



BRC Asia Limited

Unaudited First Quarter Financial Statement and Related Announcement for the Quarter Ended 31 December 2016

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

Consolidated Statement of Comprehensive Income for the first quarter ended 31 December 2016

	1 st Qtr 2017 \$'000	1 st Qtr 2016 \$'000	+ / (-) %
Revenue	80,019	89,181	(10)
Cost of sales	<u>(74,757)</u>	<u>(83,705)</u>	(11)
Gross profit	5,262	5,476	(4)
Other income [note (a)]	1,750	47	n.m.
Expenses			
- Distribution expenses	(1,029)	(1,031)	-
- Administrative expenses	(2,058)	(1,530)	35
- Finance costs	(427)	(377)	13
- Other operating expenses	(1,123)	(1,380)	(19)
Share of results of joint venture	73	42	74
Profit before tax [note (b)]	<u>2,448</u>	<u>1,247</u>	96
Income tax expense	<u>(566)</u>	<u>(229)</u>	147
Profit net of tax	<u>1,882</u>	<u>1,018</u>	85
Other comprehensive income:			
- Net exchange (loss)/gain on hedge of net investment in foreign operation	(280)	195	n.m.
- Foreign currency translation	(24)	(211)	(89)
Other comprehensive income for the financial period, net of tax	<u>(304)</u>	<u>(16)</u>	n.m.
Total comprehensive income for the financial period	<u>1,578</u>	<u>1,002</u>	57
Profit net of tax attributable to:			
Owners of the parent	1,899	1,018	87
Non-controlling interests	<u>(17)</u>	<u>-</u>	n.m.
	<u>1,882</u>	<u>1,018</u>	85
Total comprehensive income attributable to:			
Owners of the parent	1,596	1,003	59
Non-controlling interests	<u>(18)</u>	<u>(1)</u>	n.m.
	<u>1,578</u>	<u>1,002</u>	57

n.m. denotes not meaningful.

	The Group		+ / (-) %
	1st Qtr 2017 \$'000	1st Qtr 2016 \$'000	
Note (a) - Other income			
Sundry income	2	1	100
Interest income	29	13	123
Government grant	34	33	3
Gain on disposal of property, plant and equipment	1	-	n.m.
Foreign exchange gain, net [1]	1,684	-	n.m.
Total	1,750	47	n.m.

Note (b) - Profit before tax is arrived at after charging / (crediting) the following:

Interest expense on borrowings	427	377	13
Depreciation of property, plant and equipment	2,481	1,543	61
Rental expense on operating leases	1,451	1,290	12
Allowance for impairment of receivables, net	9	-	n.m.
Provision / (reversal of provision) for onerous contracts [3]	4,442	(1,735)	n.m.
Foreign exchange loss, net [1]	-	430	n.m.
Loss from fair value changes on currency forward contracts [2]	368	358	3
Reversal of allowance for inventory obsolescence	(855)	(545)	57
(Gain)/loss on disposal of property, plant and equipment	(1)	32	103

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] 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 2016 \$'000	September 2016 \$'000	December 2016 \$'000	September 2016 \$'000
Non-current assets				
Property, plant and equipment	79,090	77,679	68,504	68,233
Investment in subsidiaries	-	-	30,162	30,162
Investment in joint venture	10,420	10,162	6,076	6,076
Loan to investee company	4,321	4,321	4,321	4,321
Available-for-sale financial assets	2,243	2,243	2,243	2,243
	96,074	94,405	111,306	111,035
Current assets				
Inventories	65,454	91,445	59,858	84,079
Trade and other receivables	60,198	66,007	52,709	57,355
Amount due from subsidiaries	-	-	11,792	4,950
Prepayments	3,833	4,198	898	1,740
Derivative financial instruments	175	543	175	521
Deposits	245	245	223	229
Cash and cash equivalents	12,584	11,938	5,841	7,657
	142,489	174,376	131,496	156,531
Total assets	238,563	268,781	242,802	267,566
Current liabilities				
Trade and other payables	10,301	31,896	9,261	30,600
Provisions	7,034	2,592	7,034	2,592
Amount due to a subsidiary	-	-	70	70
Advances received	989	1,459	908	1,459
Loan and borrowings	25,600	39,613	24,479	34,399
Current income tax liabilities	1,345	780	1,361	795
	45,269	76,340	43,113	69,915
Non-current liabilities				
Provisions	411	427	411	427
Loan and borrowings	11,487	12,135	11,487	12,135
Deferred income tax liabilities	8,267	8,267	8,267	8,267
	20,165	20,829	20,165	20,829
Total liabilities	65,434	97,169	63,278	90,744
Net assets	173,129	171,612	179,524	176,822
Equity attributable to owners of the Company				
Share capital	68,011	68,011	68,011	68,011
Treasury shares	(1,105)	(1,044)	(1,105)	(1,044)
Capital reserve	597	597	597	597
Fair value adjustment reserve	(72)	(72)	(72)	(72)
Share option reserve	974	974	974	974
Foreign currency translation reserve	(2,995)	(2,692)	-	-
Retained earnings	107,732	105,833	111,119	108,356
Equity attributable to owners of the Company	173,142	171,607	179,524	176,822
Non-controlling interests	(13)	5	-	-
Total equity	173,129	171,612	179,524	176,822
Total equity and liabilities	238,563	268,781	242,802	267,566

