



HG METAL MANUFACTURING LIMITED
(Company Registration No. 198802660D)

Financial Statements and Dividend Announcement for Financial Year Ended 30 September 2010

PART I - INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR AND FULL YEAR RESULTS

1(a)(i) An income statement (for the group) together with a comparative statement for the corresponding period of the immediately preceding financial year

	Group			Group		
	4Q FY2010	4Q FY2009	%	FY2010	FY2009	%
	S\$'000	S\$'000	(+/-)	S\$'000	S\$'000	(+/-)
Revenue	37,492	125,205	(70)	203,068	581,819	(65)
Cost of sales	(34,472)	(105,343)	(67)	(179,338)	(566,338)	(68)
Gross profit	3,020	19,862	(85)	23,730	15,481	53
Other operating income	1,076	1,818	(41)	8,300	4,386	89
Distribution expenses	(279)	(778)	(64)	(1,579)	(3,149)	(50)
Administrative expenses	(1,636)	(4,655)	(65)	(9,634)	(16,736)	(42)
Other operating expenses	(13,092)	(18,755)	(30)	(21,000)	(45,602)	(54)
Finance expenses	(1,336)	(1,543)	(13)	(4,579)	(11,681)	(61)
Share of joint venture profits	-	(90)	(100)	223	1,059	(79)
Share of associates profits	1,140	(67)	nm	4,643	(67)	nm
Profit (Loss) before tax	(11,107)	(4,208)	164	104	(56,309)	nm
Income tax credit (expense)	851	(1,596)	nm	354	(2,493)	nm
Net profit / (loss) for the period	(10,256)	(5,804)	77	458	(58,802)	nm
Other comprehensive income:						
Currency translation adjustments	(77)	(246)	(69)	195	(276)	nm
Fair value loss on available for sale financial assets	-	-	nm	-	(1)	nm
Share of other comprehensive income of associate	(191)	-	nm	(191)	-	nm
Other comprehensive income for the period, net of tax	(268)	(246)	nm	4	(277)	nm
Total comprehensive income for the period	(10,524)	(6,050)		462	(59,079)	
Profit / (loss) attributable to:						
Equity holders of the Company	(10,040)	(11,457)	(12)	(2,352)	(67,491)	(97)
Non-controlling interests	(216)	5,653		2,810	8,689	
	(10,256)	(5,804)		458	(58,802)	
Total comprehensive income attributable to:						
Equity holders of the Company	(10,287)	(11,587)	(11)	(2,378)	(67,664)	(96)
Non-controlling interests	(237)	5,537		2,840	8,585	
	(10,524)	(6,050)		462	(59,079)	

*nm denotes not meaningful

Capital Reduction in a subsidiary, HG Metal Pte Ltd (“HGMPL”)

At an Extraordinary General Meeting held on 26 October 2009, the shareholders of HGMPL approved the following:

- (i) Capitalisation of advances from shareholders of \$17,056,000; and
- (ii) Capital reduction of paid-up capital of \$46,356,000 from the cancellation of 31,756,000 ordinary shares. The capital reduction was satisfied by the transfer of 281,927,000 ordinary shares in its subsidiary, BRC Asia Limited (“BRC”), to the shareholders.

The High Court of Republic of Singapore had granted approval to HGMPL on 30 October 2009. The transfer of BRC Asia’s shares to the shareholders in connection with the capital reduction was completed on 26 November 2009. Accordingly, HGMPL became a wholly-owned subsidiary of HG Group and BRC ceased to be a subsidiary of the Group.

The Group has accounted for the above transaction as a deemed disposal of a subsidiary in accordance with FRS 27, Consolidated and Separate Financial Statements, and accounted for its remaining interests in BRC as an investment in associate.

Disposal of shares in an associate, BRC

Subsequent to the Capital reduction, HGMPL disposed of 80,641,080 and 28,000,000 shares in BRC in January 2010 and March 2010 respectively. The Group recorded a loss totalling \$1.9 million in 2Q FY2010 as a result of the disposals. Following the disposals, the Group had a 27.50% interest in BRC as of 31 March 2010.

