



**BRC Asia Limited**

**Unaudited Half-Year and Second Quarter Financial Statement and Related Announcement for the Period Ended 31 March 2017**

**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 2017**

	<b>1<sup>st</sup> Half 2017 \$'000</b>	<b>1<sup>st</sup> Half 2016 \$'000</b>	<b>+ / (-) %</b>	<b>2<sup>nd</sup> Qtr 2017 \$'000</b>	<b>2<sup>nd</sup> Qtr 2016 \$'000</b>	<b>+ / (-) %</b>
Revenue	<b>148,851</b>	168,608	(12)	<b>68,832</b>	79,427	(13)
Cost of sales	<b>(136,812)</b>	(157,859)	(13)	<b>(62,055)</b>	(74,154)	(16)
Gross profit	<b>12,039</b>	10,749	12	<b>6,777</b>	5,273	29
Other income [ note (a) ]	<b>288</b>	265	9	<b>(1,462)</b>	(123)	n.m.
Expenses						
- Distribution expenses	<b>(1,963)</b>	(2,073)	(5)	<b>(934)</b>	(1,042)	(10)
- Administrative expenses	<b>(3,407)</b>	(3,133)	9	<b>(1,349)</b>	(1,603)	(16)
- Finance costs	<b>(809)</b>	(676)	20	<b>(382)</b>	(299)	28
- Other operating expenses	<b>(2,629)</b>	(6,225)	(58)	<b>(1,506)</b>	(4,504)	(67)
Share of results of joint venture	<b>(445)</b>	641	n.m	<b>(518)</b>	599	n.m
Profit / (loss) before tax [ note (b) ]	<b>3,074</b>	(452)	n.m	<b>626</b>	(1,699)	n.m
Income tax (expense) / credit	<b>(1,085)</b>	-	n.m.	<b>(519)</b>	229	n.m
Profit / (loss), net of tax	<b>1,989</b>	(452)	n.m	<b>107</b>	(1,470)	n.m
Other comprehensive (loss) / income:						
- Net exchange (loss) / gain on net investment in foreign operation	<b>(524)</b>	760	n.m	<b>(244)</b>	565	n.m
- Foreign currency translation	<b>(425)</b>	(412)	3	<b>(401)</b>	(201)	100
Other comprehensive (loss) / income for the financial period, net of tax	<b>(949)</b>	348	n.m	<b>(645)</b>	364	n.m
Total comprehensive income / (loss) for the financial period	<b>1,040</b>	(104)	n.m.	<b>(538)</b>	(1,106)	(51)
Profit / (loss) net of tax attributable to:						
Owners of the parent	<b>2,111</b>	(451)	n.m	<b>212</b>	(1,469)	n.m
Non-controlling interests	<b>(122)</b>	(1)	n.m.	<b>(105)</b>	(1)	n.m.
	<b>1,989</b>	(452)	n.m	<b>107</b>	(1,470)	n.m
Total comprehensive income / (loss) attributable to:						
Owners of the parent	<b>1,159</b>	(100)	n.m.	<b>(437)</b>	(1,103)	(60)
Non-controlling interests	<b>(119)</b>	(4)	n.m.	<b>(101)</b>	(3)	n.m.
	<b>1,040</b>	(104)	n.m.	<b>(538)</b>	(1,106)	(51)

n.m. denotes not meaningful.

	<b>1<sup>st</sup> Half</b>	1 <sup>st</sup> Half	+ / (-)	<b>2<sup>nd</sup> Qtr</b>	2 <sup>nd</sup> Qtr	+ / (-)
	<b>2017</b>	2016	%	<b>2017</b>	2016	%
	<b>\$'000</b>	\$'000		<b>\$'000</b>	\$'000	
<b>Note (a) - Other income</b>						
Interest Income	79	29	n.m.	50	16	n.m.
Sundry Income	69	4	n.m.	67	3	n.m.
Government grant	139	232	(40)	105	199	(47)
Gain on disposal of property, plant and equipment	1	-	n.m.	-	-	n.m.
Foreign exchange loss, net [1]	-	-	n.m.	(1,684)	-	n.m.
Fair value changes on currency forward contracts, net [2]	-	-	n.m.	-	(341)	n.m.
	<b>288</b>	265	9	<b>(1,462)</b>	(123)	n.m.