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

Amount repayable in one year or less, or on demand

	December 2016		September 2016	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Bills payable	-	23,030	-	37,056
Finance lease liabilities	2,570	-	2,557	-
	<u>2,570</u>	<u>23,030</u>	<u>2,557</u>	<u>37,056</u>

Amount repayable after one year

	December 2016		September 2016	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Finance lease liabilities	1,487	-	2,135	-
Convertible bonds	-	10,000	-	10,000
	<u>1,487</u>	<u>10,000</u>	<u>2,135</u>	<u>10,000</u>

Details of any collateral

Finance lease liabilities of S\$4.1 million (2016: S\$4.7 million) are secured by certain plant and equipment. The carrying amount of plant and equipment held under finance leases is S\$8.9 million (2016: S\$9.1 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

	1st Qtr 2017 \$'000	1st Qtr 2016 \$'000
Cash flows from operating activities		
Profit before tax	2,448	1,247
Adjustments for :		
Share of results of joint venture	(73)	(42)
Reversal of allowance for inventory obsolescence	(855)	(545)
Depreciation of property, plant and equipment	2,481	1,543
(Gain)/loss on disposal of property, plant and equipment	(1)	32
Allowance for impairment of trade receivables, net	9	-
Fair value changes on derivatives	368	358
Provision / (reversal of provision) for onerous contracts	4,442	(1,735)
Provision for retirement benefits	(16)	-
Unrealised exchange differences	(512)	280
Interest expense	427	377
Interest income	(29)	(13)
Operating cash flow before working capital change	8,689	1,502
Changes in working capital		
Trade and other receivables	5,799	(5,375)
Inventories	26,846	32,332
Prepayments and deposits	364	(1,378)
Trade and other payables	(22,064)	(6,694)
Cash flows from operations	19,634	20,387
Income tax paid	(2)	(7)
Retirement benefits paid	-	(80)
Net cash flows from operating activities	19,632	20,300
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,892)	(3,195)
Interest received	29	13
Net cash flows used in investing activities	(3,863)	(3,182)
Cash flows from financing activities		
Purchase of treasury shares	(61)	(237)
Repayment of bills payable	(14,026)	(18,274)
Repayment of finance lease	(635)	(3,152)
Interest paid	(427)	(377)
Net cash flows used in financing activities	(15,149)	(22,040)
Net increase/(decrease) in cash and cash equivalents	620	(4,922)
Cash and cash equivalents at beginning of financial period	11,938	13,940
Effects of exchange rate changes on cash and cash equivalents	26	(2)
Cash and cash equivalents at end of financial period	12,584	9,016

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 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)	168,627
Balance at 1 October 2016	68,011	(1,044)	597	(72)	974	(2,692)	105,833	171,607	5	171,612
Profit, net of tax	-	-	-	-	-	-	1,899	1,899	(17)	1,882
Other comprehensive income for the financial year	-	-	-	-	-	(303)	-	(303)	(1)	(304)
Total comprehensive income for the financial year	-	-	-	-	-	(303)	1,899	1,596	(18)	1,578
Purchase of treasury shares	-	(61)	-	-	-	-	-	(61)	-	(61)
Total contributions by and distribution to owners	-	(61)	-	-	-	-	-	(61)	-	(61)
Balance at 31 December 2016	68,011	(1,105)	597	(72)	974	(2,995)	107,732	173,142	(13)	173,129

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 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
Balance at 1 October 2016	68,011	(1,044)	597	(72)	974	108,356	176,822
Profit, net of tax	-	-	-	-	-	2,763	2,763
Total comprehensive income for the financial year	-	-	-	-	-	2,763	2,763
Purchase of treasury shares	-	(61)	-	-	-	-	(61)
Total contributions by and distribution to owners	-	(61)	-	-	-	-	(61)
Balance at 31 December 2016	68,011	(1,105)	597	(72)	974	111,119	179,524

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)

	2016	2015
As at 1 October	186,449,989	186,978,189
Purchase of treasury shares	(114,900)	(337,500)
As at 31 December	<u>186,335,089</u>	<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

Outstanding at 1 October 2016	5,546,600
- Exercised between October 2016 to December 2016	-
Outstanding at 31 December 2016	<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 were as follows:

	31 December 2016	31 December 2015
Principal amount outstanding		
<u>Convertible bonds due 2019</u>		
S\$10 million at 5 percent per annum		
Maturity date	16 May 2019	16 May 2019
Conversion price	S\$1.00	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 5.37% of the total number of shares in issue (excluding treasury shares) as at 31 December 2016 and 5.36% of the total number of shares in issue (excluding treasury shares) as at 31 December 2015 respectively.

