

Company Registration No. 193800054G

BRC Asia Limited and its Subsidiaries

Condensed Interim Financial Statements
For the six months ended 31 March 2022

BRC Asia Limited and its Subsidiaries

Table of contents

	Page
Condensed interim consolidated Statement of Comprehensive Income	3
Condensed interim Statement of Financial Position	4
Condensed interim Statements of Changes in Equity	6
Condensed interim consolidated Statement of Cash Flows	8
Notes to the financial statements	9
Other Information required by Listing Rule Appendix 7.2	24

BRC Asia Limited and its Subsidiaries

**Condensed interim consolidated Statement of Comprehensive Income
For the financial period 6 months ended 31 March 2022**

	Note	6 months ended 31 March		Change %
		2022 \$'000	2021 \$'000	
Revenue		793,330	492,726	61
Cost of sales		(724,553)	(453,078)	60
Gross profit		68,777	39,648	73
Other income	5	2,577	5,555	(54)
Expenses				
Distribution expenses		(2,826)	(2,811)	1
Administrative expenses		(12,952)	(8,376)	55
Finance costs		(2,346)	(2,236)	5
Other operating expenses		(5,396)	(4,579)	18
Provision for impairment loss on trade receivables		(929)	(2,469)	(62)
Share of results of joint venture		943	426	121
Share of results of associates		(411)	(1,607)	(74)
Profit before tax	6	47,437	23,551	101
Income tax expense	8	(7,596)	(4,401)	73
Profit for the period		39,841	19,150	108
Other comprehensive income:				
Items that will not be reclassified to profit or loss				
Net fair value loss on equity instruments at fair value through other comprehensive income		-	(30)	n.m.
Items that may be reclassified subsequently to profit or loss				
Net exchange (loss)/gain on net investment in foreign operations		(110)	145	n.m.
Foreign currency translation:				
Exchange differences on translation of foreign operations		(134)	152	n.m.
Other comprehensive income for the period, net of tax		(244)	267	n.m.
Total comprehensive income for the period		39,597	19,417	104
Basic and diluted earnings per share (cents)		14.65	8.08	

n.m. denotes not meaningful

BRC Asia Limited and its Subsidiaries

**Condensed interim Statement of Financial Position
As at 31 March 2022**

	Note	Group		Company	
		31.3.2022	30.9.2021	31.3.2022	30.9.2021
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	9	135,860	143,897	61,742	66,544
Investment properties		2,228	2,264	-	-
Investment in subsidiaries		-	-	122,659	122,659
Interest in joint venture		10,112	9,269	6,076	6,076
Interest in associates		7,914	8,376	8,269	8,376
Investment securities		57	57	57	57
Deferred tax assets		2,334	2,334	2,334	2,334
Other receivables	10	3,822	3,770	3,822	3,770
		162,327	169,967	204,959	209,816
Current assets					
Inventories		436,211	466,171	430,606	461,020
Trade and other receivables	10	196,099	155,661	181,251	132,606
Prepayments		17,422	8,592	17,132	8,264
Deposits		374	385	266	266
Derivatives		-	974	-	974
Cash and cash equivalents		139,967	82,970	123,321	69,712
		790,073	714,753	752,576	672,842
Total assets		952,400	884,720	957,535	882,658
Current liabilities					
Trade and other payables		47,024	69,154	72,241	85,733
Contract liabilities		24,787	2,814	24,587	2,447
Loans and borrowings	11	372,079	358,114	371,863	357,901
Provisions	12	44,297	46,104	41,263	43,110
Derivatives		48	-	48	-
Current income tax liabilities		19,495	19,861	15,505	15,214
		507,730	496,047	525,507	504,405
Net current assets		282,343	218,706	227,069	168,437
Non-current liabilities					
Loans and borrowings	11	70,448	77,652	63,314	70,410
Provisions	12	3,450	3,539	3,070	3,159
Deferred tax liabilities		6,382	6,533	-	-
		80,280	87,724	66,384	73,569
Total liabilities		588,010	583,771	591,891	577,974
Net assets		364,390	300,949	365,644	304,684

BRC Asia Limited and its Subsidiaries

**Condensed interim Statement of Financial Position
As at 31 March 2022**

		Group		Company	
	Note	31.3.2022	30.9.2021	31.3.2022	30.9.2021
		\$'000	\$'000	\$'000	\$'000
Equity attributable to owners of the Company					
Share capital	13	184,546	138,754	184,546	138,754
Treasury shares	13	(1,105)	(1,105)	(1,105)	(1,105)
Other reserves		(2,507)	(2,263)	494	494
Retained earnings		183,456	165,563	181,709	166,541
Total equity		364,390	300,949	365,644	304,684
Total equity and liabilities		952,400	884,720	957,535	882,658

