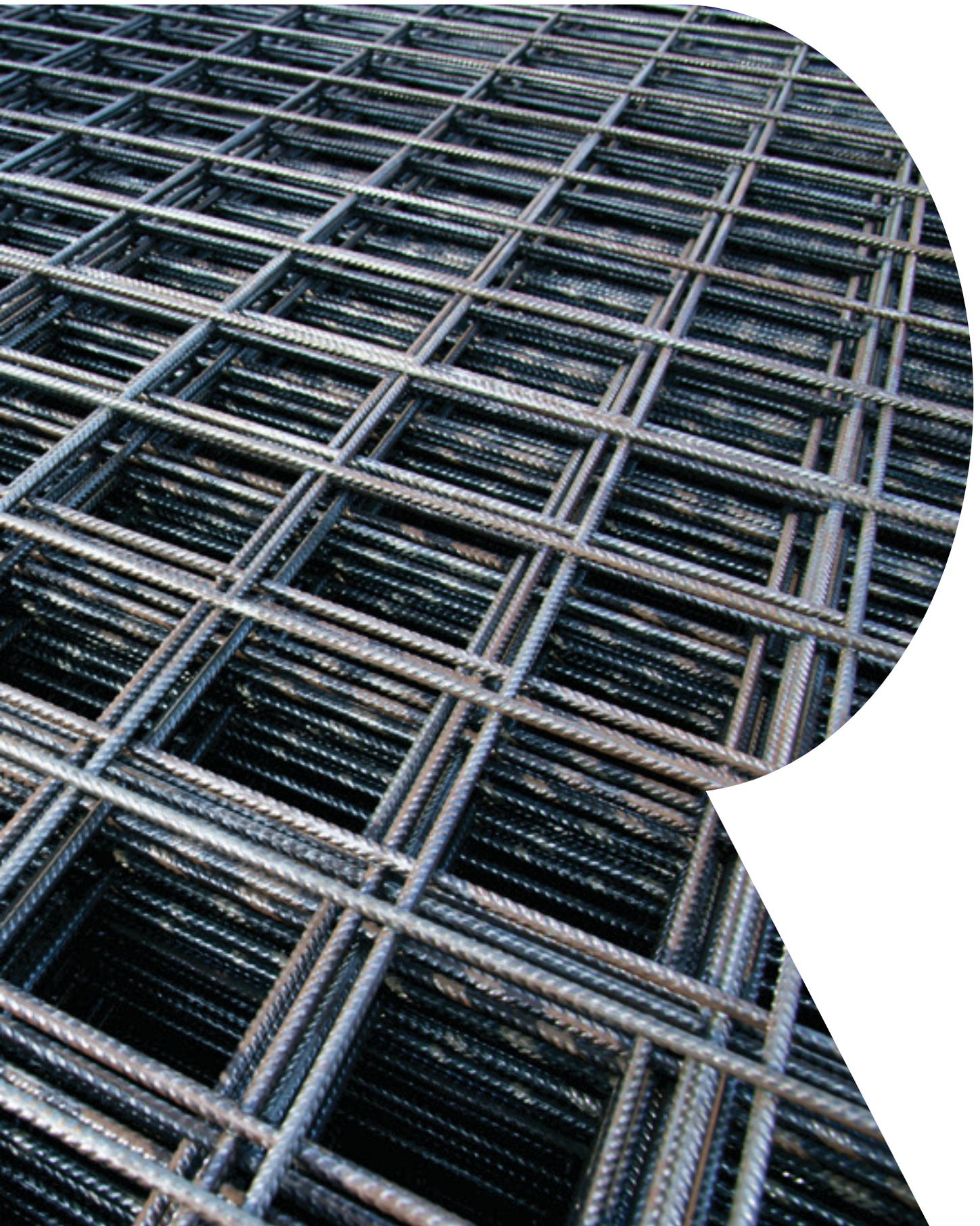


BRC
ASIA



ANNUAL REPORT 2019
BUILDING BETTER



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CHAIRMAN'S MESSAGE

Dear Shareholders,

I am pleased to present to you BRC Asia Limited's ("BRC Asia") Annual Report for the financial year ended 30 September 2019 ("FY2019"). Further to the acquisition of Lee Metal Group Ltd. ("Lee Metal") in mid-2018, BRC Asia has made remarkable progress in the integration of the similar-sized Lee Metal over the last 18 months, in transforming the Group into a larger, cohesive entity, whilst delivering on a substantial combined sales order book concurrently, ensuring that hundreds of project sites continued to enjoy uninterrupted supply of reinforcing steel products. This was accompanied by a notable recovery in the construction sector, leading to a set of impressive financial results for FY2019.

Stronger, Together

The merger of BRC and Lee Metal has created an entity with strong capabilities and the largest production capacity in prefabricated reinforcing steel products in Singapore. With expanded operations and customer network, the Group's production, trading and distribution volumes increased. Revenue increased 61% year-on-year ("yoy") to S\$913.3 million, and gross profit increased 70% yoy to S\$76.6 million in FY2019. More importantly, the proportion of value-added sales tonnage also increased, and the optimisation of supplier network and bulk purchase created more cost synergies. Thus, despite carrying the burden of unprofitable contracts from the industry downturn prior to the acquisition of Lee Metal, all these factors collectively contributed to the growth in gross profit margin from 7.9% for FY2018 to 8.4% for FY2019.

In addition to the expansion in scale, operational efficiency also improved significantly. Operating profit margin increased from 2.8% in FY2018 to 4.2% in FY2019. Earnings from continuing operations increased 162% yoy to S\$31.6 million for FY2019, a strong testament to the value-accretive acquisition and the successful integration.

Rewarding Shareholders

As the integration of the two entities made good progress, in May 2019, we announced the dividend policy for FY2019 and FY2020. The policy stated that the Group aims to pay dividend to shareholders with a target annual payout of not less than 30% of the net profit attributable to shareholders of the company, excluding non-recurring, one-off and exceptional items. In view of the stellar financial results achieved in FY2019, the Group proposed final and special dividends totalling 8 Singapore cents per ordinary share, representing a dividend payout of 59% and exceeding the guidance provided in the dividend policy. Both the quantum and the payout also substantially exceeded their historical levels at BRC Asia. This reaffirmed the Group's commitment to creating value and rewarding shareholders.



Kudos to the Management Team

FY2019 has been the first full year that the current Management team, formally appointed after the acquisition of Lee Metal, solidified their leadership and energised the Group to achieve new heights. Their expertise in their respective fields and their dedication contributed immensely to the achievement we made in this past financial year.

Strong leadership is vital in implementing BRC Asia's vision and values and ensuring that quality products are delivered to our customers on time and in full. Our Management team has proven themselves of their capabilities and diligence in the first year of integration, and I look forward to their continued contribution in the years to come.

Sector Recovery in Singapore Expected to Continue

The merger of BRC and Lee Metal happened at an opportune time, as the construction sector in Singapore extended its uptrend since 2018 to become one of the few outperforming sectors amid the overall slower economic growth.

The steady recovery has been supported by a healthy pipeline of both public and private sector projects. Public infrastructure projects, such as the Punggol Digital District, PUB's Tuas Water Reclamation Plant for the Deep Tunnel Sewerage System Phase 2, the North-South Corridor and the Thomson-East Coast Line substantially increased the amount of construction work carried out and the demand for reinforcing steel products. Construction activities for private residences, executive condominiums, offices, hotels and industrial properties have also been expanding since 2018. The favourable market condition is conducive for BRC Asia to play out its scale and strength, benefiting both customers and shareholders.



In view of the stellar financial results achieved in FY2019, the Group proposed final and special dividends totalling **8 Singapore cents** per ordinary share, representing a dividend payout of **59%** and exceeding the guidance provided in the dividend policy.

Expanding Prefab Overseas

BRC Asia has decades of experience in providing bespoke Total Prefabricated Reinforcing Steel Solutions on a Just-In-Time basis, which have been proven to enhance the productivity and safety in construction activities on one hand, and reducing wastage and pollution on the other. While the use of prefabricated reinforcing steel is now common in Singapore, there is still substantial room for growth overseas, including in China and other Southeast Asian countries.

