



**BRC Asia Limited**

**Unaudited Half-Year and Second Quarter Financial Statement and Related Announcement for the Period Ended 31 March 2016**

**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 half year and second quarter ended 31 March 2016**

	<b>1<sup>st</sup> Half 2016 \$'000</b>	<b>1<sup>st</sup> Half 2015 \$'000</b>	<b>+ / (-) %</b>	<b>2<sup>nd</sup> Qtr 2016 \$'000</b>	<b>2<sup>nd</sup> Qtr 2015 \$'000</b>	<b>+ / (-) %</b>
Revenue	<b>168,608</b>	209,877	(20)	<b>79,427</b>	107,897	(26)
Cost of sales	<b>(157,859)</b>	(190,312)	(17)	<b>(74,154)</b>	(98,107)	(24)
Gross profit	<b>10,749</b>	19,565	(45)	<b>5,273</b>	9,790	(46)
Other income [ note (a) ]	<b>265</b>	4,091	(94)	<b>(123)</b>	2,045	n.m.
Expenses						
- Distribution expenses	<b>(2,073)</b>	(2,686)	(23)	<b>(1,042)</b>	(1,333)	(22)
- Administrative expenses	<b>(3,133)</b>	(5,048)	(38)	<b>(1,603)</b>	(2,361)	(32)
- Finance costs	<b>(676)</b>	(709)	(5)	<b>(299)</b>	(380)	(21)
- Other operating expenses	<b>(6,225)</b>	(1,694)	n.m.	<b>(4,504)</b>	(814)	n.m.
Share of results of joint venture	<b>641</b>	(562)	n.m.	<b>599</b>	49	n.m.
(Loss) / profit before tax [ note (b) ]	<b>(452)</b>	12,957	n.m.	<b>(1,699)</b>	6,996	n.m.
Income tax expense	<b>-</b>	(2,489)	n.m.	<b>229</b>	(1,284)	n.m.
(Loss) / profit net of tax	<b>(452)</b>	10,468	n.m.	<b>(1,470)</b>	5,712	n.m.
Other comprehensive income/(loss):						
- Net loss on fair value changes on available-for-sale financial assets	<b>-</b>	(26)	n.m.	<b>-</b>	-	n.m.
- Net gain/(loss) on hedge of net investment in foreign operation	<b>760</b>	(847)	n.m.	<b>565</b>	(261)	n.m.
- Foreign currency translation	<b>(412)</b>	64	n.m.	<b>(201)</b>	(36)	n.m.
Other comprehensive income/(loss) for the financial period, net of tax	<b>348</b>	(809)	n.m.	<b>364</b>	(297)	n.m.
Total comprehensive (loss)/income for the financial period	<b>(104)</b>	9,659	n.m.	<b>(1,106)</b>	5,415	n.m.
(Loss)/profit net of tax attributable to:						
Owners of the parent	<b>(451)</b>	10,467	n.m.	<b>(1,469)</b>	5,712	n.m.
Non-controlling interests	<b>(1)</b>	1	n.m.	<b>(1)</b>	-	n.m.
	<b>(452)</b>	10,468	n.m.	<b>(1,470)</b>	5,712	n.m.
Total comprehensive (loss)/income attributable to:						
Owners of the parent	<b>(100)</b>	9,661	n.m.	<b>(1,103)</b>	5,415	n.m.
Non-controlling interests	<b>(4)</b>	(2)	100	<b>(3)</b>	-	n.m.
	<b>(104)</b>	9,659	n.m.	<b>(1,106)</b>	5,415	n.m.

n.m. denotes not meaningful.

	<b>1<sup>st</sup> Half 2016 \$'000</b>	1 <sup>st</sup> Half 2015 \$'000	+ / (-) %	<b>2<sup>nd</sup> Qtr 2016 \$'000</b>	2 <sup>nd</sup> Qtr 2015 \$'000	+ / (-) %
<b>Note (a) - Other income</b>						
Interest Income	29	17	71	16	10	60
Sundry Income	4	19	(79)	3	14	(79)
Government grant	232	211	10	199	211	(6)
Foreign exchange gain, net [1]	-	2,569	n.m.	-	2,278	n.m.
Fair value changes on currency forward contracts, net [2]	-	1,275	n.m.	(341)	(468)	27
	<b>265</b>	<b>4,091</b>	<b>(94)</b>	<b>(123)</b>	<b>2,045</b>	<b>n.m.</b>