BRC Asia Limited and its Subsidiaries

**Condensed interim Statements of Changes in Equity
For the financial period 6 months ended 31 March 2022**

	Note	Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Retained earnings \$'000	Total equity \$'000
Group						
Balance at 1 October 2020		125,001	(1,105)	(2,220)	142,871	264,547
Profit for the financial period		-	-	-	19,150	19,150
Other comprehensive income for the financial period		-	-	267	-	267
Total comprehensive income for the financial period		-	-	267	19,150	19,417
Cash dividends on ordinary shares	14	-	-	-	(14,600)	(14,600)
Issuance of shares		14,200	-	-	-	14,200
Share issuance expense		(447)	-	-	-	(447)
Total contributions by and distributions to owners		13,753	-	-	(14,600)	(847)
Balance at 31 March 2021		138,754	(1,105)	(1,953)	147,421	283,117
Balance at 1 October 2021		138,754	(1,105)	(2,263)	165,563	300,949
Profit for the financial period		-	-	-	39,841	39,841
Other comprehensive income for the financial period		-	-	(244)	-	(244)
Total comprehensive income for the financial period		-	-	(244)	39,841	39,597
Cash dividends on ordinary shares	14	-	-	-	(21,948)	(21,948)
Issuance of shares		45,902	-	-	-	45,902
Share issuance expense		(110)	-	-	-	(110)
Total contributions by and distributions to owners		45,792	-	-	(21,948)	23,844
Balance at 31 March 2022		184,546	(1,105)	(2,507)	183,456	364,390

BRC Asia Limited and its Subsidiaries

**Condensed interim Statements of Changes in Equity
For the financial period 6 months ended 31 March 2022**

	Note	Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Retained earnings \$'000	Total equity \$'000
Company						
Balance at 1 October 2020		125,001	(1,105)	521	175,799	300,216
Profit for the financial period		-	-	-	19,369	19,369
Other comprehensive income for the financial period		-	-	(30)	-	(30)
Total comprehensive income for the financial period		-	-	(30)	19,369	19,339
Cash dividends on ordinary shares		-	-	-	(14,600)	(14,600)
Issuance of shares		14,200	-	-	-	14,200
Share issuance expense	14	(447)	-	-	-	(447)
Total contributions by and distributions to owners		13,753	-	-	(14,600)	(847)
Balance at 31 March 2021		138,754	(1,105)	491	180,568	318,708
Balance at 1 October 2021		138,754	(1,105)	494	166,541	304,684
Profit for the financial period		-	-	-	37,116	37,116
Total comprehensive income for the financial period		-	-	-	37,116	37,116
Cash dividends on ordinary shares		-	-	-	(21,948)	(21,948)
Issuance of shares		45,902	-	-	-	45,902
Share issuance expense	14	(110)	-	-	-	(110)
Total contributions by and distributions to owners		45,792	-	-	(21,948)	23,844
Balance at 31 March 2022		184,546	(1,105)	494	181,709	365,644

BRC Asia Limited and its Subsidiaries

**Condensed interim consolidated Statement of Cash Flows
For the financial period 6 months ended 31 March 2022**

	6 months ended 31 March	
	2022 \$'000	2021 \$'000
Operating activities		
Profit before tax	47,437	23,551
Adjustments for:		
Share of results of joint venture	(943)	(426)
Share of results of associates	411	1,607
Depreciation of investment properties	36	35
Depreciation of property, plant and equipment	8,861	8,812
Write-off of property, plant and equipment	3	-
Allowance for inventory obsolescence	296	-
Provision for impairment loss on trade receivables	929	2,469
Fair value changes on trade receivables subject to provisional pricing	1,967	631
Fair value changes on derivatives, net	1,022	(3,577)
Gain on disposal of property, plant and equipment	(3)	(15)
(Reversal of)/provision for onerous contracts	(1,805)	28,889
Unrealised exchange differences	(50)	566
Interest expense	2,346	2,236
Interest income	(93)	(60)
Operating cash flow before working capital changes	60,414	64,718
Changes in working capital:		
Trade and other receivables	(43,386)	(59,078)
Inventories	29,664	(44,505)
Prepayments and deposits	(8,819)	(13,638)
Asset held for sale	-	33,893
Trade and other payables and contract liabilities	(244)	171,704
Cash flows generated from operations	37,629	153,094
Income taxes paid	(8,113)	(4,682)
Retirement benefits paid	(89)	-
Net cash flows generated from operating activities	29,427	148,412
Investing activities		
Purchase of property, plant and equipment	(932)	(1,035)
Proceeds from disposal of property, plant and equipment	3	22
Interest received	93	60
Net cash flows used in investing activities	(836)	(953)
Financing activities		
Repayment of principal obligations under lease liabilities	(2,793)	(2,756)
Repayment of other borrowings	-	(360)
Proceeds from/(repayment of) bills payable, net	13,875	(70,281)
Proceeds from bank loans	-	12,000
Repayment of bank loans	(4,321)	(63,798)
Proceeds from issuance of shares	45,902	14,200
Share issuance expense	(110)	(447)
Repayment of loan from immediate holding company	-	(20,000)
Dividends paid	(21,948)	(14,600)
Interest paid	(2,259)	(2,026)
Net cash flows generated from/(used in) financing activities	28,346	(148,068)
Net increase/(decrease) in cash and cash equivalents	56,937	(609)
Cash and cash equivalents at beginning of period	82,970	74,438
Effects of exchange rate changes on cash and cash equivalents	60	(103)
Cash and cash equivalents at end of period	139,967	73,726