In China, even after the prefabricated steel market had experienced exponential growth since 2011¹, the penetration rate of precast and prefabricated structures in construction was only 14% compared to 70% in Singapore and over 80% in the US, EU and Japan² in 2018. The Chinese government has required the penetration rate for the use of steel prefabrication to increase to 25% in 2020¹ before further closing the gap between more developed markets. This is accompanied by the ongoing urbanisation and the nationwide push for green construction, supporting a healthy demand for prefabricated steel structures.

In Malaysia, the construction sector is expected to get a boost from the government's substantial support provided in Budget 2020, for the development and maintenance of infrastructure and social amenities. The sector is expected to grow by 3.7% in 2020, compared to 1.7% in 2019³. In addition to Malaysia, other ASEAN countries are also catching up on their infrastructure-related construction activities. In fact, Southeast Asia's construction industry's growth was among the World's strongest in 2019⁴.

BRC Asia has been actively exploring internationalising our Singapore model. For these and other markets, our proven prefabricated steel solutions are expected to add substantial value to their construction industry.

Appreciation

The integration in FY2019 has laid a solid foundation for BRC Asia to ride the recovery in the market and grow stronger. In the coming year, we endeavour to build on this foundation and continue to innovate to bring new products and conveniences to assist our partners in the construction industry in **Building Better**. We are immensely grateful for the unwavering trust and support from our customers, business partners and shareholders. We also appreciate the dedication and hard work of our Management team and all employees. The success in FY2019 would not have been possible without all of you, and with your continued support, we aim to deliver another set of strong performance in the financial year 2020.

Mr. Teo Ser Luck
CHAIRMAN AND INDEPENDENT DIRECTOR

¹ <https://www.chyxx.com/industry/201805/636562.html>

² <https://xueqiu.com/8302426719/133338145>

³ <https://www.khl.com/international-construction/malaysian-construction-to-grow-37-in-2020/140775.article>

⁴ <https://www.imaasia.com/asean-construction/>

主席致辞

尊敬的各位股东，

我很荣幸向您呈现 BRC Asia Limited's (以下简称“BRC 亚洲”)截至2019年9月30日的财政年度 (“2019财年”)的年度报告。集团在2018年中收购了与BRC 亚洲当时规模相当的 Lee Metal Group Ltd. (以下简称“Lee Metal”)。虽然收购公司的规模给整合带来了挑战，但在过去的18个月里，我们在集团整合上取得了令人瞩目的进展。BRC 亚洲顺利转型为一家规模更大、更具凝聚力的实体，同时也持续交付着两方的大量订单，确保了数百个工程项目的钢筋产品供应不受中断。在这期间，新加坡建筑行业明显复苏，受有利市场环境的支撑，BRC 亚洲在2019财年创造了优异的财务业绩。

两强联合

收购 Lee Metal 后，BRC 亚洲成为新加坡钢筋加工和钢筋预制件市场上实力最强、产能最大的实体。随着运营规模和客户数目的增长，集团的加工量及贸易和分销规模都有所增长。2019财年，集团收入同比增长61%至9.13亿新元，毛利润同比增长70%至7660万新元。收购 Lee Metal 使行业低迷时签订的低价的订单有较大幅度增加，但集团增值加工产品的销售比例有所增加，同时，供应商网络的优化和批量采购创造了更多的成本协同效应。在几方面因素的共同作用下，集团毛利率从2018财年的7.9%提高到了2019财年的8.4%。

除了规模的扩大，集团经营效率也明显提高。营业利润率从2018财年的2.8%增长至2019财年的4.2%。2019财年持续经营净利同比增长162%至3160万新元，充分证明了收购 Lee Metal 带来的附加价值和整合的成功。

回馈股东

在两个实体的整合取得良好进展的情况下，我们于2019年5月宣布了2019财年和2020财年的股息政策。集团计划这两个财年每年向股东派发不少于股东应占净利的30% (不包括非经常性、一次性和特殊项目利润) 作为股息。鉴于2019财年出色的财务业绩，集团建议2019财年派发每股的年终分红和特别分红合计为8分新币的股息，派息率为59%，超出了股息政策提出的目标。本次股息的金额和派息率都远超过了 BRC 亚洲的历史水平，体现了集团致力于为股东创造价值并回馈股东的承诺。

管理团队表现出色

2019财年是集团在收购 Lee Metal 之后正式任命的管理团队履职的首个完整年度。他们在这一年中加强了领导力，为集团迈向新高度注入了活力。他们在各自领域的专长和奉献精神为我们这一财年取得的成就发挥了重要作用。

强有力的领导团队对于 BRC 亚洲实现其愿景和理念、确保高质量产品的按时、足额交付给客户至关重要。我们的管理团队在这一年里证明了其出色的能力和勤勉的精神，我期待他们在未来的日子里带领集团再上新台阶。



新加坡行业复苏料将继续

BRC 亚洲和 Lee Metal 的合并恰逢时机。新加坡建筑行业在2019年延续了2018年以来的上升趋势，并在整体经济增长放缓的情况下，成为少数表现出色的行业之一。

新加坡建筑行业的稳健复苏同时受益于公共和私营建筑项目的健康发展。公共建设方面，榜鹅数码园区、新加坡水务局的大士水处理厂深管下水道系统二期、南北交通廊道和汤申-东海岸地铁线等公共基础设施建设项目大大增加了建筑施工量以及对钢筋制品的需求。自2018年以来，私人住宅、行政公寓、办公写字楼、酒店和工业地产的建筑量也在不断增加。有利的市场环境为集团发挥规模优势和业务实力提供了良好环境，客户和股东都将从中受益。

开拓海外钢筋预制市场

BRC 亚洲在高效快速地提供根据客户需求定制的整体预制钢筋解决方案上拥有数十年的经验。使用预制钢筋一方面可以提高施工活动的生产效率和安全性，另一方面可以减少浪费和对环境的污染。虽然预制钢筋的使用现在在新加坡很普遍，但在海外，包括中国和其他东南亚国家，仍有很大的增长空间。

在中国，虽然含钢筋水泥预制件市场自2011年以来经历了快速增长，预制建筑结构使用的普及率在2018年仍仅为14%，而同年在新加坡的普及率已达70%，美国、欧盟以及日本则超过了80%。中国政府要求含钢筋水泥预制件的使用率在2020年须提高至25%，并将进一步缩小与发达市场之间的差距。与此同时，中国正在推进城市化进程，并在全国范围内大力推进绿色建筑，这为含钢筋水泥预制件的需求提供了支持。



“

鉴于2019财年出色的财务业绩，集团建议2019财年派发每股的年终分红和特别分红合计为**8分**新币的股息，派息率为**59%**，超出了股息政策提出的目标。

在马来西亚，政府在2020年财政预算中为基础设施和生活服务设施的开发和维护做出支持计划，预计将推动建筑行业在2020年增长3.7%，而2019年增长率为1.7%。除马来西亚外，其他东盟国家也在加快基础设施相关建筑的步伐。数据显示，东南亚建筑业在2019的增长是全球最强劲的。