Dilution of interest in an associate, BRC

On 6 April 2010, BRC allotted and issued 100,000,000 new ordinary shares to 3rd parties. As a result, the Group’s equity interests in BRC decreased from 27.50% to 23.94%.

1(a)(ii) Notes to the Consolidated Income Statement

	Group		Group	
	4Q FY2010	4Q FY2009	FY2010	FY2009
	S\$'000	S\$'000	S\$'000	S\$'000
Writedown of inventories	(11,530)	(14,271)	(13,224)	(23,294)
Amortisation of computer software	(42)	(42)	(167)	(156)
Amortisation of customer relationship	-	(1,474)	(246)	(1,474)
Allowance for doubtful debts	(519)	(83)	(1,077)	(1,914)
Writeback of allowance for doubtful debts	85	536	396	1,947
Depreciation	(550)	(1,231)	(2,504)	(4,212)
Dividend income from quoted investment	10	10	20	12
Fair value gain (loss) on derivatives, net	(7)	(110)	223	(492)
Fair value gain (loss) on investment held for trading	(20)	(106)	110	70
Foreign exchange (loss) gain, net	784	(1,139)	(77)	(12,143)
Interest income	28	-	28	20
Interest on borrowings	(1,336)	(1,543)	(4,579)	(11,681)
Gain on deemed disposal of subsidiary	-	-	6,373	-
(Loss) Gain on sale of property, plant and equipment	(244)	3	(284)	(92)
Gain on disposal of investment held for trading	-	88	-	136
Loss on disposal of shares in an associate	-	-	(1,910)	-

The consolidated financial statements have not included the financial impact of accounting for the warrants issued during the year. A valuation exercise is being performed and the impact, if significant, will be adjusted in the consolidated financial statements.

1(b)(i) A balance sheet (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year :

	Group		Company	
	30.09.2010 S\$'000	30.09.2009 S\$'000	30.09.2010 S\$'000	30.09.2009 S\$'000
Non current assets				
Property, plant and equipment	32,173	60,569	23,753	18,389
Intangible assets	433	26,236	384	538
Investment in subsidiaries	-	-	12,520	12,520
Investment in associates	32,975	646	713	713
Investment in joint venture	-	9,467	-	-
Available for sale financial assets	-	28	-	-
	65,581	96,946	37,370	32,160
Current assets				
Investment held for trading	380	270	-	-
Inventories	62,143	140,511	49,384	78,407
Trade and other receivables	29,817	84,730	36,145	59,078
Prepaid expenses	76	307	14	80
Cash and cash equivalents	5,108	16,373	1,165	1,387
	97,524	242,191	86,708	138,952
Current liabilities				
Trade and other payables	31,608	99,123	27,366	42,887
Finance lease payables	150	769	39	-
Bank borrowings	25,297	71,778	20,168	38,179
Provision for taxation	19	3,878	-	267
Deferred revenue	-	1,541	-	-
Derivatives	-	723	-	-
	57,074	177,812	47,573	81,333
Net current assets	40,450	64,379	39,135	57,619
Non current liabilities				
Finance lease payables	477	1,265	129	-
Bank borrowings	4,512	19,568	2,097	3,339
Provision for retirement benefits	-	786	-	-
Deferred taxation	297	6,688	-	172
	5,286	28,307	2,226	3,511
	100,745	133,018	74,279	86,268
Capital and reserves				
Share capital	111,730	111,730	111,730	111,730
Other reserves	2,253	1,712	2,527	2,527
Accumulated losses	(15,281)	(12,929)	(39,978)	(27,989)
Equity attributable to equity holders of the Company	98,702	100,513	74,279	86,268
Non-controlling interests	2,043	32,505	-	-
Total equity	100,745	133,018	74,279	86,268

1(b)(ii) Aggregate amount of group's borrowings and debt securities :

	As at 30 September 2010			As at 30 September 2009		
	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000	Secured S\$'000	Unsecured S\$'000	Finance lease S\$'000
Repayable in one year or less	20,532	4,765	150	3,933	67,845	769
Repayable after one year	-	4,512	477	9,244	10,324	1,265
Total	20,532	9,277	627	13,177	78,169	2,034

Details of collaterals:

The Group's borrowings of approximately \$20.5 million is secured by way of fixed and floating charge over all assets of the Company, legal mortgage over properties of the Company and fixed deposits pledged to banks by Malaysian subsidiaries.

