



# HG METAL MANUFACTURING LIMITED

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

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## PROPOSED PLACEMENT OF UP TO 50,130,000 NEW SHARES TO RAISE PLACEMENT CONSIDERATION OF UP TO S\$13.33 MILLION

- ENTRY INTO CONDITIONAL PLACEMENT AGREEMENT

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### 1. INTRODUCTION

- 1.1 The Board of Directors ("**Board**" or "**Directors**") of HG Metal Manufacturing Limited ("**Company**" and together with the subsidiaries of the Company, "**Group**") wishes to announce that the Company has on 25 March 2024 entered into a conditional placement agreement ("**Placement Agreement**") with Green Esteel Pte. Ltd. ("**Esteel**" or "**Subscriber**"), in relation to a proposed placement of ordinary shares ("**Shares**") in the Company over two tranches ("**Proposed Placement**") (the Company and Esteel are collectively referred to as "**Parties**" and individually a "**Party**").
- 1.2 Esteel will subscribe for 16,130,000 new Shares ("**First Tranche Placement Shares**") on the First Tranche Completion Date (as defined below) and for 34,000,000 new Shares ("**Second Tranche Placement Shares**") on the Second Tranche Completion Date (as defined below) (collectively, "**Placement Shares**"), at an issue price of S\$0.266 per Placement Share ("**Placement Price**"), which will amount to a cash consideration of up to S\$13,334,580 ("**Placement Consideration**"), subject to conditions applicable to each tranche as further described in Paragraph 3 below. Esteel is subscribing for the Placement Shares as principal and for his own benefit.
- 1.3 The Proposed Placement is intended to be undertaken by way of an exempt offering in Singapore in accordance with Section 275 of the Securities and Futures Act 2001 of Singapore. As such, no prospectus or offer information statement will be issued by the Company in connection with the Proposed Placement.
- 1.4 Pursuant to Rules 803, 805(1) and 812(2) of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Company will be seeking specific approval of the shareholders of the Company for the Proposed Placement (as may be necessary) at an extraordinary general meeting to be convened ("**EGM**").

### 2. THE SUBSCRIBER

#### 2.1 Esteel

As at the date of this Announcement, Esteel is a substantial shareholder of the Company, holding 8,010,000 Shares. Esteel, a private company limited by shares incorporated under the laws of Singapore, is engaged in the business of investment holding, and is majority controlled by Mr. You Zhenhua ("**Mr. You**", a Singapore businessman).

The current shareholders of Esteel are Mr. You, Advance Venture Investments Limited (a company incorporated under the laws of the British Virgin Islands), Theme International Holdings Limited (a company incorporated under the laws of Bermuda), T&J Industrial Holding Limited (a company incorporated under the laws of Hong Kong), Nuocheng International Trading & Investment Pte. Ltd. (a company incorporated under the laws of Singapore), ZNL Holdings Ltd (a company incorporated under the laws of the Marshall Islands), Mr. Yang Jiangyong and Jianyou International Trade Co., Limited (a company incorporated under the laws of Hong Kong).

The directors of Esteel as at the date of this announcement are Mr. You, Mr. Jiang Hairong and Mr. Wu Lei.

Advance Venture Investments Limited is a special purpose vehicle of Mr. You and is primarily engaged in the business of investment holding. Theme International Holdings Limited is listed on the Stock Exchange of Hong Kong Limited, and is majority owned by Wide Bridge Limited, with the balance owned by public shareholders. Wide Bridge Limited is in turn 100% beneficially owned by Mr You.

Among its investments, Esteel holds a majority interest in the shares of BRC Asia Limited ("BRC"), which is listed on the Mainboard of the SGX-ST. BRC has been supplying raw materials, commodities and intermediate goods, comprising steel, steel products, steel-related products and steel by-products to the Company since 2008, and is currently one of its main suppliers.

None of Esteel, its directors and shareholders, or its respective associates (as defined in the Listing Manual) is related to and/or has any business relationship with the Directors or substantial shareholders of the Company, save that: (i) BRC and its subsidiaries are one of the Group's main suppliers in the ordinary course of business; and (ii) Ms. Xiao Xia, the Executive Director and Chief Executive Officer of the Company, was previously a commodities trader employed by companies related to Esteel and Mr. You. Ms. Xiao Xia left her previous employment on good terms in 2023, and had since ceased any involvement whatsoever in the business activities of those entities. Leveraging her extensive experience and knowledge in the steel related businesses, she invested in the Company in March 2023, becoming its Executive Director and Chief Executive Officer.

