BRC Asia Limited

BRC posts S$15.2 million net profit for FY2011

- **FY2011 revenue up 10% to S$283.3 million**
- **Gross profit down 25% to S$29.8 million; margin dips to 10.5%**
- **Proposes first & final dividend of 0.6 Singapore cents per ordinary share**

Singapore, 22 November 2011 – SGX-Mainboard listed BRC Asia Limited ("BRC" or "The Group"), one of the largest prefabricated steel reinforcement providers in Singapore, reported net profit of S$15.2 million for its financial year ended 30 September 2011 ("FY2011"). FY2011 saw BRC's revenue rising 10% to surpass S$280 million. This was driven by an increase in sales volume due to continuing buoyant local construction activities, as well as higher average steel costs and unit selling prices. However, gross profit margin fell to 10.5% in FY2011 from 15.4% in FY2010 as the increase in average steel costs was greater than the increase in average unit selling prices. In absolute terms, FY2011 gross profit came down to S$29.8 million, a 25% drop from the preceding financial year.

Financial Highlights (S$'000)

	FY2011	FY2010	FY2009
Revenue	283,300	258,351	270,641
Gross Profit	29,815	39,914	29,701
Gross Profit Margin (%)	10.5	15.4	11
Net Profit	15,197	21,735	16,461
Earnings Per Share (Cents)	1.91	3.02	2.46
Net Asset Value Per Share (Cents)	12.24	11.27	10.84

The continuing European sovereign debt crisis and US economic weakness cast a pall over the global economy in the past year. As a result, whilst still positive, economic growth in Asia (excluding Japan) has also slowed. Singapore's economy has been forecast to grow by about 5% for 2011 and only 1% to 3% in 2012, which would be spectacularly lower than the 14.5% growth recorded for 2010.

Be that as it may, local construction demand, driven largely by aggressive public sector building programmes, continued to flourish. This underpinned the strong demand for reinforcing steel during BRC's FY2011.

Due to the extrremely competitive local reinforcing steel market however, any rise in unit selling prices could not adequately reflect increases in steel costs. There remained no breakthrough in margins as a result.

Nevertheless, in FY2011 BRC has managed to continue to deliver more steel to its customers compared to FY2010 whilst keeping a healthy bottom line.

The Group's joint venture (JV) in China continues to operate profitably. However, contribution from this JV declined 34% to S$495,000 in FY2011 as gross margins decreased from intense market competition.

BRC sincerely appreciates the unwavering support given by shareholders, and proposes a first & final dividend of 0.6 Singapore cents per ordinary share for FY2011.

Going forward

The outlook for construction demand, and hence for reinforcing steel, remains stable.

Based on latest data released by the Housing & Development Board (HDB) on 28 October 2011, HDB's total flat supply for 2011 increased by 3,000 units from the previously announced 25,000 units to 28,000 units.[1] Further, in addition to previously declared 25,000 units which would be launched in 2012, the HDB's CEO Dr Cheong Koon Hean, in a speech on 2 November 2011, said that the HDB would sustain this level of launches for 2013[2].

[1] http://www.hdb.gov.sg/fi10/fi10296p.nsf/PressReleases/26F581645EFE8A914825793600834CAD?OpenDocument
[2] http://www.hdb.gov.sg/fi10/fi10296p.nsf/PressReleases/1B9EA15B6DF40D314825793E0014972E?OpenDocument

In addition, according to data published by the Urban Redevelopment Authority (URA), the number of private residential units which remained in the pipeline to be constructed and completed till 2015 and beyond had also increased for the last 3 quarters, from about 68,887 units at end first quarter 2011 to 71,111 units at end second quarter 2011 to 76,255 units at end third quarter 2011.[3]

As such, the demand outlook for reinforcing steel remains positive going into 2012. At the same time, market competition is also expected to remain intense. BRC's Group Managing Director, Mr Lim Siak Meng, commented, "*We cannot afford to let down our guard. To be the best, we need to redouble our efforts to achieve breakthroughs in productivity, value engineering and customer service.*"

BRC is cautiously optimistic about business prospects for the financial year 2012.

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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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[3] http://www.ura.gov.sg/propertyinfo/#