

EXTRAORDINARY GENERAL MEETING ("EGM") CALLED BY LINGCO MARINE PTE LTD AND LINGCO HOLDINGS PTE LTD

1. We refer to the announcement made by the Company on 3 December 2009 with regards to the receipt of (a) a notice of extraordinary general meeting ("**Notice of EGM**") called by Lingco Marine Pte Ltd and Lingco Holdings Pte Ltd (collectively "**Lingco**") pursuant to Section 177 of the Companies Act (Chapter 50 of Singapore) as well as (b) the accompanying circular ("**Circular**") to the shareholders of the Company ("**Shareholders**").
2. As set out in the Notice of EGM, Lingco is calling for an EGM on 5 January 2010 for the purpose of considering and if thought fit passing the resolutions set out in therein (collectively the "**Proposed Resolutions**"), which are, *inter alia*:
 - (a) removing Mr Tan Chan Too (Executive Chairman) ("**Mr Tan**"), Mr Wee Piew (Chief Executive Officer) ("**Mr Wee**") and Mr Lee Leng Loke (Executive Director) ("**Mr Lee**") (collectively, the "**Existing Executive Directors**") from each of their offices as a director of the Company; and
 - (b) subject to and upon the removal of the Existing Executive Directors, appointing Mr Chng Hee Kok and Mr Roy Ling Chung Yee as new directors of the Company.
3. We note that a member of the Company's Board of Directors, namely, Mr Sia Ling Sing ("**Mr Sia**") is the Managing Director of Lingco Marine Pte Ltd and a director of Lingco Holdings Pte Ltd.
4. In the Circular, Lingco has set out the basis for the Proposed Resolutions as being, *inter alia*, their deep concern with the poor financial performance of the Company and its subsidiaries (the "**Group**") in the last five quarters.
5. We wish to assure all Shareholders that the Group's financial health is in good stead under the management of the Company's current Board of Directors. This is elaborated upon further below.
6. In addition, we wish to address certain points in the Circular we are of the view requires clarification.
7. The Circular sets out (at paragraph 4) a table with the Group's financial information for the last seven preceding quarters (during the period from 1 January 2008 to 30 September 2009), which reflects (a) a general downward trend in the profits of the Company and (b) write-downs in inventory to the Company's net realizable value in the fourth quarter of the financial year ended 30 September 2008, the third quarter of the financial year ended 30 September 2009 and the fourth quarter of the financial year ended 30 September 2009.

8. However, this table does not take into account the Group's strong financial performance since the Company's listing on the Singapore Exchange Securities Trading Limited in March 2002. For Shareholders' easy reference, a summary of the Company's financial information for the last 8 financial years beginning 1 November 2001 is set out below.

Table 1. For the period from 1 November 2001 to 30 September 2005

Financial Period	1 November 2001 to 31 October 2002	1 November 2002 to 31 October 2003	1 November 2003 to 30 September 2004	1 October 2004 to 30 September 2005
Months	12	12	11	12
	S\$000	S\$000	S\$000	S\$000
Sales	90,291	108,370	174,689	341,048
Gross Profit	12,317	12,639	34,552	28,146
(Loss) Profit After Tax	2,875	3,308	16,645	5,155
Shareholders' Fund	19,217	24,938	47,060	50,337
Total Assets	65,211	80,278	139,972	229,677
Net Assets	19,640	25,484	47,684	51,199

Table 2. For the period from 1 October 2005 to 30 September 2009

Financial Period	1 October 2005 to 30 September 2006	1 October 2006 to 30 September 2007	1 October 2007 to 30 September 2008	1 October 2008 to 30 September 2009
Months	12	12	12	12
	S\$000	S\$000	S\$000	S\$000
Sales	362,815	438,142	732,944	581,819
Gross Profit	32,697	49,923	117,155	15,481
(Loss) Profit After Tax	13,877	18,313	22,738	(58,802)
Shareholders' Fund	58,046	115,807	136,548	(67,491)
Total Assets	226,710	326,009	660,297	171,112
Net Assets	59,411	117,311	151,031	86,268

9. It is evident from Table 1 and Table 2 that the Group had a consistently strong showing in all significant areas during the period from 1 November 2001 to 30 September 2008. Up till 30 September 2008, the Group reported a steady increase in sales, profits and shareholders' funds.
10. Whilst it is evident from the above that the Group has suffered losses for the first time (in respect of the financial period from 1 October 2008 to 30 September 2009) since it was listed, this is attributable to the global economic crisis in 2008 and 2009, which resulted in a weakened demand for steel and a decline in steel prices.
11. It is also pertinent to note that although there was a slight dip in the amount of sales for the Group for the financial period from 1 October 2008 to 30 September 2009, this amount still exceeds the Group's sales figures for the financial period from 1 October 2006 to 30 September 2007 by almost S\$145 million and is more than 5 times the level of sales recorded in the financial periods from 1 November 2001 to 31 October 2002 and from 1 November 2002 to 31 October 2003.