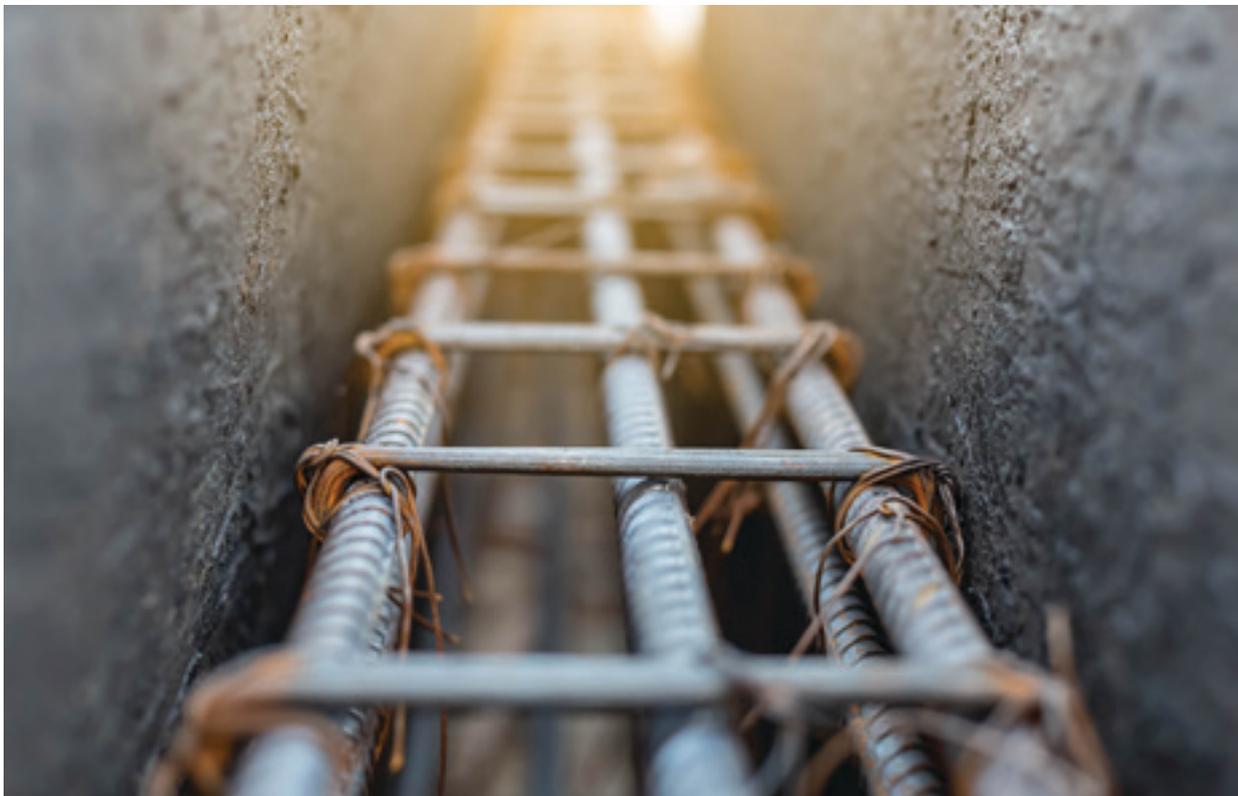
BRC 亚洲在积极探索把集团的预制钢筋解决方案国际化。如果 BRC 亚洲有机会进入上述或其他市场，BRC 亚洲领先的预制钢筋解决方案有望为这些国家的建筑行业带来可观的价值。

致谢

2019财年的整合为 BRC 亚洲在市场复苏中乘势而上、发展壮大奠定了坚实基础。在未来的一年里，我们将致力于在此基础上不断创新，继续推出新产品和便利服务，更好地帮助我们建筑业的合作伙伴。我们衷心的感谢各位客户、业务伙伴和股东对我们坚定不移的信任和支持。也感谢集团的管理团队和所有员工的奉献和努力。我们过去一年取得的成绩与你们的努力密不可分。有你们的持续努力和支持，BRC 亚洲争取在2020财年再创佳绩。

张恩乐
主席及独立董事

OPERATIONS & FINANCIAL REVIEW



Operational Review

It has been an eventful year globally, both politically and economically, with much uncertainty and challenges to global economic growth. The Singapore economy was expected to grow by only 0.5% to 1% in 2019¹, the lowest annual growth in the past 10 years². Despite the generally weaker economy, Singapore's domestic construction sector remained on a recovery path, supported by both public and private sector projects. Contracts awarded, a leading indicator of construction activity, continued to trend upwards since late-2018, supporting the sector's growth for three consecutive quarters on a year-on-year ("yoy") basis in 2019.

It has been our primary objective in FY2019 to achieve a smooth integration of Lee Metal into the Group, and I am pleased to report that the post-acquisition integration phase is now largely completed. We have optimised the management and labour force without any retrenchments. We rationalised the cost structure and cemented the expanded customer network. Our production and operational teams made their utmost efforts to ensure that production was on schedule and quality products were delivered to customers on time. This proved to our customers that even with the enlarged operations, BRC Asia is still a supplier that they can trust and rely upon.

As at 30 September 2019, the Group's order book stood at about S\$950 million. The duration of the projects in our sales order book may be up to 5 years.

Revenue and Profitability

The Group's revenue increased by 61% in FY2019 compared to FY2018 to S\$913.3 million. This was primarily attributable to the full-year consolidation of Lee Metal following the Group's 100% acquisition of Lee Metal in July 2018, as well as an increase in steel trading and distribution activities. Gross profit increased by 70% yoy to S\$76.6 million in FY2019. The gross profit margin was 8.4% for FY2019, compared to 7.9% for FY2018. The higher gross margin was attributed to the higher volume of value-added sales tonnage delivered and costs synergies from bulk raw material purchases.

With cost rationalisation and stringent cost control, operating expenses subsequent to the consolidation of Lee Metal's operations, increased by only 29% yoy to S\$40.1 million in FY2019. Higher finance costs were incurred to fund both the acquisition of Lee Metal and the increase in raw material purchases to meet higher sales volume of the enlarged Group. Operating profit margin increased from 2.8% for FY2018 to 4.2% for FY2019, showcasing significant improvement in operational efficiency.

The Group reported earnings from continuing operations of S\$31.6 million for FY2019, compared to S\$12.0 million for FY2018. Earnings per share from continuing operations was 13.53 Singapore cents for FY2019, compared to 5.57 Singapore cents for FY2018, an increase of 143%.

Financial Position

As of 30 September 2019, the Group's balance sheet remained strong with net assets of S\$262.9 million and net asset value per ordinary share of 112.68 Singapore cents, compared with S\$237.0 million and 101.59 Singapore cents respectively as at 30 September 2018.

The Group's property, plant and equipment decreased from S\$149.0 million as at 30 September 2018 to S\$134.1 million as at 30 September 2019. Interest in joint venture decreased by S\$4.9 million mainly due to dividend declared from joint venture. Interest in associates increased from S\$11.5 million as at 30 September 2018 to S\$19.0 million as at 30 September 2019, mainly due to loans of S\$10 million extended to an associate company, Pristine Islands Investment Pte. Ltd., partially offset by dividend income from an associate company of S\$1.1 million and share of losses from associates of S\$2.1 million.

The Group's inventories decreased from S\$270.2 million as at 30 September 2018 to S\$231.9 million as at 30 September 2019. Correspondingly, bills payable and bank loans also decreased. Trade and other receivables increased from S\$180.7 million to S\$195.3 million over the year. Assets held for sale increased by S\$3.3 million mainly due to development costs incurred for a detached house along Nassim Road, Singapore.

Trade and other payables increased from S\$58.2 million to S\$67.2 million over the year mainly due to accrual for goods in transit. Provisions decreased by S\$11.4 million mainly due to the reversal of provision for onerous contracts, partially offset by the provision for restoration cost.

Current loans and borrowings stood at S\$245.8 million, and non-current loans and borrowings stood at S\$60.7 million as at 30 September 2019, a decrease of S\$10 million and S\$21.6 million respectively compared to those as at 30 September 2018.



¹ https://www.mti.gov.sg/-/media/MTI/Newsroom/Press-Releases/2019/10/Adv_Est3Q19.pdf

² <https://tradingeconomics.com/singapore/gdp-growth-annual>

³ Ministry of Trade and Industry of Singapore



I am pleased to report that the post-acquisition integration phase is now largely completed. Meanwhile, we have embarked on an enterprise-wide improvement drive through the upgrading of technology and automation to continue to assist our customers in **Building Better**.

Looking Ahead

The Ministry of Trade and Industries estimates³ that the Singapore economy will grow at a modestly higher rate of 0.5% to 2.5% in 2020 as compared to 2019, and the construction sector is projected to see sustained growth in 2020. The sustained recovery in local construction demand and the tightening resources in the construction supply chain suggest a more promising outlook for BRC Asia's business.

Operationally, there is still some work to be done in terms of final systems integration. This will be completed over the course of FY2020. Meanwhile, we have embarked on an enterprise-wide improvement drive through the upgrading of technology and automation. This will enhance our core competencies and market competitiveness for us to continue to assist our customers in **Building Better**.