BRC Asia Limited and its Subsidiaries

Notes to the financial statements

For the financial period 6 months ended 31 March 2022

1. Corporate information

BRC Asia Limited (the "Company") is a public limited liability company incorporated in Singapore and is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST"). The immediate holding company is Esteel Enterprise Pte. Ltd. ("Esteel"), a private limited company incorporated and domiciled in Singapore. Its ultimate holding company is Advance Venture Investments Limited ("AVIL"). AVIL is incorporated and domiciled in the British Virgin Islands.

The registered office and principal place of business of the Company is at 350 Jalan Boon Lay, Jurong Industrial Estate, Singapore 619530.

The principal activities of the Company are the prefabrication of steel reinforcement for use in concrete, trading of steel reinforcing bars, and manufacturing and sale of wire mesh fences.

2. Basis of preparation

The condensed interim financial statements for the six months ended 31 March 2022 have been prepared in accordance with SFRS(I) 1-34 Interim Financial Reporting issued by the Accounting Standards Council Singapore. The condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year ended 30 September 2021.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s, except for the adoption of new and amended standards as set out in Note 2.1.

The condensed interim financial statements are presented in Singapore Dollars ("SGD" or "\$") and all values in the tables are rounded to the nearest thousand ("'\$000"), except when otherwise indicated.

2.1 *New and amended standards adopted by the Group*

A number of amendments to Standards have become applicable for the current reporting period. The Group did not have to change its accounting policies or make retrospective adjustments as a result of adopting those standards.

2. Summary of significant accounting policies (cont'd)

2.2 *Use of judgements and estimates*

In preparing the condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates. The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements as at and for the year ended 30 September 2021.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements is included in Note 3.2 in the audited financial statements for the year ended 30 September 2021.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

BRC Asia Limited and its Subsidiaries

Notes to the financial statements

For the financial period 6 months ended 31 March 2022

4. Segment and revenue information

(a) Reportable segments

Period from 1 October 2021 to 31 March 2022	Fabrication and manufacturing S\$'000	Others S\$'000	Adjustments and eliminations S\$'000	Group S\$'000
Revenue:				
External customers	793,330	-	-	793,330
Inter-segment	-	-	-	-
Total revenue	793,330	-	-	793,330
Results:				
Interest income	137	-	(44)	93
Interest expense	(2,346)	(44)	44	(2,346)
Depreciation expense	(8,311)	(586)	-	(8,897)
Share of results of joint venture	943	-	-	943
Share of results of associates	-	(411)	-	(411)
Reversal of onerous contracts	1,805	-	-	1,805
Provision for impairment loss on trade receivables, net	(929)	-	-	(929)
Fair value changes on trade receivables subject to provisional pricing	(1,967)	-	-	(1,967)
Other non-cash expense	(299)	-	-	(299)
Income tax expense	(7,523)	(73)	-	(7,596)
Segment profit	39,756	85	-	39,841
31 March 2022				
Assets:				
Segment assets	914,220	38,211	(31)	952,400
Interest in joint venture	10,112	-	-	10,112
Interest in associates	-	7,914	-	7,914
Liabilities:				
Segment liabilities	(580,166)	(7,875)	31	(588,010)

BRC Asia Limited and its Subsidiaries

Notes to the financial statements

For the financial period 6 months ended 31 March 2022

4. Segment and revenue information (cont'd)

(a) Reportable segments (cont'd)

