

BRC Asia Limited

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

PROPOSED PLACEMENT OF 31,015,000 NEW ORDINARY SHARES IN THE CAPITAL OF THE COMPANY AT THE ISSUE PRICE OF S\$1.48 PER SUBSCRIPTION SHARE

1. INTRODUCTION

- 1.1. The board of directors (the "**Board**" or the "**Directors**") of BRC Asia Limited (the "**Company**", together with the subsidiaries, the "**Group**") wishes to announce that the Company has on 28 August 2021 entered into a conditional subscription agreement (the "**Subscription Agreement**") with Hong Leong Asia Investments Pte. Ltd. (the "**Subscriber**").
- 1.2. Subject to and in accordance with the terms and conditions of the Subscription Agreement, the Company has agreed to allot and issue to the Subscriber 31,015,000 new ordinary shares in the capital of the Company (the "**Subscription Shares**") at an issue price of S\$1.48 for each Subscription Share (the "**Issue Price**"), amounting to an aggregate subscription price of S\$45,902,200 (the "**Proposed Placement**").
- 1.3. The Proposed Placement will be undertaken by way of an exempt offering in Singapore in accordance with Section 275 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"). As such, no prospectus, offer document or offer information statement will be issued by the Company in connection with the Proposed Placement.
- 1.4. The Board has been informed by the Subscriber that concurrent with the execution of the Subscription Agreement, the Subscriber has entered into a conditional sale and purchase agreement ("**SPA**") with Xinsteel Singapore Pte. Ltd., Nuocheng International Trading & Investment Pte. Ltd., Toe Teow Heng, Wu Ai Ping and Shi Yong (collectively, the "**Vendors**") on 28 August 2021 in respect of the purchase by the Subscriber and the sale by the Vendors of an aggregate of 15,000,000 fully paid-up ordinary shares in the capital of the Company (the "**Vendor Shares**") at a pre-agreed price of S\$1.48 for each Vendor Share (the "**Subscriber Acquisition**"). The Subscriber has informed the Board that completion under the SPA is conditional on, *inter alia*, the Proposed Placement having become unconditional in all respects, and that completion under the Subscription Agreement and the SPA is intended to take place concurrently.
- 1.5. The Subscription Shares and the Vendor Shares will represent in aggregate approximately 16.77% of the total enlarged issued and paid-up share capital of the Company (excluding treasury shares) upon completion of the Proposed Placement and the Subscriber Acquisition. Accordingly, upon completion of the Proposed Placement and the Subscriber Acquisition, the Subscriber will hold in aggregate 54,875,000 ordinary shares of the Company (the "**Shares**"), representing in aggregate approximately 20.00% of the total enlarged issued and paid-up share capital of the Company (excluding treasury shares).
- 1.6. However, shareholders of the Company (the "**Shareholders**") should note that following completion of the Proposed Placement and the Subscriber Acquisition, Esteel Enterprise Pte. Ltd. ("**Esteel**") will remain the largest shareholder of the Company, with a shareholding interest of approximately 61.16% of the total enlarged issued and paid-up share capital of the Company (excluding treasury shares).

2. RATIONALE FOR THE PROPOSED PLACEMENT AND INFORMATION ON THE SUBSCRIBER

2.1 Rationale

The Company has decided to undertake the Proposed Placement in order to increase resources available to the Company. The Directors are of the opinion that the Proposed Placement is beneficial for the Group as this will enhance the Group's balance sheet and strengthen the Group's capital base.

2.2 Information on the Subscriber

- (a) The subscriber is a wholly-owned subsidiary of Hong Leong Asia ("**HLA**"). HLA has been listed on the Mainboard of Singapore Exchange Securities Trading Limited ("**SGX-ST**") since 1998. It is part of the Singapore-based conglomerate, Hong Leong Group, a successful globalised corporate based in Asia. Over the years, HLA has grown from a building materials supplier to a diversified Asian multination working with its customers to create urban solutions, particularly in the areas of construction and transport that are needed for cities of the future.
- (b) As at the date of this announcement, the Subscriber holds 8,860,000 Shares, representing approximately 3.64% of the existing issued and paid-up share capital of the Company. The Subscriber had approached the Company, expressing an interest to make a further investment in the Company.
- (c) As at the date of this announcement, the Subscriber has represented, warranted and undertaken to the Company that, *inter alia*:
 - (i) immediately prior to the entry into the SPA and the Subscription Agreement, it is not an "interested person" of the Company (as defined under Chapter 9 of the Listing Manual (the "**Listing Manual**") of the SGX-ST);
 - (ii) immediately prior to the entry into the SPA and the Subscription Agreement, the Subscriber is not a substantial shareholder of the Company or any other person in the categories set out in Rule 812(1) of the Listing Manual, and save that certain subsidiaries of Hong Leong Asia Ltd. (being the holding company of the Subscriber) have purchased reinforced steel products from the Company and its group of companies in Malaysia for amounts which are not material and which transactions were conducted on an arm's length basis, none of the Subscriber nor its directors or substantial shareholders have any connections (including business relationships) with the Company or its directors or substantial shareholders prior to the Proposed Placement;
 - (iii) it is not subscribing for the Subscription Shares as an agent for, trustee or a nominee of a third party or otherwise on behalf of any other person or entity and is subscribing for the Subscription Shares solely for its own beneficial account and not with a view to another person acquiring an interest (as defined in Section 4(1) of the SFA) in the Subscription Shares;
 - (iv) it is an accredited investor as defined in the SFA; and
 - (v) it is not subscribing for the Subscription Shares with a view of those Subscription Shares being subsequently offered for sale to another person in Singapore, where such offer is contrary to the provisions of the SFA.