1(c) A cash flow statement (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Group		Group	
	4Q FY2010 S\$'000	4Q FY2009 S\$'000	FY2010 S\$'000	FY2009 S\$'000
Cash flows from operating activities				
Profit (Loss) before tax	(11,107)	(4,208)	104	(56,309)
Adjustments for:				
Depreciation of property, plant and equipment	550	1,231	2,504	4,212
Loss (Gain) on disposal of property, plant and equipment	244	(3)	284	92
Amortisation of computer software	42	42	167	156
Gain on disposal of investment held for trading	-	(88)	-	(136)
Loss on disposal of shares in an associate	-	-	1,910	-
Allowance / (Writeback) for doubtful debts, net	434	(453)	681	(33)
Bad debts recovered	-	-	(5)	-
Fair value (gain) loss on derivatives, net	7	110	(223)	492
Fair value (gain) loss on investment held for trading	20	106	(110)	(70)
Interest expense	1,336	1,543	4,579	11,681
Interest income	(28)	-	(28)	(20)
Dividend income from quoted investment	(10)	-	(20)	-
Share of joint venture results	-	90	(223)	(1,059)
Share of associates results	(1,140)	67	(4,643)	67
Share option expense	-	-	-	45
Amortisation of customer relationship	-	1,474	246	1,474
Deemed gain from disposal of subsidiary	-	-	(6,373)	-
Write down of inventories	11,530	14,271	13,224	23,294
Retirement benefits	-	335	-	335
Reversal of provision for onerous contracts	-	(1,417)	-	(1,417)
Goodwill written off	-	163	-	164
Foreign currency realignment	309	12	(347)	166
Operating profit (loss) before working capital changes	2,187	13,275	11,727	(16,866)
Working capital changes:				
Fixed deposits pledged	(36)	(2)	(62)	(29)
Inventories	11,134	5,858	28,487	206,088
Trade and other receivables	8,706	12,991	10,228	84,968
Trade and other payables	(10,669)	(7,550)	(25,843)	(83,546)
Cash generated from operations	11,322	24,572	24,537	190,615
Interest expense paid	(1,336)	(1,543)	(4,579)	(11,681)
Interest income received	28	-	28	20
Income tax refund (paid)	40	(797)	499	(5,357)
Net cash generated from operating activities	10,054	22,232	20,485	173,597
Cash flows from investing activities				
Net cash outflow from deemed disposal of a subsidiary	-	-	(9,527)	-
Dividend income received from an associate	-	-	1,702	-
Dividend income received from quoted investment	10	-	20	-
Deposit received from sale of properties	-	-	916	-
Investment in associate	-	-	-	(713)
Proceeds from disposal of property, plant and equipment	910	373	1,187	661
Purchase of property, plant and equipment	(404)	(1,046)	(6,750)	(10,839)

Consolidated Cash Flow Statement (Cont'd)

	Group		Group	
	4Q FY2010 S\$'000	4Q FY2009 S\$'000	FY2010 S\$'000	FY2009 S\$'000
Proceeds from sale of shares in an associate	-	-	15,473	-
Proceeds from disposal of investment held for trading	-	476	-	936
Purchase of intangible assets	-	(5)	-	(58)
Acquisition of minority interests	-	(9,726)	-	(24,931)
Net cash generated from (used in) investing activities	516	(9,928)	3,021	(34,944)
Cash flows from financing activities				
Net repayment of bank borrowings	(11,710)	(28,099)	(35,072)	(206,598)
Proceeds from issuance of shares in a subsidiary	-	-	550	3,311
Proceeds from issue of new shares in the Company	-	22,191	-	33,527
Dividends paid on ordinary shares of the Company	-	(1,376)	-	(1,376)
Dividends paid to minority shareholders of a subsidiary	-	-	-	(13)
Proceeds from (Repayment of) finance lease payables	(313)	(562)	(479)	(1,143)
Net cash used in financing activities	(12,023)	(7,846)	(35,001)	(172,292)
Net change in cash and cash equivalents	(1,453)	4,458	(11,495)	(33,639)
Cash and cash equivalents at beginning of the period	5,801	11,385	15,843	49,482
Cash and cash equivalents at end of period	4,348	15,843	4,348	15,843