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

Interest expense on borrowings	676	709	(5)	299	380	(21)
Depreciation of property, plant and equipment	3,128	2,962	6	1,585	1,508	5
Rental expense on operating leases	2,465	2,321	6	1,175	1,141	3
Fair value changes on currency forward contracts, net [2]	2,480	(1,275)	n.m.	2,821	468	n.m.
Foreign exchange loss, net [1]	2,393	-	n.m.	1,264	-	n.m.
Allowance for impairment of receivables, net	45	343	(87)	45	37	22
Provision for onerous contracts [3]	(1,638)	57	n.m.	97	-	n.m.
Reversal of allowance for inventory obsolescence	(1,408)	(1,490)	(6)	(863)	(770)	12
Share options expense [4]	-	61	n.m.	-	30	n.m.

**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 Dollars and Malaysian Ringgit.
- [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 Dollars. As the Group does not adopt hedge accounting under FRS 39, changes to fair value of foreign currency forward contracts are recognised immediately in the profit and loss.
- [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.
- [4] 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.

**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**

	<b>The Group</b>		<b>The Company</b>	
	<b>March 2016 \$'000</b>	<b>September 2015 \$'000</b>	<b>March 2016 \$'000</b>	<b>September 2015 \$'000</b>
<b>Current assets</b>				
Inventories	49,035	92,391	45,550	85,969
Trade and other receivables	71,752	68,851	67,270	64,361
Amount due from subsidiaries	-	-	2,542	2,648
Prepayments	1,393	5,499	981	5,465
Deposits	499	499	481	482
Derivative financial instruments	-	699	-	699
Cash and cash equivalents	15,155	13,940	14,512	12,000
	<b>137,834</b>	<b>181,879</b>	<b>131,336</b>	<b>171,624</b>
<b>Non-current assets</b>				
Property, plant and equipment	79,952	71,395	69,836	61,743
Investment in subsidiaries	-	-	23,509	23,507
Investment in joint venture	10,487	10,555	6,076	6,076
Loan to investee company	2,021	2,021	2,021	2,021
Available-for-sale financial assets	2,234	1,952	2,234	1,952
	<b>94,694</b>	<b>85,923</b>	<b>103,676</b>	<b>95,299</b>
<b>Total assets</b>	<b>232,528</b>	<b>267,802</b>	<b>235,012</b>	<b>266,923</b>
<b>Current liabilities</b>				
Trade and other payables	35,884	36,778	34,944	36,419
Provisions	1,500	3,137	1,500	3,137
Amount due to a subsidiary	-	-	67	67
Advances received	1,883	2,820	1,883	2,820
Loan and borrowings	5,822	33,244	5,822	28,703
Derivative financial instruments	2,479	-	2,479	-
Current income tax liabilities	1,059	2,460	1,080	2,470
	<b>48,627</b>	<b>78,439</b>	<b>47,775</b>	<b>73,549</b>
<b>Non-current liabilities</b>				
Provisions	409	489	409	489
Loan and borrowings	12,454	13,664	12,454	13,664
Deferred income tax liabilities	7,348	7,348	7,348	7,348
	<b>20,211</b>	<b>21,501</b>	<b>20,211</b>	<b>21,501</b>
<b>Total liabilities</b>	<b>68,838</b>	<b>99,940</b>	<b>67,986</b>	<b>95,050</b>
<b>Net assets</b>	<b>163,690</b>	<b>167,862</b>	<b>167,026</b>	<b>171,873</b>
<b>Share capital and reserves</b>				
Share capital	68,011	68,011	68,011	68,011
Treasury shares	(1,026)	(689)	(1,026)	(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	(1,765)	(2,116)	-	-
Retained earnings	97,039	101,221	98,550	103,060
<b>Equity attributable to owners of parent</b>	<b>163,750</b>	<b>167,918</b>	<b>167,026</b>	<b>171,873</b>
<b>Non-controlling interests</b>	<b>(60)</b>	<b>(56)</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>	<b>163,690</b>	<b>167,862</b>	<b>167,026</b>	<b>171,873</b>