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

Interest expense on borrowings	809	676	20	382	299	28
Depreciation of property, plant and equipment	3,555	3,128	14	1,074	1,585	(32)
Rental expense on operating leases	2,291	2,465	(7)	840	1,175	(29)
Fair value changes on currency forward contracts, net [2]	969	2,480	(61)	601	2,821	(79)
Foreign exchange loss, net [1]	202	2,393	(92)	1,886	1,264	49
Allowance for impairment of receivables, net	16	45	(64)	7	45	(84)
Provision /(Reversal of provision) for onerous contracts [3]	7,016	(1,638)	n.m.	2,574	97	n.m.
Reversal of allowance for inventory obsolescence	(1,100)	(1,408)	(22)	(245)	(863)	(72)
(Gain) / Loss on disposal of property, plant and equipment	(1)	107	n.m.	-	75	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.

**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>	
	March 2017 \$'000	September 2016 \$'000	March 2017 \$'000	September 2016 \$'000
<b>Non-current assets</b>				
Property, plant and equipment	78,969	77,679	67,062	68,233
Investment in subsidiaries	-	-	30,162	30,162
Investment in joint venture	9,631	10,162	6,076	6,076
Loan to investee companies	8,281	4,321	8,281	4,321
Available-for-sale financial assets	3,742	2,243	3,742	2,243
	<u>100,623</u>	<u>94,405</u>	<u>115,323</u>	<u>111,035</u>
<b>Current assets</b>				
Inventories	124,833	91,445	120,598	84,079
Trade and other receivables	58,100	66,007	50,280	57,355
Amount due from subsidiaries	-	-	18,083	4,950
Prepayments	6,131	4,198	1,577	1,740
Derivative financial instruments	-	543	-	521
Deposits	256	245	223	229
Cash and cash equivalents	11,758	11,938	3,442	7,657
	<u>201,078</u>	<u>174,376</u>	<u>194,203</u>	<u>156,531</u>
<b>Total assets</b>	<u>301,701</u>	<u>268,781</u>	<u>309,526</u>	<u>267,566</u>
<b>Current liabilities</b>				
Trade and other payables	37,519	31,896	36,728	30,600
Provisions	9,585	2,592	8,716	2,592
Amount due to a subsidiary	-	-	70	70
Advances received	271	1,459	192	1,459
Derivative financial instruments	448	-	448	-
Loan and borrowings	64,699	39,613	64,699	34,399
Current income tax liabilities	1,564	780	1,582	795
	<u>114,086</u>	<u>76,340</u>	<u>112,435</u>	<u>69,915</u>
<b>Non-current liabilities</b>				
Provisions	392	427	392	427
Loan and borrowings	10,837	12,135	10,837	12,135
Deferred income tax liabilities	8,267	8,267	8,267	8,267
	<u>19,496</u>	<u>20,829</u>	<u>19,496</u>	<u>20,829</u>
<b>Total liabilities</b>	<u>133,582</u>	<u>97,169</u>	<u>131,931</u>	<u>90,744</u>
<b>Net assets</b>	<u>168,119</u>	<u>171,612</u>	<u>177,595</u>	<u>176,822</u>
<b>Equity attributable to owners of the Company</b>				
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	(3,644)	(2,692)	-	-
Retained earnings	103,472	105,833	109,190	108,356
<b>Equity attributable to owners of the Company</b>	<u>168,233</u>	<u>171,607</u>	<u>177,595</u>	<u>176,822</u>
<b>Non-controlling interests</b>	<u>(114)</u>	<u>5</u>	<u>-</u>	<u>-</u>
<b>Total equity</b>	<u>168,119</u>	<u>171,612</u>	<u>177,595</u>	<u>176,822</u>
<b>Total equity and liabilities</b>	<u>301,701</u>	<u>268,781</u>	<u>309,526</u>	<u>267,566</u>

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

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

	March 2017		September 2016	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Bills payable	-	62,117	-	37,056
Finance lease liabilities	2,582	-	2,557	-
	<u>2,582</u>	<u>62,117</u>	<u>2,557</u>	<u>37,056</u>

### Amount repayable after one year

	March 2017		September 2016	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Finance lease liabilities	837	-	2,135	-
Convertible bonds	-	10,000	-	10,000
	<u>837</u>	<u>10,000</u>	<u>2,135</u>	<u>10,000</u>

### Details of any collateral

Finance lease liabilities of S\$3.4 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\$8.7 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**

