\$0.20 for each Share in connection with its Rights Issue.

On 4 June 2007 and 18 July 2007, the Company issued a total of 5,000 Shares arising from the exercise of the Warrants.

- (ii) **if the securities or equity interests have been issued for services, state the nature and value of the services and give the name and address of the person who received the securities or equity interests; and**

No securities or equity interests have been issued for services within the 12 months immediately preceding the Latest Practicable Date.

- (h) **a summary of each material contract, other than a contract entered into in the ordinary course of business, to which the relevant entity or, if the relevant entity is the holding company or holding entity of a group, any member of the group is a party, for the period of 2 years immediately preceding the date of lodgment of the offer information statement, including the parties to the contract, the date and general nature of the contract, and the amount of any consideration passing to or from the relevant entity or any other member of the group, as the case may be.**
- (a) On 13 May 2005, the Company and OCBC Bank entered into the 2005 Convertible Loan Agreement pursuant to which OCBC Bank agreed to make available to the Company a convertible loan facility in the aggregate amount of S\$10,000,000, upon the terms and subject to the conditions therein, convertible into Shares over a period of three years.
- (b) On 1 August 2005, the Company entered into a memorandum of understanding with FerroChina's subsidiary, Changshu Xingdao Advanced Building-Material Co., Ltd. for the purpose of appointing the Company as the sole distributor for the FerroChina Limited Group of galvanized steel for the region of Singapore and Indonesia for a duration of 3 years from the date of agreement. The memorandum of understanding has since lapsed without concluding any business transaction.
- (c) On 12 July 2006, HG Metal Investment Pte Ltd, a wholly-owned subsidiary of the Company, entered into a conditional investment agreement with third parties to subscribe for 1,500,000 new ordinary shares ("**New Shares**") in the issued share capital of Niho. The consideration for the New Shares amounted to S\$1,500,000 and was arrived at on a willing-buyer-willing-seller basis. Following the completion of the subscription of the New Shares, Niho became a 72.29%-owned subsidiary of the Company. The consideration was satisfied in cash and was funded by internal resources.
- (d) On 15 August 2006, the Company and OCBC Bank entered into the Convertible Loan Agreement, for the purpose of re-financing the principal amount outstanding under the 2005 Convertible Loan Agreement, the details of which are set out in paragraph (a) above. Under the terms of the Convertible Loan Agreement, OCBC Bank agreed to make available to the Company a convertible loan facility in the aggregate amount of S\$10,000,000, upon the terms and subject to the conditions therein, convertible into Shares.
- (e) On 18 January 2007, the Company accepted the letter of offer from JTC Corporation for lease by the Company a parcel of land at Jurong Port Road in Jurong Industrial Estate for a term of 28 years starting from 25 March 2007. The conditions stated in the letter of offer include, *inter alia*, fixed investment criteria of a minimum of approximately S\$6.9 million for plant and machinery investment.
- (f) On 13 February 2007, the Company's indirectly owned subsidiary, HG Metal Manufacturing Sdn. Bhd. entered into a sale and purchase agreement with Nusajaya Industrial Park Sdn. Bhd. pursuant to which the Group acquired for a cash consideration of RM23,948,417 (approximately S\$10.5 million) five plots comprising 26.18 acres of freehold industrial land in Nusajaya Industrial Park 1 (Phase 2), Johor held under the Master Titles HS(D) 330762 PTD123287 and HS(D)330763 PTD 123288, respectively, all in the Mukim Pulau, Johor Bahru, Malaysia.

Save as disclosed above and the Placement Agreement dated 23 July 2007 between the Company and CIMB-GK pursuant to which CIMB-GK was appointed as the Placement Agent for the Placement, the Group has not entered into any material contracts outside the ordinary course of business for the period of two years immediately preceding the date of lodgment of this Offer Information Statement.

## PART V: OPERATING AND FINANCIAL REVIEW AND PROSPECTS

### Operating Results

1. Provide selected data from —
  - (a) the audited income statement of the relevant entity or, if the relevant entity is the holding company or holding entity of a group, the audited consolidated income statement of the relevant entity or the audited combined income statement of the group, for each financial year (being one of the 3 most recent completed financial years) for which that statement has been published; and
  - (b) any interim income statement of the relevant entity or, if the relevant entity is the holding company or holding entity of a group, any interim consolidated income statement of the relevant entity or interim combined income statement of the group, for any subsequent period for which that statement has been published.

See below.

2. The data referred to in paragraph 1 of this Part shall include the line items in the audited income statement, audited consolidated income statement, audited combined income statement, interim income statement, interim consolidated income statement or interim combined income statement, as the case may be, and shall in addition include the following items:
  - (a) dividends declared per share in both the currency of the financial statements and the Singapore currency, including the formula used for any adjustment to dividends declared;
  - (b) earnings or loss per share; and
  - (c) earnings or loss per share, after any adjustment to reflect the sale of new securities.

The audited consolidated profit and loss statements of the Group for FY2004, FY2005 and FY2006 and the unaudited consolidated profit and loss statements of the Group for HY2006 and HY2007 are set out below:

	FY2004 <sup>(1)</sup> (Audited) S\$'000	FY2005 (Audited) S\$'000	FY2006 (Audited) S\$'000	HY2006 (Unaudited) S\$'000	HY2007 (Unaudited) S\$'000
Revenue	174,689	341,048	362,815	173,239	214,041
Cost of sales	(140,138)	(312,902)	(330,119)	(166,014)	(193,787)
<b>Gross profit</b>	<b>34,551</b>	<b>28,146</b>	<b>32,696</b>	<b>7,225</b>	<b>20,254</b>
Other operating income	1,077	2,217	8,213	8,233	2,696
Distribution costs	(1,825)	(3,518)	(4,279)	(2,113)	(2,532)
Administrative expenses	(7,584)	(8,081)	(8,783)	(3,891)	(5,894)
Other operating expenses	(3,242)	(5,773)	(4,036)	(504)	(898)
<b>Profit from operations</b>	<b>22,977</b>	<b>12,991</b>	<b>23,812</b>	<b>8,950</b>	<b>13,626</b>