Note to the Consolidated Cash Flow Statement:

With the capital reduction and transfer of BRC's shares, HGMP's interest in BRC reduced from 85.62% to 43.67% and BRC ceased to be a subsidiary of HG Group. With the cessation of BRC as a subsidiary, the Group will account for its investment in BRC using the equity method in accordance with FRS 28 Investments in Associates.

The net identifiable assets and liabilities of BRC as at date of deemed disposal were as follows:

	S\$'000
Property, plant and equipment	18,900
Intangible assets	25,389
Investment in joint venture	9,691
Available for sale financial assets	28
Trade and other receivables	58,452
Inventories	36,645
Cash and cash equivalents	9,527
	<u>158,632</u>
Bank borrowings	(28,167)
Trade and other payables	(28,653)
Derivative financial instruments	(500)
Provision for taxation	(4,281)
Deferred tax liability	(6,115)
	<u>(67,716)</u>
Net identifiable assets	<u>90,916</u>
Net cash outflow arising on deemed disposal:	
Cash and cash equivalents of subsidiary	<u>9,527</u>

Group cash and cash equivalents comprise the following:

	Group	
	As at 30 Sep 2010 S\$'000	As at 30 Sep 2009 S\$'000
Cash and bank balances	4,491	15,843
Fixed deposits	617	530
	5,108	16,373
Fixed deposits pledged with banks ⁽¹⁾	(617)	(530)
Bank overdrafts	(143)	-
Cash and cash equivalents per consolidated cash flow statement	4,348	15,843

⁽¹⁾ The Group's Malaysian subsidiaries have fixed deposits pledged with banks to secure credit facilities granted to them.

1(d)(i) A statement (for the issuer and group) showing all changes in equity, together with a comparative statement for the corresponding period of the immediately preceding financial year

Group	Attributable to equity shareholders of the Company									
	Share	Capital	Share	Fair	Premium	Foreign	Accumulated	Total	Minority	Total
	Capital	Reserves	Option	Value	Paid On	Currency	Profits /			
Reserves	Reserves	Reserves	Reserves	Acquisition	Reserves	(Losses)	Reserves	Interests	Equity	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 October 2009	111,730	2,527	17	-	(539)	(293)	(12,929)	100,513	32,505	133,018
Other comprehensive income for the financial period	-	-	-	1	-	(26)	-	(25)	30	5
Profit for the financial period	-	-	-	-	-	-	(2,352)	(2,352)	2,810	458
Issue of shares in a subsidiary	-	-	-	-	-	-	-	-	550	550
Deemed disposal of a subsidiary	-	-	(17)	-	539	44	-	566	(33,852)	(33,286)
Balance as at 30 September 2010	111,730	2,527	-	1	-	(275)	(15,281)	98,702	2,043	100,745

