



BRC Asia Limited

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BRC 9M & 3Q 2014 net profits fell 18% & 27% y-o-y to S\$21.6M & S\$6.5M respectively

- **9M2014 and 3Q2014 revenues dropped 7% and 6% y-o-y to S\$296.4 million and S\$98.5 million respectively**
- **9M2014 and 3Q2014 net profit margins y-o-y fell from 8.26% to 7.29% and from 8.58% to 6.59% respectively**

Singapore, 4 August 2014 – SGX-Mainboard listed BRC Asia Limited (“BRC” or “The Group”), one of the largest prefabricated steel reinforcement providers in Singapore, reported lower revenues and profitability for the nine months and quarter ended 30 June 2014 (9M2014 and 3Q2014), as new entrants in the local reinforcing industry and incumbents with beefed-up production capacities competed fiercely amid frequent reports of a slowing Singapore property market. As increased competition drove unit selling prices into a sharper fall than steel prices, there was a greater contraction in gross and net profit margins in 3Q2014 than in 9M2014 vis-à-vis the corresponding quarter and nine months in the last financial year (3Q2013 and 9M2013). Year-on-year, while 3Q2014 gross and net profit margins dropped by 1.02%¹ and 1.99%² respectively, 9M2014 gross and net profit margins declined only by 0.67%³ and 0.97%⁴ respectively. Hence, in spite of having delivered more steel to customers in 9M2014 and 3Q2014 compared to the corresponding periods in the last financial year, revenues weakened by 7% and 6% year-on-year to S\$296.4 million and S\$98.5 million respectively.

Financial Highlights (S\$'000)

	3Q2013	3Q2014	Change (%)	9M2013	9M2014	Change (%)
Revenue	104,221	98,468	(6)	317,632	296,363	(7)
Gross Profit	15,610	13,744	(12)	48,726	43,464	(11)
Gross Profit Margin	14.98%	13.96%	-	15.34%	14.67%	-
Net Profit	8,945	6,490	(27)	26,241	21,595	(18)

¹ From 14.98% to 13.96%

² From 8.58% to 6.59%

³ From 15.34% to 14.67%

⁴ From 8.26% to 7.29%

Industry Outlook

Table 1 – Stock & Vacancy and Supply in the Pipeline as at end of 2nd quarter 2014

Property Type	Market Indicators	As at 2Q14	As at 1Q14	As at 4Q13	As at 3Q13
Private Residential Units (No. of units)	Completed Units				
	Available	297,998	293,283	289,370	286,006
	Occupied	276,730	273,999	271,367	268,547
	Vacant	21,268	19,284	18,003	17,459
	Supply in the Pipeline	76,014	80,261	83,702	84,917
	Under Construction	65,272	67,507	67,765	67,837
Planned Development	10,742	12,754	15,937	17,080	
Executive Condominiums (No. of units)	Completed Units				
	Available	13,448	12,089	11,683	11,683
	Occupied	11,814	11,363	10,576	10,435
	Vacant	1,634	726	1,107	1,248
	Supply in the Pipeline	12,812	13,691	14,040	12,436
	Under Construction	12,332	12,944	11,775	10,834
Planned Development	480	747	2,265	1,602	
Office Space (‘000 sqm)	Completed Units				
	Available	7,455	7,456	7,441	7,390
	Occupied	6,736	6,714	6,708	6,678
	Vacant	719	742	733	712
	Supply in the Pipeline	1,055	998	1,003	1,086
	Under Construction	860	849	800	871
Planned Development	195	149	203	215	
Retail Space (‘000 sqm)	Completed Units				
	Available	5,766	5,717	5,698	Not comparable
	Occupied	5,423	5,385	5,444	
	Vacant	343	332	254	
	Supply in the Pipeline	879	928	953	
	Under Construction	627	634	660	
Planned Development	252	294	293		
Hotel Rooms (No. of rooms)	Supply in the Pipeline	12,219	12,673	12,611	12,719
	Under Construction	9,186	8,689	9,056	8,658
	Planned Development	3,033	3,984	3,555	4,061

Source: Real estate statistics published by the Urban Redevelopment Authority of Singapore

The above Table 1 clearly shows that, with the exception of office space, planned development of private sector building projects has declined over the last four quarters to the lowest point as at the end of second quarter 2014. This indicates that there has been inadequate replenishment of the project supply pipeline as projects progressed from planning to construction. While this points to a slowing of building activity in the longer term, the number of projects under construction remained robust as at the end of second quarter of 2014.

In the public housing sector, the Housing & Development Board of Singapore (HDB) has on 19 July 2014 revised downwards the number of Build-to-Order (BTO) flats that will be launched in 2014 from 24,300⁵ units to 22,400⁶ units. While this is substantively less than the average of 25,808 BTO flats launched each year from 2011-2013, it is still far higher than the 13,500 units launched in 2009 before the ramping up of supply.^{7 8}

BRC's Group Managing Director, Mr Lim Siak Meng, commented, "*Local reinforcing steel demand will remain firm this year. However, competition is increasingly cut-throat as players new and old in the local reinforcing steel industry jostle in a downtrending property market to fill up the expanded industry capacity obtained during the last few buoyant years. On a brighter note, demand for **Prefabricated Reinforcing** is gaining momentum due to the tightening supply of foreign labour and escalating manpower costs. We will continue to innovate and invest in resources to boost this sector of our business as well as our productivity and cost efficiency. Everything we do is aimed at enabling our customers to build **Better • Faster • Cheaper!***"

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About BRC Asia Limited

BRC Asia Limited is one of the largest reinforcing steel fabricators in Singapore. The Group's core business is in providing a complete range of reinforcing solutions - steel welded mesh, prefabricated reinforcing steel cages, cut & bent reinforcement bars - for the construction industry.

The Company was incorporated in Singapore in 1938 as the Malayan Wire Mesh & Fencing Co Ltd and was listed on the SGX-ST Mainboard in July 2000.

For more information, please visit the Group's website at www.brc.com.sg

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⁵ <http://www.hdb.gov.sg/fi10/fi10296p.nsf/PressReleases/E3315441A6CC8F4348257C6900332F50?OpenDocument>

⁶ <http://www.hdb.gov.sg/fi10/fi10296p.nsf/PressReleases/B14702B33C6CFD2E48257D190030132E?OpenDocument>

⁷ In 2011, 2012 and 2013, according to data obtained from HDB's website, HDB launched 25,200, 27,084 and 25,139 BTO flats respectively.

⁸ <http://www.hdb.gov.sg/fi10/fi10296p.nsf/PressReleases/78746BAD770849794825768C00147042?OpenDocument>