	<b>FY2004<sup>(1)</sup></b> <b>(Audited)</b> <b>S\$'000</b>	<b>FY2005</b> <b>(Audited)</b> <b>S\$'000</b>	<b>FY2006</b> <b>(Audited)</b> <b>S\$'000</b>	<b>HY2006</b> <b>(Unaudited)</b> <b>S\$'000</b>	<b>HY2007</b> <b>(Unaudited)</b> <b>S\$'000</b>
Finance costs	(2,013)	(5,683)	(7,464)	(3,831)	(4,125)
<b>Profit before income tax</b>	<b>20,964</b>	<b>7,308</b>	<b>16,348</b>	<b>5,119</b>	<b>9,501</b>
Income tax	(4,319)	(2,153)	(2,471)	(510)	(1,711)
<b>Profit for the year / period</b>	<b>16,645</b>	<b>5,155</b>	<b>13,877</b>	<b>4,609</b>	<b>7,790</b>
Attributable to:					
Equity holders of the Company	16,527	5,039	13,757	4,514	7,649
Minority interests	118	116	120	95	141
	<b>16,645</b>	<b>5,155</b>	<b>13,877</b>	<b>4,609</b>	<b>7,790</b>
Weighted average number of Shares	113,003,747	159,696,036	176,216,160	176,216,160	187,567,551
Basic EPS (cents)	14.62	3.15	7.81	2.56	4.08
Weighted number of Shares adjusted for the Placement <sup>(2)</sup>	153,003,747	199,696,036	216,216,160	216,216,160	227,567,551
Basic EPS as adjusted for the Placement <sup>(2)</sup> (cents)	11.02	2.56	6.45	2.12	3.41
Gross dividends declared per Share (cents)	1.875	1.5625	4.8671	-	-

**Notes:-**

- (1) The financial results for FY2004 were based on the 11-month period from 1 November 2003 to 30 September 2004.
- (2) Basic EPS as adjusted for the Placement was computed based on the weighted average number of Shares in issue during FY2004, FY2005, FY2006, HY2006 and HY2007, and (i) assuming that all the 37,000,000 Placement Shares had been subscribed for; (ii) assuming that the Placement was completed and the Placement Shares were issued at the beginning of each of the respective financial years/period; (iii) do not take into account the effects of the use of proceeds from the Placement; and (iv) on the basis that no adjustment has been made for any change in the weighted average number of Shares in issue during FY2004, FY2005, FY2006, HY2006 and HY2007.

**3. In respect of —**

- (a) each financial year (being one of the 3 most recent completed financial years) for which financial statements have been published; and
- (b) any subsequent period for which interim financial statements have been published,

provide information regarding any significant factor, including any unusual or infrequent event or new development, which materially affected profit or loss before tax of the relevant entity or, if it is the holding company or holding entity of a group, of the group, and indicate the extent to which such profit or loss before tax of the relevant entity or the group, as the case may be, was so affected. Describe any other significant component of revenue or expenditure necessary to understand the profit or loss before tax for each of these financial

periods.

**Performance review for FY2005 compared to the 11-month period from 1 November 2003 to 30 September 2004 (“FY2004”)**

Revenue

The Group's revenue increased by approximately S\$166.4 million or 95.2% from S\$174.7 million in FY2004 to S\$341.0 million in FY2005. This increase in revenue was a result of an increase in revenue of approximately S\$154.0 million from trading business as well as an increase in revenue of approximately S\$12.3 million from manufacturing business buoyed by increase in sales to both existing and new customers.

The increase in revenue from trading business was due to the strong demand for steel plates as well as higher demand for construction-related products such as bars and beams in line with the recovering property market.

In FY2005, Singapore, Malaysia, Indonesia and other countries contributed approximately 50.6%, 23.4%, 21.4% and 4.6% respectively of the Group's revenue while in FY2004, Singapore, Malaysia, Indonesia and other countries contributed approximately 53.3%, 16.8%, 26.8% and 3.1% respectively of the Group's revenue.

Gross profit

The Group's gross profit decreased by approximately S\$6.4 million or 18.5% from S\$34.6 million in FY2004 to S\$28.1 million in FY2005 while its gross profit margin decreased from 19.8% in FY2004 to 8.3% in FY2005 mainly due to a sharp fall in steel prices as a result of various factors including high oil prices and a sudden increase in steel supply mainly from China.

Other operating income

The Group's other operating income increased by approximately S\$1.1 million or 105.9% from S\$1.1 million in FY2004 to S\$2.2 million in FY2005 mainly because of allowance for doubtful trade receivables written back amounting to approximately S\$1.3 million.

Operating expenses

The Group's total operating expenses increased by approximately S\$4.7 million or 37.5% from S\$12.7 million in FY2004 to S\$17.4 million in FY2005, as a result of an increase in distribution costs of approximately S\$1.7 million, an increase in other operating expenses of approximately S\$2.5 million and an increase in administrative expenses of approximately S\$0.5 million. The higher distribution costs and higher other operating expenses were in line with the increase in revenue.

Finance costs

The Group's finance costs increased by approximately S\$3.7 million or 182.3% from S\$2.0 million in FY2004 to S\$5.7 million in FY2005 mainly due to higher bank borrowings.

Profit before income tax

The Group's profit before income tax decreased significantly by approximately S\$13.7 million or 65.1% from S\$21.0 million in FY2004 to S\$7.3 million in FY2005. This decrease in profit before income tax was mainly as a result of a decrease in gross profit margin, an increase in operating expenses and an increase in finance costs. Profit before tax margin decreased from 12.0% in FY2004 to 2.1% in FY2005 for the reasons described above.

**Performance review for FY2006 compared to FY2005**

Revenue

The Group's revenue increased by approximately S\$21.8 million or 6.4% from S\$341.0 million in FY2005 to S\$362.8 million in FY2006. This increase in revenue was a result of an increase in

revenue of approximately S\$26.3 million from trading business partially offset by a decrease in revenue of approximately S\$4.5 million from manufacturing business.

