

**CIRCULAR DATED 3 OCTOBER 2017**

**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.**

**This Circular is issued by the Company. If you are in any doubt as to the contents herein or as to the course of action you should take, you should consult your stockbroker, bank manager, solicitor, accountant, tax adviser or any other professional adviser(s) immediately.**

If you have sold or transferred all your shares in the capital of the Company, you should immediately forward this Circular together with the accompanying Notice of Extraordinary General Meeting and the attached Proxy Form, to the purchaser or the transferee or to the bank, stockbroker or agent through whom you effected the sale or transfer, for onward transmission to the purchaser or transferee.

**This Circular has not been examined or approved by the SGX-ST. The SGX-ST assumes no responsibility for the correctness of any of the statements made, reports contained or opinions expressed in this Circular.**



## **HG METAL MANUFACTURING LIMITED**

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

### **CIRCULAR TO SHAREHOLDERS**

#### **IN RELATION TO**

- (1) PROPOSED DISPOSAL OF 42,145,518 BRC ASIA SHARES HELD BY THE COMPANY;  
AND**
- (2) PROPOSED CAPITAL REDUCTION AND PROPOSED CASH DISTRIBUTION TO  
SHAREHOLDERS SUBJECT TO AND UPON COMPLETION OF THE PROPOSED  
DISPOSAL**

#### **IMPORTANT DATES AND TIMES**

Last date and time for lodgement of Proxy Form	:	23 October 2017 at 3.30 p.m.
Date and time of Extraordinary General Meeting	:	25 October 2017 at 3.30 p.m.
Place of Extraordinary General Meeting	:	Orchid Room, 15 Jurong Port Road, Singapore 619119

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## DEFINITIONS

In this Circular, the following definitions apply throughout unless otherwise stated or the context otherwise requires:

<b>“9MFY”</b>	:	Nine month period ended 30 September
<b>“Accumulated Losses”</b>	:	Has the meaning defined in Section 1.1(b) of this Circular
<b>“ACRA”</b>	:	Accounting and Corporate Regulatory Authority of Singapore
<b>“Agreement”</b>	:	The conditional agreement dated 9 September 2017 entered into between the Company as vendor and the Purchaser as purchaser in relation to the disposal of the Sale Shares
<b>“Board”</b>	:	Board of Directors of the Company
<b>“Books Closure Date”</b>	:	A date to be determined by the Directors on which the transfer books and Register of Members of the Company will be closed for the purpose of determining the entitlements of Shareholders under the Proposed Cash Distribution
<b>“BRC Asia”</b>	:	BRC Asia Limited
<b>“BRC Asia Group”</b>	:	BRC Asia and its subsidiaries
<b>“BRC Asia Shares”</b>	:	Ordinary shares in the capital of BRC Asia
<b>“Capital Reduction Resolution”</b>	:	The special resolution in relation to the Proposed Capital Reduction to be approved by the Shareholders at the EGM
<b>“Cash Distribution Amount”</b>	:	Has the meaning defined in Section 1.1(b) of this Circular
<b>“CDP”</b>	:	The Central Depository (Pte) Limited
<b>“Circular”</b>	:	This circular dated 3 October 2017 to Shareholders
<b>“Companies Act”</b>	:	The Companies Act (Chapter 50 of Singapore), as amended or modified from time to time
<b>“Company”</b>	:	HG Metal Manufacturing Limited
<b>“Directors”</b>	:	The directors of the Company
<b>“Effective Date”</b>	:	Has the meaning defined in Section 3.8 of this Circular
<b>“EGM”</b>	:	The extraordinary general meeting of the Company to be held on 25 October 2017 at 3.30 p.m., notice of which is set out on page 25 of this Circular
<b>“Entitled Shareholders”</b>	:	Has the meaning defined in Section 3.9 of this Circular

<b>“EPS”</b>	:	Earnings per Share
<b>“Expected Payment Date”</b>	:	Has the meaning defined in Section 3.9 of this Circular
<b>“FY”</b>	:	Financial year ended 31 December
<b>“FY2016 Financial Statements”</b>	:	The audited consolidated financial statements of the Group for FY2016
<b>“Group”</b>	:	The Company and its subsidiaries
<b>“Latest Practicable Date”</b>	:	28 September 2017, being the latest practicable date prior to the printing of this Circular
<b>“Listing Manual”</b>	:	The listing manual of the SGX-ST, as amended or modified from time to time
<b>“Market Day”</b>	:	A day on which the SGX-ST is open for trading in securities
<b>“Notice of EGM”</b>	:	The notice of EGM which is set out on page 25 of this Circular
<b>“NTA”</b>	:	Net tangible assets
<b>“Offer”</b>	:	Has the meaning defined in Section 1.1 of this Circular
<b>“Ordinary Resolution”</b>	:	Has the meaning defined in Section 1.2(a) of this Circular
<b>“Proposed Capital Reduction”</b>	:	Has the meaning defined in Section 1.1(b) of this Circular
<b>“Proposed Cash Distribution”</b>	:	The proposed cash distribution to Shareholders of the Company at S\$0.105 per Share as at the Books Closure Date amounting to an aggregate distribution of approximately S\$13,378,862.18
<b>“Proposed Disposal”</b>	:	The sale by the Company of the Sale Shares to the Purchaser pursuant to the Agreement, the terms of which are set out in Section 2 of this Circular
<b>“Purchase Consideration”</b>	:	the aggregate purchase consideration of S\$38,984,604.15 in respect of the Sale Shares (amounting to S\$0.925 per Sale Share)
<b>“Purchaser”</b>	:	Estee Enterprise Pte. Ltd.
<b>“Register of Members”</b>	:	The register of members of the Company

<b>“Relevant Intermediary”</b>	:	<p>Shall have the meaning ascribed to it in Section 181(6) of the Companies Act, being:</p> <p>(a) a banking corporation licensed under the Banking Act (Chapter 19 of Singapore) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;</p> <p>(b) a person holding a capital markets services licence to provide custodial services for securities under the SFA and who holds shares in that capacity; or</p> <p>(c) the Central Provident Fund Board established by the Central Provident Fund Act (Chapter 36 of Singapore), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Central Provident Fund Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation</p>
<b>“Relevant Period”</b>	:	The 12 months ended 31 August 2017
<b>“Sale Shares”</b>	:	42,145,518 BRC Asia Shares held by the Company, representing approximately 22.62% of the existing issued shares of BRC Asia (excluding treasury Shares)
<b>“Securities Account”</b>	:	A securities account maintained by a depositor with CDP but does not include a securities sub-account maintained with a depository agent
<b>“SFA”</b>	:	The Securities and Futures Act (Chapter 289 of Singapore), as amended or modified from time to time
<b>“SGXNET”</b>	:	The SGXNET Corporate Announcement System, being a network used by listed companies to send information and announcements to the SGX-ST
<b>“SGX-ST”</b>	:	The Singapore Exchange Securities Trading Limited
<b>“Shareholders”</b>	:	Registered holders of Shares in the Register of Members of the Company, except that where the registered holder is CDP, the term “Shareholders” shall, where the context admits, mean the persons named as depositors in the Depository Register maintained by CDP and into whose Securities Accounts those Shares are credited
<b>“Shares”</b>	:	Ordinary shares in the capital of the Company
<b>“Solvency Statement”</b>	:	Has the meaning defined in Section 3.5 of this Circular

- “Special Resolution”** : Has the meaning defined in Section 1.2(b) of this Circular
- “Substantial Shareholder”** : Shall have the meaning ascribed to it in Section 81 of the Companies Act and Section 2(4) of the SFA, being a person who:
- (a) has an interest or interests in one or more Shares in the Company; and
  - (b) the total votes attached to that Share, or those Shares, is not less than 5% of the total votes attached to all the Shares in the Company
- “S\$” and “cents”** : Singapore dollars and cents respectively, being the currency of Singapore
- “VWAP”** : Volume weighted average price
- “%” or “per cent.”** : Per centum or percentage

The terms **“depositor”**, **“depository agent”** and **“Depository Register”** shall have the same meanings ascribed to them respectively in Section 81SF of the SFA.