Period from 1 October 2020 to 31 March 2021	Fabrication and manufacturing S\$'000	Others S\$'000	Adjustments and eliminations S\$'000	Group S\$'000
Revenue:				
External customers	453,174	39,552	-	492,726
Inter-segment	-	-	-	-
Total revenue	453,174	39,552	-	492,726
Results:				
Interest income	60	-	-	60
Interest expense	(2,236)	-	-	(2,236)
Depreciation expense	(8,238)	(609)	-	(8,847)
Share of results of joint venture	426	-	-	426
Share of results of associates	-	(1,607)	-	(1,607)
Provision for onerous contracts	(28,889)	-	-	(28,889)
Provision for impairment loss on trade receivables, net	(2,469)	-	-	(2,469)
Fair value changes on trade receivables subject to provisional pricing	(631)	-	-	(631)
Income tax expense	(3,812)	(589)	-	(4,401)
Segment profit	16,809	2,341	-	19,150
30 September 2021				
Assets:				
Segment assets	845,475	39,276	(31)	884,720
Interest in joint venture	9,269	-	-	9,269
Interest in associates	-	8,376	-	8,376
Liabilities:				
Segment liabilities	(575,639)	(8,163)	31	(583,771)

BRC Asia Limited and its Subsidiaries

Notes to the financial statements

For the financial period 6 months ended 31 March 2022

4. Segment and revenue information (cont'd)

(b) Disaggregation of revenue

	Group 6 months ended 31 March	
	2022	2021
	\$'000	\$'000
Primary geographical markets		
Australia	4,320	1,448
Brunei	8,964	2,712
China	25,863	7,573
Hong Kong	19,883	596
Indonesia	7,033	3,753
Malaysia	42,946	28,710
Singapore	678,464	431,033
Thailand	3,206	15,756
Others	2,651	1,145
	<u>793,330</u>	<u>492,726</u>
 Timing of transfer of goods		
At a point in time	<u>793,330</u>	<u>492,726</u>

5. Other income

	Group 6 months ended 31 March	
	2022	2021
	\$'000	\$'000
Bad debts recovered	17	-
Interest income	93	60
Government grant	1,090	1,584
Rental income	78	74
Sundry income	-	218
Fair value changes on derivatives, net	-	3,577
Sales commission	-	27
Gain on disposal of property, plant and equipment	3	15
Credit insurance claims for bad debts	1,296	-
	<u>2,577</u>	<u>5,555</u>

BRC Asia Limited and its Subsidiaries

Notes to the financial statements

For the financial period 6 months ended 31 March 2022

6. Profit before tax

Profit before tax is arrived after charging/(crediting) the following:

	Group 6 months ended 31 March	
	2022 \$'000	2021 \$'000
Depreciation of property, plant and equipment	8,861	8,812
Depreciation of investment properties	36	35
Interest expense	2,346	2,236
Expenses relating to short-term leases	1,524	477
Expenses relating to low-value assets	9	9
Foreign exchange (gain)/loss, net	(647)	1,479
Fair value changes on derivatives, net	1,022	(3,577)
(Reversal of)/provision for onerous contracts	(1,805)	28,889
Allowance for inventory obsolescence	296	-
Provision for impairment loss on trade receivables	929	2,469
Fair value changes on trade receivables	1,967	631
Gain on disposal of property, plant and equipment	(3)	(15)
Write-off of property, plant and equipment	3	-

7. Related party transactions

In addition to the information disclosed elsewhere in the financial statements, the following were significant transactions between the Group and related parties on rates and terms agreed during the financial year:

Sales and purchases of goods and services

	Group 6 months ended 31 March	
	2022 \$'000	2021 \$'000
Interest paid/payable to immediate holding company	-	355
Sales to companies related to substantial shareholder	8,042	-
Purchases from a company related to substantial shareholder	278	-

BRC Asia Limited and its Subsidiaries

Notes to the financial statements

For the financial period 6 months ended 31 March 2022

8. Income tax expense

Major components of income tax expense

The Group calculates the period income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Group	
	6 months ended	
	31 March	
	2022	2021
	\$'000	\$'000
Current income tax	7,747	4,556
Deferred income tax	(151)	(155)
Income tax expense recognised in profit or loss	<u>7,596</u>	<u>4,401</u>

9. Property, plant and equipment

During the 6 months ended 31 March 2022, the Group acquired assets amounting to \$932,000 (31 March 2021: \$1,035,000).