The increase in revenue from trading business was due to the buoyant shipbuilding and repair sectors as well as the recovery in the construction sector which continued to fuel strong demand for ship and steel plates as well as construction related steel products.

The decrease in revenue from manufacturing business was due to lower sales in HY2006 impacted by weak steel prices.

In FY2006, Singapore, Malaysia, Indonesia and other countries contributed approximately 45.3%, 33.6%, 18.7% and 2.4% respectively of the Group's revenue while in FY2005, Singapore, Malaysia, Indonesia and other countries contributed approximately 50.6%, 23.4%, 21.4% and 4.6% respectively of the Group's revenue.

#### Gross profit

The Group's gross profit increased by approximately S\$4.6 million or 16.2% from S\$28.1 million in FY2005 to S\$32.7 million in FY2006 while its gross profit margin improved from 8.3% in FY2005 to 9.0% in FY2006 due to stabilised steel prices and a better product mix.

#### Other operating income

The Group's other operating income increased by approximately S\$6.0 million or 270.5% from S\$2.2 million in FY2005 to S\$8.2 million in FY2006 mainly because of an increase in foreign exchange gains of approximately S\$2.9 million due to the strengthening of S\$ against US\$, gain from the disposal of the Company's shares held in Ferrochina and other investments of approximately S\$1.6 million as well as allowance for impairment in value of other investments written back amounting to approximately S\$1.5 million.

#### Operating expenses

The Group's total operating expenses decreased by approximately S\$0.3 million or 1.6% from S\$17.4 million in FY2005 to S\$17.1 million in FY2006, as a result of a decrease in other operating expenses of approximately S\$1.7 million offset by an increase in distribution costs of approximately S\$0.7 million and an increase in administrative expenses of approximately S\$0.7 million.

#### Finance costs

The Group's finance costs increased by approximately S\$1.8 million or 31.3% from S\$5.7 million in FY2005 to S\$7.5 million in FY2006 mainly due to higher interest rates.

#### Profit before income tax

The Group's profit before income tax increased significantly by approximately S\$9.0 million or 123.7% from S\$7.3 million in FY2005 to S\$16.3 million in FY2006. This increase in profit before income tax was mainly as a result of an increase in revenue, an improvement in gross profit margin, an increase in operating income and a decrease in operating expenses. Profit before tax margin increased from 2.1% in FY2005 to 4.5% in FY2006 for the reasons described above.

### **Performance review for HY2007 compared to HY2006**

#### Revenue

The Group's revenue increased by approximately S\$40.8 million or 23.6% from S\$173.2 million in HY2006 to S\$214.0 million in HY2007. This increase in revenue was mainly due to higher contribution from trading business driven by higher steel prices and sustained demand for steel products from the shipbuilding and ship-repair sector as well as the construction sector.

#### Gross profit

The Group's gross profit increased by approximately S\$13.0 million or 180.3% from S\$7.2 million in

HY2006 to S\$20.3 million in HY2007 while its gross profit margin improved from 4.2% in HY2006 to 9.4% in HY2007 mainly as a result of higher steel prices.

#### Other operating income

The Group's other operating income decreased by approximately S\$5.5 million or 67.3% from S\$8.2 million in HY2006 to S\$2.7 million in HY2007 mainly because the gain on disposal of quoted shares in HY2006 did not recur in HY2007. The Group's other operating income in HY2007 was due to foreign exchange gain arising from the weakening of the US\$.

#### Operating expenses

The Group's total operating expenses increased by approximately S\$2.8 million or 43.3% from S\$6.5 million in HY2006 to S\$9.3 million in HY2007, as a result of an increase in administrative expenses of approximately S\$2.0 million, an increase in distribution costs of approximately S\$0.4 million and an increase in other operating expenses of approximately S\$0.4 million. The Group's administrative fees were higher in HY2007 mainly due to higher provision for performance incentives, increase in staff strength, as well as legal and professional fees incurred in connection with the Company's rights issue in February 2007.

#### Finance costs

The Group's finance costs increased marginally by approximately S\$0.3 million or 7.7% from S\$3.8 million in HY2006 to S\$4.1 million in HY2007 mainly due to higher interest rates.

#### Profit before income tax

The Group's profit before income tax increased significantly by approximately S\$4.4 million or 85.6% from S\$5.1 million in HY2006 to S\$9.5 million in HY2007. This increase in profit before income tax was mainly as a result of an increase in revenue and a marked improvement in gross profit margin. Profit before tax margin increased from 2.9% in HY2006 to 4.4% in HY2007 for the reasons described above.

### **Financial Position**

- 4. Provide selected data from the balance sheet of the relevant entity or, if it is the holding company or holding entity of a group, the group as at the end of —**
  - (a) the most recent completed financial year for which audited financial statements have been published; or**
  - (b) if interim financial statements have been published for any subsequent period, that period.**

See below.
- 5. The data referred to in paragraph 4 of this Part shall include the line items in the audited or interim balance sheet of the relevant entity or the group, as the case may be, and shall in addition include the following items:**
  - (a) number of shares after any adjustment to reflect the sale of new securities;**
  - (b) net assets or liabilities per share; and**
  - (c) net assets or liabilities per share after any adjustment to reflect the sale of new securities.**

The audited consolidated balance sheet of the Group as at 30 September 2006 and the unaudited consolidated balance sheet of the Group as at 31 March 2007 are set out below:

	As at 30 September 2006 (Audited) S\$'000	As at 31 March 2007 (Unaudited) S\$'000
<b>Non-current assets</b>		
Property, plant and equipment	12,550	12,446
Intangible assets	225	225
Deferred tax asset	974	974
	13,749	13,644
<b>Current assets</b>		
Inventories	101,614	113,811
Trade and other receivables	92,132	92,220
Fixed deposits with banks	5,174	11,805
Cash and bank balances	14,427	6,472
	213,348	224,309
<b>Current liabilities</b>		
Trade and other payables	43,229	44,659
Provision for director's fees	210	-
Finance lease payables	327	283
Income tax payable	1,779	2,610
Bank borrowings	114,095	96,190
	159,641	143,742
<b>Net current assets</b>	53,707	80,567
<b>Non current liabilities</b>		
Finance lease payables	751	750
Bank borrowings	2,037	9,669
Derivative financial instruments	4,870	4,870
Deferred tax liabilities	387	75
	8,044	15,364
<b>Net assets</b>	<b>59,411</b>	<b>78,847</b>

	As at 30 September 2006 (Audited) S\$'000	As at 31 March 2007 (Unaudited) S\$'000
<b>Capital and Reserves</b>		
Share capital	35,273	54,307
Foreign currency translation reserve	(96)	(75)
Other Reserves	(3,796)	(3,796)
Retained profits	26,664	26,898
Interest of shareholders of the Company	58,045	77,334
Minority interests	1,366	1,513
<b>Total equity</b>	<b>59,411</b>	<b>78,847</b>
Number of Shares in issue	176,216,160	262,439,000
Net assets per Share before the Placement <sup>(1)</sup> (cents)	32.94	29.47



Number of Shares in issue as adjusted for the Placement <sup>(2)</sup>	213,216,160	299,439,000
Net assets per Share as adjusted for the Placement <sup>(2)</sup> (cents)	35.88	31.99

**Notes:**

- (1) Net asset value per Share is computed based on the net asset value (excluding minority interests) divided by the number of Shares in issue as at end of the relevant financial year/period.
- (2) The net asset value per Share as adjusted for the Placement was computed based on the number of Shares in issue as at end of each of the respective financial year/period and assuming that (i) all the 37,000,000 Placement Shares had been subscribed for; and (ii) the Placement was completed and the Placement Shares were issued at the end of each of the respective financial year/period.

**Liquidity and Capital Resources**

**6. Provide an evaluation of the material sources and amounts of cash flows from operating, investing and financing activities in respect of —**

- (a) **the most recent completed financial year for which financial statements have been published; and**
- (b) **if interim financial statements have been published for any subsequent period, that period.**

A summary of the audited consolidated cash flow statement of the Group for FY2006 and the unaudited consolidated cash flow statement of the Group for HY2007 is set out below:

	<b>FY2006 (Audited) S\$'000</b>	<b>HY2007 (Unaudited) S\$'000</b>
Net cash from / (used in) operating activities	14,719	(2,153)
Net cash from / (used in) investing activities	5,379	(299)
Net cash (used in) / from financing activities	(21,853)	1,135
Net decrease in cash and cash equivalents	(1,755)	(1,317)
Cash and cash equivalents at beginning of year / period	21,262	19,507
Cash and cash equivalents at end of year / period	19,507	18,190

**FY2006**

The Group generated cash inflows from operating activities before working capital changes of approximately S\$21.5 million during FY2006. This was further increased due to a decrease in working capital requirements of approximately S\$2.9 million and interest received of approximately S\$0.2 million which were offset by interest paid of approximately S\$7.5 million and income taxes paid of approximately S\$2.4 million, resulting in net cash inflows relating to operating activities of approximately S\$14.7 million.

The decrease in working capital requirements was mainly a result of a decrease in inventories of approximately S\$1.9 million, a decrease in trade and other receivables of approximately S\$0.3 million and an increase in trade and other payables of approximately S\$0.7 million.

The Group generated cash inflows from investing activities of approximately S\$5.4 million. During FY2006, the Group received proceeds from the disposal of its investment in FerroChina and other investments of approximately S\$7.4 million and proceeds from disposal of property, plant and equipment amounting to approximately S\$0.2 million. This was partially offset by cash used in the purchase of plant and equipment of approximately S\$2.1 million.

The Group incurred cash outflows in financing activities of approximately S\$21.9 million. During

FY2006, the Group repaid bank borrowings of approximately S\$19.3 million, paid dividends amounting to approximately S\$2.2 million and repaid finance lease liabilities of approximately S\$0.4 million.

### **HY2007**

The Group generated cash inflows from operating activities before working capital changes of approximately S\$14.1 million during HY2007. This was however offset by an increase in working capital requirements of approximately S\$11.1 million, income taxes paid of approximately S\$1.2 million and net interest paid of approximately S\$4.0 million, resulting in net cash outflows relating to operating activities of approximately S\$2.2 million.

The increase in working capital requirements was a result of an increase in inventories of approximately S\$12.2 million, partially offset by an increase in trade and other payables of approximately S\$1.2 million.

The Group incurred net cash outflows relating to investing activities of approximately S\$0.3 million. During HY2007, the Group purchased property, plant and equipment of approximately S\$0.4 million. This was partially offset by proceeds from disposal of plant and equipment of approximately S\$85,000.

The Group generated net cash inflows from financing activities of approximately S\$1.1 million. During HY2007, the Group received proceeds from a rights issue and exercise of warrants of approximately S\$14.9 million. This was partially offset by repayment of bank loans of approximately S\$6.1 million, dividends paid of approximately S\$7.4 million and repayment of finance lease liabilities of approximately S\$0.2 million.

7. **Provide a statement by the directors or equivalent persons of the relevant entity as to whether, in their reasonable opinion, the working capital available to the relevant entity or, if it is the holding company or holding entity of a group, to the group, as at the date of lodgment of the offer information statement, is sufficient for present requirements and, if insufficient, how the additional working capital considered by the directors or equivalent persons to be necessary is proposed to be provided.**

The Directors are of the reasonable opinion that, barring unforeseen circumstances and after taking into consideration the Group's existing cash and cash equivalents, present banking facilities and net proceeds from the Placement, the Group has sufficient working capital as at the date of lodgment of this Offer Information Statement for its present working capital requirements.

