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

Voluntary Announcement

BRC Asia reports 1QFY2021 NPAT of S$9.6 million, after taking in provisions of S$13.2 million, despite Covid-related disruptions

- **Revenue declined 6% year-on-year to S$213.4 million due to severe Covid-19 disruptions to the local construction industry**
- **Sharp increases in global steel prices during the quarter led to a significant provision for onerous contracts of S$7.9 million**
- **The Group remains cautiously optimistic on the recovery of general economic activity with the Phase 3 of Singapore's reopening and a national effort to vaccinate the Singapore population**

SINGAPORE – 03 February 2021 – BRC Asia Limited. ("**BRC**" or the "**Group**"), a leading steel reinforcement solutions provider in Singapore and listed on the SGX Mainboard, is pleased to update the market with the following financial and operational highlights for the quarter ended 31 December 2020 ("**1QFY2021**").

Financial Highlights

Financial Highlights	1QFY2021 (S$'million)	1QFY2020 (S$'million)	Change (%)
Revenue	213.4	226.8	(6)
Gross profit	23.4	29.8	(21)
Gross profit margin	*11.0%*	*13.1%*	*-2.1 ppts*[2]
Operating expenses[1]	13.6	14.3	(5)
Operating profit	11.9	15.5	(23)
Operating profit margin	*5.6%*	*6.8%*	*-1.2 ppts*[2]
Net profit attributable to shareholders	9.6	12.7	(24)
Earnings per share[3]	4.12	5.45	(24)

1 Operating expenses include distribution expenses, administrative expenses, finance costs, other operating expenses and impairment loss on financial assets

2 Ppts: Percentage points (rounded)

3 Basic and fully diluted. Singapore cents

The Group's revenue declined by 6% year-on-year ("yoy") to S$213.4 million in 1QFY2021. The decrease was mainly due to a reduction in sales volume, as Covid-19 safe working and management measures continued to result in a slower pace of work for the construction sector.

The Group delivered earnings of S$9.6 million after recording the following provisions of S$13.2 million:

- Provision for onerous contracts S$7.9 million
- Impairment loss and fair value changes on trade receivables S$3.1 million
- Fair value changes on derivatives (currency forward contracts) S$2.2 million

An accounting provision for onerous contracts of S$7.9 million was recorded in 1QFY2021, as compared to a reversal of S$6.3 million in the same quarter of the previous financial year ("**1QFY2020**"). In view of the rapid escalation of international steel prices during 1QFY2021, Management assessed and estimated that the costs to meet the obligations of certain sales contracts based on the value of inventory on hand plus estimated costs of inventory purchases and conversion costs incurred could be expected to exceed the economic benefits to be received. Be that as it may be, *ceteris paribus*, the relevant provisions for onerous contracts are reversed and credited to the profit and loss statement when deliveries under such sales contracts are executed. Fair value changes on derivatives relate mainly to mark-to-market of unutilised forward currency contracts that are used to hedge foreign currency payables.

Gross profit margin decreased from 13.1% in 1QFY2020 to 11.0% in 1QFY2021. Accordingly, gross profit decreased by 21% to S$23.4 million in 1QFY2021 from S$29.8 million in 1QFY2020. Operating expenses declined by 5% yoy to S$13.6 million in 1QFY2021. Distribution expenses decreased in line with the reduction in the Group's sales and manufacturing activities while administrative expenses increased marginally by 3% yoy to S$4.2 million in 1QFY2021. Due to falling interest rates and coupled with a lower level of borrowings, finance costs decreased by 34% yoy to S$1.4 million in 1QFY2021. Due to an increase in trade receivables at amortised costs, the Group recorded an impairment loss of S$2.5 million in 1QFY2021, compared to S$0.7 million in 1QFY2020. The Group's operating margin fell from 6.8% in 1QFY2020 to 5.6% in 1QFY2021.

Both net profit attributable to shareholders and earnings per share for 1QFY2021 declined by 24% to S$9.6 million and 4.12 Singapore cents respectively.

As at 31 December 2020, the Group's balance sheet remained robust with net assets of S$273.5 million and net asset value per ordinary share of 117.23 Singapore cents (versus S$264.5 million and net asset value per ordinary share of 113.38 Singapore cents as at 30 September 2020).

Market Overview and Outlook

In September 2020, the Building and Construction Authority ("BCA") revised its projected construction demand for 2020 from the earlier forecast of between S$28 billion and S$33 billion released in January 2020 to between S$18 billion and S$23 billion. According to BCA, the downward revision is due to a drop in private sector construction demand, and postponements in the award of some public sector projects from 2020 to 2021, as contractors and suppliers have asked for more time to assess the impact of Covid-19 on resource management and project implementation timelines. Based on preliminary estimates released on 18 January 2021, construction demand for 2020 declined significantly from 2019's S$33.5 billion to come in at S$21.3 billion.

For 2021, BCA expects construction demand to improve to between S$23 billion and S$28 billion. The public sector is expected to contribute about 65%, or approximately S$15 billion to S$18 billion, of the new contracts amid an anticipated stronger demand for public housing and infrastructure projects. Civil engineering construction demand is also projected to recover strongly, supported by a pipeline of contracts including the Jurong Region MRT Line, Cross Island MRT Line Phase 1 and Deep Tunnel Sewerage System Phase 2.

Commenting on the Group's performance and outlook, Mr. Seah Kiin Peng, Chief Executive Officer of the Group, said, ***"During the past year, BRC has been focused on mitigating the negative impact on our business operations brought on by the Covid-19 pandemic. Led by a committed team of experienced professionals and a solid business foundation, BRC remains in good financial shape and the Group's order book remains strong. In addition, the Group's placement of 10 million new ordinary shares which was completed on 26 January 2021, raised net proceeds of approximately S$13.7 million which were utilised to***

repay outstanding bank borrowings, further strengthened the Group's balance sheet. In line with Phase 3 of Singapore's reopening and a national effort to vaccinate the Singapore population, we remain cautiously optimistic towards the recovery of general economic activity and are confident that BRC will navigate through this trying time."

As at 31 December 2020, the Group's sales order book stood at approximately S$1.09 billion. The duration of projects in our sales order book range up to 5 years and may be subject to further changes.

--The End--

Company Profile

Incorporated in 1938, BRC Asia Limited ("BRC") is a leading Pan-Asia prefabricated reinforcing steel solutions provider headquartered in Singapore and listed on the Singapore Stock Exchange.

BRC offers a full suite of reinforcing steel products and services that include standard length rebar, cut and bend services, prefabrication services as well as standard and customised welded wire mesh for the building and construction industry.

With operations spanning Singapore, Malaysia and China and a total workforce of more than 1,000, the Group has an annual processing capacity of 1.2 million MT.

By transferring laborious and unproductive in-situ steel fixing work to factory fabrication, substantial benefits in on-site manpower savings, shorter construction cycle, better buildability and productivity can be achieved for the builder, leading to a better outcome for all stakeholders.

For more information, please visit the website at www.brc.com.sg

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Issued for and on behalf of BRC Asia Limited

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