	<b>1<sup>st</sup> Half 2017 \$'000</b>	<b>1<sup>st</sup> Half 2016 \$'000</b>	<b>2<sup>nd</sup> Qtr 2017 \$'000</b>	<b>2<sup>nd</sup> Qtr 2016 \$'000</b>
<b>Cash flows from operating activities</b>				
Profit / (loss) before tax	<b>3,074</b>	(452)	<b>626</b>	(1,699)
Adjustments for :				
Share of results of joint venture	<b>445</b>	(641)	<b>518</b>	(599)
Depreciation of property, plant and equipment	<b>3,555</b>	3,128	<b>1,074</b>	1,585
Allowance for impairment of receivables	<b>16</b>	45	<b>7</b>	45
Reversal of allowance for inventory obsolescence	<b>(1,100)</b>	(1,408)	<b>(245)</b>	(863)
Fair value changes on derivatives, net	<b>969</b>	2,480	<b>601</b>	2,821
Provision / (reversal of provision) for onerous contracts	<b>7,016</b>	(1,638)	<b>2,574</b>	97
(Gain)/ loss on disposal of property, plant and equipment	<b>(1)</b>	107	<b>-</b>	75
Reversal of provision for retirement benefits	<b>-</b>	-	<b>16</b>	-
Unrealised exchange differences	<b>(841)</b>	1,090	<b>(329)</b>	810
Interest expense	<b>809</b>	676	<b>382</b>	299
Interest income	<b>(79)</b>	(29)	<b>(50)</b>	(16)
<b>Operating cash flow before working capital changes</b>	<b>13,863</b>	3,358	<b>5,174</b>	2,555
Change in operating assets and liabilities				
Trade and other receivables	<b>7,891</b>	(2,946)	<b>2,092</b>	2,429
Inventories	<b>(32,288)</b>	44,765	<b>(59,134)</b>	12,432
Prepayments and deposits	<b>(1,944)</b>	4,805	<b>(2,308)</b>	5,483
Trade and other payables	<b>4,412</b>	(1,830)	<b>26,476</b>	4,862
<b>Cash flows (used in) / from operations</b>	<b>(8,066)</b>	48,152	<b>(27,700)</b>	27,761
Retirement benefits paid	<b>(35)</b>	(80)	<b>(35)</b>	-
Income tax paid	<b>(301)</b>	(1,401)	<b>(299)</b>	(1,394)
<b>Net cash flows (used in) / from operating activities</b>	<b>(8,402)</b>	46,671	<b>(28,034)</b>	26,367
<b>Cash flows from investing activities</b>				
Purchases of property, plant and equipment	<b>(4,844)</b>	(11,792)	<b>(952)</b>	(8,597)
Purchase of available-for-sale financial assets	<b>(1,500)</b>	(282)	<b>(1,500)</b>	(282)
Loan to investee companies	<b>(3,960)</b>	-	<b>(3,960)</b>	-
Interest received	<b>79</b>	29	<b>50</b>	16
<b>Net cash flows used in investing activities</b>	<b>(10,225)</b>	(12,045)	<b>(6,362)</b>	(8,863)
<b>Cash flows from financing activities</b>				
Repayment of finance lease liabilities	<b>(1,273)</b>	(6,308)	<b>(638)</b>	(3,155)
Net proceed from / (repayment of ) bills payable	<b>25,061</b>	(22,324)	<b>39,087</b>	(4,050)
Purchase of treasury shares	<b>(61)</b>	(337)	<b>-</b>	(100)
Dividend paid on ordinary shares	<b>(4,472)</b>	(3,731)	<b>(4,472)</b>	(3,731)
Interest paid	<b>(809)</b>	(676)	<b>(382)</b>	(299)
<b>Net cash flows from / (used in) financing activities</b>	<b>18,446</b>	(33,376)	<b>33,595</b>	(11,335)
<b>Net increase in cash and cash equivalents</b>	<b>(181)</b>	1,250	<b>(801)</b>	6,169
Cash and cash equivalents at beginning of financial period	<b>11,938</b>	13,940	<b>12,584</b>	9,016
Effects of exchange rate changes on cash and cash equivalents	<b>1</b>	(35)	<b>(25)</b>	(30)
<b>Cash and cash equivalents at end of financial period</b>	<b>11,758</b>	15,155	<b>11,758</b>	15,155