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

### Amount repayable in one year or less, or on demand

	March 2016		September 2015	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Secured \$'000
Bills payable	-	-	-	22,324
Finance lease liabilities	5,822	-	10,920	-
	<u>5,822</u>	<u>-</u>	<u>10,920</u>	<u>22,324</u>

### Amount repayable after one year

	March 2016		September 2015	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Secured \$'000
Finance lease liabilities	2,454	-	3,664	-
Convertible bonds	-	10,000	-	10,000
	<u>2,454</u>	<u>10,000</u>	<u>3,664</u>	<u>10,000</u>

### Details of any collateral

Finance lease liabilities of S\$8.3 million (Sept 2015: S\$14.6 million) are secured by certain plant and equipment. The carrying amount of plant and equipment held under finance leases is S\$19.0 million (Sept 2015: S\$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**

	<b>1<sup>st</sup> Half 2016 \$'000</b>	<b>1<sup>st</sup> Half 2015 \$'000</b>	<b>2<sup>nd</sup> Qtr 2016 \$'000</b>	<b>2<sup>nd</sup> Qtr 2015 \$'000</b>
<b>Cash flows from operating activities</b>				
(Loss)/profit before tax	(452)	12,957	(1,699)	6,996
Adjustments for :				
Share of results of joint venture	(641)	562	(599)	(49)
Depreciation of property, plant and equipment	3,128	2,962	1,585	1,508
Allowance for impairment of receivables	45	343	45	37
Reversal of allowance for inventory obsolescence	(1,408)	(1,490)	(863)	(770)
Fair value changes on derivatives, net	2,480	(1,275)	2,821	468
Provision for onerous contracts	(1,638)	57	97	-
Loss on disposal of property, plant and equipment	107	-	75	-
Unrealised exchange differences	1,090	(758)	810	(285)
Share options expense	-	61	-	30
Interest expense	676	709	299	380
Interest income	(29)	(17)	(16)	(10)
<b>Operating cash flow before working capital changes</b>	<b>3,358</b>	<b>14,111</b>	<b>2,555</b>	<b>8,305</b>
Change in operating assets and liabilities				
Trade and other receivables	(2,946)	(12,783)	2,429	(6,677)
Inventories	44,765	16,244	12,432	11,874
Other current assets	4,805	1,818	5,483	116
Trade and other payables	(1,830)	(11,991)	4,862	(24,170)
<b>Cash flows from / (used in) operations</b>	<b>48,152</b>	<b>7,399</b>	<b>27,761</b>	<b>(10,552)</b>
Retirement benefits paid	(80)	-	-	-
Income tax paid	(1,401)	(3,106)	(1,394)	(3,172)
<b>Net cash flows from / (used in) operating activities</b>	<b>46,671</b>	<b>4,293</b>	<b>26,367</b>	<b>(13,724)</b>
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment	(11,792)	(8,314)	(8,597)	(675)
Purchase of available-for-sale financial assets	(282)	-	(282)	-
Interest received	29	17	16	10
<b>Net cash flows used in investing activities</b>	<b>(12,045)</b>	<b>(8,297)</b>	<b>(8,863)</b>	<b>(665)</b>
<b>Cash flows from financing activities</b>				
Proceed from issuance of ordinary shares	-	61	-	61
Repayment of bank loan	-	(1,500)	-	(750)
Repayment of finance lease liabilities	(6,308)	(1,165)	(3,155)	(584)
Repayment of from bills payable	(22,324)	15,689	(4,050)	30,245
Purchase of treasury shares	(337)	-	(100)	-
Dividend paid on ordinary shares	(3,731)	(7,508)	(3,731)	(7,508)
Interest paid	(676)	(709)	(299)	(380)
<b>Net cash flows (used in)/ from financing activities</b>	<b>(33,376)</b>	<b>4,868</b>	<b>(11,335)</b>	<b>21,084</b>
<b>Net increase in cash and cash equivalents</b>	<b>1,250</b>	<b>864</b>	<b>6,169</b>	<b>6,695</b>
Cash and cash equivalents at beginning of financial period	13,940	22,606	9,016	16,763
Effects of exchange rate changes on cash and cash equivalents	(35)	(25)	(30)	(13)
<b>Cash and cash equivalents at end of financial period</b>	<b>15,155</b>	<b>23,445</b>	<b>15,155</b>	<b>23,445</b>