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

Any reference in this Circular to any enactment is a reference to that statute or enactment for the time being amended or re-enacted up to the Latest Practicable Date. Any term defined under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof and used in this Circular shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA, the Listing Manual or any statutory modification thereof, as the case may be, unless otherwise provided. Summaries of the provisions of any laws and regulations (including the Listing Manual) contained in this Circular are of such laws and regulations (including the Listing Manual) as at the Latest Practicable Date.

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

## INDICATIVE TIMELINE

The following indicative dates and times for the Proposed Capital Reduction and Proposed Cash Distribution are for illustrative purposes only<sup>(1)</sup>:

<i>Last date and time for lodgement of Proxy Forms for the EGM<sup>(2)</sup></i>	:	23 October 2017 at 3.30 p.m.
<i>Date and time of the EGM</i>	:	25 October 2017 at 3.30 p.m.
<i>Expected Effective Date of the Proposed Capital Reduction</i>	:	On or about 7 December 2017
<i>Expected last date and time of “cum” trading of the Shares on the SGX-ST</i>	:	On or about 8 December 2017 at 5.00 p.m.
<i>Expected commencement of “ex” trading of the Shares on the SGX-ST</i>	:	On or about 11 December 2017 at 9.00 a.m.
<i>Expected Books Closure Date for the Proposed Cash Distribution pursuant to the Proposed Capital Reduction</i>	:	On or about 13 December 2017 at 5.00 p.m.
<i>Expected payment date for the Proposed Cash Distribution pursuant to the Proposed Capital Reduction</i>	:	On or about 20 December 2017

**Notes:**

- (1) Save for the date and time by which the Proxy Forms must be lodged and the date and time of the EGM, the timetable above is only indicative and the actual dates of the events in italics will be announced in due course by way of SGXNet announcement released on the SGX-ST.
- (2) All Proxy Forms must be duly completed and deposited at the Company's registered office at 15 Jurong Port Road, Singapore 619119 not less than 48 hours before the time appointed for the EGM. Completion and return of the instrument appointing a proxy shall not preclude a member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the EGM.



# LETTER TO SHAREHOLDERS

## HG METAL MANUFACTURING LIMITED

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

### Directors:

Foo Sey Liang (*Executive Director*)  
Teo Yi-Dar (Zhang Yida) (*Non-Executive Director*)  
Ng Weng Sui Harry (*Independent Non-Executive Director*)  
Kesavan Nair (*Independent Non-Executive Director*)

### Registered Office:

15 Jurong Port Road  
Singapore 619119

3 October 2017

To: Shareholders of the Company

Dear Sir

- (1) **PROPOSED DISPOSAL OF 42,145,518 BRC ASIA SHARES HELD BY THE COMPANY; AND**
- (2) **PROPOSED CAPITAL REDUCTION AND PROPOSED CASH DISTRIBUTION SUBJECT TO AND UPON COMPLETION OF THE PROPOSED DISPOSAL**

### 1. INTRODUCTION

1.1 The Company refers to its announcements made:

- (a) on 9 September 2017, relating to its proposed disposal of the Sale Shares to the Purchaser at the Purchase Consideration ("**Proposed Disposal**") pursuant to the Agreement and by way of acceptance of the Purchaser's mandatory conditional cash offer for the BRC Asia Shares, representing approximately 22.62% of the existing issued share capital of BRC Asia (excluding treasury Shares) at S\$0.925 per BRC Asia Share ("**Offer**"); and
- (b) on 25 September 2017, relating to its intention to undertake a capital reduction exercise ("**Proposed Capital Reduction**") pursuant to Section 78A read with Section 78C of the Companies Act (subject to and upon completion of the Proposed Disposal), which will involve (i) a write off of part of the accumulated losses of the Company as at 31 December 2016 to the extent of S\$68,176,921.49 ("**Accumulated Losses**") and (ii) a cash distribution ("**Proposed Cash Distribution**") to Shareholders at S\$0.105 per Share as at the Books Closure Date amounting to an aggregate distribution of approximately S\$13,378,862.18 ("**Cash Distribution Amount**").

1.2 The Board seeks the approval of Shareholders for:

- (a) the ordinary resolution relating to the Proposed Disposal ("**Ordinary Resolution**"); and
- (b) the special resolution relating to the Proposed Capital Reduction and the Proposed Cash Distribution ("**Special Resolution**").

- 1.3 The Board intends to convene an EGM of the Company to be held at Orchid Room, 15 Jurong Port Road, Singapore 619119 on 25 October 2017 at 3.30 p.m. to concurrently seek the Shareholders' approval for the Proposed Disposal, Proposed Capital Reduction and Proposed Cash Distribution.
- 1.4 The purpose of this Circular is to provide Shareholders with information on the Proposed Disposal, Proposed Capital Reduction and Proposed Cash Distribution to be tabled at the EGM, notice of which is set out on page 25 of this Circular.

## 2. PROPOSED DISPOSAL

### 2.1 BRC Asia

#### (a) *General Information*

BRC Asia was incorporated in Singapore on 14 December 1938 and is listed on the Main Board of the SGX-ST. It is in the business of building construction as well as the manufacture of basic iron and steel.

BRC Asia currently has an issued and paid-up share capital of S\$68,011,000 comprising 186,335,089 ordinary shares. The Sale Shares held by the Company represent approximately 22.62% of the existing issued share capital of BRC Asia (excluding treasury Shares). For FY2016, the Group recorded sales of S\$9,450 to BRC Asia Group and purchases of S\$3,272,562. These sales and purchases relate to steel products and were transacted on arm's length basis in the ordinary course of business.

Shareholders can refer to BRC Asia's website ([www.brc.com.sg](http://www.brc.com.sg)) for more information on BRC Asia.

#### (b) *Financial Information*

A summary of the audited consolidated financial statements of the BRC Asia Group for the past two financial years ended 30 September 2015 and 30 September 2016 and the unaudited consolidated financial statements of the BRC Asia Group for the financial period ended 30 June 2017 as extracted from SGXNET is set out below:

#### **Consolidated Statements of Comprehensive Income**

	<b>Financial year ended 30 September</b>		
	<b>FY2015</b>	<b>FY2016</b>	<b>9MFY2017</b>
	<b>S\$'000</b>	<b>S\$'000</b>	<b>S\$'000</b>
Turnover	384,927	346,752	219,083
Net profit/(loss) before tax	18,486	10,143	1,712
Net profit/(loss) after tax	15,403	8,341	735

## Consolidated Statements of Financial Position

	Financial year ended 30 September		
	FY2015	FY2016	9MFY2017
	S\$'000	S\$'000	S\$'000
Non-current asset	85,923	94,405	109,053
Current asset	181,879	174,376	172,694
Current liabilities	78,439	76,340	95,133
Net current assets	103,440	98,036	77,561
Non-current liabilities	21,501	20,829	19,464
Net assets	167,862	171,612	167,150
Share capital	68,011	68,011	68,011

Shareholders can refer to the SGX-ST website at [www.sgx.com](http://www.sgx.com) for the full financial statements of the BRC Asia Group.