8. **If the relevant entity or any other entity in the group is in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect the relevant entity's financial position and results or business operations, or the investments by holders of securities in the relevant entity, provide —**
- (a) **a statement of that fact;**
  - (b) **details of the credit arrangement or bank loan; and**
  - (c) **any action taken or to be taken by the relevant entity or other entity in the group, as the case may be, to rectify the situation (including the status of any restructuring negotiations or agreement, if applicable).**

To the best of the Directors' knowledge, the Group is not in breach of any of the terms and conditions or covenants associated with any credit arrangement or bank loan which could materially affect the Group's financial position and results or business operations, or the investments by holders of securities in the Company.

### **Trend Information and Profit Forecast or Profit Estimate**

9. **Discuss, for at least the current financial year, the business and financial prospects of the**

relevant entity or, if it is the holding company or holding entity of a group, the group, as well as any known trends, uncertainties, demands, commitments or events that are reasonably likely to have a material effect on net sales or revenues, profitability, liquidity or capital resources, or that would cause financial information disclosed in the offer information statement to be not necessarily indicative of the future operating results or financial condition. If there are no such trends, uncertainties, demands, commitments or events, provide an appropriate statement to that effect.

### **Business and Financial Prospects of the Group**

The following statements are extracted from the annual report of the Company for FY2006:

*"Following the success of our first sandblasting facility at Oriental Metals, we are evaluating plans to start a second sandblasting facility. HG Metal is looking to widen its range of steel products and enhance its capabilities to offer a broader range of services. With this in mind, we remain open to further acquisitions and investments that will be complementary to current core businesses. Value-adding acquisitions and continued organic growth will propel us toward our long-range goal of achieving annual sales of at least S\$500 million on or before 2009."*

The following statements are extracted from the Company's announcement of its results for HY2007 dated 11 May 2007:

*"HG Metal's subsidiary, Oriental Metals is in the process of installing a second sand blasting line as the first line is operating at full capacity. The new line is expected to be operational by the end of FY2007. The second line is expected to cost about \$1.0 million and will be internally financed."*

*The Group is now conducting a feasibility study on its newly acquired land at Nusajaya which is within the Iskandar Development Region. Once the plans are finalised, the Group will make an announcement.*

*At the same time, the Group is finalising plans for the construction of a warehouse cum factory and a workers' dormitory at its newly leased land at Jurong Port Road. This new warehouse will cater to the Group's expansion. Construction is expected to start sometime in FY 2008 and will be spread over 3 years. Construction cost is expected to be about \$10 million. In addition, the Group is going to build 3 covered warehouses in its existing premises at 30 Jalan Buroh to cater to future growth. The cost of construction of the warehouses is expected to be about \$3 million and will be internally funded.*

*The Singapore economy is likely to continue to be strong this year. The construction sector is showing strong recovery in line with the pick up in the property market. At the same time, the marine sector like shipbuilding is also likely to remain robust. As a result, demand for steel products is expected to remain strong.*

*Barring unforeseen circumstances, the directors are optimistic about the outlook for the second half of FY2007 and are expecting sales turnover for FY2007 to surpass FY2006."*

The following statements are extracted and modified from the Company's announcement dated 6 July 2007:

*"Over the past months, HG Metal has announced a number of expansion plans in line with its projected expansion of business. The Group has already started construction of new warehouses at its existing warehouse at 30 Jalan Buroh while construction at its new 300,000 sq ft Jurong Port Road facility is likely to start in Sep or Oct 2007. These new warehouse facilities are expected to add warehousing capacity of another 50,000 tonnes when fully completed. The Group is contemplating the acquisition of more facilities to cater to the growing demand for its products and services.*

*The Group is in an exciting phase of growth where it is experiencing strong demand for its products from the booming local construction industry. The Group has received numerous enquiries for its steel products such as deformed bars and lip channels, which are widely used in the construction industry. The Singapore construction industry will be a strong revenue contributor to the Group in*

*2008/09 with more than S\$9 billion Foreign Direct Investments expected for the two Integrated Resorts.*

*HG Metal has previously announced that the Group has acquired 5 plots of land at Nusajaya Industrial Park in Nusajaya, Johor Bahru, Malaysia ("Nusajaya Land"), at a purchase consideration of RM 23,948,417 (about S\$10.5 million). The Group will utilise the Nusajaya Land area totaling 26.18 acres, for the manufacturing, processing and storage of steel products."*

#### **Uncertainties, Demands, Commitments or Events**

There are uncertainties, demands, commitments or events that should they take place, may have a material and adverse impact on the business, results of operations, financial condition and prospects of the Group. This section is only summary, and is not an exhaustive description, of all the uncertainties, demands, commitments or events. There may be additional uncertainties, demands, commitments or events not presently known to the Group, or that the Group may currently deem immaterial, which could affect its business, results of operations, financial condition and prospects.

#### ***The Group is affected by fluctuations in steel prices***

As a distributor of steel products, the Group purchases a wide range of steel products and maintains substantial inventories to be in a position to fulfill customers' orders within a short lead-time. Typically, the Group's customers do not carry all the required steel products themselves due to the high carrying cost and storage space required. The cost of steel products purchased is the main component of the Group's cost of sales for its steel distribution business. Therefore, the Group is vulnerable to any fluctuations in prices of steel. Steel prices rise and fall depending on the demand and supply of steel which, are affected by many factors beyond its control, including the general state of the global economy, the level of industrial development worldwide, in particular within the Asia-Pacific region, competition, industrial productivity levels, imposition of import duties/levies, and foreign currency fluctuations. Any increase in the price of steel caused by the aforesaid factors will increase the Group's cost of sales as well as the Group's carrying cost for maintaining its inventories. To the extent that the Group is unable to pass on any increase in its cost to its customers, the Group's profitability will be materially and adversely affected.

#### ***The Group is affected by fluctuations in industrial hardware product prices***

The Group stocks a wide range of structural steel products, steel pipes and other accessories to cater to the needs of its customers. The Group currently sources its structural steel products, pipes and fittings from global manufacturers. Prices of these steel products are subject to international price fluctuations of steel. Any significant fluctuation in the price of steel will affect the Group's cost of purchase and bottom line.

