



BRC Asia Limited

Unaudited First Quarter Financial Statement and Related Announcement for the Quarter Ended 31 December 2013

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 first quarter ended 31 December 2013

	1st Qtr 2014 \$'000	1st Qtr 2013 \$'000	+ / (-) %
Revenue	99,764	111,634	(11)
Cost of sales	<u>(84,114)</u>	<u>(96,463)</u>	(13)
Gross profit	15,650	15,171	3
Other income [note (a)]	735	323	128
Expenses			
- Distribution expenses	(1,368)	(1,312)	4
- Administrative expenses	(3,825)	(3,093)	24
- Finance costs	(269)	(359)	(25)
- Other operating expenses	(645)	(538)	20
Share of results of joint venture	68	(380)	118
Profit before tax [note (b)]	<u>10,346</u>	<u>9,812</u>	5
Income tax expense	<u>(1,796)</u>	<u>(1,733)</u>	4
Profit net of tax	<u>8,550</u>	<u>8,079</u>	6
Other comprehensive income:			
- Fair value gains/(losses) on available-for-sale financial assets	-	-	n.m.
- Foreign currency translation	(43)	-	n.m.
Other comprehensive income for the financial period, net of tax	<u>(43)</u>	<u>-</u>	n.m.
Total comprehensive income for the financial period	<u>8,507</u>	<u>8,079</u>	5
Profit/(Loss) net of tax attributable to:			
Owners of the parent	8,561	8,079	6
Non-controlling interests	<u>(11)</u>	<u>-</u>	n.m.
	<u>8,550</u>	<u>8,079</u>	6
Total comprehensive income attributable to:			
Owners of the parent	8,520	8,079	5
Non-controlling interests	<u>(13)</u>	<u>-</u>	n.m.
	<u>8,507</u>	<u>8,079</u>	5

n.m. denotes not meaningful.

	<u>The Group</u>		
	1st Qtr 2014 \$'000	1st Qtr 2013 \$'000	+ / (-) %
Note (a) - Other income			
Sundry Income	1	-	n.m.
Interest Income	2	1	100
Foreign exchange gain, net [2]	-	149	n.m.
Fair value changes on currency forward contracts [2]	732	173	323.
Total	<u>735</u>	<u>323</u>	128

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

Interest expense on borrowings [1]	269	359	(25)
Depreciation of property, plant and equipment	1,005	696	44
Rental expense on operating leases	260	228	14
Bad debts written off	7	-	n.m.
Foreign exchange loss, net [2]	21	-	n.m.
Share options expense [3]	441	126	250

n.m. denotes not meaningful.

Comments on Group Profit and Loss

- [1] The decrease in interest expense during the quarter was mainly due to a lower level of bank borrowings.
- [2] The bulk of the Group's transactional foreign currency exposures arise from the purchase of steel, the principal raw material which is generally denominated in US Dollar. These exposures are hedged using forward exchange contracts. As the Group did not adopt hedge accounting under FRS 39, changes to fair value of foreign currency forward contracts are recognised immediately in the statement of comprehensive income.
- [3] Pursuant to the BRC Share Option Scheme 2011, the fair value of the employee services received in exchange for the grant of options is recognised as an expense in profit or loss over the vesting period. The higher share options expense is due to higher number of share options granted on 28 March 2013 as compared to previous grant on 6 March 2012.