**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-	Equity, Total	
	Share capital	Treasury shares	Capital reserve	Fair value reserve	Share option reserve	Currency translation reserve	Retained earnings	Total	controlling interests	
	\$'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
Loss, net of tax	-	-	-	-	-	-	(451)	(451)	(1)	(452)
Other comprehensive income for the financial period	-	-	-	-	-	351	-	351	(3)	348
Total comprehensive income for the financial period	-	-	-	-	-	351	(451)	100	(4)	(104)
Purchase of treasury shares	-	(337)	-	-	-	-	-	(337)	-	(337)
Cash dividends on ordinary shares	-	-	-	-	-	-	(3,731)	(3,731)	-	(3,731)
Total contributions by and distribution to owners	-	(337)	-	-	-	-	(3,731)	(4,068)	-	(4,068)
Balance at 31 March 2016	68,011	(1,026)	597	(80)	974	(1,765)	97,039	163,750	(60)	163,690
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	-	-	-	-	-	-	2,111	2,111	(122)	1,989
Other comprehensive income for the financial period	-	-	-	-	-	(952)	-	(952)	3	(949)
<b>Total comprehensive income for the financial period</b>	-	-	-	-	-	<b>(952)</b>	<b>2,111</b>	<b>1,159</b>	<b>(119)</b>	<b>1,040</b>
Cash dividends on ordinary shares	-	-	-	-	-	-	(4,472)	(4,472)	-	(4,472)
Purchase of treasury shares	-	(61)	-	-	-	-	-	(61)	-	(61)
<b>Total contributions by and distribution to owners</b>	-	<b>(61)</b>	-	-	-	-	<b>(4,472)</b>	<b>(4,533)</b>	-	<b>(4,533)</b>
Balance at 31 March 2017	68,011	(1,105)	597	(72)	974	(3,644)	103,472	168,233	(114)	168,119

## 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
Loss, net of tax	-	-	-	-	-	(779)	(779)
Total comprehensive income for the financial year	-	-	-	-	-	(779)	(779)
Cash dividends on ordinary shares	-	-	-	-	-	(3,731)	(3,731)
Purchase of treasury shares	-	(337)	-	-	-	-	(337)
Total contributions by and distribution to owners	-	(337)	-	-	-	(3,731)	(4,068)
Balance at 31 March 2016	68,011	(1,026)	597	(80)	974	98,550	167,026
Balance at 1 October 2016	68,011	(1,044)	597	(72)	974	108,356	176,822
Profit, net of tax	-	-	-	-	-	5,306	5,306
<b>Total comprehensive income for the financial year</b>	-	-	-	-	-	<b>5,306</b>	<b>5,306</b>
Cash dividends on ordinary shares	-	-	-	-	-	(4,472)	(4,472)
Purchase of treasury shares	-	(61)	-	-	-	-	(61)
<b>Total contributions by and distribution to owners</b>	-	(61)	-	-	-	(4,472)	(4,533)
<b>Balance at 31 March 2017</b>	<b>68,011</b>	<b>(1,105)</b>	<b>597</b>	<b>(72)</b>	<b>974</b>	<b>109,190</b>	<b>177,595</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)**

	2017	2016
As at 1 January	186,335,089	186,640,689
Purchase of treasury shares	-	(157,200)
As at 31 March	<u>186,335,089</u>	<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**

Outstanding at 1 January 2017	5,546,600
- Exercised between October 2016 to March 2017	-
Outstanding at 31 March 2017	<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:

Principal amount outstanding	31 March 2017	31 March 2016
<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 March 2017 and 5.36% of the total number of shares in issue (excluding treasury shares) as at 31 March 2016 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**

	<b>31 March 2017</b>	<b>30 September 2016</b>
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 March 2017	<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 year 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**

**Earnings per ordinary share (cents)**

<b>The Group</b>	<b>1<sup>st</sup> Half 2017</b>	1 <sup>st</sup> Half 2016	<b>2<sup>nd</sup> Qtr 2017</b>	2 <sup>nd</sup> Qtr 2016
- Basic	<b>1.132</b>	(0.242)	<b>0.114</b>	(0.788)
- Diluted basis	<b>1.132</b>	(0.242)	<b>0.114</b>	(0.788)

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 2017 and 31 March 2016 were 186,413,631 and 186,483,489 shares respectively.

Weighted average number of shares for diluted earnings per share computation as of 31 March 2017 and 31 March 2016 were 186,413,631 and 186,483,489 shares respectively.

**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 2017</b>	September 2016
The Group	<b>90.22</b>	92.04
The Company	<b>95.31</b>	94.84

Net asset value per ordinary share was calculated based on 186,335,089 shares as at 31 March 2017 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*

Despite higher selling prices, revenue for the first half of the current financial year (1H17) and current quarter (2Q17) decreased approximately 12% from S\$168.6 million to S\$148.9 million and 13% from S\$79.4 million to S\$68.8 million compared to corresponding first half (1H16) and quarter (2Q16) in the previous financial year due to lower delivery volume in a weak construction environment.

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

1H17 gross profit increased 12% year-on-year from S\$10.7 million to S\$12.0 million as gross profit margin improved from 6.4% to 8.1%.

In a similar vein, gross profit increased 29% from S\$5.3 million in 2Q16 to S\$6.8 million in 2Q17 as gross profit margin improved from 6.6% in 2Q16 to 9.8% in 2Q17 due to recent upturn in steel prices.