2.3 Shareholders' Approval to be sought for the Proposed Placement

- (a) As the Subscriber will become (i) a substantial shareholder of the Company upon entry into the SPA, it will fall within the categories of restricted placees set out in Rule 812(1) of the Listing Manual and (ii) a controlling shareholder of the Company upon completion of the Proposed Placement and the Subscriber Acquisition, in accordance with Rules 812(2) and 803 of the Listing Manual, approval from Shareholders is required for the allotment and issue of the Subscription Shares to the Subscriber pursuant to the Proposed Placement.
- (b) The Company will not be relying on its existing general share issue mandate approved by Shareholders by way of an ordinary resolution at the annual general meeting of the Company held on 28 January 2021 for the allotment and issue of the Subscription Shares.
- (c) Accordingly, the Company will be seeking approval from Shareholders for the Proposed Placement and the allotment and issue of the Subscription Shares to the Subscriber pursuant thereto at an extraordinary general meeting to be convened (the "**EGM**"). The Subscriber and its associates will be required to abstain from voting on the resolution approving the Proposed Placement and the issue and allotment of the Subscription Shares to the Subscriber.
- (d) A circular to Shareholders containing more information on the Proposed Placement, together with the notice of the EGM, will be issued by the Company to Shareholders in due course to seek Shareholders' approval in respect of the Proposed Placement.

3. SALIENT TERMS OF THE PROPOSED PLACEMENT UNDER THE SUBSCRIPTION AGREEMENT

3.1 Issue Price

The Issue Price was arrived at pursuant to negotiations with the Subscriber on a willing-buyer and willing-seller basis, taking into account, among others, the prevailing market price of the Shares and represents a discount of approximately 2.06% to the volume weighted average price of S\$1.5111 per Share for trades done on the Shares on the SGX-ST for the full market day on 27 August 2021, being the last market day preceding the date the Subscription Agreement was signed.

3.2 Subscription Shares

- (a) The Subscription Shares represent approximately 12.75% of the existing issued and paid-up share capital of the Company comprising 243,335,089 Shares as at the date of this announcement (excluding treasury shares) and will represent approximately 11.30%¹ of the enlarged total issued and paid-up share capital of the Company (excluding treasury shares) of 274,350,089 Shares on completion of the Proposed Placement ("**Completion**").
- (b) The Subscription Shares will be allotted and issued free from all claims, charges, liens and other encumbrances, and shall rank *pari passu* in all respects with the existing Shares as at the Completion Date (as defined below), except that the Subscription Shares will not rank for any dividends, distributions or entitlements, the record date for which falls on or before the date of the issue of the Subscription Shares.

¹ This is solely in relation to the Subscription Shares and does not take into account the Vendor Shares.

3.3 Conditions

Completion pursuant to the Subscription Agreement is conditional upon, *inter alia*, the satisfaction or waiver by the Company or the Subscriber (as the case may be) of the following conditions (the "**Conditions**"):