### (c) *Share Price*

The following table sets out the historical trading prices of BRC Asia Shares on the SGX-ST for the Relevant Period:

Period	Price per BRC Asia Share		
	Highest Price	Lowest Price	Closing Price
	(S\$)	(S\$)	(S\$)
September 2016	0.540	0.500	0.520
October 2016	0.550	0.520	0.520
November 2016	0.525	0.500	0.515
December 2016	0.530	0.515	0.520
January 2017	0.580	0.485	0.505
February 2017	0.640	0.505	0.580
March 2017	0.615	0.580	0.590
April 2017	0.620	0.570	0.620
May 2017	0.880	0.640	0.825
June 2017	0.820	0.695	0.765
July 2017	0.885	0.750	0.875
August 2017	0.880	0.795	0.835
	<b>Highest Price</b>	<b>Lowest Price</b>	<b>VWAP</b>
	<b>(S\$)</b>	<b>(S\$)</b>	<b>(S\$)</b>
Relevant Period	0.885	0.485	0.773

(d) **Financial Evaluation of the Proposed Disposal**

The sale price per BRC Asia Share represents the following premium are the historical transacted prices of BRC Asia Shares on the SGX-ST:

	<b>Benchmark Price (S\$)<sup>(1)(2)</sup></b>	<b>Premium over Benchmark Price (%)<sup>(3)</sup></b>
Last transacted price per BRC Asia Share as quoted on the SGX-ST on 8 September 2017, being the last trading day preceding the date of signing of the Agreement for the Proposed Disposal	0.860	7.56
Volume weighted average price (“ <b>VWAP</b> ”) per BRC Asia Share as quoted on the SGX-ST for the one-month period up to and including 8 September 2017	0.843	9.76
VWAP per BRC Asia Share as quoted on the SGX-ST for the three-month period up to and including 8 September 2017	0.841	9.95
VWAP per BRC Asia Share as quoted on the SGX-ST for the six-month period up to and including 8 September 2017	0.837	10.58

*Source: Data extracted from the offer announcement made by the Purchaser, as offeror, on 8 September 2017.*

**Notes:**

- (1) Excludes off-market share transactions.
- (2) Rounded to the nearest three decimal places.
- (3) Rounded to the nearest two decimal places.

## 2.2 Information on the Purchaser

The Purchaser is a private company limited by shares incorporated in Singapore for investment holding on 18 August 2017. Its directors are Messrs Jiang Hairong, Liu Bin and You Zhenhua, and its shareholders are Advance Venture Investments Limited (80.1%) (“**AVIL**”) and Toptip Holding Pte. Ltd. (19.9%) (“**THPL**”). AVIL is a private company limited by shares incorporated in the British Virgin Islands for investment holding on 2 January 2015 and is wholly owned by Mr. You Zhenhua. THPL is an exempt private company limited by shares incorporated in Singapore for activities including, *inter alia*, ship chartering and general wholesale trade on 25 March 2008 and is wholly owned by Mr. Liu Bin.

The Purchaser is an independent third party, and none of the Company, its Directors or Substantial Shareholders has any relationship (including business relationship) with any of the Purchaser, its directors or substantial shareholders.

### **2.3 Purchase Consideration for the Sale Shares**

The Company had engaged the Purchaser in several confidential discussions on disposing its stake in BRC Asia prior to announcement of the Offer on 8 September 2017. These discussions were conducted at arm's length and on a willing-buyer and willing-seller basis. However, terms of the sale and purchase were not finalised.

It was only when the Purchaser had definitively acquired BRC Asia Shares from other vendor shareholders and thereby triggered the Offer that the Company finally decided to enter into the Agreement to commit to accept the Offer in respect of the entire Sale Shares, subject, of course, to Shareholders' approval.

In deciding to enter into the Agreement, the Company took into account the historical financial performance of BRC Asia and its subsidiaries, its business prospects, prevailing market share prices and the terms of the Offer.

In the nine months' financial period ended 30 June 2017, BRC Asia Group recorded a net profit of S\$735,000, of which S\$166,257 is attributable to the Sale Shares. This is in comparison to the Group's six months' financial period ended 30 June 2017, for which the Group recorded a net loss of S\$1.17 million.

The settlement of the consideration amount of S\$38,984,604.15 for the Sale Shares will be made in cash and subject to the terms of the Offer.

No introducer fees whatsoever are payable by the Company for the Proposed Disposal as it is made pursuant to the Purchaser's Offer, which is open for acceptance by any shareholder of BRC Asia.

### **2.4 Condition**

The Proposed Disposal is conditional on the approval of the Shareholders at the EGM to be convened in accordance with the Listing Manual. The Company has undertaken to procure that the EGM be held no later than two calendar months from the date of the Agreement.

### **2.5 Other Material Term**

Under the Agreement, the Company shall accept the Purchaser's Offer in respect of all Sale Shares on the later of five calendar days from: (a) the receipt of Shareholders' approval at the EGM; and (b) the despatch of the Purchaser's Offer document.

### **2.6 The Offer**

As announced by the Purchaser, as offeror, on 8 September 2017 on the SGXNET, it is making the Offer in accordance with Section 139 of the SFA and Rule 14 of the Singapore Code on Take-overs and Mergers.

For further details on the Offer, please refer to the offer announcement made by the Purchaser on 8 September 2017, the Purchaser's Offer document and any announcement(s) made or as may be made by the Purchaser and/or BRC Asia from time to time on SGXNET.

## 2.7 Rationale

The Company had in August 2008, through its wholly-owned subsidiary HG Metal Pte. Ltd., acquired BRC Asia Shares as a strategic investment to expand its core business of trading of steel products. As of 31 December 2016, the carrying value of the Group's investment in BRC Asia amounted to \$50,057,000 representing approximately 77.3% of the total non-current assets of its consolidated balance sheet.

Taking into account the financial performance of BRC Asia, its challenging business prospects going forward with the construction industry experiencing difficult and tough market conditions, and the substantial increase in the share price of BRC Asia Shares since 31 May 2017, the Company has reviewed its investment strategy in BRC Asia and considers it an opportune time to realise its investment in BRC Asia, and therefore, entered into the Agreement to dispose of the Sale Shares.

## 2.8 Use of Proceeds

The net sale proceeds from the Proposed Disposal, after deducting all costs and expenses, is estimated to be approximately S\$38.8 million, part of which will be applied for the Proposed Cash Distribution (if approved by Shareholders), and the balance will be utilised for general working capital of the Group and/or any strategic investments or acquisitions, which are more likely to enhance shareholder value, when suitable opportunities arise.

