

HG METAL MANUFACTURING LIMITED
(Incorporated in the Republic of Singapore)
(Company Registration No. 198802660D)

THE PROPOSED DISPOSAL OF SHARES IN BRC ASIA LIMITED

1 INTRODUCTION

The Board of Directors ("**Board**") of HG Metal Manufacturing Limited ("**Company**", and together with its subsidiaries, "**Group**") wishes to announce that the Company has on 9 September 2017 entered into a conditional agreement ("**Agreement**") with Esteel Enterprise Pte. Ltd. ("**Purchaser**") to dispose of all 42,145,518 ordinary shares ("**BRC Asia Shares**") held by the Company in the issued and paid-up share capital of BRC Asia Limited ("**BRC Asia**") at the consideration of S\$0.925 per BRC Asia Share, the aggregate amount of which is S\$38,984,604.15 ("**Purchase Consideration**") ("**Proposed Disposal**") by way of acceptance of the Purchaser's mandatory conditional cash offer for the shares of BRC Asia announced on 8 September 2017 ("**Offer**").

2 PROPOSED DISPOSAL

2.1 Information on BRC Asia and Purchaser

(a) BRC Asia

BRC Asia is listed on the Main Board of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and is engaged in the prefabrication of steel reinforcement for use in concrete, trading of steel reinforcing bars, and manufacturing and sale of wire mesh fences.

Shareholders of the Company ("**Shareholders**") can refer to BRC Asia's website (www.brc.com.sg) for more information on BRC Asia.

(b) Purchaser

The Purchaser is a private company limited by shares incorporated in Singapore. 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 wholly owned by Mr. You Zhenhua, and THPL is wholly owned by Mr. Liu Bin.

2.2 Principal Terms of the Agreement

(a) Purchase Consideration

The Purchase Consideration was arrived at by arm's length negotiations between the Purchaser and the Company, on a willing-buyer and willing-seller basis after taking into account the historical financial performance of the BRC Asia and its subsidiaries, its business prospects, prevailing market share prices and the terms of the Offer.

(b) Condition

The Proposed Disposal is conditional on the approval of the Shareholders at an extraordinary general meeting to be convened ("**EGM**") in accordance with the listing rules of the SGX-ST. The Company shall procure that the EGM be held no later than two calendar months from the date of the Agreement.

(c) Acceptance of Offer

Under the Agreement, the Company shall accept the Purchaser's Offer in respect of all 42,145,518 BRC Asia 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.

2.3 **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.

Taking into account the current 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 apply the proceeds to other business and investment opportunities which are more likely to enhance shareholder value.

2.4 **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. It is the present intention of the Board to deploy the same for general working capital of the Group and/or any strategic investments or acquisitions when suitable opportunities arise, and consider to return any surplus capital in excess of the Group's needs to Shareholders.

2.5 **Relative figures under 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.

	Basis in Rule 1006 of the Listing Manual	Size of Relative Figure
(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 ⁽¹⁾ of S\$0.26 million ⁽²⁾ attributable to the Sale Shares, compared with the Group's net loss ⁽¹⁾ of S\$1.03 million ⁽³⁾	25.0%
(c)	Aggregate value of the consideration received from the Proposed Disposal compared with the Group's market capitalisation of S\$68.6 million ⁽⁴⁾	56.8%

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.
- (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\$0.5385) transacted on 8 September 2017 (being the last Market Day on which Shares were traded preceding the date of this announcement).

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, and is conditional on Shareholders' approval at the EGM.

3 FINANCIAL EFFECTS

3.1 The pro forma financial effects of the Proposed Disposal 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 on the EPS of the Group, it is assumed that the Proposed Disposal 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 Proposal Disposal had been completed on 31 December 2016; and
- (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.

3.2 NTA

	Before Proposed Disposal	After Proposed Disposal
NTA attributable to Shareholders (S\$'000)	129,364	118,290
NTA per Share (cents)	102	93

3.3 EPS

	Before Proposed Disposal	After Proposed Disposal
Profit/(Loss) attributable to Shareholders (S\$'000)	896	(10,850)
Earning/(Loss) per share (cents)	0.70	(8.51)

3.5 Loss on Disposal

The Group will incur 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).

4 DIRECTORS' SERVICE CONTRACTS

No person is proposed to be appointed as a director of the Company in connection with the Proposed Disposal.

5 INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Mr. Foo Sey Liang is a non-executive director of BRC Asia.

Save as disclosed above, none of the Directors or substantial shareholders of the Company has any interest, direct or indirect, in the Proposed Disposal other than by reason only of being a Director of the Company or a holder of Shares.

6 CIRCULAR TO SHAREHOLDERS

A circular setting out further information on, *inter alia*, the Proposed Disposal and the notice to convene the EGM for the purpose of seeking Shareholders' approval for the Proposed Disposal will be despatched to Shareholders in due course.

7 DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the Agreement will be available for inspection during normal business hours at the Company's registered office at 15 Jurong Port Road, Singapore 619119 for a period of 3 months from the date of this announcement.

By Order of the Board

Foo Sey Liang
Executive Director
9 September 2017