Strategically, we will proactively work towards growing our business in the international market. Our existing overseas operations in Malaysia and China provide us with well-functioning platforms to deepen our presence in these markets. In the coming year, we will seek to expand more meaningfully in China, and will also explore opportunities in other regional markets including the ASEAN countries.

With the opportunities offered by the bigger business scale, operational synergies and a recovering market, BRC Asia is setting off to a good start to the new year and new decade. I would like to express my sincere gratitude to all our colleagues, shareholders, bankers, customers, suppliers and business associates for your continued support and take this opportunity to wish all our stakeholders a very happy new year and a wonderful year ahead!

Mr. Seah Kün Peng
CHIEF EXECUTIVE OFFICER

运营及财务回顾

运营回顾

今年是全球政治经济的多事之秋，全球经济增长面临诸多不确定性和挑战。新加坡经济2019年预计仅增长0.5%至1%，是过去10年里增长最低的年份。虽然经济普遍不振，但在公共建设和私营项目的支持下，新加坡建筑行业仍保持复苏态势。自2018年末以来，作为建筑活动主要指标的中标工程合约数量继续呈上升趋势，使建筑行业在2019年连续三个季度同比增长。

我们2019财年的主要目标是实现对 Lee Metal 的顺利整合。在这里，我很荣幸地向各位汇报，收购后整合阶段的任务已经基本完成。我们在没有裁员的情况下优化配置了管理团队和生产团队。我们优化了成本结构并巩固扩大了客户群。我们的生产和运营团队尽最大努力确保生产如期进行，并保证按时将高质量的产品交付给客户。这向我们的客户证明，虽然业务规模扩大，BRC 亚洲仍然是他们可以信任和依赖的供应商。

截至2019年9月30日，集团的项目订单总额约为9.5亿新元。其中有些项目可长达5年。

收入和盈利能力

与2018财年相比，集团2019财年的收入增长了61%至9.13亿新元，这在2018年中收购 Lee Metal 100%股份之后，我们加强了钢铁贸易与分销并进一步整合了集团全年的收入。2019财年，集团毛利润同比增长70%，达到7660万新元。2019财年的毛利率为8.4%，而2018财年的毛利率为7.9%。毛利率的提升是因为增值加工产品销售数量的提升，以及原材料批量采购带来的成本协同效应。

通过成本优化和严格的成本控制，整合 Lee Metal 后的运营费用，在2019财年同比 BRC亚洲整合前仅增长29%至4010万新元。融资成本的增加主要是因为收购 Lee Metal 所需要的融资、以及集团扩大运营后更多的原材料采购带来了融资规模的增加。因运营效率大幅提升，运营利润率由2018财年的2.8%上升至2019财年的4.2%。

集团2019财年的持续运营收益为3160万新元，而2018财年的持续运营收益为1204万新元。集团2019财年持续经营性每股收益为13.53分新币，而2018财年为5.57分新币，同比增长143%。

财务状况

截至2019年9月30日，集团资产负债表保持强劲，净资产为2.63亿新元，每股净资产为1.13新元，而截至2018年9月30日，集团净资产为2.37亿新元，每股净资产为1.02新元。

集团的物业、厂房和设备价值从2018年9月30日的1.49亿新元下降至2019年9月30日的1.34亿新元。集团合资格权益下降490万新元，主要受合资公司宣布派发股息影响。集团联营公司的权益从2018年9月30日的1150万新元增加到2019年9月30日的1900万新元，主要是由于集团一方面借款1000万新元给联营公司 Pristine Islands Investment Pte. Ltd.，同时另一方面收到联营公司股息收益110万新元，及计入联营损失210万新元。

集团库存从2018年9月30日的2.70亿新元下降到2019年9月30日的2.32亿新元。应付票据和银行贷款也相应减少。贸易和其他应收款项从上年同期的1.81亿新元增加至1.95亿新元。持有的待售资产增加了330万新元，主要是由于新加坡纳西姆路 (Nassim Road) 一处独立式住宅的开发成本有所增加。

贸易和其他应付款项从去年的5820万新元增加到6720万新元，主要是因为是在途原料货物的增加。集团拨备减少了1140万新元，主要是因为坏账计提的回拨。该项同时部分被重置成本的拨备抵销。

截至2019年9月30日，集团流动贷款和借款为2.46亿新元，非流动贷款和借款为6070万新元，分别比2018年9月30日减少了1000万新元和2160万新元。

展望未来

新加坡贸易与工业部 (Ministry of Trade and Industries) 预计2020年新加坡经济将以0.5%至2.5%的比率增长，略高于2019年，而建筑业预计将在2020年实现持续增长。考虑到本地建筑需求的持续复苏和建筑供应链资源紧张，市场环境将对集团更加有利。

在运营上，我们计划在2020财年完成系统整合方面的一些收尾工作，与此同时，我们已经在全集团范围内开始了技术和自动化的升级工作。这将进一步提升我们的核心能力和市场竞争力，使我们继续为客户并提供更好的服务。

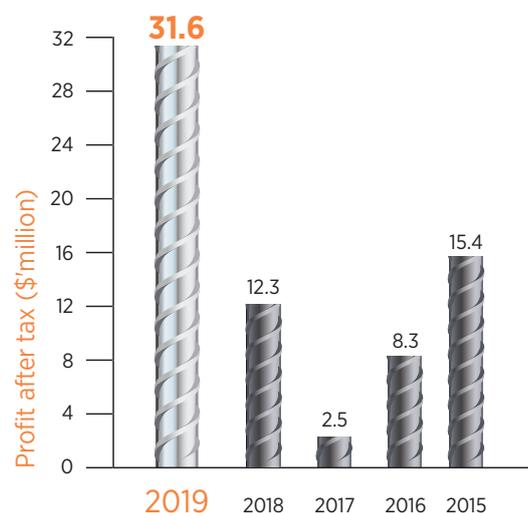
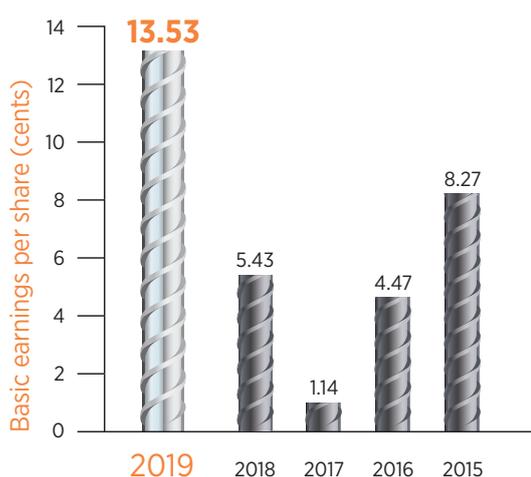
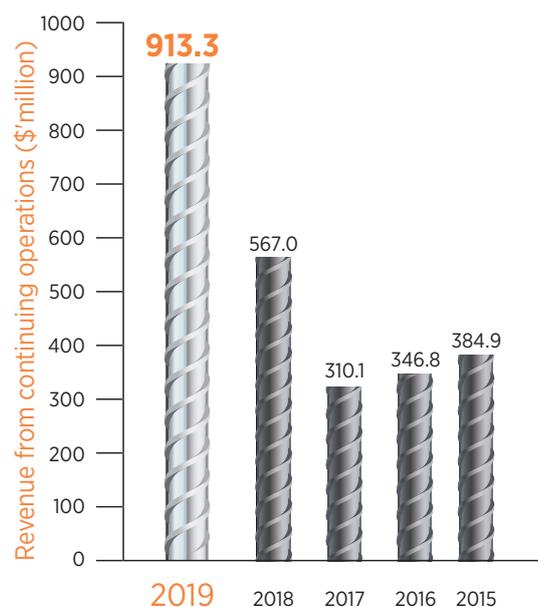
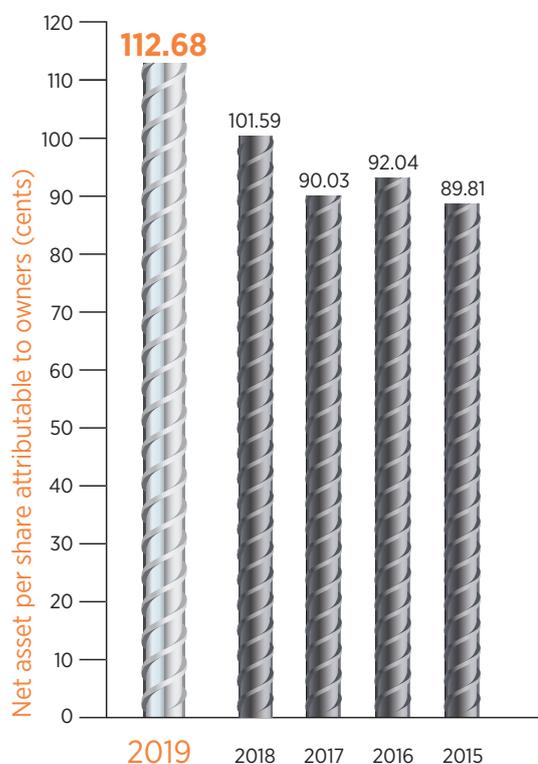
从战略上看，我们将积极发展集团在国际市场上的业务。集团在马来西亚和中国的现有海外业务为我们提供了良好的运作平台，有利于我们进一步深挖当地市场。在新的一年里，我们将争取在中国实现更有意义的扩张，同时也将探索包括东盟国家在内的其它区域内市场的机会。