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

	The Group		The Company	
	December 2013	September 2013	December 2013	September 2013
	\$'000	\$'000	\$'000	\$'000
Current assets				
Trade and other receivables	76,935	77,703	76,230	77,703
Amount due from subsidiaries	-	-	14,199	10,897
Inventories	94,938	97,608	94,275	97,214
Prepayments	1,859	1,351	1,859	1,320
Deposits	699	716	657	657
Derivative financial instruments	732	-	732	-
Cash and cash equivalents	7,528	18,251	7,326	17,893
	182,691	195,629	195,278	205,684
Non-current assets				
Property, plant and equipment	63,661	61,216	53,154	51,095
Investment in subsidiaries	-	-	5,453	5,453
Investment in joint venture	9,928	9,860	6,076	6,076
Available-for-sale financial assets	143	143	143	143
	73,732	71,219	64,826	62,767
Total assets	256,423	266,848	260,104	268,451
Current liabilities				
Trade and other payables	29,898	44,863	34,910	48,059
Advances received / prepayments	15	15	15	15
Derivative financial instruments	-	630	-	630
Loan and borrowings	53,414	58,336	53,414	58,336
Current income tax liabilities	9,196	7,400	9,196	7,400
	92,523	111,244	97,535	114,440
Non-current liabilities				
Provision for retirement benefits	489	500	489	500
Loan and borrowings	3,500	4,250	3,500	4,250
Deferred income tax liabilities	4,580	4,580	4,580	4,580
	8,569	9,330	8,569	9,330
Total liabilities	101,092	120,574	106,104	123,770
Net assets	155,331	146,274	154,000	144,681
Share capital and reserves				
Share capital	59,402	59,265	59,402	59,265
Treasury shares	(190)	(190)	(190)	(190)
Capital reserve	597	597	597	597
Fair value adjustment reserve	6	6	6	6
Share option reserve	2,003	1,590	2,003	1,590
Foreign currency translation reserve	(512)	(471)	-	-
Retained earnings	94,029	85,468	92,182	83,413
Equity attributable to owners of parent	155,335	146,265	154,000	144,681
Non-controlling interests	(4)	9	-	-
Total equity	155,331	146,274	154,000	144,681

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

Amount repayable in one year or less, or on demand

December 2013		September 2013	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
3,000	50,414	3,000	55,336

Amount repayable after one year

December 2013		September 2013	
Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
3,500	-	4,250	-

Details of any collateral

A loan of S\$6.5 million is secured by a mortgage over the factory at No. 5, Sixth Lok Yang Road, Singapore 628103.

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

	1st Qtr 2014 \$'000	1 st Qtr 2013 \$'000
Cash flows from operating activities		
Profit before tax	10,346	9,812
Adjustments for :		
Share of results of joint venture	(68)	380
Depreciation of property, plant and equipment	1,005	696
Fair value changes on derivatives	(732)	(173)
Share options expense	441	126
Bad debts written off	7	-
Unrealised exchange differences	(43)	-
Interest expense	269	359
Interest income	(2)	(1)
Operating cash flow before working capital change	11,223	11,199
Changes in working capital		
Trade and other receivables	763	(1,272)
Inventories	2,670	6,844
Prepayments and deposits	(490)	(447)
Trade and other payables	(15,596)	(8,121)
Cash flows from operations	(1,430)	8,203
Retirement benefits paid	(11)	-
Net cash flows (used in) / from operating activities	(1,441)	8,203
Cash flows from investing activities		
Purchases of property, plant and equipment	(3,450)	(2,358)
Interest received	2	1
Net cash flows used in investing activities	(3,448)	(2,357)
Cash flows from financing activities		
Proceeds from issuance of ordinary shares	109	-
(Repayment of)/ proceeds from bank loan	(750)	9,500
Repayment of bills payable	(4,921)	(30,461)
Interest paid	(269)	(359)
Net cash flows used in financing activities	(5,831)	(21,320)
Net decrease in cash and cash equivalents	(10,720)	(15,474)
Cash and cash equivalents at beginning of financial period	18,251	26,118
Effects of exchange rate changes on cash and cash equivalents	(3)	-
Cash and cash equivalents at end of financial period	7,528	10,644

