BRC ASIA

RESPONSE TO SGX QUERIES

The Board of Directors of BRC Asia Limited (the "Company") (the "Board") refers to the queries raised by the Singapore Exchange Securities Trading Limited on 23 November 2023 in relation to the condensed unaudited financial statements for the Half Year and Full Year ended 30 September 2023 ("FY23") that was announced on 21 November 2023:

1) **In the Company's statement of comprehensive income, the Group's share of results of an associate was a loss of $6.8 million in 2H FY23 compared to a profit of $1.1 million in 2H FY22. Please elaborate on the circumstances that led to the Company reversing an impairment loss of $2.4 million in FY22 and subsequently recording a larger impairment loss of $5.4 million in FY23 in relation to its associate, Pristine Islands Investment Pte Ltd. To also clarify what is the remaining carrying amount of this associate and whether further impairments are expected in future periods.**

   Company's response

   The Group has a 17% equity interest in Pristine Islands Investment Pte Ltd, an investment holding company with a 100% interest in a subsidiary that operates and manages an airport, hotel and resort in the Maldives. Impairment loss relating to the associate of S$6.757 million was first recognised in FY20 due to Covid-19 pandemic. Following easing of travel restrictions in Maldives, subsequent reversals of S$2.67 million and S$2.40 million were recorded in FY21 and FY22 respectively.

   An impairment of S$5.387 million is recorded in FY23 as a result of escalating operating costs and higher interest rates in the cash flow projections. The discount rate used in the current financial year of 17% is higher than the 14.5% from the prior year.

   Any further impairment losses or reversal of the impairment is dependent on the extent of changes in the key assumptions underlying the impairment assessment in the future periods.

   The carrying value of the interest in associate as of 30 September 2023 is S$4.12 million.

2) **In the Company's statement of financial position, it had $2.0 million worth of non-current dividend receivables from a joint venture. Please clarify why the dividend receivable is classified as non-current and also provide the Board's assessment on the recoverability of this dividend.**

   Company's response

   Dividend from joint venture was first declared in FY19. There were difficulties in receiving the dividend due to circumstances relating to change of joint venture partner. The circumstances have since been resolved and part of the said dividends were received in FY23, leaving a S$2.0 million balance which is expected to be received by January 2025. The joint venture has been profitable since commencement of operations, no recoverability issue is further noted.

3) **In Note 6 to the financial statements, the Group recorded a significant increase in fair value changes on trade receivables from $23k in 2H FY22 to $4,530k in 2H FY23. Please clarify which line item in the statement of comprehensive income this is recorded in and elaborate on the nature of this expense and reason for the significant increase.**

Company's response

The increase in fair value changes on trade receivables relates mainly to a trade debtor under receivership and is recorded under "Other operating expenses" of statement of comprehensive income. The amounts owing by the same debtor has been recovered in full and recorded under "Other income - insurance claims for bad debts" in the same financial year.

4) **In the interested person transactions table, the Company disclosed an interested person transaction with Shanghai Emetal Hong Energy relating to the "settlement of cancellation of purchase contract". Please elaborate further on the nature of this settlement, including how the terms of the settlement were determined and how it was at arms-length. To also clarify why such a transaction would be covered under the Company's general mandate for interested person transactions.**

Company's response

Pursuant to the interested persons transaction mandate renewed at the annual general meeting of the Company on 31 January 2023, the Company entered into a purchase contract in FY23 with Shanghai Emetal Hong Energy ("SEHE"), being an associate of its controlling shareholder, for an agreed volume of Steel Deformed Bars to be delivered on or before October 2023 for US$12,560,000. This was in the interest of the Company as it ensured the supply of Steel Deformed Bars to the Company on or before October 2023.

As per the Monthly Current Market Prices of Construction Materials published by the Building and Construction Authority, the declining market prices of steel during 2H FY23 are as below:

Period	Steel Bars (16-32mm High Tensile) ($/Tonne)
Apr 2023	940.10
May 2023	922.80
Jun 2023	885.50
Jul 2023	859.20
Aug 2023	832.60
Sep 2023	830.10

The Company assessed that it would be able to benefit from the lower market prices, and entered into negotiations with SEHE to terminate the aforesaid contract prior to delivery. Pursuant to negotiations, the contract was terminated in August 2023 and the Company paid an amount of US$1,560,000 to SEHE in lieu of delivery, in accordance with the terms of the contract (made pursuant to the aforesaid interested persons transactions mandate).

Arising from the termination of the contract, and after taking into account the termination compensation amount, the Company benefited from savings of at least S$25 per tonne from making lower market price purchases of equivalent Steel Deformed Bars.

By order of the Board

Seah Kiin Peng
Executive Director and Chief Executive Officer
27 November 2023