BRC Asia Limited and its Subsidiaries

Notes to the financial statements

For the financial period 6 months ended 31 March 2022

10. Trade and other receivables

	Group		Company	
	31 March 2022 \$'000	30 September 2021 \$'000	31 March 2022 \$'000	30 September 2021 \$'000
Trade receivables (current)				
Trade receivables, net:				
- Third parties	191,169	152,757	171,010	126,050
- Related parties	3,737	-	2,513	-
- Due from subsidiaries	-	-	6,600	4,310
	<u>194,906</u>	<u>152,757</u>	<u>180,123</u>	<u>130,360</u>
Other receivables (current)				
- Third parties	115	127	30	32
- Sales tax receivable, net	-	660	-	-
- Due from subsidiaries	-	-	20	97
- Due from a joint venture	11	11	11	11
- Dividend receivable from a joint venture	1,067	2,106	1,067	2,106
	<u>1,193</u>	<u>2,904</u>	<u>1,128</u>	<u>2,246</u>
Total trade and other receivables (current)	<u>196,099</u>	<u>155,661</u>	<u>181,251</u>	<u>132,606</u>
Other receivables (non-current)				
- Dividend receivable from a joint venture	3,822	3,770	3,822	3,770
Total trade and other receivables (current and non-current)	<u>199,921</u>	<u>159,431</u>	<u>185,073</u>	<u>136,376</u>

Expected credit losses

The movement in allowance for expected credit losses of trade receivables computed based on lifetime ECL are as follows:

	Group	
	31 March 2022 \$'000	30 September 2021 \$'000
Movements in allowance accounts:		
At beginning of financial period	6,625	8,456
Charge for the financial period	929	2,700
Exchange differences	(5)	(1)
Written off	-	(4,530)
At end of financial period	<u>7,549</u>	<u>6,625</u>

Trade receivables relating to debtors who were undergoing liquidation were written off as the Group does not expect to receive future cash flows from these debtors.

BRC Asia Limited and its Subsidiaries

Notes to the financial statements

For the financial period 6 months ended 31 March 2022

11. Loans and borrowings

	Group		Company	
	31 March 2022 \$'000	30 September 2021 \$'000	31 March 2022 \$'000	30 September 2021 \$'000
Current				
Bills payable to banks (unsecured)	357,716	343,841	357,716	343,841
Lease liabilities (unsecured)	5,700	5,624	5,484	5,411
Bank loans (secured)	7,409	7,409	7,409	7,409
Bank loans (unsecured)	1,254	1,240	1,254	1,240
	<u>372,079</u>	<u>358,114</u>	<u>371,863</u>	<u>357,901</u>
Non-current				
Lease liabilities (unsecured)	22,706	25,575	15,572	18,333
Bank loans (secured)	44,816	48,520	44,816	48,520
Bank loans (unsecured)	2,926	3,557	2,926	3,557
	<u>70,448</u>	<u>77,652</u>	<u>63,314</u>	<u>70,410</u>
Total loans and borrowings (current and non-current)	<u>442,527</u>	<u>435,766</u>	<u>435,177</u>	<u>428,311</u>

Bank loans are secured by mortgages over certain leasehold properties of the Group.

BRC Asia Limited and its Subsidiaries

Notes to the financial statements

For the financial period 6 months ended 31 March 2022

12. Provisions

	Group		Company	
	31 March 2022 \$'000	30 September 2021 \$'000	31 March 2022 \$'000	30 September 2021 \$'000
Current				
Provision for onerous contracts	44,297	46,104	41,263	43,110
	44,297	46,104	41,263	43,110
Non-current				
Provision for retirement benefits	89	178	89	178
Provision for restoration costs	3,361	3,361	2,981	2,981
	3,450	3,539	3,070	3,159

Provision for onerous contracts

Provision for onerous contracts are recorded in respect of certain sales contracts for which the estimated unavoidable costs to meet contractual obligations are expected to exceed the economic benefits to be received under it. Increase in provision arises from rising steel prices on fixed price contracts and the ultimate realisation or reversal of the provision is dependent on the timing of fulfilment of the contracts and the actual steel prices at that point.

	Group		Company	
	31 March 2022 \$'000	30 September 2021 \$'000	31 March 2022 \$'000	30 September 2021 \$'000
At beginning of the financial period	46,104	774	43,110	298
(Reversal)/charge for the period, net	(1,805)	45,331	(1,847)	42,812
Exchange differences	(2)	(1)	-	-
At end of the financial period	44,297	46,104	41,263	43,110

BRC Asia Limited and its Subsidiaries**Notes to the financial statements****For the financial period 6 months ended 31 March 2022****13. Share capital and treasury shares**

Group and Company	No. of ordinary shares		Amount	
	Issued share capital '000	Treasury shares '000	Share capital \$'000	Treasury shares \$'000
Balance as at 1 October 2021	244,962	1,627	138,754	(1,105)
Shares issued	31,015	-	45,902	-
Share issuance expense	-	-	(110)	-
Balance as at 31 March 2022	275,977	1,627	184,546	(1,105)
Balance as at 1 October 2020	234,962	1,627	125,001	(1,105)
Shares issued	10,000	-	14,200	-
Share issuance expense	-	-	(447)	-
Balance as at 30 September 2021	244,962	1,627	138,754	(1,105)

Percentage of number of treasury shares against the total number of issued share capital excluding treasury shares was 0.67% and 0.59% as at 30 September 2021 and 31 March 2022 respectively.