1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year

Statement of changes in Equity – Group

	Attributable to Owners of Parent							Non- controlling interests	Equity, Total	
	<u>Share capital</u>	<u>Treasury shares</u>	<u>Capital reserve</u>	<u>Fair value reserve</u>	<u>Share option reserve</u>	<u>Currency translation reserve</u>	<u>Retained earnings</u>	<u>Total</u>		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	
Balance at 1 October 2012	52,997	-	597	(11)	1,664	(1,206)	63,153	117,194	13	117,207
Profit, net of tax	-	-	-	-	-	-	8,079	8,079	-	8,079
Total comprehensive income for the financial year	-	-	-	-	-	-	8,079	8,079	-	8,079
Grant of equity-settled share options to employees	-	-	-	-	126	-	-	126	-	126
Balance at 31 December 2012	52,997	-	597	(11)	1,790	(1,206)	71,232	125,399	13	125,412
Balance at 1 October 2013	59,265	(190)	597	6	1,590	(471)	85,468	146,265	9	146,274
Profit, net of tax	-	-	-	-	-	-	8,561	8,561	(11)	8,550
Other comprehensive income for the financial year	-	-	-	-	-	(41)	-	(41)	(2)	(43)
Total comprehensive income for the financial year	-	-	-	-	-	(41)	8,561	8,520	(13)	8,507
Grant of equity-settled share options scheme to employees	-	-	-	-	441	-	-	441	-	441
Issuance of ordinary shares pursuant to exercise of share options to employee	137	-	-	-	(28)	-	-	109	-	109
Balance at 31 December 2013	59,402	(190)	597	6	2,003	(512)	94,029	155,335	(4)	155,331

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 2012	52,997	-	597	(11)	1,664	58,500	113,747
Profit, net of tax	-	-	-	-	-	8,460	8,460
Total comprehensive income for the financial year	-	-	-	-	-	8,460	8,460
Grant of equity-settled share options scheme to employees	-	-	-	-	126	-	126
Balance at 31 December 2012	52,997	-	597	(11)	1,790	66,960	122,333
Balance at 1 October 2013	59,265	(190)	597	6	1,590	83,413	144,681
Profit, net of tax	-	-	-	-	-	8,769	8,769
Total comprehensive income for the financial year	-	-	-	-	-	8,769	8,769
Grant of equity-settled share options scheme to employees	-	-	-	-	441	-	441
Issuance of ordinary shares pursuant to exercise of share options to employee	137	-	-	-	(28)	-	109
Balance at 31 December 2013	59,402	(190)	597	6	2,003	92,182	154,000

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

Share Options

The BRC Share Option Scheme 2011 (the 'Option Scheme') for employees of the Company was approved by members of the Company at the Extraordinary General Meeting held on 25 January 2011.

Movement of share options during the 3 months ended 31 December 2013

Outstanding at 30 September 2013 / 1 October 2013	73,585,000
- Exercised between October to December 2013	<u>(1,628,000)</u>
Outstanding at 31 December 2013	<u>71,957,000</u>

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.

	31 December 2013	30 September 2013
Total number of issued shares	895,585,064	893,957,064

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.

	30 December 2013	30 September 2013
Total number of treasury shares	1,200,000	1,200,000

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 period and the most recent audited annual financial statements for the financial year ended 30 September 2013.

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 2013.

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**

The Group

Earnings per ordinary share (cents)	1 st Qtr 2014	1 st Qtr 2013
- Basic	0.97	0.94
- Diluted basis	0.96	0.94

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 December 2013 and 31 December 2012 were 894,026,880 and 856,390,064 shares respectively.

Weighted average number of shares for diluted earnings per share computation as of 31 December 2013 and 31 December 2012 were 896,251,029 and 857,210,309 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)

	December 2013	September 2013
The Group	17.34	16.36
The Company	17.20	16.18

Net asset value per ordinary share was calculated based on 895,565,064 shares as at 31 December 2013 and 893,957,064 shares as at 30 September 2013.

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

SINGAPORE

Revenue

Revenue for the current quarter (1Q14) decreased by 11% to S\$99.7 million when compared to the corresponding period in the previous financial year (1Q13). This was mainly due to lower sales volume and unit selling price.

Gross profit and gross profit margin

Gross profit for 1Q14 increased by 3% quarter-on-quarter from S\$15.2 million to S\$15.7 million; gross profit margins also improved from 13.6% to 15.7%. Margins in 1Q14 were relatively higher as compared to 1Q13 because the average cost of inventory was lower as a result of declining steel costs.

Administrative and distribution expenses

The increases in administrative and distribution expenses were mainly attributable to an increase in personnel-related costs as well as higher share option expense of S\$0.4 million (1Q13: S\$0.1 million) recognised in relation to the grant of options pursuant to the BRC Share Option Scheme 2011.