The Board had invited Esteel to consider making an investment in the Company, taking into consideration Esteel's strong financials, sizeable steel industry-related investments and extensive business connections, which are value propositions for the Company.

## **2.2 Other Information**

The Company did not appoint any placement agent for the purposes of the Proposed Placement, and no commission, fee or other selling or promotional expenses is payable or incurred by the Company in connection with the Proposed Placement, other than those incurred for administrative or professional services.

## **3. PRINCIPAL TERMS OF THE PROPOSED PLACEMENT**

### **3.1 Placement Price**

The Placement Price represents a discount of approximately 5.0% to the volume weighted average price of S\$0.280 per share based on trades done on the SGX-ST on 19 March 2024, being the date of the full market day on which Shares were last traded preceding the date the Placement Agreement was signed.

The Placement Price was commercially agreed between the Company and Esteel after arm's length negotiations and taking into account the financial and operating performance of the Group, prevailing share trading and market conditions, and future prospects of the Group.

### **3.2 Share Capital of the Company**

As at the date of this announcement, the Company has an issued share capital comprising 150,356,441 Shares (excluding treasury shares and subsidiary holdings). Save for the foregoing, there are no outstanding securities issued by the Company which are convertible or exchangeable for, or warrants, rights or options to purchase shares in the capital of the Company.

On First Tranche Completion (as defined below), the First Tranche Placement Shares will represent, and Esteel will hold, approximately 14.5% of the issued Shares on an enlarged basis.

On Second Tranche Completion (as defined below), assuming there is no other change to the share capital of the Company (save for the First Tranche Completion), the Second Tranche Placement Shares will represent approximately 14.5% of the issued Shares on an enlarged basis and Esteel will hold approximately 29.0% of the issued Shares on an enlarged basis.

### 3.3 First Tranche Completion

Completion of the subscription of the First Tranche Placement Shares ("**First Tranche Completion**") is conditional upon the satisfaction or waiver (as applicable) of the following:

- (a) the allotment and issuance of the First Tranche Placement Shares not resulting in Esteel (taking into account its existing interests in the Company) having a resultant interest of more than 14.5% of the total number of Shares on a fully diluted and enlarged basis (which, for the avoidance of doubt, shall take into account the First Tranche Placement Shares), unless otherwise agreed by the Parties and in which case, the Parties shall ensure compliance with all applicable laws and regulations;
- (b) approval of shareholders of the Company for the Proposed Placement and such other transaction contemplated in connection with the Placement Agreement as may be required under the Listing Manual being obtained at the extraordinary general meeting of the Company to be convened;
- (c) such regulatory approvals (including approvals from the SGX-ST, the Monetary Authority of Singapore and/or the Securities Industry Council) as may be required for the transactions described in the Placement Agreement ("**Regulatory Approvals**") in relation to the First Tranche Completion being obtained, and not withdrawn or amended, on or before the date falling three business days following the date on which the last of the conditions precedents set out in this Paragraph 3.3 is satisfied or waived ("**First Tranche Completion Date**") (or such other date as the Parties may agree in writing) and the compliance in full, to the satisfaction of all the relevant authorities granting such Regulatory Approvals, of all conditions (if any) attaching or in relation thereto, provided that such conditions are reasonably acceptable to the Parties;
- (d) without prejudice to the generality of the Regulatory Approvals for the First Tranche Completion, the approval granted by the SGX-ST for the dealing in, listing of and quotation for the Placement Shares on the SGX-ST ("**Listing Approval**") having been obtained, and where such Listing Approval is subject to any conditions, (i) such conditions being reasonably acceptable to the Parties, and (ii) if such conditions are required to be fulfilled on or before First Tranche Completion, such conditions having been fulfilled on or before such date and the aforesaid approval remaining in full force and effect as of First Tranche Completion;
- (e) the First Tranche Completion not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Placement Agreement by any legislative, executive or regulatory body or authority of Singapore which is applicable to any Party; and
- (f) the representations, warranties and undertakings by each Party remaining true and correct in all material respects and each of them having performed all of its obligations hereunder to be performed on or before First Tranche Completion.

In the event that any of the aforementioned conditions precedent is not satisfied or waived in accordance with the Placement Agreement on or before 24 December 2024 (or such later date as the Parties agree in writing), the Placement Agreement will terminate.