Subsequent to completion of the Proposed Disposal, the Company will continue to offer a "one-stop" end-to-end solution for its customers, ranging from distribution services to downstream and value-added activities, backed by more than 3,000 types of steel products of various dimensions suitable for a wide range of industries and applications and close to 800,000 square feet of state-of-the-art warehousing facilities in Singapore. Through the Group's three main business units, namely HG Distribution, HG Construction Steel and HG Industrial Steel & Services, the Group will continue to provide (a) one-stop supply and just-in-time production for all construction steel requirements, including cut and bend deformed bars and plates rental; (b) competitively priced and extensive product portfolio for all industries; (c) tailored solutions and a complete range of processing services such as high precision slitting and shearing, CNC profile cut and surface protection; and (d) flexible commercial packages such as blanket orders, rental options and credit accounts.

## 2.9 Relative Figures computed pursuant to Rule 1006 of the Listing Manual

The relative figures computed pursuant to Rules 1006 (a) to (c) of the Listing Manual in respect of the Proposed Disposal are set out below.

<b>Basis in Rule 1006 of the Listing Manual</b>	<b>Size of Relative Figure</b>
(a) Net asset value of the Sale Shares (S\$48.71 million), compared with the Group's net asset value as at 30 June 2017 (S\$127.81 million)	38.1%
(b) Net loss <sup>(1)</sup> of S\$0.26 million <sup>(2)</sup> attributable to the Sale Shares, compared with the Group's net loss <sup>(1)</sup> of S\$1.03 million <sup>(3)</sup>	25.0%
(c) Aggregate Purchase Consideration received from the Proposed Disposal compared with the Group's market capitalisation of S\$72.44 million <sup>(4)</sup>	53.8%

**Notes:**

- (1) “**Net profit**” or “**net loss**” means profit or loss before income tax, minority interests and extraordinary items.
- (2) For the six months’ financial period ended 30 June 2017. The net loss attributable to the Sale Shares refers to the Group’s equity accounting for the share of financial results of BRC Asia for the financial period from 1 January 2017 to 30 June 2017 during which BRC Asia reported a net loss of S\$1.15 million (being the second and third quarter financial period of BRC Asia).
- (3) For the six months’ financial period ended 30 June 2017.
- (4) The Company’s market capitalisation is determined by multiplying the number of Shares in issue (being 127,417,735 Shares (excluding treasury Shares)) by the volume-weighted average price of the Shares (being S\$0.5685) transacted on 27 September 2017 (being the last Market Day on which Shares were traded preceding the Latest Practicable Date).

As the relative figures under Rules 1006 (a), (b) and (c) of the Listing Manual exceed 20%, the Proposed Disposal constitutes a “major transaction” as defined in Chapter 10 of the Listing Manual. Accordingly, the approval of Shareholders for the Proposed Disposal is being sought.

### **3. PROPOSED CAPITAL REDUCTION AND PROPOSED CASH DISTRIBUTION**

#### **3.1 Introduction**

Subject to and on completion of the Proposed Disposal, the Company further seeks Shareholders’ approval to undertake the Proposed Capital Reduction to write off the Accumulated Losses of the Company, as well as to return to Shareholders surplus capital of the Company in excess of its needs by way of the Proposed Cash Distribution.

It is a requirement under the Companies Act that a company that wishes to undertake a capital reduction exercise should, *inter alia*, obtain the approval of its shareholders at a general meeting of shareholders by way of a special resolution (namely, by a majority of not less than three-fourths of the votes cast at the general meeting).

The Accumulated Losses arose mainly due to impairment on receivables from subsidiaries and trade receivables as well as impairment on the value of inventories of the Company and losses incurred during certain financial years over the past eight years, amounting to S\$71,832,628.26 in total, as at financial year ended 31 December 2016 as announced by the Company on 24 February 2017. Further details on the writing-off of the Accumulated Losses are set out in section 3.3 below.

In connection with the Proposed Capital Reduction, the Company will also make the Proposed Cash Distribution of S\$0.105 per Share amounting to an aggregate distribution of approximately S\$13,378,862.18 to Shareholders as at the Books Closure Date, subject to the conditions set out in Section 3.6 below having been satisfied. The respective entitlement of the Shareholders to the Cash Distribution Amount is equal to S\$0.105 per Share (excluding treasury Shares) based on the issued and paid-up share capital of the Company of S\$158,049,779.54 comprising 127,417,735 Shares (excluding 3,193,630 treasury Shares) as at the Latest Practicable Date. The actual amount to be returned to Shareholders pursuant to the Proposed Cash Distribution will be based on the issued and paid-up share capital of the Company as at the Books Closure Date.

The aggregate amount of cash to be paid to each Shareholder pursuant to the Proposed Cash Distribution will be adjusted by rounding down any fractions of a cent to the nearest cent, where applicable.

**The Proposed Capital Reduction and the Proposed Cash Distribution will not result in a cancellation of Shares, or a change in the number of Shares issued by the Company immediately after the Proposed Capital Reduction and the Proposed Cash Distribution.**



### 3.2 Rationale

The Directors are of the view that undertaking the Proposed Capital Reduction to write off the Accumulated Losses would serve to rationalise and better present the balance sheet of the Company to reflect its underlying assets and financial position. In addition, the Proposed Capital Reduction will facilitate any future equity-related fund-raising to recapitalise and strengthen the balance sheet of the Company. The Proposed Capital Reduction, if effected, would put the Company in a better position to retain profits and enhance its ability to pay future dividends if the Accumulated Losses are written off.

The Proposed Cash Distribution would return to Shareholders as at the Books Closure Date the Cash Distribution Amount which comprises the paid-up capital in excess of the immediate requirements of the Company. The Proposed Capital Reduction and Proposed Cash Distribution, if effected, would result in the Company having a more efficient capital structure and also improve Shareholders' return on equity. In determining the level of capital to be returned to Shareholders, the Company has taken into account the need to retain sufficient capital for business and operational needs.

### 3.3 Details of the Proposed Capital Reduction and the Proposed Cash Distribution

The Company proposes to carry out the Proposed Capital Reduction pursuant to Section 78A read with Section 78C of the Companies Act.

The Proposed Capital Reduction and the Proposed Cash Distribution will be effected in the following manner:

- (a) reducing the issued and paid-up share capital of the Company by S\$81,555,783.67 from S\$158,049,779.54 (as at the Latest Practicable Date and including treasury shares) to S\$76,493,995.87;
- (b) an amount equal to S\$68,176,921.49 being part of the credit arising from the cancellation of the issued and paid-up share capital of the Company, will be applied to write off the Accumulated Losses; and
- (c) the remaining amount of S\$13,378,862.18, being part of the credit arising from the cancellation of the issued and paid-up share capital of the Company, will be paid out to Shareholders on the basis of their shareholdings in the Company as at the Books Closure Date.

The amount of S\$68,176,921.49 to be applied to write off the Accumulated Losses comprises the issued and paid-up share capital of the Company which has been lost or unrepresented by available assets while the Cash Distribution Amount comprises the issued and paid-up capital in excess of the immediate requirements of the Company.

As at the Latest Practicable Date, the Company has a paid-up share capital (including treasury Shares) of S\$158,049,779.54. Upon completion of the Proposed Capital Reduction and Proposed Cash Distribution, the Company will have a paid-up share capital (including treasury Shares) of S\$76,493,995.87.



