BRC ASIA LIMITED
Incorporated in the Republic of Singapore
Company Registration No. 193800054G

RESPONSE TO QUERIES RAISED BY SHAREHOLDERS REGARDING THE GROUP'S ANNUAL REPORT FOR THE FINANCIAL YEAR ENDED 30 SEPTEMBER 2023

The Board of Directors of BRC Asia Limited (the "**Company**") (the "**Board**") refers to the following queries raised by Shareholders regarding the Group's annual report for the financial year ended 30 September 2023 ("**FY2023**") and would like to provide the following response:

i) Is higher steel prices a nett positive or negative for the company?

Company's Response

They are neither absolutely positive nor negative for the Company. At any point in time, a main consideration for the setting of contract sales prices is the prevailing market cost of steel and, to minimise the impact from the fluctuations in the cost of steel, the Company hedges the steel requirements of its fixed price sales order book. Price determination is also subject to the prevailing competitive market conditions and landscape. Having said that, more expensive steel requires greater financial resources to support, particularly in a higher interest rate environment, which tend to favour larger and stronger enterprises like the Company.

ii) The net profit margin for the "Trading" segment is razor thin at about 1%. Can management explain the rationale for participating in this segment? It seems that the company could do better by focusing time and effort on Fabrication and Manufacturing segment instead.

Company's Response

Despite the relatively modest margins, the Trading segment continues to bring in profits for the Company. More importantly, it provides the Company with a strategic entry point into specific markets or regions and affords opportunities for expansion. Finally, the Company is also able to reap significant benefits from the greater economies of scale due to the larger purchasing volume generated from the Trading segment.

iii) For the past few years, the amount spent on new purchase PPE has been much less than the depreciation on PPE. Is it because the nature of the industry is such that the company only requires minimal CAPEX to maintain our competitiveness?

Company's Response

To stay ahead of competition, the Company operates using state-of-the art machinery and equipment. With a good maintenance program, such machinery and equipment are built to last for at least 10 to 15 years. Prior to the acquisition of Lee Metal Group Ltd (“Lee Metal”), the Company embarked on a major overhaul of its machinery and equipment from 2010 to 2015. With the acquisition and merger of Lee Metal into the Group in 2018/19, a substantial number of relatively new machinery and equipment was added. Be that as it may, the Group has always endeavoured to stay at the forefront of this industry by adopting the latest technological and automation advances.

iv) China revenue has gone from $26m to zero in a year. Is the company exiting the China market completely? If so, can management please explain why?

Company's Response

The activities in the People's Republic of China ("China") comprise trading sales of the Company and local operations of the joint venture, Anhui BRC & Ma Steel Weldmesh Co Ltd ("JV").

The Company's 50% interest in the JV remains unchanged. The principal activities of the JV is to market, fabricate and supply steel welded wire mesh and other forms of reinforcing steel products for use in the construction industry in China. The JV's results are reported in a separate line as "*Share of results of joint venture*" (page 65 of the Annual Report 2023 ("AR2023")), and the JV's revenue is not incorporated into the Group's revenue.

We refer to the segment reporting on page 126 of AR2023 and the group revenue by geographical segment (based on geographical locations of customers) on page 128 of AR2023. Although trading sales may be for repeat international customers and/or via regular distribution channels overseas, they are usually concluded on a transaction-by-transaction basis subject to the competitive environment and market conditions. As such, revenue by geographical segment may vary from time to time.

v) Before the current controller shareholder acquired majority stake in the company, senior management (including Mr Seah Kiin Peng) used to own significant amount of shares in the company. However, it seems from the Annual Report that senior management (except the controlling shareholder) no longer owns shares in the company. If the senior management are still positive on the firm's long term performance, why are they not owning equity in the company? From a shareholder perspective, it would be reassuring if the CEO also owns a decent stake in the company, so that our interests in the company can be aligned.

Company's Response

The current remuneration packages for the management team have been effective for the key executives to provide good stewardship of the group. Performance of the Group over the last 3 years is testament to the relative success of the current system of remuneration. The Remuneration Committee conducts an annual review of the remuneration system to ensure its effectiveness to achieve long-term success of the Group in alignment with the interests of shareholders.

By order of the Board

Seah Kiin Peng
Executive Director and Chief Executive Officer
23 January 2024