The Group, with more than 30 years of knowledge and expertise gained in this line of business, is able to make appropriate adjustments to its supplier choice, timing of purchase and shipment, contracting arrangement with its customers, and hedging policies to mitigate price fluctuation risk.

#### ***The Group faces high inventory holding costs***

Typically, the Group receives purchase orders from its customers at short notices. The Group does not have any substantial long-terms contracts with its customers and thus, is not able to predict their requirements. On the other hand, its suppliers normally take up to two or three months from the order date to deliver the products. With the short lead time given by its customers and the relatively longer delivery times required by its suppliers, the Group needs to place advance orders in order to secure a continuous supply of substantial and varied steel products to meet the needs of the Group's diverse customer base and provide just-in-time delivery. As at 30 September 2006, the Group's inventories accounted for approximately 47.6% of its current assets. The longer the Group's inventories are held, the higher the costs of holding these inventories. In the event that the Group is unable to maintain its revenue or profit margins due to a fall in the prices of steel products and/or decrease in demand for steel products, or if its financing costs for inventory increase, its financial position will be materially and adversely affected.

#### ***The Group may be affected by political instability or economic downturn in the countries to***

### ***which it exports***

In FY2006, exports accounted for 54.7% of the Group's revenue as compared to 49.4% in FY2005. The major countries to which the Group currently exports are mainly Asian countries such as Malaysia, Thailand and Indonesia. As such, any political instability or economic downturn in these countries will adversely affect the sales and hence profitability of the Group.

The Group recognises the importance of market diversification and its ongoing strategy is to entrench its current market position in Southeast Asian markets and to further expand beyond its existing geographical coverage.

### ***The Group is exposed to credit risk of its customers***

The Group extends credit terms ranging from 30 to 90 days to its customers, depending on their credit worthiness. From time to time, in the ordinary course of business, certain customers may default on their payment. Such events may arise due to the inherent risk from its customers' business, risk pertaining to the political, economic, social and legal environment of its customers' jurisdiction and foreign exchange risk. In the event that the Group's customers default on their payments, the Group would have to make allowances for doubtful debts or incur write-offs, which will have an adverse impact on its profitability.

### ***The Group may be affected by foreign exchange exposure***

The purchases of the Group are mainly denominated in US\$ and its sales are mainly denominated in S\$. As a result, the Group is exposed to fluctuations in foreign exchange rates. For FY2006, approximately 80% of its total purchases were made in US\$, whilst approximately 90% and 10% of its total sales were denominated in S\$ and US\$ respectively. Hence, the Group may be exposed to any significant fluctuation of the US\$.

### ***The Group is affected by cyclical movements in the industries that its customers operate in, in particular, the marine, construction and engineering industries***

Although the Group is not overly dependent on any one customer, for the last three financial years ended 30 September 2006, the bulk of its revenue was derived from customers engaged in marine, construction and engineering industries. From time to time, different industries experience slowdown due to cyclical fluctuations or a decline in the general economic conditions. The Group expects the cyclical trends to continue in the future. In the event that there is a downturn in the industries that its customers operate, the demand for the steel products and services could decline, and this will materially and adversely affect its operating results.

- 10. Where a profit forecast is disclosed, state the extent to which projected sales or revenues are based on secured contracts or orders, and the reasons for expecting to achieve the projected sales or revenues and profit, and discuss the impact of any likely change in business and operating conditions on the forecast.**

No profit forecast is disclosed in this Offer Information Statement.

- 11. Where a profit forecast or profit estimate is disclosed, state all principal assumptions, if any, upon which the directors or equivalent persons of the relevant entity have based their profit forecast or profit estimate, as the case may be.**

No profit forecast or profit estimate is disclosed in this Offer Information Statement.

- 12. Where a profit forecast is disclosed, include a statement by an auditor of the relevant entity as to whether the profit forecast is properly prepared on the basis of the assumptions referred to in paragraph 11 of this Part, is consistent with the accounting policies adopted by the relevant entity, and is presented in accordance with the accounting standards adopted by the relevant entity in the preparation of its financial statements.**

No profit forecast is disclosed in this Offer Information Statement.

- 13. Where the profit forecast disclosed is in respect of a period ending on a date not later than**

the end of the current financial year of the relevant entity, provide in addition to the statement referred to in paragraph 12 of this Part —

- (a) a statement by the issue manager to the offer, or any other person whose profession or reputation gives authority to the statement made by him, that the profit forecast has been stated by the directors or equivalent persons of the relevant entity after due and careful enquiry and consideration; or
- (b) a statement by an auditor of the relevant entity, prepared on the basis of his examination of the evidence supporting the assumptions referred to in paragraph 11 of this Part and in accordance with the Singapore Standards on Auditing or such other auditing standards as may be approved in any particular case by the Authority, to the effect that no matter has come to his attention which gives him reason to believe that the assumptions do not provide reasonable grounds for the profit forecast.

No profit forecast is disclosed in this Offer Information Statement.

**14. Where the profit forecast disclosed is in respect of a period ending on a date after the end of the current financial year of the relevant entity, provide in addition to the statement referred to in paragraph 12 of this Part —**

- (a) a statement by the issue manager to the offer, or any other person whose profession or reputation gives authority to the statement made by him, prepared on the basis of his examination of the evidence supporting the assumptions referred to in paragraph 11 of this Part, to the effect that no matter has come to his attention which gives him reason to believe that the assumptions do not provide reasonable grounds for the profit forecast; or
- (b) a statement by an auditor of the relevant entity, prepared on the basis of his examination of the evidence supporting the assumptions referred to in paragraph 11 of this Part and in accordance with the Singapore Standards on Auditing or such other auditing standards as may be approved in any particular case by the Authority, to the effect that no matter has come to his attention which gives him reason to believe that the assumptions do not provide reasonable grounds for the profit forecast.

