



BRC Asia Limited

Unaudited First Quarter Financial Statement and Related Announcement for the Quarter Ended 31 December 2015

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

1(a) Consolidated Statement of Comprehensive Income for the first quarter ended 31 December 2015

| | 1 st Qtr 2016 \$'000 | 1 st Qtr 2015 \$'000 | + / (-) % |
|---|---------------------------------------|---------------------------------------|--------------|
| Revenue | 89,181 | 101,980 | (13) |
| Cost of sales | <u>(83,705)</u> | <u>(92,205)</u> | (9) |
| Gross profit | 5,476 | 9,775 | (44) |
| Other income [note (a)] | 388 | 2,046 | (81) |
| Expenses | | | |
| - Distribution expenses | (1,031) | (1,353) | (24) |
| - Administrative expenses | (1,530) | (2,687) | (43) |
| - Finance costs | (377) | (329) | 15 |
| - Other operating expenses | (1,721) | (880) | 96 |
| Share of results of joint venture | 42 | (611) | n.m. |
| Profit before tax [note (b)] | <u>1,247</u> | <u>5,961</u> | (79) |
| Income tax expense | <u>(229)</u> | <u>(1,205)</u> | (81) |
| Profit net of tax | <u>1,018</u> | <u>4,756</u> | (79) |
| Other comprehensive income: | | | |
| - Fair value losses on available-for-sale financial assets | - | (26) | n.m. |
| - Net exchange gain on hedge of net investment in foreign operation | 195 | - | n.m. |
| - Foreign currency translation | (211) | (486) | (57) |
| Other comprehensive income for the financial period, net of tax | <u>(16)</u> | <u>(512)</u> | (97) |
| Total comprehensive income for the financial period | <u>1,002</u> | <u>4,244</u> | (76) |
| Profit net of tax attributable to: | | | |
| Owners of the parent | 1,018 | 4,755 | (79) |
| Non-controlling interests | - | 1 | n.m. |
| | <u>1,018</u> | <u>4,756</u> | (79) |
| Total comprehensive income attributable to: | | | |
| Owners of the parent | 1,003 | 4,246 | (76) |
| Non-controlling interests | (1) | (2) | n.m. |
| | <u>1,002</u> | <u>4,244</u> | (76) |

n.m. denotes not meaningful.

| | The Group | | + / (-) % |
|---|---|---|--------------|
| | 1st Qtr 2016 \$'000 | 1st Qtr 2015 \$'000 | |
| Note (a) - Other income | | | |
| Sundry income | 1 | 5 | (80) |
| Interest income | 13 | 7 | 86 |
| Government grant | 33 | - | n.m. |
| Foreign exchange gain, net [1] | - | 291 | n.m. |
| Fair value changes on currency forward contracts [2] | 341 | 1,743 | (80) |
| Total | <u>388</u> | <u>2,046</u> | (81) |
| Note (b) - Profit before tax is arrived at after charging / (crediting) the following: | | | |
| Interest expense on borrowings | 377 | 329 | 15 |
| Depreciation of property, plant and equipment | 1,543 | 1,454 | 6 |
| Rental expense on operating leases | 1,290 | 1,180 | 9 |
| Allowance for impairment of receivables, net | - | 306 | n.m. |
| Provision for onerous contracts [4] | (1,735) | 57 | n.m. |
| Foreign exchange loss, net [1] | 1,129 | - | n.m. |
| Share options expense [3] | - | 31 | n.m. |
| Reversal of allowance for inventory obsolescence | (545) | (720) | (24) |

n.m. denotes not meaningful.

Comments on Group Profit and Loss

- [1] The Group and the Company have transactional currency exposures arising from purchases which are denominated in a currency other than the respective functional currencies of the Group entities. The foreign currencies in which these transactions are denominated are mainly US Dollar, Malaysian Ringgit and Euro.
- [2] Currency forward contracts are mostly used to hedge exposure to foreign currency exchange risk arising from purchases of steel which are mainly denominated in US Dollar. As the Group did not adopt hedge accounting under FRS 39, changes to fair value of foreign currency forward contracts are recognised immediately in the statement of comprehensive income.
- [3] Share options expense relates to the fair value of share options granted to employees of the company pursuant to the BRC Share Option Scheme 2011. All share options granted to employees have fully vested in the second quarter of previous financial year.
- [4] Provision for onerous contracts are made for sales contracts under which the costs to meet the obligations are expected to exceed the sales value. These provisions are released when the contractual obligations are met or when the costs to meet the obligations no longer exceed the sales value.