**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**

	Attributable to Owners of Parent							Non-controlling	Equity, Total	
	Share capital	Treasury shares	Capital reserve	Fair value reserve	Share option reserve	Currency translation reserve	Retained earnings	Total	interests	
	\$'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	-	-	-	-	-	-	10,467	10,467	1	10,468
Other comprehensive income for the financial period	-	-	-	(26)	-	(780)	-	(806)	(3)	(809)
<b>Total comprehensive income for the financial period</b>	-	-	-	(26)	-	(780)	10,467	9,661	(2)	9,659
Grant of equity-settled share options scheme 2011 to employees	-	-	-	-	61	-	-	61	-	61
Cash dividends on ordinary shares	-	-	-	-	-	-	(7,508)	(7,508)	-	(7,508)
Issuance of ordinary shares	80	-	-	-	(19)	-	-	61	-	61
<b>Total contributions by and distribution to owners</b>	80	-	-	-	42	-	(7,508)	(7,386)	-	(7,386)
Balance at 31 March 2015	68,011	(190)	597	(32)	974	(1,219)	100,921	169,062	(5)	169,057
Balance at 1 October 2015	68,011	(689)	597	(80)	974	(2,116)	101,221	167,918	(56)	167,862
Loss, net of tax	-	-	-	-	-	-	(451)	(451)	(1)	(452)
Other comprehensive income for the financial period	-	-	-	-	-	351	-	351	(3)	348
<b>Total comprehensive income for the financial period</b>	-	-	-	-	-	351	(451)	100	(4)	(104)
Cash dividends on ordinary shares	-	-	-	-	-	-	(3,731)	(3,731)	-	(3,731)
Purchase of treasury shares	-	(337)	-	-	-	-	-	(337)	-	(337)
<b>Total contributions by and distribution to owners</b>	-	(337)	-	-	-	-	(3,731)	(4,068)	-	(4,068)
<b>Balance at 31 March 2016</b>	<b>68,011</b>	<b>(1,026)</b>	<b>597</b>	<b>(80)</b>	<b>974</b>	<b>(1,765)</b>	<b>97,039</b>	<b>163,750</b>	<b>(60)</b>	<b>163,690</b>

## 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	-	-	-	-	-	11,931	11,931
Other comprehensive income for the financial year	-	-	-	(26)	-	-	(26)
Total comprehensive income for the financial year	-	-	-	(26)	-	11,931	11,905
Grant of equity-settled share options scheme to employees	-	-	-	-	61	-	61
Cash dividends on ordinary shares	-	-	-	-	-	(7,508)	(7,508)
Issuance of ordinary shares	80	-	-	-	(19)	-	61
Total contributions by and distribution to owners	80	-	-	-	42	(7,508)	(7,386)
Balance at 31 March 2015	68,011	(190)	597	(32)	974	101,448	170,808
Balance at 1 October 2015	68,011	(689)	597	(80)	974	103,060	171,873
Loss, net of tax	-	-	-	-	-	(779)	(779)
<b>Total comprehensive income for the financial year</b>	-	-	-	-	-	<b>(779)</b>	<b>(779)</b>
Cash dividends on ordinary shares	-	-	-	-	-	(3,731)	(3,731)
Purchase of treasury shares	-	(337)	-	-	-	-	(337)
<b>Total contributions by and distribution to owners</b>	-	<b>(337)</b>	-	-	-	<b>(3,731)</b>	<b>(4,068)</b>
<b>Balance at 31 March 2016</b>	<b>68,011</b>	<b>(1,026)</b>	<b>597</b>	<b>(80)</b>	<b>974</b>	<b>98,550</b>	<b>167,026</b>

**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	(494,700)
As at 31 March 2016	<u>186,483,489</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 6 months ended 31 March 2016**

Outstanding at 1 October 2015	5,546,600
- Exercised between October 2015 to March 2016	-
Outstanding at 31 March 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 as at 31 March 2016 are as follow:

Principal amount outstanding	Maturity date	Conversion price as at 31 Mar 2016
<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 March 2016.



