



**HG METAL MANUFACTURING LIMITED**

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## **HG Metal's subsidiary to acquire a 70.28% stake in BRC Asia Limited for approximately S\$48.1 million**

- Offer price at S\$0.11 per issued share
- Proposed acquisition will be funded by a combination of internal funds and debt financing
- Synergistic strategic acquisition will expand the Group's manufacturing capabilities and distribution channels

**Singapore, 13 Aug 2008** – Mainboard-listed HG Metal Manufacturing Limited (“**HG Metal**” or “**The Group**”), one of the largest steel stockists in Singapore and Southeast Asia, is pleased to announce that it has entered into two conditional sale and purchase agreements (“**SPAs**”) with Acertec Engineering Limited (“**Acertec**”) through its 51.0% owned subsidiary, HG Metal Pte. Ltd. (“**HG Metal PL**”) to acquire an aggregate 437,550,000 shares (the “**Sale Shares**” and each, a “**Sale Share**”) in BRC Asia Limited (“**BRC Asia**”), representing approximately 70.28% of the entire issued share capital of BRC.

HG Metal PL will pay Acertec S\$0.11 for each Sale Share, amounting to an aggregate consideration of S\$48,130,500 for the Sale Shares.

Pursuant to the SPAs, the acquisition of the Sale Shares will be undertaken in two separate tranches:

- the first tranche acquisition relates to the purchase of 349,500,000 shares (the “**First Tranche Sale Shares**”, and each a “**First Tranche Sale Share**”) in BRC Asia, representing

approximately 56.14% of the existing issued and paid up share capital of BRC Asia for a purchase consideration of S\$0.11 per First Tranche Sale Share;

- the second tranche acquisition relates to the purchase of 88,050,000 shares (the “**Second Tranche Sale Shares**”, and each a “**Second Tranche Sale Share**”) representing approximately 14.14% of the existing issued and paid up share share capital of BRC Asia for a purchase consideration of S\$0.11 per Second Tranche Sale Share. The second tranche will complete within one year from the date of completion of the first tranche.

Upon completion of the first tranche acquisition, HG Metal PL will own or control 349,500,000 shares in BRC Asia, representing approximately 56.14% of the existing issued share capital of BRC Asia. In accordance with Rule 14 of the Singapore Code on Take-overs and Mergers, HG Metal Pte. Ltd. will be required upon completion of the first tranche acquisition, to make a mandatory unconditional offer for all the shares of BRC Asia not already owned or agreed to be acquired by HG Metal Pte. Ltd.. Accordingly, upon completion of the first tranche acquisition, HG Metal Pte. Ltd. will make a mandatory unconditional cash offer (the “**Offer**”) for all the shares of BRC Asia in issue, other than those already owned, or agreed to be acquired by HG Metal Pte. Ltd. as at the date of the Offer (the “**Offer Shares**” and each, a “**Offer Share**”) at the price of S\$0.11 per Offer Share.

The acquisition of the shares in BRC Asia by HG Metal Pte. Ltd. pursuant to the SPAs and the Offer (the “**Acquisition**”) will be subject to the approval of HG Metal's shareholders at an extraordinary general meeting to be convened and will be funded by a combination of internal funding and debt financing.

BRC Asia's principal activity is the designing, manufacturing and marketing of steel mesh, which is sold under the “BRC” brand name. Currently, it has operations in Singapore and China. Since the 1990s, BRC Asia has developed a wide range of prefabricated products including beam and column cages, completely prefabricated beam and column reinforcement, staggered mesh, twin-wire mesh and pile cap cages.

## **Rationale for Proposed Acquisition**

### **Expansion of HG Metal’s manufacturing capabilities**

Currently, the Group manufactures customised flat steel bars and mild steel lip channels that are commonly used as roofing support in commercial and industrial buildings. BRC Asia, in addition to designing and manufacturing steel wire mesh, also has developed a wide range of prefabricated

products including beam and column cages, completely prefabricated beam and column reinforcement, staggered mesh, twin-wire mesh and pile cap cages for customers mainly in the construction industry.

HG Metal believes that with the Acquisition, the Group will be able to offer a wider range of common and customized steel products to its customers in the construction, engineering and shipping sectors, fulfilling their requirements more quickly and completely, especially for specifications that are not readily available in the market.

### **Expansion of market share through cross-selling efforts**

HG Metal sells its steel products to customers who are mainly other stockists and retailers who purchase its steel products for redistribution to a diversified group of end-users in the construction, engineering and shipping industries amongst others. Through the Acquisition, the Group believes that it will be able to cross-sell its products to BRC Asia's existing customer base, bringing HG Metal closer to the end customers as BRC Asia also operates in similar industries. In addition, with the combined purchasing power through its stake in BRC Asia, HG Metal will be able to secure larger volumes of steel products at better terms.