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

| | <u>The Group</u> | | <u>The Company</u> | |
|--|----------------------------|-----------------------------|----------------------------|-----------------------------|
| | December 2015 \$'000 | September 2015 \$'000 | December 2015 \$'000 | September 2015 \$'000 |
| Current assets | | | | |
| Inventories | 60,604 | 92,391 | 55,335 | 85,969 |
| Trade and other receivables | 74,226 | 68,851 | 69,760 | 64,361 |
| Amount due from subsidiaries | - | - | 2,636 | 2,648 |
| Prepayments | 6,882 | 5,499 | 6,882 | 5,465 |
| Deposits | 494 | 499 | 477 | 482 |
| Derivative financial instruments | 341 | 699 | 341 | 699 |
| Cash and cash equivalents | 9,016 | 13,940 | 8,018 | 12,000 |
| | 151,563 | 181,879 | 143,449 | 171,624 |
| Non-current assets | | | | |
| Property, plant and equipment | 73,014 | 71,395 | 63,245 | 61,743 |
| Investment in subsidiaries | - | - | 23,507 | 23,507 |
| Investment in joint venture | 10,303 | 10,555 | 6,076 | 6,076 |
| Loan to investee company | 2,021 | 2,021 | 2,021 | 2,021 |
| Available-for-sale financial assets | 1,952 | 1,952 | 1,952 | 1,952 |
| | 87,290 | 85,923 | 96,801 | 95,299 |
| Total assets | 238,853 | 267,802 | 240,250 | 266,923 |
| Current liabilities | | | | |
| Trade and other payables | 31,408 | 39,915 | 30,674 | 39,489 |
| Amount due to a subsidiary | - | - | 67 | 67 |
| Advances received / prepayments | 2,897 | 2,820 | 2,897 | 2,820 |
| Loan and borrowings | 12,421 | 33,244 | 10,338 | 28,703 |
| Current income tax liabilities | 2,682 | 2,460 | 2,699 | 2,470 |
| | 49,408 | 78,439 | 46,675 | 73,549 |
| Non-current liabilities | | | | |
| Provision for retirement benefits | 409 | 489 | 409 | 489 |
| Loan and borrowings | 13,061 | 13,664 | 13,061 | 13,664 |
| Deferred income tax liabilities | 7,348 | 7,348 | 7,348 | 7,348 |
| | 20,818 | 21,501 | 20,818 | 21,501 |
| Total liabilities | 70,226 | 99,940 | 67,493 | 95,050 |
| Net assets | 168,627 | 167,862 | 172,757 | 171,873 |
| Share capital and reserves | | | | |
| Share capital | 68,011 | 68,011 | 68,011 | 68,011 |
| Treasury shares | (926) | (689) | (926) | (689) |
| Capital reserve | 597 | 597 | 597 | 597 |
| Fair value adjustment reserve | (80) | (80) | (80) | (80) |
| Share option reserve | 974 | 974 | 974 | 974 |
| Foreign currency translation reserve | (2,131) | (2,116) | - | - |
| Retained earnings | 102,239 | 101,221 | 104,181 | 103,060 |
| Equity attributable to owners of parent | 168,684 | 167,918 | 172,757 | 171,873 |
| Non-controlling interests | (57) | (56) | - | - |
| Total equity | 168,627 | 167,862 | 172,757 | 171,873 |

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

Amount repayable in one year or less, or on demand

| | December 2015 | | September 2015 | |
|---------------------------|-------------------|---------------------|-------------------|---------------------|
| | Secured \$'000 | Unsecured \$'000 | Secured \$'000 | Unsecured \$'000 |
| Bills payable | - | 4,050 | - | 22,324 |
| Finance lease liabilities | 8,371 | - | 10,920 | - |
| | 8,371 | 4,050 | 10,920 | 22,324 |

Amount repayable after one year

| | December 2015 | | September 2015 | |
|---------------------------|-------------------|---------------------|-------------------|---------------------|
| | Secured \$'000 | Unsecured \$'000 | Secured \$'000 | Unsecured \$'000 |
| Finance lease liabilities | 3,061 | - | 3,664 | - |
| Convertible bonds | - | 10,000 | - | 10,000 |
| | 3,061 | 10,000 | 3,664 | 10,000 |

Details of any collateral

Finance lease liabilities of \$11.4 million (Sept 2015: \$14.6 million) are secured by certain plant and equipment. The carrying amount of plant and equipment held under finance leases is \$19.3 million (Sept 2015: \$19.7 million) at the balance sheet date.