No profit forecast is disclosed in this Offer Information Statement.

### **Significant Changes**

**15. Disclose any event that has occurred from the end of —**

- (a) the most recent completed financial year for which financial statements have been published; or
- (b) if interim financial statements have been published for any subsequent period, that period,

to the latest practicable date which may have a material effect on the financial position and results of the relevant entity or, if it is the holding company or holding entity of a group, the group, or, if there is no such event, provide an appropriate negative statement.

Save as disclosed in this Offer Information Statement and in all public announcements made by the Company, the Directors are not aware of any event which has occurred since 1 April 2007 up to the Latest Practicable Date which may have a material effect on the financial position and results of the Group from that set forth in its unaudited consolidated interim financial statements for HY2007.

### **Meaning of "published"**

**16. In this Part, "published" includes publications in a prospectus, in an annual report or on the**

**SGXNET.**

**PART VI: THE OFFER AND LISTING**

**Offer and Listing Details**

1. **Indicate the price at which the securities are being offered and the amount of any expense specifically charged to the subscriber or purchaser. If it is not possible to state the offer price at the date of lodgment of the offer information statement, the method by which the offer price is to be determined must be explained.**

Placement Price : S\$0.52 per Placement Share.

A commission of 3.75% of the Placement Price (and GST thereon, if applicable) is payable by the Company to the Placement Agent for each Placement Share subscribed for.

Subscribers of the Placement Shares may be required to pay a brokerage fee of up to 1.0% of the Placement Price (and GST thereon, if applicable) to the Placement Agent.

No expense incurred by the Company in respect of the Placement will be specifically charged to the Placement Agent or the Subscribers to be procured by the Placement Agent.

2. **If there is no established market for the securities being offered, provide information regarding the manner of determining the offer price, the exercise price or conversion price, if any, including the person who establishes the price or is responsible for the determination of the price, the various factors considered in such determination and the parameters or elements used as a basis for determining the price.**

Not applicable.

3. **If —**

(a) **any of the relevant entity's shareholders or equity interest-holders have pre-emptive rights to subscribe for or purchase the securities being offered; and**

(b) **the exercise of the rights by the shareholder or equity interest-holder is restricted, withdrawn or waived,**

**indicate the reasons for such restriction, withdrawal or waiver, the beneficiary of such restriction, withdrawal or waiver, if any, and the basis for the offer price.**

Not applicable.

4. **If securities of the same class as those securities being offered are listed for quotation on any securities exchange —**

(a) **in a case where the first-mentioned securities have been listed for quotation on the securities exchange for at least 12 months immediately preceding the latest practicable date, disclose the highest and lowest market prices of the first-mentioned securities —**

(i) **for each of the 12 calendar months immediately preceding the calendar month in which the latest practicable date falls; and**

(ii) **for the period from the beginning of the calendar month in which the latest practicable date falls to the latest practicable date; or**

The highest and lowest traded prices and the volume of the Shares traded on the SGX-ST during each of the last 12 calendar months immediately preceding the Latest Practicable Date and for the period from 1 July 2007 to the Latest Practicable Date are as follows:

Month	Price Range		Volume of Shares Traded
	High (S\$)	Low (S\$)	
July 2006	0.3850	0.3400	4,738,000
August 2006	0.3700	0.3500	1,771,000
September 2006	0.3650	0.3450	2,398,000
October 2006	0.4100	0.3650	5,477,000
November 2006	0.5150	0.3850	52,748,000
December 2006	0.4800	0.4350	21,234,000
January 2007	0.5800	0.4600	64,264,000
February 2007	0.5600	0.3500	19,758,000
March 2007	0.4100	0.3300	17,388,000
April 2007	0.4600	0.4000	63,180,000
May 2007	0.5050	0.4250	127,321,000
June 2007	0.4900	0.4400	85,705,000
1 July 2007 to the Latest Practicable Date	0.5700	0.4650	162,438,000

Month	Adjusted Price Range <sup>(1)</sup>		Adjusted Volume of Shares Traded <sup>(1)</sup>
	High (S\$)	Low (S\$)	
July 2006	0.3157	0.2788	5,777,303
August 2006	0.3034	0.2870	2,159,477
September 2006	0.2993	0.2829	2,924,013
October 2006	0.3362	0.2993	6,678,407
November 2006	0.4224	0.3157	64,318,531
December 2006	0.3937	0.3567	25,891,781
January 2007	0.4757	0.3772	78,360,621
February 2007	0.4593	0.3500	21,327,703
March 2007	0.4100	0.3300	17,388,000
April 2007	0.4600	0.4000	63,180,000
May 2007	0.5050	0.4250	127,321,000
June 2007	0.4900	0.4400	85,705,000



Month	Adjusted Price Range <sup>(1)</sup>		Adjusted Volume of Shares Traded <sup>(1)</sup>
	High (S\$)	Low (S\$)	
1 July 2007 to the Latest Practicable Date	0.5700	0.4650	162,438,000

Source: Bloomberg L. P. <sup>(2)</sup>

**Notes:**

- (1) The share prices and volume as downloaded from Bloomberg L.P. have been adjusted retrospectively for the months of February 2007 and prior thereto by Bloomberg L. P. for the effects of the Rights Issue.
- (2) Bloomberg L.P. has not consented to the inclusion of the price range and volume traded of the Shares quoted under this paragraph for the purposes of section 249 of the Securities and Futures Act and is therefore not liable for such information under Sections 253 and 254 of the Securities and Futures Act. The Company has included the above price range in their proper form and context in this Offer Information Statement and has not verified the accuracy of such information.

**(b) in a case where the first-mentioned securities have been listed for quotation on the securities exchange for less than 12 months immediately preceding the latest practicable date, disclose the highest and lowest market prices of the first-mentioned securities —**

- (i) for each calendar month immediately preceding the calendar month in which the latest practicable date falls; and
- (ii) for the period from the beginning of the calendar month in which the latest practicable date falls to the latest practicable date;

Not applicable, as the Shares have been listed for quotation on the SGX-ST for more than 12 months immediately preceding the Latest Practicable Date.