12. Additionally, the Group's net assets continue to remain positive despite the challenges faced in the financial year ended 30 September 2009.
13. The Group, being one of the leading steel stockists in Singapore, was growing at a faster rate than its competitors since the time of its listing, and required a higher stock of steel in relation to its growth. In that regard, during the onset of the challenging business conditions, the Board of Directors made the decision to take a prudent and conservative approach in its inventory management, and reduced the inventory levels in accordance with such approach.
14. The Circular also seeks (at paragraph 7) to compare the Group's performance against companies which are purportedly in the same or similar business as the Group. In this regard, the Circular draws Shareholders' attention to the profitability of these companies compared with the Group's losses during a similar period.
15. We wish to clarify, however, that the table set out in paragraph 7 of the Circular is not an accurate comparison table due to the differences in the nature of business of the other companies set out therein and the types of steel which they handle. Such differences can be clearly seen in the explanatory notes to the relevant table in the Circular. It is therefore difficult to assess the financial performance of the Group as against other companies in the steel business, as the Group deals with numerous types of steel products for a wide range of industrial and engineering applications. In other words, the diversity of the Group's business places it in a unique position which is difficult to compare with other companies with less varied portfolios.
16. The Circular has noted (at note (1) to paragraph 4) that the Group's financial results for the financial year ended 30 September 2009 had consolidated the financial results of BRC Asia Limited ("**BRC Asia**"), a subsidiary acquired¹ through HG Metal Pte Ltd, a 51% owned subsidiary of the Company. As at the date hereof, the Company has an equity interest of 85.62% in BRC Asia. As noted in paragraph 8 of the Circular, the profit after tax of BRC Asia for the financial year ended 30 September 2009 was S\$16.46 million. The acquisition of BRC Asia was therefore a key contribution of the Board of Directors, as it had shown to have the foresight to invest in BRC Asia which has proven to be a profit-generating business for the Group.
17. With the Company's cash assets tied into the acquisition of 85.62% of the issued share capital in BRC Asia at a consideration of over S\$32 million, this had limited the Company's ability to utilise its cash assets during the financial year ended 30 September 2009.
18. In our view, the Company is currently under the management of an outstanding Board of Directors, comprising of the Existing Executive Directors, Mr Tan Chan Too, Mr Wee Piew and Mr Lee Leng Loke and Non-executive Directors, Mr Sia, Mr Gui Kim Young @ Gui Kim Gan and Mr Poon Hon Thang, Samuel.
19. The Existing Executive Directors have also made numerous contributions towards the growth and sterling performance of the Group. Mr CT Tan, as the Executive Chairman, is one of the three founders of the Group, with more than 30 years of experience in the steel industry. He is responsible for the overall strategy and business direction of the Group and is also actively involved in the trading business of the Group. Under his management, the Group has grown from a small retailer (previously known as Hock Guan Hardware Engineering Pte Ltd) into a public listed company. HG Metal has also established its brand name not just within Singapore and as well as in the global steel industry. He has fostered strong relationships with major steel mills and trading companies and customers over the years. With Mr Tan's vast experience, he has been able to source for steel materials at competitive prices.

¹ HG Metal Pte Ltd had acquired 56.14% of BRC Asia on 18 September 2008 and a further 29.48% during Financial Year 2009.

20. Mr Wee, as the Chief Executive Officer of the Group oversees the overall operations of the Group, mainly in the areas of finance, corporate affairs and investor relationships. With more than 10 years of experience in the banking and finance sector under his belt prior to joining the Group, he has been pivotal to the success of the Group.
21. Mr Lee, as the Executive Director of the Group, is responsible for managing the day-to-day operations of one of the Group's subsidiaries, with more than 20 years of experience in the steel industry. He has also contributed greatly to the Group.
22. The Group has maintained a strong showing in the steel industry under the management of the Existing Executive Directors and the other members of the Board of Directors. Whilst the Company is aware of the decline in its financial performance from 1 July 2008 to 30 September 2009, we are confident that under the continued management of its current Board of Directors, the Company will be able to weather the difficult economic conditions and achieve sustainable growth and profits.

Yours faithfully,

Tan Chan Too
Wee Piew
Lee Leng Loke

21 December 2009