- (a) the Company having obtained at an EGM the approval of the Shareholders for the allotment and issue of the Subscription Shares to the Subscriber (on and subject to the terms and conditions of the Subscription Agreement) pursuant to Rules 812(2) and 803 of the Listing Manual and Section 161 of the Companies Act, Chapter 50 of Singapore, and such approval being in full force and effect as of Completion;
- (b) approval in-principle from the SGX-ST for the listing and quotation of the Subscription Shares on the SGX-ST having been obtained, and where such approval is subject to conditions, such conditions being reasonably acceptable to the Parties, and if such conditions are required to be fulfilled on or before Completion, such conditions having been fulfilled on or before Completion Date (as defined below), and such approval remaining in full force and effect as of Completion;
- (c) the allotment, issue and subscription of the Subscription Shares and all the transactions contemplated by the Subscription Agreement not being prohibited by any statute, order, rule, regulation or directive promulgated or issued after the date of the Subscription Agreement by any legislative, executive or regulatory body or authority (including, without limitation, the Monetary Authority of Singapore and the SGX-ST) in Singapore, which is applicable to either the Company or the Subscriber, including but not limited to the provisions of the Listing Manual or the SFA;
- (d) the representations, warranties and undertakings by each of the Company and the Subscriber (as the case may be) remaining true and correct in all material respects as if made on the Completion Date (as defined below), and each of them having performed all of its obligations under the Subscription Agreement to be performed on or before Completion;
- (e) there not having been, in the period commencing from the date of the Subscription Agreement and up to the Completion Date (as defined below), the occurrence of any circumstance, development or event that causes any material adverse change in the financial condition of the Group taken as a whole; and
- (f) the entry by the Subscriber and the Vendors into the SPA and the Subscriber Acquisition having become unconditional in all respects save for the condition relating to the Subscription Agreement.

If any of the Conditions has not been satisfied or otherwise waived by 31 December 2021 (the "**Cut-Off Date**") (or such other date as the Company and the Subscriber may agree in writing), the Subscription Agreement shall cease and determine, and no party to the Subscription Agreement shall have any claim whatsoever against the other party save for any antecedent breach of the Subscription Agreement.

3.4 Completion

Subject to the terms and conditions of the Subscription Agreement, Completion shall take place on the date falling three (3) business days after the date on which all the Conditions (other than any Condition which is to be satisfied at Completion) have been satisfied or waived (as the case may be) (or on such other date as may be agreed between the Company and the Subscriber) (the "**Completion Date**").

3.5 Appointment of Subscriber Directors

After Completion, upon receiving a written request from the Subscriber, the Company will procure the appointment of two (2) directors nominated by the Subscriber onto the board of the Company in a non-executive capacity, subject to the recommendation of the nominating committee of the Company, the approval of the board of directors of the Company, and in compliance with applicable requirements under the constitution of the Company and the Listing Manual.

3.6 Additional Listing Application

The Company will be applying to the SGX-ST for the dealing in, listing of and quotation for the Subscription Shares on the SGX-ST Mainboard and will make the necessary announcement upon receipt of the approval in-principle by the SGX-ST for the listing of and quotation for the Subscription Shares on the SGX-ST.

3.7 General Terms

The Proposed Placement is non-underwritten and the Company did not appoint any placement agent for purposes of the Proposed Placement. No commission, introducer fee or finder's fee is payable by the Company to any person in relation to the Proposed Placement, whether in cash or share or any other form.

4. USE OF PROCEEDS

- (a) The estimated net proceeds from the Proposed Placement, after deducting estimated fees and expenses (including listing and application fees, professional fees and other miscellaneous expenses of approximately S\$150,000) is approximately S\$45,752,200 (the "**Net Proceeds**"). The Company intends to apply 100% of the Net Proceeds towards the repayment of the Group's outstanding bank borrowings.
- (b) Pending the deployment of the Net Proceeds, such Net Proceeds may be deposited with banks or financial institutions, invested in short-term money market instruments or marketable securities, and/or used for any other purpose on a short-term basis, as the Company may, in its absolute discretion, deem fit from time to time.
- (c) The Company will make periodic announcement(s) as to the use of the Net Proceeds as and when such Net Proceeds are materially disbursed and whether such use of the Net Proceeds is in accordance with the stated use and percentage allocated. The Company will also provide a status report on the use of the Net Proceeds in the Company's full-year financial statements and/or its annual report(s). Where the Net Proceeds have been used for working capital purposes, the Company will provide a breakdown with specific details on how the Net Proceeds have been applied in its announcement(s) and annual report(s). Where there is any material deviation from the stated use of the Net Proceeds, the Company will announce the reasons for such deviation.