1(c) A Statement of Cash Flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year

| | 1 st Qtr 2016 \$'000 | 1 st Qtr 2015 \$'000 |
|---|---------------------------------------|---------------------------------------|
| Cash flows from operating activities | | |
| Profit before tax | 1,247 | 5,961 |
| Adjustments for : | | |
| Share of results of joint venture | (42) | 611 |
| Reversal of allowance for inventory obsolescence | (545) | (720) |
| Depreciation of property, plant and equipment | 1,543 | 1,454 |
| Loss on disposal of property, plant and equipment | 32 | - |
| Allowance for impairment of trade receivables | - | 306 |
| Fair value changes on derivatives | (341) | (1,743) |
| Share options expense | - | 31 |
| Provision for onerous contracts | (1,735) | 57 |
| Unrealised exchange differences | 280 | (473) |
| Interest expense | 377 | 329 |
| Interest income | (13) | (7) |
| Operating cash flow before working capital change | 803 | 5,806 |
| Changes in working capital | | |
| Trade and other receivables | (5,375) | (6,106) |
| Inventories | 32,332 | 4,370 |
| Prepayments and deposits | (679) | 1,701 |
| Trade and other payables | (6,694) | 12,180 |
| Cash flows from operations | 20,387 | 17,951 |
| Income tax (paid)/refund | (7) | 66 |
| Retirement benefits paid | (80) | - |
| Net cash flows from operating activities | 20,300 | 18,017 |
| Cash flows from investing activities | | |
| Purchases of property, plant and equipment | (3,195) | (7,639) |
| Interest received | 13 | 7 |
| Net cash flows used in investing activities | (3,182) | (7,632) |
| Cash flows from financing activities | | |
| Purchase of treasury shares | (237) | - |
| Repayment of bank loan | - | (750) |
| Repayment of bills payable | (18,274) | (14,556) |
| Repayment of finance lease | (3,152) | (581) |
| Interest paid | (377) | (329) |
| Net cash flows used in financing activities | (22,040) | (16,216) |
| Net decrease in cash and cash equivalents | (4,922) | (5,831) |
| Cash and cash equivalents at beginning of financial period | 13,940 | 22,606 |
| Effects of exchange rate changes on cash and cash equivalents | (2) | (12) |
| Cash and cash equivalents at end of financial period | 9,016 | 16,763 |

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of changes in Equity – Group

| | <u>Attributable to Owners of Parent</u> | | | | | | | <u>Non-</u> | <u>Equity,</u> | |
|---|---|------------------------|------------------------|---------------------------|-----------------------------|-------------------------------------|--------------------------|------------------------------|----------------|----------------|
| | <u>Share capital</u> | <u>Treasury shares</u> | <u>Capital reserve</u> | <u>Fair value reserve</u> | <u>Share option reserve</u> | <u>Currency translation reserve</u> | <u>Retained earnings</u> | <u>controlling interests</u> | <u>Total</u> | |
| | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | \$'000 | |
| Balance at 1 October 2014 | 67,931 | (190) | 597 | (6) | 932 | (439) | 97,962 | 166,787 | (3) | 166,784 |
| Profit, net of tax | - | - | - | - | - | (587) | 4,756 | 4,169 | 1 | 4,170 |
| Other comprehensive income for the financial year | - | - | - | (26) | - | 103 | - | 77 | (3) | 74 |
| Total comprehensive income for the financial year | - | - | - | (26) | - | (484) | 4,756 | 4,246 | (2) | 4,244 |
| Grant of equity-settled share options scheme to employees | - | - | - | - | 31 | - | - | 31 | - | 31 |
| Total contributions by and distribution to owners | - | - | - | - | 31 | - | - | 31 | - | 31 |
| Balance at 31 December 2014 | 67,931 | (190) | 597 | (32) | 963 | (923) | 102,718 | 171,064 | (5) | 171,059 |
| Balance at 1 October 2015 | 68,011 | (689) | 597 | (80) | 974 | (2,116) | 101,221 | 167,918 | (56) | 167,862 |
| Profit, net of tax | - | - | - | - | - | - | 1,018 | 1,018 | - | 1,018 |
| Other comprehensive income for the financial year | - | - | - | - | - | (15) | - | (15) | (1) | (16) |
| Total comprehensive income for the financial year | - | - | - | - | - | (15) | 1,018 | 1,003 | (1) | 1,002 |
| Purchase of treasury shares | - | (237) | - | - | - | - | - | (237) | - | (237) |
| Total contributions by and distribution to owners | - | (237) | - | - | - | - | - | (237) | - | (237) |
| Balance at 31 December 2015 | 68,011 | (926) | 597 | (80) | 974 | (2,131) | 102,239 | 168,684 | (57) | 168,267 |