### 3.4 Illustration

The following illustrates the position of a Shareholder who holds 100 fully paid-up Shares as at the Books Closure Date:

	<b>Shareholder</b>
<b>Position before the Proposed Capital Reduction<sup>(1)</sup></b>	
Number of Shares currently held	100
<b>Position immediately after the Proposed Capital Reduction</b>	
Cash Distribution Amount received per 100 Shares held (S\$)	10.50
Number of Shares held after the Proposed Capital Reduction	100

**Note:**

- (1) Based on the assumption that such Shareholder did not dispose of any Shares between the Books Closure Date and the effective date of the Proposed Capital Reduction.

In summary, Shareholders will receive S\$10.50 in cash for every 100 Shares (or S\$0.105 in cash for each Share) held as at the Books Closure Date. Shareholders holding lots other than board lots of 100 Shares will likewise receive S\$0.105 in cash for each Share held by them or on their behalf as at the Books Closure Date.

**The Proposed Capital Reduction will not result in a cancellation of Shares, or a change in the number of Shares issued by the Company immediately after the Proposed Capital Reduction and the Proposed Cash Distribution.**

### 3.5 Solvency Requirements

In determining the Proposed Cash Distribution to Shareholders, the Directors have ensured that the Company has retained sufficient capital to support its existing operations and pay its debts, if any. Pursuant to this and in compliance with the provisions of Section 78C of the Companies Act, all the Directors will each make a solvency statement ("**Solvency Statement**") confirming that:

- (a) as regards the Company's situation at the date of the Solvency Statement, there is no ground on which the Company could be found to be unable to pay its debts;
- (b) the Company will be able to pay its debts as and when they fall due during the period of twelve (12) months immediately following the date of the Solvency Statement; and
- (c) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not, after the Proposed Capital Reduction, become less than the value of its liabilities (including contingent liabilities).

Copies of the Solvency Statements signed by the Directors will be available for inspection at the EGM, as well as at the registered office of the Company throughout the six (6) weeks beginning with the date of the EGM.

### 3.6 Conditions of the Proposed Capital Reduction

In addition to the completion of the Proposed Disposal, the Proposed Capital Reduction is subject to, *inter alia*, the following:

- (a) the Directors making the Solvency Statements in relation to the reduction of the share capital of the Company and compliance with other relevant solvency requirements as prescribed by the Companies Act;
- (b) the approval of Shareholders by way of a special resolution at the EGM;
- (c) compliance with the relevant publicity requirements as prescribed in the Companies Act;
- (d) no application being made for the cancellation of the Capital Reduction Resolution by any creditor of the Company within the timeframe prescribed in the Companies Act or, if such application was made, the withdrawal of such application or dismissal thereof by the judicial authorities;
- (e) lodgement with ACRA of copies of the Solvency Statements and the Capital Reduction Resolution within fifteen (15) days beginning from the date of the Capital Reduction Resolution; and
- (f) lodgement of the relevant documents with ACRA after the end of six (6) weeks (but before the end of eight (8) weeks) commencing from the date of the Capital Reduction Resolution.

### 3.7 Creditor Objections

In the event that during the six (6) weeks commencing from the date of the Capital Reduction Resolution, one or more applications for the cancellation of the Capital Reduction Resolution has been made under Section 78D(2) of the Companies Act, the following conditions must be satisfied for the Proposed Capital Reduction to take effect:

- (a) the Company must give ACRA notice of the application(s) for the cancellation of the Capital Reduction Resolution as soon as possible after such application(s) have been served on the Company by the creditor(s);
- (b) the proceedings in relation to each application for the cancellation of the Capital Reduction Resolution must be brought to an end by either the dismissal of the application under Section 78F of the Companies Act, or without determination (for example, because the application has been withdrawn); and
- (c) the Company must, within 15 days beginning with the date on which the last such proceedings were brought to an end in accordance with section 3.7(b) above, lodge with ACRA:
  - (i) a statement made by the Directors confirming that the requirements under Section 78C(1)(c), Section 78C(3)(1) and Section 78D(4) of the Companies Act have been complied with, and that the proceedings in relation to each such application have been brought to an end by either the dismissal of the application, or without determination;
  - (ii) in relation to each such application which has been dismissed by the Court, a copy of the order of the Court dismissing the application; and
  - (iii) a notice containing the Proposed Capital Reduction information.

### 3.8 **Effective Date of the Proposed Capital Reduction and Payment Date of the Proposed Cash Distribution**

As mentioned in Section 3.6 of this Circular above, the Proposed Capital Reduction is subject to the satisfaction of, *inter alia*, the conditions set out therein.

Following the Company's lodgement with ACRA of a notice containing the text of the Capital Reduction Resolution (if no creditor of the Company objects to, and applies to the High Court for the cancellation of, the Resolution), the Company will lodge further requisite documents with ACRA as provided under Section 78E(2) of the Companies Act after the end of six (6) weeks, and before the end of eight (8) weeks, beginning with the date of the Resolution upon which the Proposed Capital Reduction will take effect.

The Company will then publicly announce and notify Shareholders of the effective date of the Proposed Capital Reduction ("**Effective Date**") through an SGXNET announcement to be posted on the SGX-ST website at <http://www.sgx.com>.

The Books Closure Date shall not be later than 14 days from the Effective Date. The payment of the Cash Distribution Amount to the Entitled Shareholders by the Company shall be made as soon as practicable from the Books Closure Date.

### 3.9 **Administrative Procedures for the Proposed Capital Reduction and the Proposed Cash Distribution**

The following paragraphs set out the administrative procedures for the Proposed Capital Reduction and the Proposed Cash Distribution.

#### (a) Books Closure Date

Persons registered in the Register of Members of the Company and Depositors whose Securities Accounts are credited with Shares as at the Books Closure Date will be considered for purposes of the Proposed Capital Reduction on the basis of the number of such Shares registered in their names or standing to the credit of their Securities Accounts as at the Books Closure Date (the "**Entitled Shareholders**"). Accordingly, the Entitled Shareholders will receive a sum of S\$0.105 for each Share held by them as at the Books Closure Date.

If, however, a creditor objects to, and makes an application to the High Court of Singapore for the cancellation of, the Capital Reduction Resolution, within the prescribed time periods, the Proposed Capital Reduction will only take effect if the High Court dismisses the creditor's application or after withdrawal of the creditors' application as mentioned in section 3.7 above.

The Company will make announcement(s) to notify Shareholders of (a) the Books Closure Date as soon as reasonably practicable after the EGM; and (b) the Effective Date and the Expected Payment Date (defined below) in due course.

#### (b) Shareholders holding scrip Shares

Shareholders who hold Shares registered in their own names in the Register of Members and who wish to deposit their Shares with CDP prior to the Books Closure Date must deliver their existing share certificates in respect of their Shares, together with the duly executed instruments of transfer in favour of CDP, at least 12 Market Days prior to the Books Closure Date in order for their Securities Accounts to be credited with the relevant Shares by the Books Closure Date.

(c) Payment of the Proposed Cash Distribution

Payment pursuant to the Proposed Cash Distribution will be made to Entitled Shareholders in the following manner:

(i) *Entitled Shareholders holding scrip Shares*

Shareholders whose Shares are registered in the Register of Members of the Company as at the Books Closure Date will have the cheques for payment of their entitlements to the Proposed Cash Distribution under the Proposed Capital Reduction despatched to them by ordinary post at their own risk addressed to their respective addresses in the Register of Members on the Books Closure Date to be announced in due course (such payment date, the “**Expected Payment Date**”). The Company shall not be liable for any loss in transmission.