**(c) disclose any significant trading suspension that has occurred on the securities exchange during the 3 years immediately preceding the latest practicable date or, if the securities have been listed for quotation for less than 3 years, during the period from the date on which the securities were first listed to the latest practicable date; and**

No significant trading suspension of the Shares has occurred on the SGX-ST during the three years immediately preceding the Latest Practicable Date.

**(d) disclose information on any lack of liquidity, if the securities are not regularly traded on the securities exchange.**

Please refer to paragraph 4(a) of the section entitled "The Offer and Listing" of this Offer Information Statement for the volume of Shares traded during each of the last 12 calendar months immediately preceding the Latest Practicable Date and for the period from 1 July 2007 to the Latest Practicable Date.

**5. Where the securities being offered are not identical to the securities already issued by the relevant entity, provide —**

- (a) a statement of the rights, preferences and restrictions attached to the securities being offered; and
- (b) an indication of the resolutions, authorisations and approvals by virtue of which the

**entity may create or issue further securities, to rank in priority to or *pari passu* with the securities being offered.**

Not applicable. The Placement Shares will be sold free from any and all claims, charges, liens, mortgages, securities, pledges, equities, encumbrances or any other interests whatsoever and rank *pari passu* in all respects with the Shares existing as at the date of issue of the Placement Shares except for any dividends, distributions or entitlements the record date of which falls before such date of issue.

#### **Plan of Distribution**

- 6. Indicate the amount, and outline briefly the plan of distribution, of the securities that are to be offered otherwise than through underwriters. If the securities are to be offered through the selling efforts of any broker or dealer, describe the plan of distribution and the terms of any agreement or understanding with such entities. If known, identify each broker or dealer that will participate in the offer and state the amount to be offered through each broker or dealer.**

Pursuant to the Placement Agreement, the Placement Agent has agreed to subscribe and/or procure subscriptions and payment for the Placement Shares on a best endeavours basis. Under the terms of the Placement Agreement, the Company will pay to the Placement Agent a commission of 3.75% of the Placement Price for each Placement Share subscribed for.

Pursuant to the Placement Agreement, the Placement Agent has undertaken, *inter alia*, that it will not offer or sell or procure subscriptions or make an invitation for or in respect of the Placement Shares to or by any person who (to the best of such Placement Agent's knowledge, information and belief and after having made due and careful enquiries) falls within Rule 812(1) of the Listing Manual unless such subscription is otherwise agreed to by the SGX-ST.

- 7. Provide a summary of the features of the underwriting relationship together with the amount of securities being underwritten by each underwriter.**

Not applicable.

#### **PART VII: ADDITIONAL INFORMATION**

##### **Statements by Experts**

- 1. Where a statement or report attributed to a person as an expert is included in the offer information statement, provide such person's name, address and qualifications.**

No statement or report attributed to an expert is included in this Offer Information Statement.

- 2. Where the offer information statement contains any statement (including what purports to be a copy of, or extract from, a report, memorandum or valuation) made by an expert —**

- (a) state the date on which the statement was made;**
- (b) state whether or not it was prepared by the expert for the purpose of incorporation in the offer information statement; and**
- (c) include a statement that the expert has given, and has not withdrawn, his written consent to the issue of the offer information statement with the inclusion of the statement in the form and context in which it is included in the offer information statement.**

Not applicable.

- 3. The information referred to in paragraph 1 and 2 of this Part need not be provided in the offer**

information statement if the statement attributed to the expert is a statement to which the exemption under regulation 26(2) or (3) applies.

Not applicable.

#### **Consents from Issue Managers and Underwriters**

4. Where a person is named in the offer information statement as the issue manager or underwriter (but not a sub-underwriter) to the offer, include a statement that the person has given, and has not withdrawn, his written consent to being named in the offer information statement as the issue manager or underwriter, as the case may be, to the offer.

Not applicable.

#### **Other Matters**

5. Include particulars of any other matters not disclosed under any other paragraph of this Schedule which could materially affect, directly or indirectly —

- (a) the relevant entity's business operations or financial position or results; or
- (b) investments by holders of securities in the relevant entity.

Save as disclosed in this Offer Information Statement, the Directors are not aware of any other matter which could materially affect, directly or indirectly, the Group's business operations, financial position, or results or investments by holders of securities in the Company.

#### **PART VIII: ADDITIONAL INFORMATION REQUIRED FOR OFFER OF DEBENTURES OR UNITS OF DEBENTURES**

Not applicable.

#### **PART IX: ADDITIONAL INFORMATION REQUIRED FOR CONVERTIBLE DEBENTURES**

Not applicable.

#### **PART X: ADDITIONAL INFORMATION REQUIRED FOR OFFER OF SECURITIES BY WAY OF RIGHTS ISSUE**

Not applicable.

The Directors collectively and individually accept responsibility for the accuracy of the information given in this Offer Information Statement and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, the facts stated and opinions expressed in this Offer Information Statement are fair and accurate in all material respects as at the date of this Offer Information Statement and there are no material facts the omission of which would make any statement in this Offer Information Statement misleading in any material respect. Where information has been extracted or reproduced from published or otherwise publicly available sources, the sole responsibility of the Directors has been to ensure through reasonable enquiries that such information is accurately extracted from such sources or, as the case may be, reflected or reproduced in this Offer Information Statement.

For and on behalf of **HG METAL MANUFACTURING LIMITED**

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Tan Chan Too  
Executive Chairman

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Wee Piew  
Chief Executive Officer

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Lee Leng Loke  
Executive Director

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Tan Ah Bee  
Executive Director

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Sia Ling Sing  
Non-executive Director

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Gui Kim Young @ Gui Kim Gan  
Independent Director

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Ooi Seng Soon  
Independent Director

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Poon Hon Thang Samuel  
Independent Director

Dated this      day of July 2007