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 2016	30 September 2016
Total number of issued shares	186,335,089	186,449,989

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.

<u>Number of treasury shares</u>	
As at 1 October 2016	1,511,700
Purchases	<u>114,900</u>
As at 31 December 2016	<u><u>1,626,600</u></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 2016.

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 2016.

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 2017	1st Qtr 2016
- Basic	1.02	0.54
- Diluted basis	1.02	0.54

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 2016 and 31 December 2015 were 186,641,963 and 186,640,089 shares respectively excluding treasury shares.

Weighted average number of shares for diluted earnings per share computation as of 31 December 2016 and 31 December 2015 were 186,641,963 and 186,640,089 shares respectively excluding treasury shares.

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 2016	September 2016
The Group	92.91	92.04
The Company	96.35	94.84

Net asset value per ordinary share was calculated based on 186,335,089 shares as at 31 December 2016 and 186,449,989 shares as at 30 September 2016.

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

Revenue for the current quarter (1Q17) decreased by 10% to S\$80.0 million when compared to the corresponding period in the previous financial year (1Q16) as a result of lower delivery volume due to weaker construction demand and lower unit selling prices which is in tandem with lower steel prices.

Gross profit and gross profit margin

Consequently, gross profits fell by 4% to S\$5.3 million in 1Q17 from S\$5.5 million in 1Q16 while gross profit margin as a percentage of sales in 1Q17 was 6.6% as compared to 6.1% in 1Q16.

Distribution cost and administrative expenses

The decrease in distribution expenses was mainly due to a reduction in prompt payment discounts given to customers, offset by higher personnel costs.

The increase in administrative expenses was mainly a result of higher personnel costs.

Finance costs

Finance costs were higher due to a higher average level of borrowings during 1Q17 compared to 1Q16.

Other operating expenses

The decrease in other operating expenses in 1Q17 as compared to 1Q16 was mainly due to a realised foreign exchange loss of S\$0.43 million in 1Q16 as compared to a realised foreign exchange gain of S\$1.68 million taken up as 'other income' in 1Q17.

Share of results of joint venture

The Group's share of results from the investment in the joint venture in China ("JV") has improved by 74% to \$73K in 1Q17 from \$42K in 1Q16.

GROUP BALANCE SHEET & CASH FLOW

As at 31 December 2016, the Group's balance sheet remained strong with net assets of S\$173.1 million and net asset value per ordinary share of 92.91 Singapore cents.

The Group's trade and other receivables decreased by S\$5.8 million to S\$60.2 million which was in tandem with the lower sales in 1Q17 as compared to the last quarter in the previous financial year.

The Group's inventories fell S\$26.0 million to S\$65.5 million mainly due to lower inventory levels.

The Group's property, plant and equipment increased by S\$1.4 million to S\$79.1 million due to the purchase of machinery and equipment during the quarter.

The Group's trade and other payables were lower by S\$21.6 million due to fewer unpaid shipments for imported raw materials.

Increase in provisions was related to provisions for certain sales contracts for which the costs to meet the obligations are expected to exceed the economic benefits to be received under them.

Net cash flows of S\$19.6 million generated from operating activities were mainly used for purchases of plant and equipment of S\$2.4 million, and repayment of borrowings of S\$14.7 million.

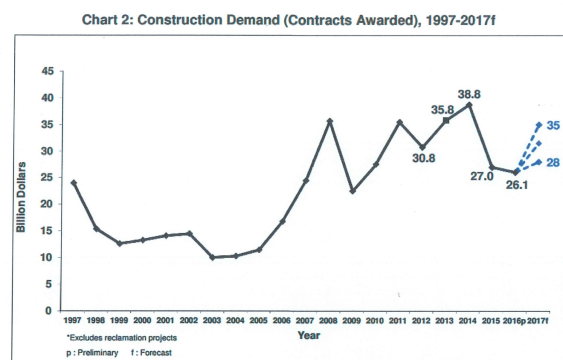
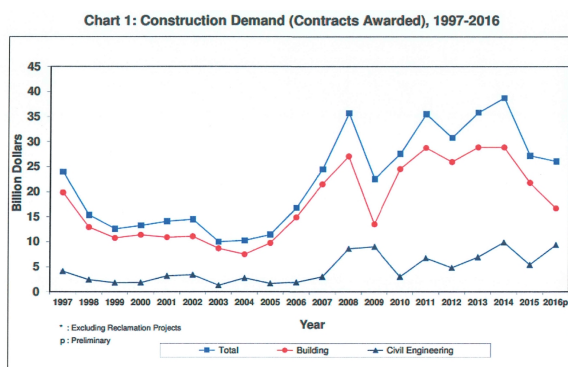
9. Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results