Statement of changes in Equity-Company

| | <u>Share capital</u> \$'000 | <u>Treasury shares</u> \$'000 | <u>Capital reserve</u> \$'000 | <u>Fair value reserve</u> \$'000 | <u>Share option reserve</u> \$'000 | <u>Retained earnings</u> \$'000 | <u>Total</u> \$'000 |
|---|--------------------------------|----------------------------------|----------------------------------|-------------------------------------|---------------------------------------|------------------------------------|------------------------|
| Balance at 1 October 2014 | 67,931 | (190) | 597 | (6) | 932 | 97,025 | 166,289 |
| Profit, net of tax | - | - | - | - | - | 5,884 | 5,884 |
| Other comprehensive income for the financial year | - | - | - | (26) | - | - | (26) |
| Total comprehensive income for the financial year | - | - | - | (26) | - | 5,884 | 5,858 |
| Grant of equity-settled share options scheme to employees | - | - | - | - | 31 | - | 31 |
| Total contributions by and distribution to owners | - | - | - | - | 31 | - | 31 |
| Balance at 31 December 2014 | 67,931 | (190) | 597 | (32) | 963 | 102,909 | 172,178 |
| Balance at 1 October 2015 | 68,011 | (689) | 597 | (80) | 974 | 103,060 | 171,873 |
| Profit, net of tax | - | - | - | - | - | 1,121 | 1,121 |
| Total comprehensive income for the financial year | - | - | - | - | - | 1,121 | 1,121 |
| Purchase of treasury shares | - | (237) | - | - | - | - | (237) |
| Total contributions by and distribution to owners | - | (237) | - | - | - | - | (237) |
| Balance at 31 December 2015 | 68,011 | (926) | 597 | (80) | 974 | 104,181 | 172,757 |

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

Number of issued shares (excluding treasury shares)

| | |
|-----------------------------|--------------------|
| As at 1 October 2015 | 186,978,189 |
| Purchase of treasury shares | <u>(337,500)</u> |
| As at 31 December 2015 | <u>186,640,689</u> |

Share Options

The BRC Share Option Scheme 2011 (the 'Option Scheme') for employees of the Company was approved by members of the Company at the Extraordinary General Meeting held on 25 January 2011.

Movement of share options during the 3 months ended 31 December 2015

| | |
|---|------------------|
| Outstanding at 1 October 2015 | 5,546,600 |
| - Exercised between October 2015 to December 2015 | <u>-</u> |
| Outstanding at 31 December 2015 | <u>5,546,600</u> |

Convertible Bonds

The Company issued S\$10,000,000 equity-linked redeemable convertible bonds on 16 May 2014. The total net proceeds of S\$10,000,000 had been used to pay off part of the Company's existing trust receipts.

The convertible bonds outstanding as at 31 December 2015 were as follows:

| Principal amount outstanding | Maturity date | Conversion price as at 31 Dec 2015 |
|--------------------------------------|---------------|------------------------------------|
| <u>Convertible bonds due 2019</u> | | |
| S\$10 million at 5 percent per annum | 16 May 2019 | S\$1.00 |

Assuming all convertible bonds are fully converted based on the conversion price, the number of new shares to be issued will be 10,000,000, representing 5.36% of the total number of shares in issue (excluding treasury shares) as at 31 December 2015.

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 the end of the immediately preceding year.

| | 31 December 2015 | 30 September 2015 |
|-------------------------------|-------------------------|--------------------------|
| Total number of issued shares | 186,640,689 | 186,978,189 |

1(d)(iv) A statement showing all sales, transfer, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.

Movement of treasury shares during the financial year ended 31 December 2015

| | |
|------------------------------------|------------------|
| Outstanding as at 1 October 2015 | 983,500 |
| Purchase of treasury shares | 337,500 |
| Outstanding as at 31 December 2015 | <u>1,321,000</u> |

2. Whether the figures have been audited, or reviewed and in accordance with which standard (e.g. the Singapore Standard on Auditing 910 (Engagements to Review Financial Statements), or an equivalent standard

The figures have not been audited or reviewed.