5. PRO FORMA FINANCIAL EFFECTS OF THE PROPOSED PLACEMENT

- 5.1 The *pro forma* financial effects of the Proposed Placement on the Company's share capital and the Group's net tangible assets ("**NTA**") per Share and earnings per Share ("**EPS**") as set out below are strictly for illustrative purposes and are not indicative of the actual financial position and results of the Group following the completion of the Proposed Placement.
- 5.2 The *pro forma* financial effects have been prepared based on the latest audited financial results of the Group for the financial year ended 30 September 2020, on the following bases and assumptions:
 - (a) the share capital of the Company as at the date of this announcement comprises 243,335,089 Shares (excluding 1,626,600 treasury shares);

- (b) for the purposes of illustrating the financial effects of the Proposed Placement, it is assumed that the placement of 10,000,000 new Shares announced by the Company on 18 January 2021 and completed on 26 January 2021 had been completed on 30 September 2020;
- (c) the Proposed Placement had been completed on 30 September 2020 for the purpose of illustrating the financial effects on the NTA;
- (d) the Proposed Placement had been completed on 1 October 2019 for the purpose of illustrating the financial effects on the EPS; and
- (e) the expenses incurred in connection with the Proposed Placement amount to approximately S\$150,000.

5.3 Share capital

	Number of Shares (excluding 1,626,600 treasury shares)
As at the date of this announcement	243,335,089
After the completion of the Proposed Placement	274,350,089

5.4 NTA per Share

Assuming that the Proposed Placement was completed on 30 September 2020, the *pro forma* financial effects on the Group's NTA per Share would be as follows:

	Before the Proposed Placement	After the Proposed Placement
NTA ⁽¹⁾ attributable to owners of the Company (S\$'000)	264,547	310,299
Number of issued ordinary shares in the capital of the Company (excluding treasury shares)	243,335,089	274,350,089
NTA per Share (Singapore cents)	108.72	113.10

Note:

- (1) NTA means total assets less the sum of total liabilities and intangible assets.

5.5 EPS

Assuming that the Proposed Placement was completed on 1 October 2019, the pro forma financial effects on the Group's EPS would be as follows:

	Before the Proposed Placement	After the Proposed Placement
Number of issued ordinary shares in the capital of the Company (excluding treasury shares)	243,335,089	274,350,089
EPS (Singapore cents)	8.36	7.42

6. UNDERTAKING FROM CONTROLLING SHAREHOLDER

Esteeel, which legally and beneficially owns or has interests in 167,795,536 Shares, representing approximately 68.96% of the total number of issued Shares as at the date of this announcement, has undertaken to the Company and the Subscriber, *inter alia*, (i) not to sell, transfer or otherwise dispose of its shareholding interests in the Company, on or before the date of the EGM and (ii) to vote in favour of all resolutions which are proposed at the EGM to approve the Proposed Subscription and all matters relating or incidental thereto.

7. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

Save as set out above in this announcement, none of the Directors or other substantial shareholders of the Company and their respective associates has any interest, direct or indirect, in the Proposed Placement, other than by reason only of their directorships and/or shareholdings in the Company.

The Subscriber and its associates will abstain from voting on the ordinary resolution relating to the Proposed Placement at the EGM to be convened.

8. DOCUMENTS AVAILABLE FOR INSPECTION

7.1 Copies of the Subscription Agreement and the SPA will be available for inspection during normal business hours from the date of this announcement up to and including the date of the EGM at the registered office of the Company at 350 Jalan Boon Lay, Singapore 619530.

7.2 Due to the mandatory safe distancing measures issued by the Singapore Ministry of Health in relation to the COVID-19 outbreak, please contact the Company at +65 6265 2333 prior to making any visits to arrange for a suitable time slot for the inspection.

9. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this announcement and confirm after making all reasonable enquiries, that to the best of their knowledge and belief, this announcement constitutes full and true disclosure of all material facts about the Proposed Placement and the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this announcement misleading. Where information in this announcement has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been

accurately and correctly extracted from those sources and/or reproduced in this announcement in its proper form and context.

10. FURTHER ANNOUNCEMENTS

The Company will make the appropriate announcements as and when there are material developments on the Proposed Placement.

11. CAUTIONARY STATEMENT

Shareholders should note that the Proposed Placement remains subject to, among others, the fulfilment of the Conditions under the Subscription Agreement. There is no certainty or assurance that the Conditions for the Proposed Placement can be fulfilled or that the Proposed Placement will be undertaken at all. Shareholders, securityholders and investors are advised to read this announcement and any past and future announcements by the Company carefully when dealing with the Shares and securities of the Company. Shareholders, securityholders, and investors should consult their stockbrokers, bank managers, solicitors or other professional advisors if they have any doubt about the actions they should take or when dealing with their Shares or securities of the Company.

BY ORDER OF THE BOARD

Seah Kiin Peng
Executive Director and Chief Executive Officer
28 August 2021

Important Notice

Notification under Section 309B of the Securities and Futures Act, Chapter 289 of Singapore: The Subscription Shares are "prescribed capital markets products" (as defined in the Securities and Futures (Capital Markets Products) Regulations 2018 and "Excluded Investment Products" (as defined in MAS Notice SFA 04- N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).