**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**

	<b>31 March 2016</b>	<b>30 September 2015</b>
Total number of issued shares	186,483,489	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 period ended 31 March 2016

Outstanding as at 1 October 2015	983,500
Purchase of treasury shares	494,700
Outstanding as at 31 March 2016	<u>1,478,200</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 year 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**

**Earnings per ordinary share (cents)**

<b>The Group</b>	<b>1<sup>st</sup> Half 2016</b>	1 <sup>st</sup> Half 2015*	<b>2<sup>nd</sup> Qtr 2016</b>	2 <sup>nd</sup> Qtr 2015*
- Basic	<b>(0.242)</b>	5.579	<b>(0.788)</b>	3.044
- Diluted basis	<b>(0.242)</b>	5.577	<b>(0.788)</b>	3.043

\* 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 March 2016 and 31 March 2015 were 186,483,489 and 187,637,473 shares respectively.

Weighted average number of shares for diluted earnings per share computation as of 31 March 2016 and 31 March 2015 were 186,483,489 and 187,683,404 shares respectively.

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)**

	<b>March 2016</b>	September 2015
The Group	<b>87.78</b>	89.78
The Company	<b>89.57</b>	91.92

Net asset value per ordinary share was calculated based on 186,483,689 shares as at 31 March 2016 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*

Revenue for 1H16 and 2Q16 decreased approximately 20% from S\$209.9 million to S\$168.6 million and 26% from S\$107.9 million to S\$79.4 million compared to 1H15 and 2Q15 respectively mainly due to lower unit selling prices arising from intense competition and lower steel prices.

##### *Gross profit and gross profit margin*

Intensifying competition in the current market environment has also continued to put strong downward pressure on profits and margins.

Consequently, 1H16 gross profit decreased 45% year-on-year from S\$19.6 million to S\$10.7 million as gross profit margin fell from 9.3% to 6.4%.

In a similar vein, 2Q16 gross profit decreased 46% quarter-on-quarter from S\$9.8 million to S\$5.3 million as gross profit margin dropped from 9.1% to 6.6%.

##### *Distribution cost and administrative expenses*

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

##### *Finance costs*

Lower finance costs were attributable to lower borrowings.

##### *Other operating expenses*

Included in other operating expenses in 1H16 were realised foreign exchange loss of S\$2.4 million and mark-to-market foreign exchange loss of S\$2.5 million on currency forward contracts which were used to hedge exposure to US Dollars exchange risk arising from purchases of steel. On the other hand, a realised foreign exchange gain of S\$2.6 million and mark-to-market foreign exchange gain of S\$1.3 million on currency forward contracts were taken up as other income in 1H15.

As the Group does not adopt hedge accounting under FRS 39, changes to fair value of foreign currency forward contracts are recognised immediately in profit and loss.

Provision for doubtful debts in 1H16 of S\$45K was lower compared to the previous corresponding period (1H15: S\$343K).

##### *Share of results of joint venture*

The Group's share of 1H16 results from the investment in the joint venture in China ("JV") recorded a profit as compared to a loss in 1H15. This was mainly due to a reversal of provision of doubtful debts of S\$668K in 1H16, which was largely a results of a better collections during the Chinese New Year period.

## **GROUP BALANCE SHEET & CASH FLOW**

As at 31 March 2016, the Group's balance sheet remained strong with net assets of S\$163.7 million and net asset value per ordinary share of 87.78 Singapore cents.

The Group's trade and other receivables increased by S\$2.9 million to S\$71.8 million due to longer ageing of trade receivables amid a weaker economy outlook.

The Group's inventories fell by S\$43.4 million to S\$49.0 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\$8.6 million to S\$80.0 million due to the purchase of machinery and building additions during the period.

The lower current provisions was due to reduced provisions for onerous contracts. The advances received from third parties to be applied against subsequent invoices issued by the Group and Company to these parties were also lower. Derivative financial instruments comprised of the net fair value changes on current forward contracts that were used to hedge payables and contracted purchase commitments of inventories denominated in US Dollar. The Group's loan and borrowings were lower by S\$28.5 million due to repayments to finance lease creditors and lesser trade bills.

Net cash flows of S\$46.7 million generated from operating activities were mainly used for purchases of plant and equipment of S\$11.8 million, and repayment of borrowings of S\$28.6 million.