随着业务规模的扩大、业务协同效应的增强和市场的复苏，BRC 亚洲正以崭新的面貌迎接新的一年和新的年代。在此，我谨向所有支持我们的同事、股东、银行、客户、供应商和业务伙伴表示衷心的感谢。借此机会，我谨祝各位新年快乐，万事如意！

谢敬平 首席执行官



FINANCIAL HIGHLIGHTS



Group Financial Results		2019	2018*	2017	2016	2015
Revenue from continuing operations	(\$'000)	913,287	567,009	310,148	346,752	384,927
Profit before tax	(\$'000)	38,435	15,650	3,024	10,143	18,486
Profit after tax	(\$'000)	31,562	12,296	2,473	8,341	15,403
Net asset attributable to owners	(\$'000)	262,928	237,036	167,755	171,607	167,918
Per Share Data						
Basic earnings per share	(cents)	13.53	5.43	1.14	4.47	8.27
Net asset per share attributable to owners	(cents)	112.68	101.59	90.03	92.04	89.81

* The Group Financial Results for FY2018 included the post-acquisition results of Lee Metal, which became a subsidiary of the Group in FY2018.

BOARD OF DIRECTORS



A MR. TEO SER LUCK Chairman and Independent Director

Mr. Teo was appointed as an Independent Director of the Group and Chairman of the Board on 28 November 2017.

Mr. Teo is currently an entrepreneur and investor as well as the Lead Independent Director of United Engineers Limited, China Aviation Oil Corporation Ltd., Straco Corporation Ltd., and Deputy Chairman of Serial System Ltd., which are listed on the mainboard SGX-ST. He is also an adviser to the Institute of Chartered Accountants of Singapore (ISCA) as well as the Singapore Fintech Association.

Mr. Teo is a trained accountant and spent 15 years in the private sector managing and setting up companies before being elected as a Member of the Parliament of Singapore (MP) in 2006. He was also Minister of State at the Ministry of Trade and Industry and Ministry of Manpower, Mayor of the North East District of Singapore, as well as the Senior Parliamentary Secretary in the Ministry of Community Development, Youth and Sports. He was also the Chairman of Singapore-Shandong Bilateral Business Council and Vice Chairman of Singapore-Jiangsu Bilateral Business Council.

B MR. SEAH KIIN PENG Executive Director and Chief Executive Officer

Mr. Seah was appointed as the Chief Executive Officer of the Group on 26 September 2018.

Mr. Seah is responsible for the Group's business performance. He oversees the development and implementation of our business plans and strategies. Since joining the Group in March 2010 as an Executive Director, Mr. Seah had assisted the previous Group Managing Director in running the businesses of the Group. From October 2016, Mr. Seah ran the operations of the Group, successfully steering the Group through a challenging period, amidst weakness in the construction sector, as well as completing the S\$200 million takeover of Lee Metal Group Ltd. in 2018.

Prior to joining the Group, Mr. Seah was the General Manager of a group of companies in the shipping business. He started his career with the Singapore Foreign Service after graduating with Bachelor and Masters of Science in Management from the London School of Economics and Political Science.

C MR. JOEL LEONG KUM HOE
Independent Director

Mr. Leong was appointed as an Independent Director and Chairman of the Audit Committee on 2 April 2018.

Mr. Leong is currently a business consultant specialising in corporate restructuring, mergers and acquisitions, and business management. He is also an Independent Director of several listed companies of SGX-ST.

Mr. Leong is also an active volunteer. He is currently the Chairman of Hougang Constituency Community Club Management Committee and Vice Chairman of Hougang Constituency Citizen Consultative Committee.

Mr. Leong has vast experience in various industries like industrial engineering, precision engineering, semiconductor, IT, electronics, ordnance and food. He was the Chief Financial Officer of several listed companies on both the Mainboard and Catalist board of SGX-ST in the past.

D MS. CHANG PUI YOOK
Independent Director

Ms. Chang was appointed as an Independent Director of the Group on 6 August 2018.

Ms. Chang has close to 30 years of Corporate Banking experience with leadership roles in International Banks. As the former Managing Director & Regional Asian Head of ABN Amro's franchise in Trade & Structured Commodity Finance, her key responsibilities were in originating and developing client relationships and being trusted advisor to (C-suite level) clients. Recognised for her work across the key markets of commodity value chains, she is a collaborator with multi-geographic teams and specialises in credit and risk management, structured trade, financial due diligence and corporate governance. She enjoys nurturing young talents and was Advisory Council member of the International Trading Institute in Singapore Management University.

Ms. Chang graduated from NUS with majors in Economics & Statistics, and has an INSEAD Certificate in Corporate Governance (IDP-C).

E MR. HE JUN
Independent Director

Mr. He was appointed as an Independent Director of the Group on 2 April 2018.

Mr. He joined Wong Partnership LLP in Singapore in February 1997 and is currently the Head of the China Practice of Wong Partnership LLP. He was appointed as a Non-Independent Non-Executive Director of Raffles Education Corporation Limited on 6 November 2018. Mr. He was an Independent Director of Asia Power Corporation Limited from December 2007 until it was delisted from the SGX-ST in May 2014 and Devotion Energy Group Ltd. from December 2007 until it was delisted from the SGX-ST in December 2013.

Mr. He graduated with a Bachelor's Degree in Arts from Yunnan University in July 1983 and a Master's Degree in Law from China University of Political Science and Law in July 1989

and from McGeorge School of Law, University of the Pacific in the United States of America in May 1993. Mr. He was admitted as a lawyer in the PRC in December 1995.

F MR. XU JIGUO
Executive Director and Chief Procurement Officer

Mr. Xu was appointed as an Executive Director of the Group on 28 November 2017.

Mr. Xu is responsible for the trading activities of the Group. He also assists the Chief Executive Officer of the Group with steel procurement.

Mr. Xu has more than 20 years of experience in shipping and trading. Prior to joining the Group, he was a Deputy General Manager in Bright Point Pte. Ltd., a steel trading company. Mr. Xu holds an MBA Degree from The University of South Australia.

G MR. ZHANG XINGWANG
Executive Director and Chief Operating Officer

Mr. Zhang was appointed as an Executive Director of the Group on 5 December 2017.

Mr. Zhang is responsible for the development of strategies for the Group. He also assists the Chief Executive Officer of the Group with manufacturing and operations.

Prior to joining the Group, Mr. Zhang was a Director of a company in iron ore trading. He was a Deputy Director within the raw material department of WISCO International Economy & Trading Limited. Mr. Zhang holds an MBA Degree from Wright State University in USA and a Bachelor's Degree in Mineral Engineering from Central South University in China.

H MR. DARRELL LIM CHEE LEK
Executive Director

Mr. Lim was appointed as an Executive Director of the Group on 14 February 2019.