Group	Attributable to equity shareholders of the Company									
	Share	Capital	Share	Fair	Premium	Foreign	Accumulated	Total	Minority	Total
	Capital	Reserves	Option	Value	Paid On	Currency	Profits /			
Reserves	Reserves	Reserves	Reserves	Acquisition	Account	(Losses)	Reserves	Interests	Equity	
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 October 2008	78,203	2,527	-	-	-	(120)	55,938	136,548	14,483	151,031
Purchase price allocation adjustment	-	-	-	-	-	-	-	-	15,805	15,805
As restated	78,203	2,527	-	-	-	(120)	55,938	136,548	30,288	166,836
Other comprehensive income for the financial period	-	-	-	-	-	(173)	-	(173)	(104)	(277)
(Loss) Profit for the financial period	-	-	-	-	-	-	(67,491)	(67,491)	8,689	(58,802)
Employee share option scheme:										
- value of employee services	-	-	17	-	-	-	-	17	28	45
Issue of shares	33,527	-	-	-	-	-	-	33,527	3,311	36,838
Acquisition of minority interests	-	-	-	-	-	-	-	-	(23,874)	(23,874)
Premium paid on acquisition of minority interests	-	-	-	-	(539)	-	-	(539)	(518)	(1,057)
Capitalisation of advances from shareholders in a subsidiary	-	-	-	-	-	-	-	-	14,698	14,698
Dividends	-	-	-	-	-	-	(1,376)	(1,376)	(13)	(1,389)
Balance as at 30 September 2009	111,730	2,527	17	-	(539)	(293)	(12,929)	100,513	32,505	133,018

Company	Share Capital	Capital Reserves	Accumulated Profits / (Losses)	Total
	S\$'000	S\$'000	S\$'000	S\$'000
Balance as at 1 October 2009	111,730	2,527	(27,989)	86,268
Loss for the period	-	-	(11,989)	(11,989)
Balance as at 30 September 2010	111,730	2,527	(39,978)	74,279
Balance as at 1 October 2008	78,203	2,527	44,291	125,021
Loss for the period	-	-	(70,904)	(70,904)
Issue of shares	33,527	-	-	33,527
Dividends	-	-	(1,376)	(1,376)
Balance as at 30 September 2009	111,730	2,527	(27,989)	86,268

1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year

There was no change in the Company's share capital during the financial year ended 30 September 2010.

62,049,369 of outstanding warrants expired during the financial year ended 30 September 2010.

Pursuant to a facility agreement signed with United Overseas Bank Limited and Oversea-Chinese Banking Corporation Limited, the Company issued 60,000,000 free warrants to the two banks at an exercise price of \$0.1248 on 23 November 2009, entitling them to subscribe up to 60,000,000 new shares in the Company.

As at 30 September 2010 and 30 September 2009, there were 60,000,000 and 62,049,369 outstanding warrants respectively.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at end of the immediately preceding year.

Total number of issued shares	<u>775,671,962</u>	<u>775,671,962</u>
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1(d)(iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

NA

2. Whether figures have been audited or reviewed, and in accordance with which auditing standard or practice.

The figures have not been reviewed or audited by the auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)

Not Applicable

4. Whether the same accounting policies and methods of computation as in the issuer's most recently audited financial statements have been applied

Except as disclosed in Note 5 below, the Company had adopted the same accounting policies and methods of computation as in the most recently audited financial statements for the financial year ended 30 September 2009.

5. If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change

On 1 October 2009, the Group adopted the new or revised Singapore Financial Reporting Standards (FRS) that are effective in this financial year.

FRS 1: Presentation of Financial Statements – Revised presentation

The revised FRS 1 requires owner and non-owner changes in equity to be presented separately. The statement of changes in equity will include only details of transactions with owners, with all non-owner changes in equity presented as a single line item. In addition, the revised standard introduces the statement of comprehensive income: it presents all items of income and expense recognised in profit or loss, together with all non-owner changes in equity, either in one single statement, or in two statements.

The Group has elected to present items of income and expenses and components of other comprehensive income in one statement.

FRS 27: Consolidated and Separate Financial Statements – Revised

The revised FRS 27 introduces the following changes:

- A change in the ownership interest of a subsidiary that does not result in a loss of control to be accounted for as an equity transaction;
- Losses incurred by a subsidiary are allocated to the non-controlling interest even if the losses exceed the non-controlling interest in the subsidiary's equity; and
- When control over a subsidiary is lost, any interest retained is measured at fair value with the corresponding gain or loss recognised in the profit or loss.

The Group has complied with the revised FRS 27 in accounting for the loss of control in BRC Asia as a result of capital reduction.