### **Streamlining of manufacturing and warehousing operations**

HG Metal believes that with the Acquisition, the Group will be able to streamline its manufacturing and warehousing operations, currently based in Singapore and Johor, Malaysia, with that of BRC Asia to achieve greater cost-savings through operational efficiency and economies of scale. In addition, with enlarged volume of products, it will be in a better position to negotiate for better terms with its logistics and transportation providers.

### **Industry Trend**

Worldwide demand for steel products remains strong. There is huge demand coming from massive infrastructure projects in China, India, Brazil and other emerging nations. Domestically, the main boost to increased demand for steel products in Singapore is coming from the robust construction and marine sectors. For the construction sector, major developments coming up include the Integrated Resorts, hotel projects, new expressways and others. Also, the government spending in this sector would remain substantially high with additional MRT lines coming up, notably the new Downtown Line for connecting the Bukit Timah area to town. For the marine sector, high demand for steel is coming from record rig and ship building order books with visibility of projects till 2011 and the regional yards operating almost at full capacity.

*“HG Metal marks a milestone in its corporate history with the proposed acquisition of BRC Asia. From its humble beginning as a steel trader, the Group has grown into one of the leading steel stockists in Southeast Asia. Through the Acquisition of BRC Asia pursuant to the SPAs and the Offer, HG Metal will be acquiring the “BRC” brand name, with rights to the “Weldmesh” and “B.R.C” trademarks in Asia. The name “BRC” is well known to be synonymous to steel wire mesh in the markets.*

*There are tremendous synergies to be derived from this proposed acquisition. The Group will not only achieve a wider range of steel products to market, it will also grow its customer base significantly overnight. BRC Asia will also gain by leveraging on our customer base and our financial strength.”*

*Mr Wee Piew, CEO of HG Metal*

In the Group’s recently announced 9MFY2008 results, HG Metal registered 266.9% growth in net profit attributable to shareholders to S\$55.8 million on the back of 58.1% increase in revenue to S\$533.6 million, year-on-year.

As at 30 June 2008, the shareholders’ equity stood at S\$169.8 million with S\$41.9 million of cash and cash equivalents on the balance sheet.

**--The End--**

## **RESPONSIBILITY STATEMENT**

The directors of HG Metal (including those who may have delegated supervision of this press release) have taken all reasonable care to ensure that the facts stated and opinions expressed in this press release are fair and accurate and that no material facts have been omitted from this press release.

Where any information has been extracted or reproduced from published or otherwise publicly available sources or obtained from BRC Asia, the sole responsibility of the directors of HG Metal has been to ensure through reasonable enquiries that such information has been accurately and correctly extracted from such sources or, as the case may be, accurately reflected or reproduced in this press release.

The directors of HG Metal jointly and severally accept responsibility accordingly.

About HG Metal Manufacturing Limited (Bloomberg Code: HGM.SP)

HG Metal is a premier stockist and manufacturer of steel products. With more than 30 years in the steel business, HG Metal offers more than 2,000 different types of steel products of various dimensions for a wide variety of industrial and engineering applications. With their “one-stop supermarket” strategy, HG Metal is able to satisfy the needs of their customers with one visit to their extensive stockyard and manufacturing facility.

HG Metal has also differentiated itself from its peers in its strategic move to custom-manufacture steel products. HG Metal currently manufactures customized flat steel bars in a wide variety of engineering processes and mild steel lip channels commonly used as roofing support in commercial and industrial buildings. The Directors believe that HG Metal is the only steel stockist in Singapore with such manufacturing capability. This gives HG Metal a distinct competitive advantage against their competitors, as they can fulfill their customers' requirements more quickly and completely, especially for specifications that are not readily available in the market.

You may also visit the Company's website at [www.hgmetal.com](http://www.hgmetal.com)

#### About BRC Asia Limited (Bloomberg Code: BRC.SP)

Incorporated in 1938, BRC Asia Limited, a leading steel reinforcing solution provider in Singapore, is one of the first companies to pioneer the use of prefabricated steel reinforcement in Singapore. BRC evaluates the types of prefabricated steel reinforcement required, as well as design, manufacture, pack and identify the prefabricated steel reinforcing components for easy and efficient handling and assembly on site. The company has operations in Singapore and China, with 3 factories in Singapore with a total land area of approximately 55,000m<sup>2</sup>.

You may also visit BRC's website at [www.brc.com.sg](http://www.brc.com.sg)

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