The holders of ordinary shares (except treasury shares) are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions. The ordinary shares have no par value. Treasury shares relate to ordinary shares of the Company that are held by the Company.

There were no purchase of treasury shares during the period (2021: Nil) and there have been no reissuance of treasury shares since their acquisitions.

During the period, the Company issued 31,015,000 ordinary shares at \$1.48 per share pursuant to a share placement exercise. The net proceeds of this placement were utilised to repay the Group's outstanding bank borrowings in line with the intended use of proceeds.

BRC Asia Limited and its Subsidiaries

Notes to the financial statements

For the financial period 6 months ended 31 March 2022

14. Dividends

	Group 6 months ended 31 March	
	2022 \$'000	2021 \$'000
<i>Declared and paid during the financial period:</i>		
<i>Cash dividends on ordinary shares:</i>		
- Final tax-exempt (one-tier) dividend for 2021 of 4 cents (2020: 2 cents) per share in respect of the previous financial year	10,974	4,867
- Special tax-exempt (one-tier) dividend for 2021 of 4 cents (2020: 4 cents) per share in respect of the previous financial year	10,974	9,733
	<u>21,948</u>	<u>14,600</u>

15. Net asset value

	Group		Company	
	31 March 2022	30 September 2021	31 March 2022	30 September 2021
Net asset value per ordinary share (cents)	132.82	123.68	133.28	125.21

Net asset value per ordinary share was calculated based on 274,350,089 shares as at 31 March 2022 and 243,335,089 shares as at 30 September 2021.

16. Fair value of assets and liabilities

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 - Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 - Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

BRC Asia Limited and its Subsidiaries

Notes to the financial statements

For the financial period 6 months ended 31 March 2022

16. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group			Total
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	
31 March 2022				
Assets measured at fair value				
Financial assets:				
<u>Investment securities</u>				
- <i>Quoted equity securities at FVOCI</i>	57	-	-	57
<u>Debt instruments at FVPL</u>				
- <i>Trade receivables subject to provisional pricing</i>	-	-	81,647	81,647
Financial assets as at 31 March 2022	57	-	81,647	81,704
Liabilities measured at fair value				
Financial liabilities:				
<u>Derivatives</u>				
- <i>Currency forward contracts</i>	-	(48)	-	(48)
Financial liabilities as at 31 March 2022	-	(48)	-	(48)

16. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value (cont'd)

	Group			Total
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	
30 September 2021				
Assets measured at fair value				
Financial assets:				
<u>Investment securities</u>				
- <i>Quoted equity securities at FVOCI</i>	57	-	-	57
<u>Debt instruments at FVPL</u>				
- <i>Trade receivables subject to provisional pricing</i>	-	-	52,097	52,097
<u>Derivatives</u>				
- <i>Currency forward contracts</i>	-	974	-	974
Financial assets as at 30 September 2021	57	974	52,097	53,128

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within Level 2 of the fair value hierarchy:

Derivatives:

Currency forward contracts are valued according to valuations obtained from reputable financial institutions as at the end of the reporting period.

16. Fair value of assets and liabilities (cont'd)**(d) Level 3 fair value measurements**

The Group applied the 'most likely amount method' to predict steel reinforcement index based on historical published indices from the Building and Construction Authority, spot sales prices and steel price trends. The Group also takes into consideration the credit risk with reference to the provisional matrix developed under the simplified approach for lifetime ECL, which involves adjustment to historical credit loss experience with forward-looking information such as forecast of economic conditions.

(e) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

Fair value information is not disclosed for the following financial instruments of the Group as at 31 March 2022 as the difference between the carrying amounts and their fair values are not significant.

	Group	
	31 March 2022 \$'000	30 September 2021 \$'000
<i>Financial liabilities:</i>		
Bank loans (unsecured) (non-current)	2,926	3,557

17. Subsequent events

There are no known subsequent events which have led to adjustments to this set of interim financial statements.

1. Review

The condensed consolidated statement of financial position of the Company and its subsidiaries as at 31 March 2022 and the related condensed consolidated profit or loss and other comprehensive income, condensed consolidated statement of changes in equity and condensed consolidated statement of cash flows for the six-month period then ended and certain explanatory notes have not been audited or reviewed.

2. Review of performance of the Group

Statement of Comprehensive Income

Revenue

The Group's revenue grew by 61% to S\$793.3 million for the first half ended 31 March 2022 ("1H2022") from S\$492.7 million in first half ended 31 March 2021 ("1H2021"). This was primarily boosted by increased volume and higher steel prices.