(ii) *Entitled Shareholders who are Depositors*

Shareholders who are Depositors and who have Shares standing to the credit of their Securities Accounts as at the Books Closure Date will have the cheques for payment of their respective entitlements to the Proposed Cash Distribution under the Proposed Capital Reduction despatched to them by CDP by ordinary post at their own risk on the Expected Payment Date. Neither the Company nor CDP shall be responsible or liable for any loss in transmission. Alternatively, such Depositors will have payment of their respective entitlements to the Proposed Cash Distribution under the Proposed Capital Reduction made in such other manner as they may have agreed with CDP for the payment of dividends or other distributions on the Expected Payment Date.

### 3.10 Taxation

**Shareholders should note that the following statements are not to be regarded as advice on the tax position of any Shareholder or on any tax implications arising from the Proposed Capital Reduction and the Proposed Cash Distribution. Shareholders who are in doubt as to their respective tax positions or any such tax implications or who may be subject to tax in a jurisdiction outside of Singapore should consult their own professional advisers.**

For Singapore income tax purposes, payments made by a Singapore resident company to shareholders pursuant to share capital reductions are generally classified as either a return of capital (which is a capital gain not subject to tax) or a receipt of dividends (which is tax exempt under the one-tier corporate tax system). As such, for Singapore income tax purposes, any gains from such transactions are generally not taxable unless the proceeds constitute taxable revenue gains or profits from a trade or business carried on by the shareholders.

In relation to the Proposed Cash Distribution to be made to Shareholders pursuant to the Proposed Capital Reduction, as the amounts which are to be paid to Shareholders pursuant to the Proposed Cash Distribution will be paid out of the reduction of the existing paid up share capital of the Company, the Proposed Cash Distribution should generally be regarded as a return of capital and not taxable in Singapore for the Shareholders unless the proceeds constitute taxable revenue gains or profits from a trade or business carried on by the Shareholders.

Shareholders are advised to consult their own professional advisers as to the precise tax consequences in Singapore and/or other jurisdictions outside Singapore of the Proposed Cash Distribution pursuant to the Proposed Capital Reduction.

#### 4. FINANCIAL EFFECTS OF THE PROPOSED DISPOSAL AND THE PROPOSED CAPITAL REDUCTION AND PROPOSED CASH DISTRIBUTION

The pro forma financial effects of the Proposed Disposal, Proposed Capital Reduction and Proposed Cash Distribution are purely for illustrative purposes. The pro forma financial effects have been prepared based on the audited consolidated financial statements of the Group for FY2016 (“**FY2016 Financial Statements**”), being the most recently completed financial year, and on the following key bases and assumptions:

- (a) for the purposes of illustrating the financial effects of the Proposed Disposal, Proposed Capital Reduction and Proposed Cash Distribution on the EPS of the Group, it is assumed that the Proposed Disposal and the Proposed Capital Reduction and Proposed Cash Distribution had been completed on 1 January 2016;
- (b) for the purposes of illustrating the financial effects on the NTA per Share of the Group, it is assumed that the Proposed Disposal, Proposed Capital Reduction and Proposed Cash Distribution had been completed on 31 December 2016;
- (c) the NTA per Share is computed based on the 127,417,735 Shares in issue (excluding treasury Shares) as at 31 December 2016, and the EPS of the Group is computed based on the weighted average number of 127,437,235 Shares in issue for FY2016; and
- (d) the computation does not take into account any expenses that may be incurred in relation to the Proposed Disposal and the Proposed Capital Reduction and Proposed Cash Distribution.

##### 4.1 Share Capital

Share capital	As at 31 December 2016			
	Before the Proposed Disposal <sup>(1)</sup>	After the Proposed Disposal	After the Proposed Disposal and Before the Proposed Capital Reduction and Proposed Cash Distribution	After the Proposed Disposal, Proposed Capital Reduction and Proposed Cash Distribution
No. of Shares (including Treasury Shares)	130,611,365	130,611,365	130,611,365	130,611,365
S\$	152,052,203.33	152,052,203.33	152,052,203.33	70,496,419.66

**Note:**

(1) Based on FY2016 Financial Statements

## 4.2 Shareholders' Funds

	As at 31 December 2016							
	Group				Company			
	Before the Proposed Disposal <sup>(1)</sup>	After the Proposed Disposal	After the Proposed Disposal and Before the Proposed Capital Reduction and Proposed Cash Distribution	After the Proposed Disposal, Proposed Capital Reduction and Proposed Cash Distribution	Before the Proposed Disposal <sup>(1)</sup>	After the Proposed Disposal	After the Proposed Disposal and Before the Proposed Capital Reduction and Proposed Cash Distribution	After the Proposed Disposal, Proposed Capital Reduction and Proposed Cash Distribution
	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
Share capital	152,052	152,052	152,052	70,496	152,052	152,052	152,052	70,496
Treasury shares	(2,215)	(2,215)	(2,215)	(2,215)	(2,215)	(2,215)	(2,215)	(2,215)
Reserves	(20,408)	(31,482)	(31,482)	36,695	(69,306)	(69,306)	(69,306)	(1,129)
Shareholders' funds	129,429	118,355	118,355	104,976	80,531	80,531	80,531	67,152

### Note:

(1) Based on FY2016 Financial Statements

## 4.3 NTA

	Before Proposed Disposal <sup>(1)</sup>	After Proposed Disposal	After the Proposed Disposal and Before the Proposed Capital Reduction and Proposed Cash Distribution	After the Proposed Disposal, Proposed Capital Reduction and Proposed Cash Distribution
NTA attributable to Shareholders (\$'000)	129,364	118,290	118,290	104,911
NTA per Share (cents)	102	93	93	82

### Note:

(1) Based on FY2016 Financial Statements

## 4.4 EPS

	Before Proposed Disposal <sup>(1)</sup>	After Proposed Disposal	After the Proposed Disposal and Before the Proposed Capital Reduction and Proposed Cash Distribution	After the Proposed Disposal, Capital Reduction and Proposed Cash Distribution
Profit/(Loss) attributable to Shareholders (\$'000)	896	(10,850)	(10,850)	(10,850)
Earning/(Loss) per share (cents)	0.70	(8.51)	(8.51)	(8.51)

### Note:

(1) Based on FY2016 Financial Statements

## 4.5 Gearing

	As at 31 December 2016			
	Before the Proposed Disposal <sup>(1)</sup>	After the Proposed Disposal	After the Proposed Disposal and Before the Proposed Capital Reduction and Proposed Cash Distribution	After the Proposed Disposal, Proposed Capital Reduction and Proposed Cash Distribution
Total borrowings (S\$'000)	1,963	1,963	1,963	1,963
Net assets attributable to Shareholders (S\$'000)	129,429	118,355	118,355	104,976
Gearing (%)	1.5	1.7	1.7	1.9

**Note:**

(1) Based on FY2016 Financial Statements

## 4.6 Loss on Disposal

The Group will record an accounting loss of approximately S\$10.48 million arising from the Proposed Disposal (based on 6 months' financial period and as at 30 June 2017).