### 3.4 Second Tranche Completion

Completion of the subscription of the Second Tranche Placement Shares ("**Second Tranche Completion**") is conditional upon the satisfaction or waiver (as applicable) of the following:

- (a) the allotment and issuance of the Second Tranche Placement Shares not resulting in Esteel (taking into account its existing interests in the Company) having a resultant interest of more than 29.0% of the total number of Shares on a fully diluted and enlarged basis (which, for the avoidance of doubt, shall take into account the Second Tranche Placement Shares), unless otherwise agreed by the Parties and in which case, the Parties shall ensure compliance with all applicable laws and regulations;
- (b) such Regulatory Approvals in relation to the Second Tranche Completion being obtained, and not withdrawn or amended, on or before the date falling three business days following the date on which the last of the conditions precedents set out in this Paragraph 3.4 is satisfied or waived ("**Second Tranche Completion Date**") (or such other date as the Parties may agree in writing) and the compliance in full, to the satisfaction of all the relevant authorities granting such Regulatory Approvals, of all conditions (if any) attaching or in relation thereto, provided that such conditions are reasonably acceptable to the Parties;
- (c) without prejudice to the generality of the Regulatory Approvals in relation to the Second Tranche Completion, any approvals, clearances, consents, authorisations, exemptions and/or waivers from the Competition and Consumer Commission of Singapore ("**CCCS**") that the placement of the Second Tranche Placement Shares does not infringe Section 54 of the Competition Act 2004 of Singapore ("**Competition Act**") as may be necessary or appropriate in connection with the placement of the Second Tranche Placement Shares been obtained and remaining in full force and effect as at Second Tranche Completion Date. This condition will be deemed fulfilled if CCCS declines to accept an application for decision pursuant to Section 57 of the Competition Act, or decides not to give a decision, on the basis that the placement of the Second Tranche Placement Shares does not constitute a merger pursuant to Section 54 of the Competition Act;
- (d) the Listing Approval remaining in full force and effect as of Second Tranche Completion;
- (e) the Second Tranche Completion not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Placement Agreement by any legislative, executive or regulatory body or authority of Singapore which is applicable to any Party; and
- (f) the representations, warranties and undertakings by each Party remaining true and correct in all material respects and each of them having performed all of its obligations hereunder to be performed on or before Second Tranche Completion.

In the event that any of the aforementioned conditions precedent is not satisfied or waived in accordance with the Placement Agreement on or before 24 December 2024 (or such later date as the Parties agree in writing), the Placement Agreement will terminate in respect of the Parties' obligations relating to the Second Tranche Completion and the Parties will not have any obligation to proceed with the same.

### 3.5 Esteel's rights following Second Tranche Completion

Subject to Second Tranche Completion taking place and for the duration commencing from the Second Tranche Completion Date until Esteel ceases to hold more than 15% of interests (directly and indirectly) in the Company, the Company undertakes to, and agrees with, Esteel that, subject to applicable laws and guidelines (including the Code of Corporate Governance 2018 of Singapore):

- (a) it shall seek the prior written approval of Esteel (not to be unreasonably withheld, and which shall be deemed obtained if Esteel does not respond in writing to object within three (3) business days) before resolutions are proposed at any meeting of the Company's board of directors in respect of any of the following matters:
  - (i) the adoption of, or the approval of any amendments to, the annual business plan and operating budget of the Company; and
  - (ii) the approval of any expansion plan of the Company or any merger and acquisition involving the Company and/or any of its subsidiaries; and
- (b) Esteel shall at all times have the right to appoint a nominee director onto, and remove such nominee from, the Board of the Company, provided that the Board (excluding such nominee director) shall always have the right to require Esteel to remove such nominee, if appointed, and Esteel shall comply with such request promptly.

### 3.6 Moratorium over Placement Shares

As demonstration of its confidence and conviction in the Company, Esteel has further undertaken to observe a moratorium of 24 months from the date commencing on the later of: (i) the First Tranche Completion Date, or (ii) (if applicable) the Second Tranche Completion Date (both dates inclusive) ("**Moratorium Period**") whereby Esteel shall not sell, transfer or otherwise dispose of any of its interests in the Placement Shares during the Moratorium Period.