Gross profit margin and gross profit

The Group's gross profit margin improved marginally to 8.7% in 1H2022 from 8.1% in 1H2021, mainly due to a net reversal of provision for onerous contracts of S\$1.8 million in 1H2022 as compared to a provision of S\$28.9 million in 1H2021, partly offset by an increased proportion of non-value added sales. Management has assessed and estimated that the unavoidable costs to meet the obligations of certain sales contracts are expected to exceed the economic benefits to be received. Such provisions are reversed when the contractual obligations are met or no longer exist, or when the costs to meet the obligations no longer exceed the sales values. Reversal of provision for onerous contracts of S\$1.8 million in 1H2022 were attributed to reversal of provisions made as at 30 September 2021 for deliveries in 1H2022, partly offset by additional provisions for deliveries beyond 31 March 2022.

Gross profit increased by 73% to S\$68.8 million in 1H2022 from S\$39.6 million in 1H2021, in tandem with higher tonnages delivered.

Other income

The decrease in other income of 54% to S\$2.6 million in 1H2022 from S\$5.6 million in 1H2021 was due to lower government grants received as well as absence of a gain from fair value changes on derivatives, partially offset by credit insurance claims for bad debts of S\$1.3 million.

Distribution and administrative expenses

Distribution expenses for 1H2022 remained fairly stable compared with 1H2021. Administrative expenses increased by 55% in 1H2022 as compared to 1H2021. This was mainly attributable to higher salaries and staff-related costs as well as higher trade credit insurance expenses in line with higher revenue.

2. Review of performance of the Group (cont'd)

Statement of Comprehensive Income (cont'd)

Finance costs

The increase in finance costs is mainly attributed to higher level of average borrowings in 1H2022.

Other operating expenses

Other operating expenses increased by 18% to S\$5.4 million in 1H2022 from S\$4.6 million in 1H2021 mainly due to higher fair value loss on trade receivables.

Provision for impairment loss on trade receivables

Impairment loss on trade receivables reduced by 62% to S\$0.9 million in 1H2022 from S\$2.5 million in 1H2021 due to a smaller increase in trade receivables over 1H2022 as compared to 1H2021.

Share of results of joint venture

The Group's share of profit from its joint venture increased by 121% to S\$0.9 million in 1H2022 from S\$0.4 million in 1H2021 due to reduction in interest costs and lower impairment loss on trade receivables.

Share of results of associates

Share of losses of associates decreased by 74% to S\$0.4 million in 1H2022 from S\$1.6 million in 1H2021. The share of results of associates was in relation to the Group's 17% equity interest in Pristine Islands Investment Pte Ltd, an investment holding company with a 100% interest in a subsidiary that operates and manages an airport, hotel and resort in the Maldives. The lower losses were partly attributed by the improved hotel and resort occupancy rates following the easing of travel restrictions.

Statement of Financial Position

As at 31 March 2022, the Group's balance sheet remained strong with net assets of S\$364.4 million and net asset value per ordinary share of S\$1.33.

The Group's inventories decreased by S\$30.0 million as the Group utilised its inventory to fulfil orders.

The trade and other payables decreased by S\$22.1 million due to lower payables for goods-in-transit.

The Group's trade and other receivables increased by S\$40.4 million, in tandem with increase in sales revenue.

The Group's prepayments increased by S\$8.8 million due to advances paid to suppliers.

The Group's contract liabilities increased by S\$22.0 million due to increase in advances received from customers for which the Group has an obligation to fulfil the contracts to deliver the goods.

2. Review of performance of the Group (cont'd)

Statement of Cash Flow

Net cash flows generated from operating activities of S\$29.4 million for 1H2022 and proceeds from share issuance of S\$45.9 million, were mainly used to repay dividends, bank loans and borrowings.

3. 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 first half ended 31 March 2022 are in line with the commentary in paragraph 10 of the full year results announcement dated 29 November 2021.

4. 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.

Based on advance estimates released by the Singapore Ministry of Trade and Industry ("MTI") on 14 April 2022¹, the Singapore economy grew by 0.4% on a quarter-on-quarter ("q-o-q") seasonally-adjusted basis in the first quarter of 2022, moderating from the 2.3% growth in the preceding quarter. For the local construction sector, however, it turned from the 2.1% contraction in the fourth quarter of 2021 to grow by 2.8% on a q-o-q seasonally-adjusted in the first quarter of 2022. Be that as it may, MTI pointed out that, "In absolute terms, the value-added of the sector remained 25.3 per cent below its pre-pandemic (i.e., first quarter of 2019) level, as activity at construction worksites continued to be weighed down by labour shortages."