The Group's results for 1Q17 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

Preliminary estimates by the Building and Construction Authority (BCA) showed total construction demand for Singapore in 2016 to be S\$26.1 billion, below the S\$27 billion to S\$34 billion range forecast by BCA at the start of the year. According to the BCA, this was mainly due to public sector construction demand coming in at a lower than projected level of S\$15.8 billion (forecast: S\$18.5 billion to S\$20 billion), because several major projects had to be re-scheduled to 2017. Further, private sector construction demand continued its decline, from S\$19.5 billion in 2014, to S\$13.8 billion in 2015, and to S\$10.3 billion in 2016. Overall, although total construction demand in 2016 is only moderately lower than the S\$27 billion registered a year earlier, it was way below the average total construction demand of S\$33.6 billion for the last 5 years (2011-2015). The following charts trace the level of construction demand in Singapore over time.



Source: BCA

In 2017, BCA projects that total construction demand for Singapore will reach between S\$28 billion and S\$35 billion, with about 70% of this demand to be contributed by the public sector (of which about half will be demand from civil engineering works). The following table compares the breakdown of this expected demand by sector with the preceding 3 years.

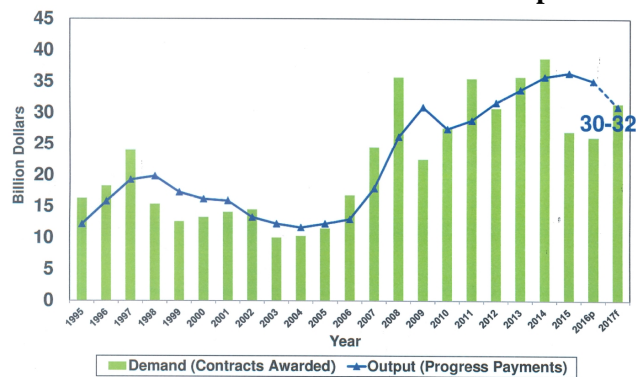
Table – Singapore Total Construction Demand (S\$ billion)

Sector	2017 (forecast)	2016 (preliminary)	2015	2014
Industrial	4.2-5.6	3.3	5.4	5.6
Commercial	2.4-3.2	2.8	2.2	3.8
Private Residential	2.1-2.9	3.1	3.9	5.9
Public Residential	3.6-3.9	3.3	3.8	5.0
Civil Engineering	11.3-14.6	9.4	5.4	10.2
Institutional & Others	4.3-4.9	4.2	6.6	7.2
Total	27.9-35.1	26.1	27.3	37.7

Source: BCA

It is evident from the charts and table above that while the construction demand for 2017 may be somewhat better than 2016, it is some way off from the preceding few years (2011-2014). Moreover, while more and more of this demand has been concentrated in civil engineering works, demand in other sectors, especially for private residential projects, have been particularly anemic. Excluding construction demand for civil engineering works, total construction demand for 2017 is projected to be between S\$16.6 billion and S\$20.5 billion, compared to S\$16.7 billion, S\$21.9 billion and S\$27.5 billion in 2016, 2015 and 2014 respectively. Furthermore, as there is a significant time lag between construction demand and output, the moderation of demand in the last 2 years is expected to impact the level of construction output in the coming year. This trend can be clearly observed in the next chart.

Chart 3: Construction Demand & Output



Source: BCA

The construction supply chain, including the reinforcing steel industry, which had geared up to fulfill the buoyant construction demand of 2011-2014, is now facing a period of volatility and uncertainty as demand weakens significantly. With prices and margins under substantial pressure, we can expect the next 12 months to be highly challenging ones.

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 2016.

13. Interested person transactions

Name of interested person and nature of transaction	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)*	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)*
HG Metal Manufacturing Limited	Sales – S\$3,000	-
HG Construction Steel Pte Ltd	Sales – S\$115,000	-
Gnoh Hock Realty Pte Ltd	Bond interest paid – S\$25,000	-

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 2016 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

13 February 2017