## 4. RATIONALE AND USE OF PROCEEDS

- 4.1 Shareholders may refer to the announcement of the Company dated 12 January 2024 on the use of proceeds of approximately S\$6.89 million from the issue of an aggregate of 25,059,406 Shares pursuant to the placement announced by the Company on 31 August 2023 and completed on 19 September 2023. In connection with the foregoing, the Company has decided to undertake the Proposed Placement to increase resources available to the Company for its operational needs, reduce the Group's dependence on debt financing and further strengthen the Group's financial position.
- 4.2 The Proposed Placement will provide funds for expansion opportunities the Group is looking into. The Proposed Placement will result in an injection of funds into the Company to fund capital expenditures for the growth of the Group's business and for general working capital purposes as well as other business expansion needs. The Company will also tap on Esteel for strategic business opportunities which are aligned to the business operations of the Group.
- 4.3 The estimated net proceeds of the Proposed Placement is approximately S\$13.15 million ("**Placement Proceeds**"), representing approximately 98.65% of the estimated gross proceeds of the Proposed Placement, which will be applied to fund capital expenditures for the growth of the Group's business and for general working capital purposes as well as other business expansion needs, with the balance applied towards estimated fees and expenses (including listing and application fees, professional fees and other miscellaneous expenses) of approximately S\$180,000.
- 4.4 The Company will make periodic announcements on the use of the Placement Proceeds as and when the proceeds are materially disbursed and provide a status report on the use of the Placement Proceeds in the Company's financial results announcements and annual reports. The Company will disclose a breakdown with specific details on the use of the Placement Proceeds in such announcements and annual reports.

## 5. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED PLACEMENT

5.1 The pro forma financial effects of the Proposed Placement on the Company's share capital and the Group's net tangible assets ("NTA") per Share and loss per Share ("LPS") as set out below are strictly for illustrative purposes and are not indicative of the actual financial position and results of the Group following First Tranche Completion and Second Tranche Completion.

5.2 The pro forma financial effects have been prepared based on the audited financial results of the Group for the financial year ended 31 December 2023, on the following bases and assumptions

- (a) the Placement Shares are fully placed out;
- (b) the Proposed Placement had been completed on 31 December 2023 for the purpose of illustrating the financial effects on the NTA;
- (c) the Proposed Placement had been completed on 1 January 2023 for the purpose of illustrating the financial effects on the LPS;
- (d) the share capital of the Company as at the date of this announcement comprising 150,356,441 Shares (excluding treasury shares and subsidiary holdings); and
- (e) the fees and expenses incurred in connection with the Proposed Placement amount to S\$180,000.

### 5.3 Share capital

	Number of Shares (excluding treasury shares and subsidiary holdings)
Before the Proposed Placement	150,356,441
After First Tranche Completion	166,486,441
After Second Tranche Completion	200,486,441

### 5.4 NTA per Share

Assuming that the Proposed Placement had been completed on 31 December 2023, the pro forma financial effects on the Group's NTA per Share would be as follows:

	Before First Tranche Completion	After First Tranche Completion	After Second Tranche Completion
NTA attributable to shareholders <sup>(1)</sup> (S\$'000)	107,501	111,612	120,656
Number of Shares (excluding treasury shares and subsidiary holdings)	150,356,441	166,486,441	200,486,441
NTA per Share (Singapore cents)	71.50	67.04	60.18

Note:

- (1) NTA means total assets less the sum of total liabilities and intangible assets (net of non-controlling interests).

## 5.5 LPS

Assuming that the Proposed Placement had been completed on 1 January 2023, the pro forma financial effects on the Group's LPS would be as follows:

	Before First Tranche Completion	After First Tranche Completion	After Second Tranche Completion
Loss after income tax attributable to shareholders (S\$'000)	(1,018)	(1,198)	(1,198)
Weighted average number of Shares (excluding treasury shares and subsidiary holdings)	132,684,778	148,814,778	182,814,778
LPS (Singapore cents)	(0.77)	(0.81)	(0.66)

## 6. CIRCULAR TO SHAREHOLDERS AND ADDITIONAL LISTING APPLICATION

The Company will be seeking specific Shareholders' approval for the Proposed Placement (as may be necessary) at the EGM and further details of the Proposed Placement will be provided in a circular that will be despatched to shareholders of the Company in due course. The Company will be applying to the SGX-ST for the dealing in, listing of and quotation for the Placement Shares on the SGX-ST Mainboard and will make the necessary announcement upon receipt of the approval in-principle by the SGX-ST for the listing of and quotation for the Placement Shares on the SGX-ST.

## 7. DOCUMENT FOR INSPECTION

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

## 8. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as disclosed in paragraph 2.1 above, none of the directors or substantial shareholders of the Company has any interest, whether direct or indirect, in the Proposed Placement save for their direct or indirect interests (if any) arising by way of their shareholdings and/or directorships, as the case may be, in the Company.

## 9. RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm, after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Placement (other than information relating to Esteel) and the Group, and the Directors are not aware of any facts, the omission

of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

**10. CAUTION AND FURTHER ANNOUNCEMENTS**

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

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

**BY ORDER OF THE BOARD**

Xiao Xia  
Executive Director and Chief Executive Officer

25 March 2024