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

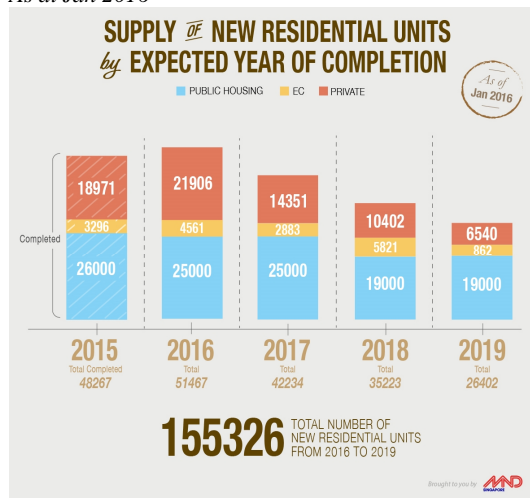
The Group's results for 1H16 and 2Q16 were in line with the commentary in paragraph 10 of the previous Results Announcement.

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

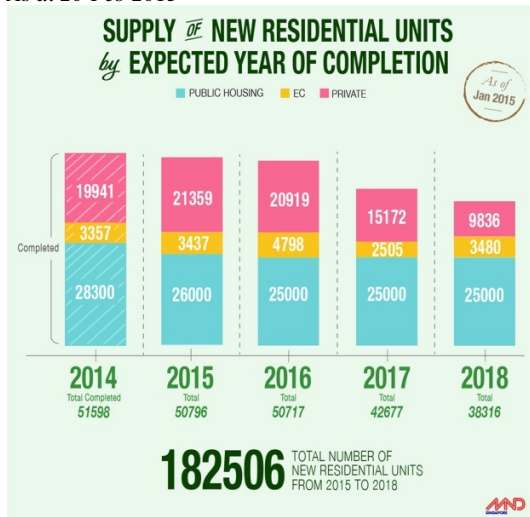
SINGAPORE

The charts below, taken from the “*Housing Matters*” blog published by the Ministry of National Development (MND), compare the state of the residential property market in Singapore over the last three years. The supply pipeline had contracted by about 15,000 units in the two years to Feb 2015, and by roughly another 27,000 units in the one year hence!

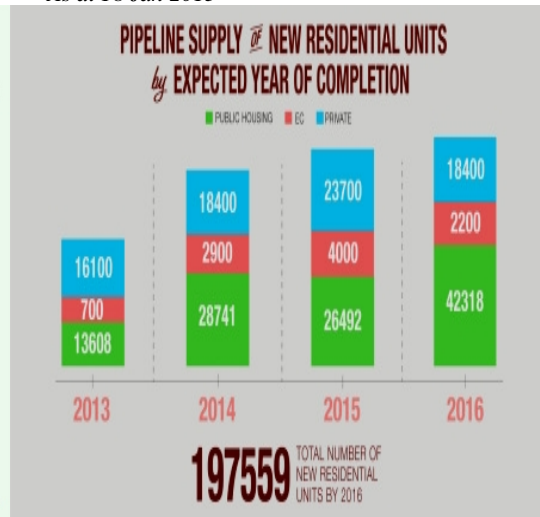
As at Jan 2016



As at 20 Feb 2015



As at 18 Jan 2013



On the public residential housing front, although the Housing & Development Board (HDB) had announced that it planned to launch 18,000 Build-to-Order (“BTO”) flats in 2016<sup>1</sup> (2015: 15,000<sup>2</sup>), this is still a figure that is significantly lower than the average of 22,976 BTO flats launched each year over the last five years<sup>3</sup>.

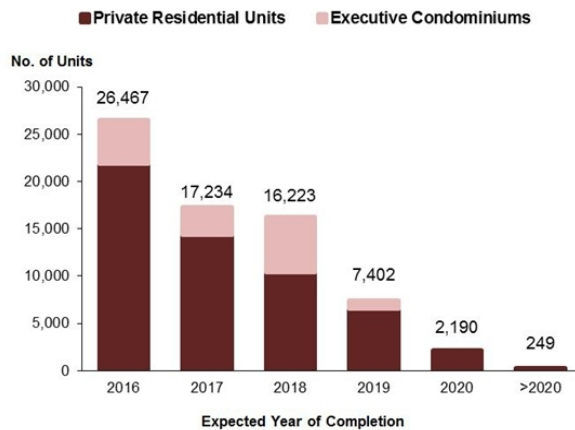
Over on the private residential (including executive condominiums) segment, the latest real estate statistics released on 22 Apr 2016 by the Urban & Redevelopment Authority (URA) clearly showed that the supply pipeline of private residential units (including executive condominiums) had decreased substantially, from 83,642 units as at the end of the first quarter of 2015 to 69,765 units by the end of 2015, to 66,099 units as at the end of the first quarter of 2016. This can be clearly observed from the following 3 charts.