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

The decrease in distribution expenses in 1H17 was mainly due to a reduction in prompt payment discounts given to customers, offset by higher personnel costs.

The increase in administrative expenses in 1H17 was mainly a result of higher personnel costs.

##### *Finance costs*

Increase in finance costs were attributable to higher average borrowings.

##### *Other operating expenses*

The decrease in other operating expenses was mainly due to lower foreign exchange losses.

A foreign exchange loss of S\$0.20 million and marked-to-market loss of S\$0.97 million on currency forward contracts were recorded in 1H17 as compared to a foreign exchange loss of S\$2.39 million and mark-to-market loss of S\$2.48 million on currency forward contracts in 1H16.

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.

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

As at 31 March 2017, the Group's balance sheet remained strong with net assets of S\$168.1 million and net asset value per ordinary share of 90.22 Singapore cents.

The Group's property, plant and equipment increased by S\$1.3 million to S\$79.0 million due to the purchase of machinery and equipment during the period.

The Group's trade and other receivables decreased by S\$7.9 million to S\$58.1 million, in tandem with the lower sales in 1H17 as compared to 1H16.

The Group's inventories increased by S\$33.4 million to S\$124.8 million due to higher inventory levels and higher costs of steel.

Prepayments were mainly related to advance payments for purchase of machinery.

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

The Group's loan and borrowings were higher by S\$23.8 million mainly due to increased trade bills to finance inventory purchases.

The Group's trade and other payables increased by S\$5.6 million to S\$37.5 million mainly due to more unpaid goods in transit for imported raw materials.

Net operating cash outflow of S\$8.4 million was largely attributable to working capital changes in inventory. Net cash used in investing activities was mainly for purchases of plant and equipment of S\$4.8 million, loan to investee companies of S\$4.0 million. Net cash inflows from financing activities was largely proceeds from borrowings of S\$25.0 million, partly offset by payments of dividends of S\$4.5 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 1H17 and 2Q17 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

In tracking a series of charts published by the Ministry of National Development (MND) through their “Housing Matters” blog over the last few years (see below)<sup>1</sup>, the deteriorating state of the residential property market in Singapore from a construction perspective can be clearly observed. The four-year forward forecast supply pipeline of new residential units had contracted substantially from 182,506 units in early 2015 (2015-2018) to 155,326 units in early 2016 (2016-2019), and to only 133,930 units by end 2016 (2017-2020).

As at Dec 2016

As at Jan 2016



As at 20 Feb 2015



<sup>1</sup> <https://mndsingapore.wordpress.com/>

According to estimates provided by the Building and Construction Authority (BCA)<sup>2</sup>, Singapore's construction demand in 2017 is expected to be a great deal more concentrated in civil engineering works. In 2017, construction demand from civil engineering works is projected to make up approximately 41% of total construction demand, compared to 36%, 20% and 27% respectively in the preceding three years. As civil engineering works contracts tend to be relatively larger in both size and value, there are more losers and less winners amongst builders for jobs in the civil engineering sector, thus there are more contractors competing to secure fewer projects in other sectors. Consequently, tender values have fallen dramatically, and are expected to stay morose going forward, and this is causing an adverse chain effect right through the construction supply chain, including reinforcing steel. A further consequence of this is neatly encapsulated in an article published by The Business Times on 5 April 2017 titled "*Contractors' cash flows worsen; small guys hardest hit*"<sup>3</sup>.

The reinforcing steel industry has not been spared. In fact, the situation has been made worse by industry-wide overcapacity due to aggressive capital expenditures made during the buoyant years of 2011 to 2015 by existing players as well as the many new entrants who plunged into this industry then. As a result, profit margins have taken a severe beating, and the landscape going forward is expected to remain highly challenging.

In these tough times, BRC has renewed its focus on cost control, credit risk management, value engineering, productivity, efficiency and business excellence. We strongly believe that this, together with our proven service and reliability and our stellar reputation in the market, will be the source of our resilience and competitiveness going forward in riding the downturn.

#### CHINA

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

#### MALAYSIA

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

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<sup>2</sup> [https://www.bca.gov.sg/newsroom/others/PR\\_Prospect2017.pdf](https://www.bca.gov.sg/newsroom/others/PR_Prospect2017.pdf)

<sup>3</sup> <http://www.businesstimes.com.sg/government-economy/contractors-cash-flows-worsen-small-guys-hardest-hit>

**11. Dividend**

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

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

Nil.

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

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

Nil.

**(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 2017.

**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\$12,000	-
HG Construction Steel Pte Ltd	Sales – S\$110,000	-

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**

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 2017 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 2017