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 annual financial statements have been applied

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation to the financial statements for the current financial period and the most recent audited annual financial statements for the financial year ended 30 September 2015.

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

The Group has adopted the new or revised Singapore Financial Reporting Standards ("FRS") and Interpretations of FRS ("INT FRS") which became effective for the current financial year, where applicable. The adoption of these FRS and INT FRS did not result in any substantial changes to the Group's accounting policies and there is no material impact on the financial statements of the Group since 1 October 2015.

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

The Group

| Earnings per ordinary share (cents) | 1st Qtr 2016 | 1st Qtr 2015* |
|--|--------------------------------|---------------------------------|
| - Basic | 0.54 | 2.54 |
| - Diluted basis | 0.54 | 2.41 |

* The computations of comparative earnings per share and weighted average number of shares were adjusted for the effect of share consolidation.

Earnings per ordinary share were calculated based on weighted average number of shares during the period.

Weighted average number of shares for basic earnings per share computation as of 31 December 2015 and 31 December 2014 were 186,640,689 and 187,617,812 shares respectively excluding treasury shares.

Weighted average number of shares for diluted earnings per share computation as of 31 December 2015 and 31 December 2014 were 186,640,689 and 197,646,768 shares respectively excluding treasury shares.

The following which were outstanding as at balance sheet date were not included in the calculation of diluted earnings per share because they are antidilutive for the period presented: (i) 5.5 million share options granted to employees in 2013 under the BRC Share Option Scheme 2011 and (ii) \$10 million redeemable convertible bonds issued on 16 May 2014.

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

Net asset value per ordinary share (cents)

| | December 2015 | September 2015 |
|-------------|----------------------|-----------------------|
| The Group | 90.35 | 89.78 |
| The Company | 92.56 | 91.92 |

Net asset value per ordinary share was calculated based on 186,640,689 shares as at 31 December 2015 and 186,978,189 shares as at 30 September 2015.

8. **A review of the performance of the group, to the extent necessary for a reasonable understanding of the group’s business. The review must discuss 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. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.**

GROUP INCOME STATEMENT

Revenue

Despite delivering a higher volume of steel, revenue for the current quarter (1Q16) decreased by 13% to S\$89.2 million when compared to the corresponding period in the previous financial year (1Q15) as a result of lower unit selling prices due to intense competition amid a down trending market environment.

Gross profit and gross profit margin

Intensifying competition has also continued to put strong downward pressure on profits and margins.

Consequently, gross profit for 1Q16 decreased by 44% quarter-on-quarter from S\$9.8 million to S\$5.5 million; similarly, gross profit margin as a percentage of sales fell to 6.1% from 9.6%.

Distribution cost and administrative expenses

The decrease in distribution and administrative expenses was mainly a result of lower personnel costs.

Finance costs

Despite having a lower level of borrowings, finance costs rose largely because interest rates were higher.

Other operating expenses

The increase in other operating expenses in 1Q16 as compared to 1Q15 was mainly due to a realised foreign exchange loss of S\$1.1 million in 1Q16 as compared to a realised foreign exchange gain of S\$0.3 million taken up as other income in 1Q15. Such an increase was partly offset by the absence of bad debts provision at the Company level (1Q15: S\$0.3 million).

Share of results of joint venture

The Group’s share of results from the investment in the joint venture in China (“JV”) has shown a positive figure as compared to a loss recorded in the corresponding period in the previous financial year. This was mainly due to an absence of JV bad debts provision in 1Q16 (1Q15: S\$0.8 million).

GROUP BALANCE SHEET & CASH FLOW

As at 31 December 2015, the Group's balance sheet remained strong with net assets of S\$168.6 million and net asset value per ordinary share of 90.35 Singapore cents.

The Group's trade and other receivables increased by S\$5.4 million to S\$74.2 million which was in tandem with the higher sales in first quarter of the current year compared to the last quarter in the previous financial year (4Q15).

The Group's inventories fell S\$31.8 million to S\$60.6 million due to lower inventory levels as well as decreased unit costs which were in line with falling steel prices.

The Group's property, plant and equipment increased by S\$1.6 million to S\$74 million due to the purchase of machinery during the quarter.