Mr. Lim is responsible for the Group's corporate, capital market and international expansion strategies. Before that, he spent 10 years with the Singapore Exchange (SGX) in a number of roles including corporate strategy, product development, investor relations and corporate coverage.

Prior to joining SGX, Mr. Lim was an Australian-based management consultant specialising primarily in organisational transformation, post-merger integration and customer relationship management strategies. Industry coverage included, but was not limited to, financial services and telecommunications. Over the course of his consulting career, he had worked with clients across Australia, New Zealand, Hong Kong and Southeast Asia.

Mr. Lim holds a graduate degree from the National University of Singapore and post-graduate degrees from the University of Sydney (Australia) and the University of Oxford (UK).

KEY EXECUTIVE OFFICERS

MS. LEE CHUN FUN

Chief Financial Officer and Company Secretary

Ms. Lee is responsible for the Group's financial and treasury management while overseeing the Human Resources and Administration department. She started her career in auditing with a public accounting firm and has experience in finance, treasury and credit control functions.

Ms. Lee holds a Master's Degree in Business Administration from the University of Strathclyde and a Bachelor's Degree in Accountancy from the National University of Singapore.



MR. TAN LAU MING

Deputy Chief Operating Officer

Mr. Tan is responsible for the Group's prefabrication production, operational matters and cut and bend services while overseeing safety, security and dormitories.

Mr. Tan has over 20 years of experience in production operations which include manufacturing, planning, resource allocation, industrial engineering and process control.

Mr. Tan holds a Master's Degree in Engineering Management from the University of Wollongong.



MR. ONG LIAN TECK

Chief Commercial Officer

Mr. Ong oversees the Sales and Marketing Department and is responsible for formulating marketing plans and strategies as well as the delivery of engineering support services to customers. He also assists the Chief Executive Officer in business development efforts and the Chief Procurement Officer in steel inventory management. He has over 18 years of experience in the industry.

Mr. Ong graduated from Nanyang Technological University with a Bachelor's Degree (Honours) in Engineering (Civil).



CORPORATE GOVERNANCE REPORT

INTRODUCTION

BRC Asia Limited ("**BRC**" or the "**Company**") and its subsidiaries (the "**Group**") are committed to achieving high standards of corporate governance and transparency practices. The Group believes that good corporate governance is imperative to the sustained growth and long-term success of the Group's business.

This report outlines the Company's corporate governance processes and activities that were in place, with specific reference to the Code of Corporate Governance 2018 (the "**Code**") and the disclosure guide (the "**Guide**") developed by Singapore Exchange Securities Trading Limited (the "**SGX-ST**").

The Group is generally in compliance with the principles and provisions as set out in the Code and the Guide. Where there are deviations from the Code, the Board of Directors (the "**Board**") has considered alternative practices adopted by the Group are sufficient to meet the underlying objectives of the Code. Appropriate explanations have been provided in the relevant sections where there are deviations.

BOARD MATTERS

Principle 1: The Board's Conduct of Affairs

The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Group.

The Company is headed by its effective Board comprising professionals from various disciplines and entrusted with the responsibility for the overall management of the Group. All Directors recognise that they have to discharge their duties and responsibilities in the best interests of the Company. Each of them is expected to act in good faith, be honest and diligent in exercising his/her independent judgement in overseeing the business and affairs of the Company.

Composition of the Board of Directors

The Board comprises eight Directors, four of whom are Independent Directors. The Board consists of:

Mr. Teo Ser Luck	Independent Non-Executive Chairman
Mr. Seah Kiin Peng	Executive Director and Chief Executive Officer
Mr. Xu Jiguo	Executive Director and Chief Procurement Officer
Mr. Zhang Xingwang	Executive Director and Chief Operating Officer
Mr. Darrell Lim Chee Lek	Executive Director (appointed on 14 February 2019)
Ms. Chang Pui Yook	Independent Director
Mr. He Jun	Independent Director
Mr. Joel Leong Kum Hoe	Independent Director

The profile of each Board member is provided on pages 10 and 11 of the Annual Report.

Primary Functions of the Board

The primary functions of the Board are to:

- supervise and approve strategic direction of the Group;
- decide on policies covering corporate governance and business matters;
- review the business practices and risk management of the Group;
- review the management performance of the Group;
- review and approve interested person transactions;
- approve matters beyond the authority of the Key Executives Officers;
- ensure that there are policies and safeguards in the system of internal controls to preserve the integrity of assets;
- ensure compliance with legal and regulatory requirements;
- approve all communications with Shareholders;
- approve recommendations made by the Audit, Nominating and Remuneration Committees; and
- consider sustainability issues such as environmental and social factors as part of its strategic plans.

Disclosure of Interest

All Directors are required to objectively discharge their duties and responsibilities in the best interests and benefit of the Company. Directors and Chief Executive Officer who are in any way, directly or indirectly, interested in a transaction or proposed transaction, including those identified within the Code and provisions of the Companies Act, Cap. 50 (the "**Act**") will declare the nature of their interests and not participate in any discussion and decision on the matter.

CORPORATE GOVERNANCE REPORT

Each Director is aware of the requirements in respect of his/her disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information.

Delegation by the Board

To assist the Board in the discharge of its oversight function, various Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee, have been constituted to operate under the defined terms of reference. The terms of reference of the respective Board Committees are set out in this report. Each Committee, chaired by an Independent Director, has the delegated power to make decisions, execute actions or make recommendations within its terms of reference and applicable limits of authority. The Board is apprised of the decision made by the Committees. Draft notice of each Committee meeting will be circulated to the respective members in advance, to ensure each member has sufficient time to revert with the proposed agenda. The recommendations made by the respective Chairmen of the Board and Board Committees with regard to proceedings of meetings are deliberated and adopted if accepted. The terms of reference are reviewed and updated by the Board from time to time.

The Company has specified in its procedure manual that transactions beyond the threshold limits of Key Executive Officers be referred to the Board for approval. Material matters which require approval of the Board include new investments or increase in investments, material acquisitions or disposals of assets exceeding certain limits, share issues, all commitments to funding from banks and dividends payout. Approvals of release of financial results and financial statements are also material transactions specifically reserved for the Board's review and approval. Directors facing conflict of interest recuse themselves from discussions and decisions involving the issues of conflict.

Board's Conduct of Affairs

The Board meets regularly and when circumstances require, members of the Board exchange views outside the formal environment of Board meetings. Additional Board meetings will be convened when they are deemed necessary to address any significant issues that may arise in-between the scheduled meetings. Ad-hoc matters which require the Board's approval are dealt with through circular resolutions, when necessary.

The Management recognises the importance of circulating information on a timely basis to ensure that the Board has adequate time to review the materials to facilitate constructive and effective discussions during meetings. Company Secretaries, Ms. Lee Chun Fun (who is also the Chief Financial Officer) and Ms. Low Mei Wan, assist the Chairman in the preparation of notices, Board papers and minutes of Board proceedings. They are the primary channel of communication with SGX-ST and also responsible for assisting the Chairman to ensure Board procedures are followed. All Directors may, where necessary, seek independent professional advice paid for by the Company.

The attendance of the Directors at the Board and Committee meetings for the financial year ended 30 September 2019 is as follows:

Name of Director	Board of Directors	Audit Committee	Remuneration Committee	Nominating Committee
Mr. Teo Ser Luck ¹	4/4	4/4	1/1	1/1
Mr. Seah Kiin Peng	4/4	-	-	-
Mr. Xu Jiguo	4/4	-	-	-
Mr. Zhang Xingwang	4/4	-	-	-
Mr. Darrell Lim Chee Lek ²	2/2	-	-	-
Ms. Chang Pui Yook ³	4/4	-	1/1	-
Mr. He Jun	4/4	4/4	1/1	1/1
Mr. Joel Leong Kum Hoe	4/4	4/4	1/1	1/1

Notes:

1. Mr. Teo Ser Luck ceased to be a member of the Audit Committee on 7 August 2019.
2. Mr. Darrell Lim Chee Lek was appointed as Executive Director of the Company on 14 February 2019.
3. Ms. Chang Pui Yook was appointed as a member of the Audit Committee on 7 August 2019.