Pipeline supply of private residential units and ECs by expected year of completion as at end March 2016<sup>4</sup>



Note: 2,919 private residential units and 2,015 executive condominiums were completed (i.e. obtained TOP) in 1Q2016.

Pipeline supply of private residential units and ECs by expected year of completion as at end December 2015<sup>5</sup>



Note: 18,971 private residential units and 3,296 executive condominiums were completed (i.e. obtained TOP) in 2015.

<sup>1</sup> <https://mndsingapore.wordpress.com/2015/12/30/another-successful-year-of-housing-a-nation/>

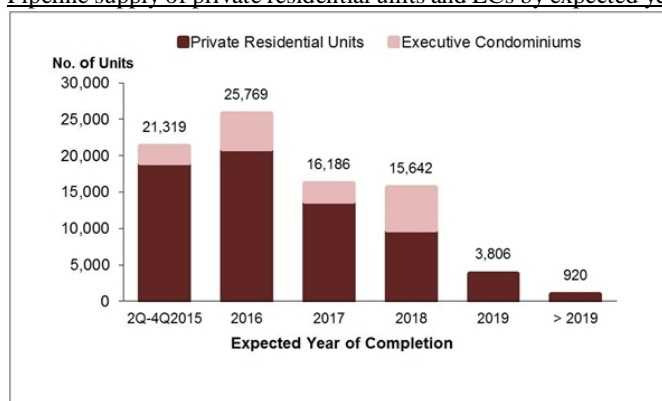
<sup>2</sup> <http://www.hdb.gov.sg/cs/infoweb/press-releases/hdb-launches-bumper-crop-of-12411-flats?resolvetemplatefordevice=true>

<sup>3</sup> In 2011, 2012, 2013, 2014 and 2015 according to data obtained from HDB’s website, HDB launched 25,200, 27,084, 25,139, 22,455 and 15,000 BTO flats respectively.

<sup>4</sup> <https://www.ura.gov.sg/uol/media-room/news/2016/apr/pr16-22.aspx>

<sup>5</sup> <https://www.ura.gov.sg/uol/media-room/news/2016/jan/pr16-06.aspx>

Pipeline supply of private residential units and ECs by expected year of completion as at end March 2015<sup>6</sup>



Further, the following 3 sets of tables, extracted from statistics published by the URA, which compare the supply pipelines for office space, retail space and hotel rooms as at end first quarter 2016 with those in the same period a year ago, show weaker supply pipelines for retail space and hotel rooms and a marginally better supply pipeline for office space going forward.

**Table 1** *As at end of first quarter 2015 ('000 sq m gross)*

Office Space	Total	2015	2016	2017	2018	2019	>2019
Total	880	52	514	155	92	67	-
Under Construction	746	52	513	107	74	-	-
Planned	134	-	1	48	18	67	-
Written Permission	84	-	1	37	6	40	-
Provisional Permission	50	-	-	11	12	27	-

**Table 1A** *As at end of first quarter 2016 ('000 sq m gross)*

Office Space	Total	2016	2017	2018	2019	2020	>2020
Total	1,009	482	158	196	63	43	67
Under Construction	825	482	158	184	1	-	-
Planned	184	-	-	12	62	43	67
Written Permission	124	-	-	11	60	12	41
Provisional Permission	60	-	-	1	2	31	26

**Table 2** *As at end of first quarter 2015 ('000 sq m gross)*

Retail Space	Total	2015	2016	2017	2018	2019	>2019
Total	723	113	223	176	181	30	-
Under Construction	550	113	214	117	106	-	-
Planned	173	-	9	59	75	30	-
Written Permission	79	-	1	9	55	14	-
Provisional Permission	94	-	8	50	20	16	-

**Table 2A** *As at end of first quarter 2016 ('000 sq m gross)*

Retail Space	Total	2016	2017	2018	2019	2020	>2020
Total	783	215	173	233	46	84	32
Under Construction	650	215	172	223	25	3	12
Planned	133	-	1	10	21	81	20
Written Permission	47	-	1	6	18	8	14
Provisional Permission	86	-	-	4	3	73	6