FRS 103: Business Combinations – Revised

The revised FRS 103 introduces the following changes:

- transaction costs will be expensed immediately;
- consideration contingent on future events are recognised at fair value on the acquisition date and any changes in the amount of consideration to be paid will be recognised in profit or loss;
- the Group to elect for each acquisition of business, whether to measure non-controlling interest at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets; and
- the previously held equity interests in the acquiree is remeasured to fair value at the acquisition date with any corresponding gain or loss recognised in profit or loss when a business is acquired in stages.

The adoption of the revised standard does not have significant impact on the Group's financial results.

FRS 108: Operating Segments

FRS 108 requires entities to disclose segment information based on the information reviewed by the entity's chief operating decision maker.

6. Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends

	Group		Group	
	3 mths ended 30.09.2010	3 mths ended 30.09.2009	12 mths ended 30.09.2010	12 mths ended 30.09.2009
Earnings per ordinary share (cents):				
(a) Basic	(1.29)	(2.19)	(0.30)	(12.92)
(b) Diluted	(1.19)	(1.70)	(0.28)	(10.01)

Basic earnings per share was calculated based on 775,671,962 number of shares as of 30.09.2010 and 522,187,937 weighted average number of shares as of 30.09.2009.

Diluted earnings per share was calculated based on 845,005,295 number of shares as of 30.09.2010 and 674,295,435 weighted average number of shares as of 30.09.2009.

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the (a) current period reported on and (b) immediately preceding financial year

	Group		Company	
	30.09.2010	30.09.2009	30.09.2010	30.09.2009
Net asset value per ordinary share (cents)	12.72	12.96	9.58	11.12

The issued share capital of the Company was 775,671,962 as at 30 September 2010 and 30 September 2009.

8. A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of any significant factors that affected the turnover, costs and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. Any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on

Results for 3 months (Jul 2010 to Sep 2010 – 4Q FY2010)

Revenue / Gross Profit

Group's revenue in 4Q FY2010 decreased by 70% from \$125.2 million in 4Q FY2009 to \$37.5 million in 4Q FY2010. This was due mainly to non-consolidation of BRC in 4Q FY2010 as a result of capital reduction in HGMPL (see Note 1(a)(i)) and lower sales in 4Q FY2010.

Besides non-consolidation of BRC, the decrease in gross profit from \$19.9 million in 4Q FY2009 to \$3.0 million in 4Q FY2010 was in line with lower trading activities.

Other Operating Income

The Group's other operating income decreased by 41% from \$1.8 million in 4Q FY2009 to \$1.1 million in 4Q FY2010. In 4Q FY2010, the Group had a \$0.8 million net foreign exchange gain (as a result of the depreciation of US dollar against Singapore dollar) and commission income of \$0.2 million. In 4Q FY2009, other operating income was a commission income of \$1.0 million and a writeback of doubtful debts provision of \$0.5 million.

Distribution, Administrative, Other Operating and Finance Expenses

The non-consolidation of BRC results was one of the main reasons for the significant decrease in the Group's reported operating expenses in 4Q FY2010 as compared to 4Q FY2009. The lower operating expenses recorded were also attributed to cost cutting measures and the slowdown in business activities.

The Group wrote down \$11.5 million of inventories after a comprehensive review of slow-moving inventories. The Group also recorded a loss of \$0.3 million arising from the disposal of properties.

Finance expenses decreased significantly, in line with the lower purchasing activities and borrowings.

Loss for 4Q FY2010

The Group reported a loss of \$10.3 million in 4Q FY2010 due mainly to the write down of \$11.5 million slow-moving inventories.

Results for the financial year (FY2010)

The Group recorded \$203.1 million revenue in FY2010 as compared to \$581.8 million in FY2009. The significant decrease in revenue was attributable to lower business activities and de-consolidation of BRC's revenue during the year. Although the Group recorded lower sales in FY2010, the gross profit increased over FY2009. In FY2009, excluding BRC, the trading business of the rest of the Group had a negative gross margin as goods were sold at a loss.