The Group's trade and other payables were lower by S\$8.5 million due to fewer unpaid shipments for imported raw materials and a lower provision for onerous contracts.

Net cash flows of S\$20.3 million generated from operating activities were mainly used for purchases of plant and equipment of S\$3.2 million, and repayment of borrowings of S\$21.4 million.

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

The Group's results for 1Q16 were in line with the commentary in paragraph 10 of the previous Results Announcement.

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

Singapore

After breaking records for 4 consecutive years from 2011 to 2014, where total construction demand in Singapore averaged S\$35.2 billion a year¹, such demand fell significantly to only S\$27.2 billion in the last year (2015)². This was also below the lower bound forecast of the Building and Construction Authority (BCA), which had expected that construction contracts for the Singapore built environment sector to be between S\$29 billion and S\$36 billion in 2015. According to the BCA, this was mainly due to the rescheduling of some major infrastructure projects from the last quarter of 2015 to 2016, as well as a marked slowdown in contract volume for new private buildings in the second half of 2015 amid a continued softening property market.

For 2016, the BCA forecasted that total construction demand in Singapore would reach between S\$27.0 billion and S\$34.0 billion, with 65% of this projected to come from the public sector, particularly from civil engineering works, which are expected to more than double from S\$5.4 billion in 2015 to between S\$10.7 billion and S\$12.9 billion in 2016. On the other hand, private residential construction demand could halve from S\$3.9 billion in 2015 to S\$2.0 billion in 2016 if the lower bound of BCA's forecast comes true.

Table – Singapore Total Construction Demand (S\$ billion)

| Sector | 2016 (forecast) | 2015 (preliminary) | 2014 (preliminary) |
|-----------------------------------|-----------------|--------------------|--------------------|
| Industrial | 4.0-5.4 | 5.4 | 5.6 |
| Commercial | 1.9-2.5 | 2.2 | 3.8 |
| Private Residential | 2.0-3.4 | 3.9 | 5.9 |
| Public Residential | 4.5-4.7 | 3.8 | 5.0 |
| Civil Engineering | 10.7-12.9 | 5.4 | 10.2 |
| Institutional & Others | 3.9-5.2 | 6.6 | 7.2 |

Source: Building & Construction Authority, Singapore

The above table clearly shows that, with the exception of construction demand for civil engineering projects, demand for all the other sectors has moderated, some more significantly than others, since 2014. Excluding construction demand for civil engineering projects, total construction demand for 2016 is projected to be between S\$16.3 billion and S\$21.2 billion only, compared to S\$21.9 billion in 2015 and S\$27.5 billion in 2014.

On the supply side, ferocious market competition is expected to prevail in 2016, as excess capacity in the reinforcing steel industry will continue to put pressure on prices and margins in a soft and downward trending property and construction market.

All in all, we can expect that the next 12 months will be challenging and volatile.

¹ Total construction demand from 2011 to 2014 was S\$35.5 billion, S\$30.8 billion, S\$35.8 billion and S\$38.8 billion respectively.

² http://www.bca.gov.sg/Newsroom/others/BCA_Media_Release_Prospects_150116.pdf

China

The Chinese economy had in recent months, suffered a stock market crash, currency devaluation and capital flight and a significant slowdown in growth, as it continues making the difficult transition from an economy that is export-oriented to one driven by consumption. The progress of the Group's Joint Venture in China is expected to be stifled by such difficult macroeconomic conditions.

Malaysia

We are cautiously optimistic about the Group's Malaysia business in the coming 12 months.

11. Dividend

(a) Current Financial Period Reported On

Nil.

(b) Corresponding Period of the Immediately Preceding Financial Year

Nil.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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

No dividend has been declared or recommended for the financial period ended 31 December 2015.

13. Interested person transactions

The group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the listing manual of the Singapore Exchange Securities Trading Limited.

14. Confirmation pursuant to Rule 705(5) of the SGX Listing Manual

We, Lim Siak Meng and Seah Kiin Peng, being two directors of BRC Asia Limited, do hereby confirm on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the first quarter ended 31 December 2015 to be false or misleading in any material aspects.

15. Confirmation that the issuer has procured undertakings for all its directors and executive officers (in format set out in Appendix 7.7) under Rule 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers in format that set out in Appendix 7.7 under Rule 720(1) of the listing manual.

On behalf of the Board of Directors

Lim Siak Meng
Group Managing Director

Seah Kiin Peng
Executive Director

Singapore

12 February 2016