<sup>6</sup> <https://www.ura.gov.sg/uol/media-room/news/2015/apr/pr15-18.aspx>

**Table 3** *As at end of first quarter 2015 (number of rooms)*

<b>Hotel Rooms</b>	<b>Total</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>&gt;2019</b>
Total	12,168	4,750	2,770	2,743	1,905	-	-
Under Construction	9,996	4,750	2,528	2,237	481	-	-
Planned	2,172	-	242	506	1,424	-	-
Written Permission	991	-	242	175	574	-	-
Provisional Permission	1,181	-	-	331	850	-	-

**Table 3A** *As at end of first quarter 2016 (number of rooms)*

<b>Hotel Rooms</b>	<b>Total</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>&gt;2020</b>
Total	7,908	2,140	3,037	962	1,568	201	-
Under Construction	7,560	2,140	3,037	674	1,508	201	-
Planned	348	-	-	288	60	-	-
Written Permission	348	-	-	288	60	-	-
Provisional Permission	-	-	-	-	-	-	-

On the other hand, strong construction demand is still expected for industrial projects and institutional and civil engineering works. In the latest first quarter 2016 market report on industrial properties published by the JTC Corporation (JTC), it forecasts that about 2.4 million sqm of industrial space is estimated to come on-stream in the next 3 quarters of 2016, which is significantly higher than the average annual supply of around 1.8 million sqm per year over the past three years.<sup>7</sup>

Finally, after many months of a one-way downward movement of steel prices, these prices had become extremely volatile after early March this year, where local steel rebar import prices suddenly rose by about 30% over just a weekend. This was primarily driven by the Chinese government's renewed push to reduce steel supply to ward off the potential social problems caused by loss-making steel mills which employed millions of workers. This was exacerbated by speculation on a massive scale in the commodities futures markets. For instance, more than 223 million metric tons of rebar changed hands in one day on 21 April 2016, which was more than China's production of the material annually. Given that China is by far the largest supplier of steel in the world, these events have shaken global steel markets, including Singapore's. In our case, we have to exercise extra care in the management of our inventory and order book so as to be able to ride this wave of volatility in a positive way.

On the supply side, the excess capacity in the steel reinforcement industry coupled with a soft and downward trending property and construction market, will ensure ferocious market competition. The recent upturn in steel prices may moderate the impact on profit margins, however temporary it may be.

BRC has renewed its focus on cost control, value engineering, productivity, efficiency and business excellence. We have also strengthened our management team through the addition of several senior specialist positions. This, together with the investments which we have made in the last five years for the large scale upgrading and replacement of our plant and machinery, will be the source of our resilience and competitiveness going forward.

In the near term, however, operating margins are expected to improve due to the arrival of cheaper steel booked prior to the recent hike in prices and the improvement in selling prices for spot orders and BCA index contracts.

Be that as it may, this improvement may be short-lived, as steel booked after the said spike in steel prices will arrive several months later and may then compress margins again.

<sup>7</sup> <http://www.jtc.gov.sg/industrial-property-market-statistics/Documents/JTC%20Quarterly%20Market%20Report%20for%201Q2016.pdf>



## CHINA

Difficult macroeconomic conditions in China continue to hamper the progress of the Group's Joint Venture in China.

## MALAYSIA

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

### **11. Dividend**

#### **(a) Current Financial Period Reported On**

Any Dividend declared for the current financial period report on? No

<b>Name of Dividend</b>	-
Dividend Type	-
Dividend Amount	-

#### **b) Corresponding Period of the Immediately Preceding Financial Year**

Any Dividend declared for the corresponding period of the immediately preceding financial year? No

<b>Name of Dividend</b>	-
Dividend Type	-
Dividend Amount	-

#### **(c) Date payable**

Nil

#### **(d) Books closure date**

Nil

### **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 March 2016.

### **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**

On behalf of the Board of Directors of the Company, we, the undersigned, hereby confirm to the best of our knowledge that nothing has come to the attention of the Board of Directors of the Company which may render the financial statements for the second quarter and first half ended 31 March 2016 to be false or misleading.

**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 May 2016