Revenue generated from trading activities decreased from \$274.1 million in FY2009 to \$132.1 million in FY2010 as a result of slower business activities (Ref: Para 13 Segmental Results). Revenue generated by the manufacturing arm of \$71.0 million comprised 2 months of BRC's revenue prior to the de-consolidation of BRC.

The Group reported a profit after tax of \$0.5 million in FY2010 as compared to a loss after tax of \$58.8 million in FY2009. This was due to a lower inventory write down in the current financial year. The Group also reported a gain of \$6.4 million from the deemed disposal of BRC as a result of the capital

reduction and a loss of \$1.9 million due to disposal of BRC shares during the financial year (see Note 1(a)(i)).

Balance Sheet

The net assets of BRC was not consolidated in the Group's balance sheet as at 30 September 2010 on a line by line basis. Shareholders' funds stood at \$98.5 million.

The Company's inventory balance was \$49.4 million as at 30 September 2010. This had decreased significantly from \$78.4 million as of 30 September 2009. The significant decrease was due to lower purchasing activities and additional write down of slow-moving inventories. Trade and other receivables of the Company was \$36.1 million as at 30 September 2010 as compared to \$59.1 million as at 30 September 2009. The decrease was due mainly to the lower business activities during the financial year.

9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

NA

10. A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months

Steel demand in Asia is still reasonable and should be stable or even increase during 2010/2011. Price-wise the steel market is subject to competing forces, with raw materials theoretically pushing prices up but a poor demand preventing steel mills from actually raising the prices, and generally lacking direction.

This being said the Group has taken the necessary steps to adjust its competitive position with a write down of \$11.5 million after a comprehensive review of slow-moving inventories and is replenishing its stocks at current market levels.

In this framework the Group looks towards FY2011 with cautious optimism whilst continuing to adopt a prudent and conservative approach to inventory control and purchases.

At the Extraordinary General Meeting held on 10 November 2010 all resolutions relating to the subscription of shares by Oriental Castle Sdn Bhd ("OCS") were duly passed and 163,500,000 new ordinary shares were issued to OCS.

Subsequently the strategic agreement between OCS and the Group came into force and the development along the identified growth paths will be implemented with immediate effect.

11. Dividend

(a) Current financial period reported on

Any dividend recommended for the current financial period reported on?

None

(b) Corresponding period of the immediately preceding financial year

Any dividend recommended for the corresponding period of the immediately preceding financial year?

None

(c) Date payable

NA

(d) Books closure date

NA

12. If no dividend has been declared/recommended, a statement to that effect.

No dividend has been declared.

13. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited financial statements, with comparative information for the immediately preceding year.

Primary business segment	Trading	Manufacturing	Eliminations	Group
<u>Financial year ended 30 Sep 2010</u>	S\$'000	S\$'000	S\$'000	S\$'000
Revenue				
Sales to external parties	132,113	70,955	-	203,068
Inter-segment sales	97	4,374	(4,471)	-
Total	<u>132,210</u>	<u>75,329</u>	<u>(4,471)</u>	<u>203,068</u>
Results				
Segment results	2,803	7,397	(10,411)	(211)
Interest expense	(3,984)	(595)	-	(4,579)
Interest income	27	1	-	28
Share of joint venture results	-	223	-	223
Share of associates results	30	4,613	-	4,643
Profit (Loss) before income tax	<u>(1,124)</u>	<u>11,639</u>	<u>(10,411)</u>	<u>104</u>
Income tax expense				<u>354</u>
Profit after income tax				<u>458</u>
Non-controlling interests				<u>(2,810)</u>
Net loss for the financial year attributable to equity holders of the Company				<u>(2,352)</u>
Other information				
Capital expenditure				
- Tangible assets	7,266	609	307	8,182
Depreciation	1,084	1,428	(8)	2,504
Amortisation	154	259	-	413
Write down of inventories	12,671	553	-	13,224
Fair value gain from derivatives	-	(223)	-	(223)
Assets & liabilities				
Segment assets	185,437	29,986	(52,318)	163,105
Unallocated assets				-
Total assets				<u>163,105</u>
Segment liabilities	90,169	11,963	(40,088)	62,044
Unallocated liabilities				316
Total liabilities				<u>62,360</u>