## 5. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

### 5.1 Interests of Directors

The interests of the Directors in the Shares, based on information as recorded in the Register of Directors' Shareholdings of the Company as at the Latest Practicable Date are as follows:

Directors	Direct Interest		Number of Shares Deemed Interest		Total Interest	
	No. of Shares	% of total issued Shares <sup>(1)</sup>	No. of Shares	% of total issued Shares <sup>(1)</sup>	No. of Shares	% of total issued Shares <sup>(1)</sup>
Foo Sey Liang	–	–	28,405,000 <sup>(2)</sup>	22.29	28,405,000 <sup>(2)</sup>	22.29
Teo Yi-Dar (Zhang Yida)	–	–	–	–	–	–
Ng Weng Sui Harry	10,000	0.01	–	–	10,000	0.01
Kesavan Nair	–	–	–	–	–	–

**Notes:**

(1) Based on total issued and paid-up ordinary share capital (excluding treasury Shares) comprising 127,417,735 Shares as at the Latest Practicable Date.

(2) Mr Foo Sey Liang is deemed to be interested in the 28,405,000 Shares held by Flame Gold International Limited, by virtue of Section 7 of the Companies Act.

## 5.2 Interests of Substantial Shareholders

The interests of the Substantial Shareholders (who are not also Directors) of the Company in the Shares, based on information as recorded in the Register of Substantial Shareholders of the Company, as at the Latest Practicable Date are as follows:

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% of Issued Shares <sup>(1)</sup>	No. of Shares	% of Issued Shares <sup>(1)</sup>	No. of Shares	% of Issued Shares <sup>(1)</sup>
Flame Gold International Limited	28,405,000	22.29	–	–	28,405,000	22.29
Rise Capital Ventures Ltd	8,010,000	6.29	–	–	8,010,000	6.29
Aung Ting Htut	–	–	8,010,000 <sup>(2)</sup>	6.29	8,010,000	6.29
Chye Hin Hardware Pte. Ltd.	8,608,657	6.76	–	–	8,608,657	6.76
Yap Xi Ming	571,000	0.45	8,612,312 <sup>(3)</sup>	6.76	9,183,312	7.21
Tan Kim Seng	400,008	0.31	8,608,657 <sup>(4)</sup>	6.76	9,008,665	7.07
Aye Ko Ko	6,500,000	5.10	–	–	6,500,000	5.10
Tan Nah	6,500,000	5.10	–	–	6,500,000	5.10

### Notes:

- (1) Based on total issued and paid-up ordinary share capital (excluding treasury Shares) comprising 127,417,735 Shares as at the Latest Practicable Date.
- (2) Aung Tin Htut is deemed to be interested in the 8,010,000 Shares held by Rise Capital Ventures Ltd by virtue of Section 7 of the Act.
- (3) Yap Xi Ming holds approximately 33.33% in the share capital of Chye Hin Hardware Pte. Ltd. (“Chye Hin”) and is therefore deemed interested in the 8,608,657 Shares held by Chye Hin by virtue of Section 7 of the Act. He is also deemed to be interested in the 3,655 Shares held by CIMB Securities (S) Pte Ltd as his nominee.
- (4) Tan Kim Seng holds approximately 25% in the share capital of Chye Hin and is therefore deemed interested in the 8,608,657 Shares held by Chye Hin by virtue of Section 7 of the Act.

## 5.3 Specific Interest

Mr. Foo Sey Liang is a non-executive director of BRC Asia, being a nominee of the Company.

Save as disclosed above, none of the Directors or Substantial Shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal and the Proposed Capital Reduction and Proposed Cash Distribution, other than by reason only of being a Director or a holder of Shares.

## 6. IRREVOCABLE UNDERTAKINGS BY SUBSTANTIAL SHAREHOLDER

Flame Gold International Limited, holding 28,405,000 Shares, representing 22.29% of the total issued Shares as at the Latest Practicable Date, has undertaken to the Company to vote in favour of the Proposed Disposal, Proposed Capital Reduction and Proposed Cash Distribution (“**Undertaking Letter**”).

## 7. DIRECTORS’ SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal and no service contract is proposed to be entered into by the Company and any such person in connection with the Proposed Disposal.



## **8. DIRECTORS' RECOMMENDATION**

### **8.1 Proposed Disposal**

Having considered the rationale for the Proposed Disposal set out in Section 2.7 of this Circular, the Directors (save for Mr. Foo Sey Liang who has abstained from making any recommendation in view of his position as a non-executive director of BRC Asia) are of the opinion that the Proposed Disposal is in the best interests of the Company. Accordingly, the Directors recommend that the Shareholders vote in favour of the Ordinary Resolution as set out in the Notice of EGM.

### **8.2 Proposed Capital Reduction and Proposed Cash Distribution**

Having considered the rationale for the Proposed Capital Reduction and Proposed Cash Distribution set out in Section 3.2 of this Circular, the Directors (save for Mr. Foo Sey Liang who has abstained from making any recommendation in view of his position as a non-executive director of BRC Asia) are of the opinion that the Proposed Capital Reduction and Proposed Cash Distribution are in the best interests of the Company. Accordingly, the Directors recommend that the Shareholders vote in favour of the Special Resolution as set out in the Notice of EGM.

**In giving the above recommendations, the Directors have not had regard to the specific investment objectives, financial situation, tax position or unique needs or constraints of any individual Shareholder. As different Shareholders would have different investment objectives and profiles, the Directors recommend that any individual Shareholder who may require specific advice in relation to his specific investment portfolio should consult his stockbroker, bank manager, solicitor, accountant, tax advisor or other professional advisers.**

## **9. EXTRAORDINARY GENERAL MEETING**

The EGM, notice of which is set out on page 25 of this Circular, will be held at Orchid Room, 15 Jurong Port Road, Singapore 619119 on 25 October 2017 at 3.30 p.m. for the purpose of considering and, if thought fit, passing with or without any modifications, the resolutions as set out in the notice of EGM.

## **10. ACTION TO BE TAKEN BY THE SHAREHOLDERS**

If a Shareholder is unable to attend the EGM and wishes to appoint a proxy to attend, speak and vote on his behalf, he should complete, sign and return the attached proxy form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to arrive at the registered office of the Company at 15 Jurong Port Road, Singapore 619119, not later than 48 hours before the time fixed for the EGM. The completion and return of a proxy form by a Shareholder does not preclude him from attending, speaking and voting in person at the EGM if he wishes to do so. A depositor shall not be regarded as a member entitled to attend, speak and vote at the EGM unless his name appears in the Depository Register 72 hours before the time appointed for holding the EGM.

Persons who have an interest in the approval of the resolution must decline to accept appointment as proxies unless the Shareholder concerned has specific instructions in his Proxy Form as to the manner in which his votes are to be cast in respect of such resolution.

## 11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Circular and confirm, after making all reasonable enquiries that, to the best of their knowledge and belief, this Circular constitutes full and true disclosure of all material facts about the Proposed Disposal, the Proposed Capital Reduction and Proposed Cash Distribution, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Circular misleading. Where information in this Circular 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 Circular in its proper form and context.

## 12. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at the registered office of the Company at 15 Jurong Port Road, Singapore 619119, during normal business hours from the date hereof up to and including the date of the EGM:

- (a) the Agreement;
- (b) the Constitution of the Company;
- (c) the annual report of the Company for FY2016;
- (d) the announcement dated 14 August 2017 in relation to the unaudited consolidated financial statements of the Group for the financial period ended 30 June 2017; and
- (e) the Undertaking Letter.