During the financial year, the Company Secretaries provided updates to the Board on regulatory changes such as changes to the Act and the SGX Listing Manual. Briefing was also provided to the Board by the Company's external auditor on new accounting standards, including the adoption of Singapore Financial Reporting Standards (International).

CORPORATE GOVERNANCE REPORT

To assist the Board in discharging its duties, the Board is provided with reports as well as financial results on a regular basis. Board papers are also distributed in advance of Board meetings so that the Directors would have sufficient time to understand the matters which are to be discussed. The Directors are entitled to request from the Management and should be provided with additional information as needed to make informed decisions. The Directors have direct access to the Management and Company Secretaries at all times. In addition, the Directors and Board Committees, where necessary, may seek professional advice paid for by the Company.

The Independent Directors are always available to provide guidance to the Management on business issues and in areas which they specialise in.

Under the direction of the Chairman, the Company Secretaries ensure good information flow within the Board and its committees and between the Management and Independent Directors, advising the Board all governance matters as well as facilitating orientation and assisting with professional development as and when required. The Directors may communicate directly with the Management and Company Secretaries on all matters whenever they deem necessary to ensure adherence to the Board procedures and relevant rules and regulations which are applicable to the Company. During the financial year, the Company Secretaries attended all Board and Board Committee meetings.

The appointment and removal of the Company Secretary is a matter for the Board as a whole.

Principle 2: Board Composition and Guidance

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Composition and Balance

The Board consists of four Independent Directors and four Executive Directors. The Nominating Committee, with concurrence of the Board, is of the opinion that the current Board size and composition are considered appropriate for the Company's needs and nature of the operations, with an objective of achieving a good mix and diversity of skills, experience, gender and knowledge of the business to ensure that the Board will be able to make satisfactory and independent decisions regarding the affairs of the Company. Each Board member is encouraged to constantly keep abreast of developments in regulatory, legal and accounting frameworks that are of relevance to the Group through the participation in external training seminars and courses. The costs incurred for seminars and trainings shall be borne by the Company.

Regular briefings and updates on developments in accounting and governance standards are conducted by the external auditor, Ernst & Young LLP, and the internal auditor, Yang Lee & Associates. The Directors also attend other appropriate courses and seminars to keep abreast with changes in regulations, financial reporting standards, continuing listing obligations as well as industry-related matters.

The Nominating Committee reviews the existing Board combination regularly, to ensure the existing Board and Board Committees are appropriate. Although Non-Executive Directors of the Company do not make up a majority of the Board, the Nominating Committee is of the view that there is a strong and independent element on the Board thereby eliminating the risk of a particular group dominating the decision-making process. The Board ensures that the process of decision-making by the Board is independent and is based on collective decision without any concentration of power. The Board has reviewed and decided that the Company does not need a Lead Independent Director for the time being.

The Independent Directors provide, amongst others, strategic guidance to the Company based on their professional knowledge, in particular, assisting to constructively develop proposals on strategies. They also contribute to the Board processes by monitoring and reviewing Management's performance. When dealing with challenging proposals or decisions, they bring independent judgement to bear on business activities and transactions involving conflict of interest and other complexities.

The Independent Directors upon appointment were briefed on matters such as Board processes, corporate governance initiatives and industry development relating to the Company. To facilitate more effective checks on the Management, Independent Directors' meetings are held at least once a year and as and when needed. The Independent Directors have held one meeting without the presence of Management during the year.

CORPORATE GOVERNANCE REPORT

None of the Independent Directors has any relationship with the Company's related companies or its substantial Shareholders or its Officers that could interfere or be reasonably perceived to interfere with the exercise of the Director's independent business judgement with a view to the best interest of the Company. No individual or group of individuals dominates the Board's decision-making process.

The Company does not have a Board diversity policy but it consists of professionals from various disciplines. The Board conducts an annual review to assess if the existing attributes and core competencies of the Board are complementary and contributes to the efficacy of the Board. This enables the Board to maintain or enhance balance and diversity within the Board.

The Board has reviewed and believes that its composition achieves a diversity of skills, knowledge, experience and gender, as further described as follows:

	Number of Directors	Proportion of Board
Core Competencies		
Accounting/Finance/Legal/Corporate governance	5	62.5%
Industry/Customer based-knowledge or experience	6	75.0%
Strategic planning experience	6	75.0%
Gender		
Male	7	87.5%
Female	1	12.5%

The Board members provide a range of core competencies that would provide effective directive for the Group.

Principle 3: Chairman and Chief Executive Officer

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Mr. Teo Ser Luck, appointed as Independent Non-Executive Chairman of the Company on 28 November 2017, leads the Board and has a clear role that is distinct from that of the Chief Executive Officer, Mr. Seah Kiin Peng. Mr. Seah was appointed as Executive Director of the Company on 1 March 2010.

The Chairman and the Chief Executive Officer are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making. The Chairman and the Chief Executive Officer are not immediate family members.

As Chairman of the Board, Mr. Teo is responsible for, amongst others:

- leading the Board to ensure its effectiveness on all aspects of its role, scheduling meetings of the Board and setting the Board meeting agenda after consultation with the Management;
- exercising control over quality, quantity and timeliness of the flow of information between Management and the Board;
- inviting participation from advisors or Management to facilitate in-depth discussions, where necessary;
- calling for informal meetings with Management as and when needed;
- assist in ensuring compliance with the Company's guidelines on corporate governance;
- ensuring effective communication with Shareholders;
- encouraging constructive relations between the Board and Management as well as between the Executive Directors and Independent Directors;
- facilitating the effective contribution of Independent Directors; and
- promoting high standards of corporate governance.

The Chief Executive Officer is responsible for implementing the Group's strategies and policies as well as the daily management and operations of the Group.

The Board has no dissenting view on the Chairman's statement to the Shareholders for the financial year under review.

CORPORATE GOVERNANCE REPORT

Principle 4: Board Membership

The Board has a formal and transparent process for the appointment and re-appointment of Directors, taking into account the need for progressive renewal of the Board.

Nominating Committee

The Nominating Committee consists of:

Mr. He Jun	Chairman
Mr. Teo Ser Luck	Member
Mr. Joel Leong Kum Hoe	Member

The Nominating Committee is established for the purpose of ensuring that there is a formal and transparent process for all Board appointments, taking into account the need for progressive renewal of the Board. All members of the Nominating Committee are Independent Directors.

The Nominating Committee is governed by its adopted written terms of reference and its functions are to:

- recommend to the Board on relevant matters relating to (a) review of board succession plans for Directors (including Independent Directors), in particular, the Chairman, Chief Executive Officer and Executive Directors, taking into consideration, contribution and performance of each Director; (b) the development of a process for evaluation of the performance of the Board, the Board Committees and individual Directors; (c) the review of training and professional development programmes for the Board; and (d) making evaluations, assessments and recommendations with respect to the selection and appointment and re-appointment of Directors (including alternate Directors, if applicable);
- review whether the size of the Board is appropriate;
- review annually the composition of the Board to ensure that the Board has an appropriate balance of expertise, skills, attributes and abilities;
- review and determine annually, and as and when circumstances require, if a Director is independent;
- review where a Director has multiple Board representations, whether the Director is able to and has been adequately carrying out his/her duties as Director, taking into consideration the number of listed Company Board representations of the Directors and other principal commitments;
- recommend Directors who are retiring by rotation to be put forward for re-election. The Constitution of the Company requires at least one-third of the Directors (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation every year and each Director to retire from the office at least once every three years;
- review and approve any new employment of related persons and the proposed terms of their employment;
- recommend to the Directors candidates for Key Executive Officer positions and candidates for directorship (including executive directorships);
- review succession plans for Key Executive Officers and recommend them to the Board for approval; and
- review that no individual member of the Board dominates the Board's decision-making process.

The process for the short-listing, selection and appointment of all new Directors is spearheaded by the Nominating Committee. In the selection and nomination of new Director, the Nominating Committee taps on the resources of the Directors' personal contacts for recommendation of potential candidates. External help (for example, open advertisement, executive search, consultants) may be used to source for potential candidates. The Nominating Committee meets with the short-listed potential candidate(s) to assess suitability and to ensure that the candidate(s) is/are aware of the expectation required before a decision is made for recommendation to the Board for approval.