<u>Financial year ended 30 Sep 2009</u>	Trading	Manufacturing	Eliminations	Group
	S\$'000	S\$'000	S\$'000	S\$'000
Revenue				
Sales to external parties	274,147	307,672	-	581,819
Inter-segment sales	10,457	11,002	(21,459)	-
Total	284,604	318,674	(21,459)	581,819
Results				
Segment results	(63,422)	18,374	(592)	(45,640)
Interest expense	(8,953)	(2,728)	-	(11,681)
Interest income	16	4	-	20
Share of joint venture results	-	1,059	-	1,059
Share of associate results	(67)	-	-	(67)
Profit (Loss) before income tax	(72,426)	16,709	(592)	(56,309)
Income tax expense				(2,493)
Profit (Loss) after income tax				(58,802)
Non-controlling interests				(8,689)
Net loss for the financial year attributable to equity holders of the Company				(67,491)
Other information				
Capital expenditure				
- Tangible assets	10,361	1,444	26	11,831
- Intangible assets	-	58	-	58
Depreciation	1,121	3,103	(12)	4,212
Amortisation	154	1,476	-	1,630
Write down of inventories	22,959	335	-	23,294
Fair value gain from derivatives	67	425	-	492
Assets & liabilities				
Segment assets	213,356	199,262	(73,481)	339,137
Unallocated assets				-
Total assets				339,137
Segment liabilities	152,763	87,154	(44,364)	195,553
Unallocated liabilities				10,566
Total liabilities				206,119

Secondary geographical segment	Singapore	Malaysia	Indonesia	Others	Elimination	Group
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>Financial year ended 30 Sep 2010</u>						
Sales to external parties	143,505	36,764	17,148	5,651	-	203,068
Inter-segment sales	4,471	-	-	-	(4,471)	-
Total	147,976	36,764	17,148	5,651	(4,471)	203,068
Segment assets	203,216	12,207	-	-	(52,318)	163,105
Unallocated assets						-
Total assets						163,105
Capital expenditure						
- Tangible assets	6,933	942	-	-	307	8,182
<u>Financial year ended 30 Sep 2009</u>						
Sales to external parties	475,473	53,809	31,622	20,915	-	581,819
Inter-segment sales	21,459	-	-	-	(21,459)	-
Total	496,932	53,809	31,622	20,915	(21,459)	581,819
Segment assets	391,876	20,742	-	-	(73,481)	339,137
Unallocated assets						-
Total assets						339,137
Capital expenditure						
- Tangible assets	7,837	3,968	-	-	26	11,831
- Intangible assets	58	-	-	-	-	58

14. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to Note 8 above.

15. A breakdown of sales

Sales Breakdown:

	Group		
	FY 2010	FY 2009	%
	S\$'000	S\$'000	(+/-)
<u>First Half</u>			
Sales reported for first half year	131,217	324,361	(60)
Operating profit / (loss) after tax before deducting non-controlling interests reported for first half year	10,999	(33,416)	(133)
<u>Second Half</u>			
Sales reported for second half year	71,851	257,458	(72)
Operating loss after tax before deducting non-controlling interests reported for second half year	(10,541)	(25,386)	(58)

16. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

Total annual dividend breakdown:

	Group	
	FY 2010 S\$'000	FY 2009 S\$'000
Ordinary	-	-

17. Interested persons transactions

Name of interested persons	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)
<u>Sales</u>	S\$'000	S\$'000
Chye Hin Hardware Pte Ltd	1,256	NA
<u>Other charges</u>		
Chye Hin Hardware Pte Ltd	(816)	NA

During the financial year ended 30 September 2010, the aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 was below \$100,000.

By Order of the Board

Chng Hee Kok
Chief Executive Officer
29 November 2010