BRC Asia Limited

BRC reports total comprehensive loss of S$969,000 for 3Q2017

- **3Q2017 revenues dropped 20% y-o-y to S$70.23 million due to lower volumes delivered in a soft property and construction market**

- **3Q2017 gross profit margin fell sharply y-o-y to 4.20% from 12.12% amid intense irrational industry competition**

- **9M2017 total comprehensive income at breakeven point after S$969,000 loss in 3Q2017**

Singapore, 14 August 2017 – SGX-Mainboard listed BRC Asia Limited ("BRC" or "The Group"), one of the largest prefabricated steel reinforcement providers in Singapore, reported a total comprehensive loss of S$969,000 for the quarter ended 30 June 2017 (3Q2017) on lower revenues of S$70.23 million (↓ 20% year-on-year) in a weak and down-trending construction market environment. Amid intense irrational competition within the bloated reinforcing steel industry for projects in a soft market, 3Q2017 gross profit margin fell sharply to 4.20% from 12.12% in the corresponding period a year earlier (3Q2016). For the nine months ended 30 June 2017 (9M2017), the Group is at a breakeven point at total comprehensive income level.

Financial Highlights (S$'000)

	3Q2017	3Q2016	Change (%)	9M2017	9M2016	Change (%)
Revenue	70,232	87,651	(20)	219,083	256,259	(15)
Gross Profit	2,949	10,624	(72)	14,988	21,373	(30)
Gross Profit Margin	4.20%	12.12%	-	6.84%	8.34%	-
Net (Loss)/Profit	(1,254)	5,648	(122)	735	5,196	(86)
Total Comprehensive (Loss)/Income	(969)	4,860	(120)	71	4,756	(99)

Industry Outlook

The near term construction industry outlook remains bleak.

Supply in the Pipeline – "**Planned Development**"[1]

Property type \ As at end	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14
Private residential units (no. of units)	5,632	4,325	6,399	4,819	6,148	6,697	7,158	5,569	6,531	9,096	9,664	10,495
Executive condominiums (no. of units)	0	0	0	531	0	510	0	0	632	1,651	1,155	2,495
Office space ('000 sq m)	239	222	169	157	226	184	278	167	193	134	94	101
Retail space ('000 sq m)	64	49	113	98	108	133	198	188	171	173	275	264
Hotel rooms (no. of rooms)	742	765	655	349	348	348	802	1,061	1,450	2,172	2,847	1,653
Factory & warehouse space ('000 sq m)	774	1,052	919	1,283	1,403	1,495	1,446	1,559	1,736	1,984	1,771	2,357

Supply in the Pipeline – "**Under Construction**"

Property type \ As at end	2Q17	1Q17	4Q16	3Q16	2Q16	1Q16	4Q15	3Q15	2Q15	1Q15	4Q14	3Q14
Private residential units (no. of units)	29,791	32,617	34,514	38,874	41,102	46,815	48,480	52,779	54,706	59,105	59,296	64,001
Executive condominiums (no. of units)	7,779	9,074	9,635	10,523	11,554	12,077	14,127	14,540	14,069	13,790	13,065	11,636
Office space ('000 sq m)	480	604	617	722	796	825	715	741	769	746	814	986
Retail space ('000 sq m)	512	557	482	554	626	650	610	598	603	550	510	620
Hotel rooms (no. of rooms)	4,827	6,013	5,841	6,025	6,197	7,560	7,712	9,469	9,517	9,996	2,847	1,653
Factory & warehouse space ('000 sq m)	3,167	3,290	3,475	3,560	3,865	4,177	4,391	4,610	4,628	4,560	4,236	4,300

Sources: Urban Redevelopment Authority of Singapore (URA) quarterly real estate statistics; Jurong Town Corporation (JTC) quarterly market reports

[1] Refers to new development and redevelopment projects with planning approvals (i.e. Provisional Permission, Written Permission). A Written Permission (WP) is a final approval, as compared with a Provisional Permission (PP), granted under the Planning Act for a proposed development.

The two tables above compare the supply in the "under construction" and "planned development" pipelines over the last twelve quarters (from third quarter 2014 to second quarter 2017) for private residences, executive condominiums (ECs), offices, hotels, retail and industrial properties. Taken together, they clearly show a shrinking pipeline. In fact, as at the end of the second quarter of 2017, with the exception of retail and hotel spaces, we are at the lowest point for all the other segments in terms of volume under construction compared with the preceding eleven quarters. Notably, private residences under construction have fallen by a massive 34,210 units from 64,001 units to 29,791 units during this period!

At the same time, the public housing pipeline has also been shrinking. Compared to the preceding four years (2011-2014), where an average of 24,970 Build-to-Order (BTO) flats were launched per year by the Housing & Development Board (HDB), only about 16,797 BTO flats per year would be launched from 2015 to 2017[2].

In short, the construction industry remains well and truly mired in a downward cycle. This is despite some recent encouraging signs that growth may be returning to the property development sector, which, even if true, will take some time to translate into construction demand. We can therefore expect that the construction supply chain, which reinforcing steel is an integral part of, will continue to experience highly challenging market conditions in the next 12 months. This is compounded by the fact that there is substantial excess capacity in the reinforcing steel industry currently.

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<u>About BRC Asia Limited</u>

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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For more information and media enquiries, please contact:

Mr SEAH Kiin Peng, seah.kiinpeng@brc.com.sg
Ms LEE Chun Fun, lee.chunfun@brc.com.sg
Tel: (65) 6265 2333
Fax: (65) 6261 9302

[2] In 2011, 2012, 2013, 2014, 2015 and 2016, according to data obtained from HDB's website, HDB launched 25,200, 27,084, 25,139, 22,455, 15,000 and 17,891 BTO flats respectively. In 2017, the HDB had indicated that it would launch 17,500 BTO flats.