Yours faithfully

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

Foo Sey Liang  
Executive Director

## HG METAL MANUFACTURING LIMITED

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

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an Extraordinary General Meeting (“**EGM**”) of HG Metal Manufacturing Limited (“**Company**”) will be held at Orchid Room, 15 Jurong Port Road, Singapore 619119 on 25 October 2017 at 3.30 p.m. for the purpose of considering and, if thought fit, passing with or without modifications, the following resolutions which will be proposed as resolutions:

#### **ORDINARY RESOLUTION – PROPOSED DISPOSAL OF 42,145,518 BRC ASIA SHARES HELD BY THE COMPANY**

##### **THAT:**

- (a) Approval be and is hereby given, for the Proposed Disposal on the terms set out in Section 2 of the Circular (“**Proposed Disposal**”); and
- (b) the Directors and any of them be and are hereby authorised to do all acts and things as they or each of them deem desirable, necessary or expedient to give effect to the Proposed Disposal.

#### **SPECIAL RESOLUTION – PROPOSED CAPITAL REDUCTION AND PROPOSED CASH DISTRIBUTION SUBJECT TO AND UPON COMPLETION OF THE PROPOSED DISPOSAL**

##### **THAT:**

Pursuant to Regulation 12 of the Constitution of the Company and subject to the provisions of Section 78A read with Section 78C of the Companies Act:

- (1) the share capital of the Company be reduced by S\$81,555,783.67 and that such reduction be effected by:
  - (a) cancelling the share capital of the Company which has been lost or is unrepresented by available assets to the extent of S\$68,176,921.49, and that an amount equal to S\$68,176,921.49, being part of the credit arising from the cancellation of the share capital of the Company, be applied in writing off the Accumulated Losses; and
  - (b) returning the remaining sum of S\$13,378,862.18, being part of the credit arising from the cancellation of the share capital of the Company, to the Shareholders on the basis of S\$0.105 for each Share as at a books closure date to be determined by the Directors; and
- (2) the Directors and any of them be and are hereby authorised to do all acts and things as they or each of them deem desirable, necessary or expedient to give effect to the Proposed Capital Reduction and/or the Proposed Cash Distribution.

*All capitalised terms used in this Notice of EGM which are not defined herein shall, unless the context otherwise requires, have the same meanings ascribed to them in the circular to the Shareholders of the Company dated 3 October 2017 (“**Circular**”).*

By Order of the Board

Foo Sey Liang  
Executive Director  
Singapore  
3 October 2017

**Notes:**

1. (a) A member of the Company who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the EGM. Where such member's proxy form appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy (expressed as a percentage as a whole) shall be specified in the proxy form. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholdings and the second named proxy shall be deemed to be an alternate to the first named proxy.
- (b) A member of the Company who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form. In relation to a relevant intermediary who wishes to appoint more than two proxies, it should annex to the proxy form the list of proxies, setting out, in respect of each proxy, the name, address, NRIC/Passport Number and proportion of shareholding (number of shares, class of shares and percentage) in relation to which the proxy has been appointed. For the avoidance of doubt, a CPF Agent Bank who intends to appoint CPF/SRS investors as its proxies shall comply with this Note.

**"Relevant intermediary"** has the meaning ascribed to it in Section 181 of the Companies, Chapter 50.

2. A proxy need not be a member of the Company.
3. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 15 Jurong Port Road, Singapore 619119 not less than 48 hours before the time appointed for the EGM. Completion and return of the instrument appointing a proxy shall not preclude a member from attending and voting at the EGM. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the EGM in person and, in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the EGM.
4. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company. A Depositor shall not be regarded as a member of the Company entitled to attend the EGM and vote thereat unless his name appears on the Depository Register 72 hours before the time appointed for the EGM.

**Personal Data Privacy:**

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines (collectively "**Purposes**"), (b) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

## PROXY FORM

### HG METAL MANUFACTURING LIMITED

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

**IMPORTANT:**

This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

### EXTRAORDINARY GENERAL MEETING

\*I/We, \_\_\_\_\_ (Name) \*NRIC/Passport/Co. Reg. No. \_\_\_\_\_

of \_\_\_\_\_ (Address)

being a \*shareholder/shareholders of HG Metal Manufacturing Limited (“**Company**”), hereby appoint:

Name	NRIC/ Passport No.	Proportion of shareholdings	
		No. of Shares	%
Address			

\*and/or

Name	NRIC/ Passport No.	Proportion of shareholdings	
		No. of Shares	%
Address			

as my/our proxy/proxies to vote for me/us on my/our behalf at the Extraordinary General Meeting (“**EGM**”) of the Company to be held at Orchid Room, 15 Jurong Port Road, Singapore 619119 on 25 October 2017 at 3.30 p.m. and at any adjournment thereof. If no specific direction as to voting is given or in the event of any other matter arising at the EGM and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

Please tick here if more than two proxies will be appointed (Please refer to note 3). This is only applicable for intermediaries such as banks and capital markets services licence holders which provide custodial services.

All resolutions put to the vote at the EGM shall be decided by way of poll.

No.	Resolution	No. of Votes For**	No. of Votes Against**
1.	Proposed Disposal (Ordinary Resolution)		
2.	Proposed Capital Reduction and Proposed Cash Distribution subject to and upon completion of the Proposed Disposal (Special Resolution)		

\* *Delete accordingly*

\*\* *Please indicate your vote “For” or “Against” with a tick [✓] within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2017

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

\_\_\_\_\_  
Signature(s) of Shareholder(s) or  
Common Seal of Corporate Shareholder

**IMPORTANT: PLEASE READ NOTES OVERLEAF**

**Notes:**

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the SFA), you should insert that number. If you have shares registered in your name in the Register of Members of the Company, you should insert that number. If you have shares entered against your name in the Depository Register and shares registered in your name in the Register of Members, you should insert the aggregate number. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
2. A shareholder of the Company entitled to attend and vote at the EGM of the Company may appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a shareholder of the Company.
3. Intermediaries such as banks and capital markets services licence holders which provide custodial services and are members of the Company may appoint more than two proxies provided that each proxy is appointed to exercise the rights attached to different shares held by the member. In such event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.
4. The instrument appointing a proxy or proxies must be deposited at the Company's registered office at 15 Jurong Port Road Singapore 619119 not later than forty-eight (48) hours before the time appointed for the EGM.
5. Where a member appoints more than one proxy, he shall specify the number of shares to be represented by each proxy, failing which, the appointment shall be deemed to be in the alternative.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or by an officer on behalf of the corporation.
7. Where an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney or other authority, the power of attorney or authority or a notarially certified copy thereof must be lodged with the instrument of proxy, failing which the instrument of proxy may be treated as invalid.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the EGM, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.
9. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the EGM, as certified by The Central Depository (Pte) Limited to the Company.
10. Terms not defined herein shall have the meanings ascribed to them in the Company's Circular to the Shareholders dated 3 October 2017.

**PERSONAL DATA PRIVACY:**

Where a member of the Company submits an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the EGM and/or any adjournment thereof, a member of the Company (a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the EGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the EGM (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively "**Purposes**"), (b) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (c) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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