Finance costs

Finance costs decreased due to reduced bank borrowings for the financing of trade bills.

Other operating expenses

Other operating expenses increased by 20% to S\$0.65 million in 1Q14 from S\$0.54 million in 1Q13 mainly due to an increase in personnel-related costs.

CHINA

The Group's joint venture in China has shown a positive figure as compared to a loss in the corresponding period in the previous financial year. This is mainly due to an absence of bad debts provision in 1Q14 (1Q13: \$0.5 million).

GROUP BALANCE SHEET & CASH FLOW

As at 31 December 2013, the Group's balance sheet remained strong with net assets of S\$155.3 million and net asset value per ordinary share of 17.34 Singapore cents.

The net decrease of S\$10.7 million in cash and cash equivalents was largely as a result of net cash flows of S\$5.8 million and S\$3.4 million used in financing and investing activities respectively. The financing activities were mainly for term loan repayment of S\$0.7 million as well as bills and loan repayment of S\$4.9 million whereas the net cash flows used in investing activities were mainly for purchases of plant and equipment.

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 1Q14 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

On 9 January 2014, in a news release titled “*Construction demand for 2014 to remain strong*”, the Building and Construction Authority (BCA) forecasted that, following 2013’s historic high of S\$35.8 billion, total construction demand for 2014 could reach between S\$31-38 billion due to “*strong public housing demand and anticipated higher construction demand for institutional developments and major infrastructure projects*”.¹

Table: Review and Outlook for Construction Demand & Output

Year	Construction Demand (Value of Contracts Awarded)			Construction Output (Payment made for Work Done)
	Public	Private	Total	
2013p	\$14.8 billion	\$21.0 billion	\$35.8 billion	≈ \$33 billion
2014f	\$19 to 22 billion	\$12 to 16 billion	\$31 to 38 billion	\$34 to 36 billion
2015f	\$14 to 18 billion per year (60% from building projects & 40% from civil engineering projects)	-	\$25 to 34 billion per year	\$29 to 37 billion per year
2016f				

p: Preliminary

f: Forecast

Source: Building & Construction Authority, Singapore

Evidently, reinforcing steel demand will remain at a high level in the next 12 months.

Be that as it may, competition has started to intensify, as established players (with beefed-up production capacities) jostle with new start-ups (attracted to the industry by the sustained buoyancy of the construction market) in an increasingly crowded marketplace. Industry margins may start to come under pressure in tandem with the reversal of the demand and supply situation.

Nevertheless, we believe that our well-known **Better • Faster • Cheaper** prefabricated reinforcing steel solutions, which are founded upon our deep technical expertise and a “can-do” customer-first attitude, will continue to win us plaudits among builders.

¹ www.bca.gov.sg/Newsroom/pr09012014_BCA.html

China

We expect another challenging year for the Group's Joint Venture (JV) in China.

Malaysia

The Group's Malaysian operations had just started during the second half of 2013. In 2014, we expect to stabilise this new set-up and start making inroads into this new market.

Going forward, the Group remains optimistic of local business prospects for the rest of the current financial year.

11. Dividend

(a) Current Financial Period Reported On

Nil.

(b) Corresponding Period of the Immediately Preceding Financial Year

Nil.

(c) Date payable

Not applicable.

(d) Books closure date

Not applicable.

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 December 2013.

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)*	
	1 st Quarter ended 31 December 2013	1 st Quarter ended 31 December 2012	1 st Quarter ended 31 December 2013	1 st Quarter ended 31 December 2012
HG Metal Manufacturing Limited	Sales – S\$17,000	-	-	Sales – S\$278,000
Chye Hin Hardware Pte Ltd	Purchases – S\$7,000	Purchases – S\$20,000 Sales – S\$32,000	-	-
Sin Teck Guan Machinery (Pte) Ltd	Services – S\$162,000	Services – S\$51,000	-	-

* The above includes all transactions regardless of value

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

We, Lim Siak Meng 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 first quarter ended 31 December 2013 to be false or misleading in any material aspects.

On behalf of the Board of Directors

Lim Siak Meng
Group Managing Director

Seah Kiin Peng
Executive Director

Singapore
13 February 2014