Through industry-led pilot schemes starting from last July, Singapore started to bring back foreign workers for its foreign labour-intensive construction, marine and process sectors and, as at 6 March 2022, it was reported that these schemes have helped bring in more than 15,000 workers.² Anecdotally, the influx of foreign workers only started gathering pace in late 2021/early 2022 and, as many of these workers were new, it would take time for them to be trained to achieve the pre-pandemic productivity levels. Moreover, there were also many foreign workers who have not been home for nearly 2 years since Covid-19 started and were taking this opportunity of a general easing of travel restrictions globally to return home to visit their loved ones. In short, it would still take a bit more time for the labour shortage issue at local worksites to be completely resolved.

At the same time, the Covid-driven lockdowns in China in recent months have led to global supply chain disruptions, which have also adversely affected the timely supply of building materials to Singapore. In this moment, China looks set to continue its strict Covid policy, which would prolong these delays.

Finally, since the Russia-Ukraine conflict began, there has been an upsurge in the prices of energy and commodities, which continue to remain volatile. According to a report by the Business Times, rising and volatile commodity and energy prices have led to property developers looking to possibly defer their less urgent projects.³

¹ <https://www.mti.gov.sg/Newsroom/Press-Releases/2022/04/Singapore-GDP-Grew-by-3.4-Per-Cent-in-the-First-Quarter-of-2022>

² <https://www.straitstimes.com/singapore/challenges-remain-for-construction-sector-as-ukraine-war-and-lockdowns-in-china-push-costs-up>

³ <https://www.business-times.com.sg/companies-markets/soaring-raw-material-prices-may-cause-singapore-developers-to-delay-projects>

BRC Asia Limited and its Subsidiaries

Other Information required by Listing Rule Appendix 7.2 For the financial period 6 months ended 31 March 2022

4. 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. (cont'd)

Taken together, whilst construction order books nationwide remain strong, these factors have led to a pushing back of the expected escalation of activity levels at project sites in the past few months. Nevertheless, we can expect these issues, particularly the labour issue, to work itself out over the next few months, and that would bode well for reinforcing steel and BRC, which are an integral part of the local construction supply chain.

As of 31 March 2022, our sales order book stood at approximately S\$1 billion. The duration of projects in our sales order book range up to 5 years and may be subject to further changes.

5. Dividend

a) Current Financial Period reported on

1H2022

Name of dividend	Interim tax exempt (one-tier)
Dividend type	Cash
Dividend rate (per ordinary share)	6 cents
Books closure date	To be announced later
Payment date	To be announced later

b) Corresponding period of the immediately preceding financial year

1H2021

Name of dividend	Interim tax exempt (one-tier)
Dividend type	Cash
Dividend rate (per ordinary share)	4 cents

c) If no dividend has been declared/recommended, a statement to that effect

Not applicable.

BRC Asia Limited and its Subsidiaries

Other Information required by Listing Rule Appendix 7.2 For the financial period 6 months ended 31 March 2022

5. Interested person transactions

Name of interested person and nature of transaction	Aggregate value of all interested person transactions during the financial period (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions under shareholders' mandate pursuant to Rule 920 during the financial period (excluding transactions less than S\$100,000)	
	1st Half 2022	1st Half 2021	1st Half 2022	1st Half 2021
	S\$'000	S\$'000	S\$'000	S\$'000
Esteel Enterprise Pte Ltd - Loan facility interest	-	355	-	-
HL Building Materials Pte Ltd - Sale of goods to	5,686	-	-	-
HL-Manufacturing Industries Sdn.Bhd. - Sale of goods to	2,356	-	-	-
Southern Steel Berhad - Purchase of goods from	277	-	-	-

Interested person transactions mandate for mutual supply of steel products between the Company and associates of the Company's controlling shareholder, Bright Point Trading Pte. Ltd. and Shanghai Emetal Hong Energy Co., Ltd, has been renewed at the annual general meeting held on 27 January 2022. No transactions have been recorded under the mandate for financial period 6 months ended 31 March 2022.

BRC Asia Limited and its Subsidiaries

**Other Information required by Listing Rule Appendix 7.2
For the financial period 6 months ended 31 March 2022**

6. Confirmation pursuant to Rule 705(5) of the SGX Listing Manual

We, Xu Jiguo and Seah Kiin Peng, being two directors of BRC Asia Limited, do hereby confirm on behalf of the Board of Directors of the Company that, to the best of our knowledge, nothing has come to the attention of the Board of Directors of the Company which may render the unaudited financial results for the six-month period ended 31 March 2022 to be false or misleading in any material aspects.

7. Confirmation that the issuer has procured undertakings for all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1)

The Group confirms that it has procured undertakings from all its directors and executive officers in the format set out in Appendix 7.7 under Rule 720(1) of the listing manual.

On behalf of the Board of Directors

Xu Jiguo
Executive Director

Seah Kiin Peng
Executive Director

Singapore
11 May 2022