All Board appointments are made based on merits, in the context of skills, experience, core competencies, independence and other relevant factors, having due regard for the benefits of diversity on the Board and the contribution that the selected candidates will bring to the Board.

Upon appointment to the Board, each Director receives a formal letter which sets out the Directors' duties and obligations. All new Directors are briefed on the Group's history, business activities, strategic direction, core values and corporate governance practices. Newly appointed Directors who do not have prior experience as Director of a listed Company will attend trainings pertaining to duties and obligations as well as in other relevant areas at the expense of the Company.

CORPORATE GOVERNANCE REPORT

The criteria of independence are based on the definition given in the SGX-ST Listing Manual and the Code. Under Provision 2.1 of the Code, an "independent" Director is one who is independent in conduct, character and judgement, and has no relationship with the Company, its related Companies, its substantial Shareholders or its Officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement in the best interests of the Company.

The independence of Directors shall be reviewed by the Nominating Committee annually, in accordance with the SGX Listing Manual's definition of independence.

Mr. Teo Ser Luck, Mr. He Jun, Mr. Joel Leong Kum Hoe and Ms. Chang Pui Yook, the Independent Directors of the Company, have each confirmed that they and their immediate family members are not employed or have been employed by the Company or any of its related Companies for the current and any of the past three financial years and whose remuneration is determined by the Remuneration Committee. They have also confirmed that they do not have any relationship with the Company, its related companies, its substantial Shareholders or its Officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Group.

During the year, the Nominating Committee has reviewed the independence of all Independent Directors and is satisfied that there are no relationships which would deem any of them not to be independent. The Nominating Committee has considered the relationships identified by the Code and, additionally, that the Independent Directors are also independent from substantial Shareholders of the Company. No individual or small group of individuals dominates the Board's decision-making process. As of the date of this report, there is no Independent Director who has served for an aggregate period of nine or more years from the date of his/her first appointment.

The Constitution of the Company states that at least one-third of the Directors (or if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office and all Directors shall retire from office at least once every three years. A retiring Director shall be eligible for re-election and a Director retiring at a meeting shall retain office until the close of the meeting, whether adjourned or not.

The Board had accepted the Nominating Committee's recommendation to seek approval from the Shareholders at the forthcoming Annual General Meeting to re-elect Mr. Teo Ser Luck, Mr. Xu Jiguo and Mr. Zhang Xingwang, who will be retiring according to Regulation 104 of the Constitution of the Company as well as Mr. Darrell Lim Chee Lek who will be retiring in accordance to Regulation 108 of the Constitution. In reviewing the re-nomination of the Board members who are each due for re-election as a Director of the Company, no member of the Board shall vote in respect of his/her own re-election.

When considering the re-nomination of Director for re-election, the Nominating Committee would take into account the time commitment by the Board members with multiple board representation. The Nominating Committee is satisfied that the Directors are able to carry out and have been carrying out their duties as a Director of the Company and sufficient time and attention have been given to the affairs of the Company. Therefore, it has decided not to fix a numerical limit on the number of directorships a Director can hold. The Board has experienced minimal competing time commitments among its members as Board meetings are planned and scheduled well in advance of the meeting dates. Every year, the Nominating Committee reviews the composition of the Board and the number of listed Company Board representations each Director holds. Where a Director holds a significant number of directorships and principal commitments, the Nominating Committee will assess his/her ability to diligently discharge his/her duties.

Key information of the Directors as at the date of this report is set out below:

Name of Director	Appointment	Directorships in Other Listed Companies and Other Principal Commitments
Mr. Teo Ser Luck	Independent Director and Non-Executive Chairman	<ul style="list-style-type: none"> • Elected Member of the Parliament of Singapore • China Aviation Oil Corporation (Non-Executive and Independent Director) • United Engineers Limited (Lead Independent and Non-Executive Director) • Serial System Ltd. (Non-Executive Independent Deputy Chairman) • Straco Corporation Ltd. (Non-Executive and Independent Director) • Vicduo Food Tech Pte. Ltd. (Director) • Nufin Data Pte. Ltd. (Chairman) • Nufund Pte. Ltd. (Director)
Mr. Seah Kiin Peng	Executive Director and Chief Executive Officer	-

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Name of Director	Appointment	Directorships in Other Listed Companies and Other Principal Commitments
Mr. Xu Jiguo	Executive Director and Chief Procurement Officer	-
Mr. Zhang Xingwang	Executive Director and Chief Operating Officer	• Fairborn Resource Pte. Ltd. (Director)
Mr. Darrell Lim Chee Lek	Executive Director	-
Ms. Chang Pui Yook	Independent Director	-
Mr. He Jun	Independent Director	• WongPartnership LLP (Partner) • Raffles Education Corporation Limited (Non-Independent and Non-Executive Director)
Mr. Joel Leong Kum Hoe	Independent Director	• Libra Group Limited (Lead Independent and Non-Executive Director) • BM Mobility Limited (Independent and Non-Executive Chairman)

Currently, there is no alternate Director appointed by the Directors.

The information required under Rule 720(6) and Appendix 7.4.1 of the SGX-ST Listing Manual in respect of Directors seeking re-election at the Annual General Meeting is set out below:

	Teo Ser Luck	Xu Jiguo
Date of Appointment	28 November 2017	28 November 2017
Date of last re-appointment	26 January 2018	30 January 2019
Age	52	48
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the contribution, performance, attendance, preparedness, participation and suitability of Mr. Teo for re-election as Director of the Company and concluded that Mr. Teo possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the contribution, performance, attendance, preparedness, participation and suitability of Mr. Xu for re-election as Director of the Company and concluded that Mr. Xu possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Independent Director	Executive Director Mr. Xu is overall-in-charge for the procurement of steel raw materials for the Group. He also oversees the steel trading activities of the Group.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Independent Director and Chairman of the Board	Executive Director and Chief Procurement Officer
Professional qualifications	Bachelor of Accountancy, Nanyang Technological University, Singapore	Master of Business Administration (Degree), University of South Australia, Australia
Any relationship (including immediate family relationships) with any existing Director, existing executive Officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No

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	Teo Ser Luck	Xu Jiguo
Conflict of Interest (including any competing business)	No	No
Working experience and occupation(s) during the past 10 years	<ul style="list-style-type: none"> Senior Parliamentary Secretary, Ministry of Transport Senior Parliamentary Secretary, Ministry of Community, Youth & Sports Minister of State, Ministry of Trade & Industry Mayor, North East District Minister of State, Ministry of Manpower Chairman of Singapore-Shandong Bilateral Business Council Vice-Chairman of Singapore-Jiangsu Bilateral Business Council 	<ul style="list-style-type: none"> Bright Point Pte. Ltd. (Deputy General Manager) Everwin Shipping Pte. Ltd. (Director) Gold Sky Shipping Pte. Ltd. (Director) Luyang Hong Kong Group (Deputy General Manager) Rainbow Ace Shipping Pte. Ltd. (Director)
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)) or Appendix 7H (Catalist Rule 704(6))	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
Other Principal Commitments* Including Directorships#		
Notes:		
* "Principal Commitments" has the same meaning as defined in the Code		
# These fields are not applicable for announcements of appointments pursuant to Listing Rule 704 (9) or Catalist Rule 704 (8).		
Past (for the last 5 years)	<ul style="list-style-type: none"> Minister of State, Ministry of Manpower Mayor of North East District Minister of State, Ministry of Trade and Industry 	<ul style="list-style-type: none"> Rainbow Ace Shipping Pte. Ltd. Everwin Shipping Pte. Ltd.
Present	<p>Listed companies:</p> <ul style="list-style-type: none"> BRC Asia Limited (Independent Director and Non-Executive Chairman) China Aviation Oil Corporation (Non-Executive and Independent Director) Serial System Ltd. (Non-Executive and Independent Deputy Chairman) Straco Corporation Ltd. (Non-Executive and Independent Director) United Engineers Limited (Lead Independent and Non-Executive Director) <p>Others:</p> <ul style="list-style-type: none"> Elected Member of the Parliament of Singapore Adviser to the Institute of Singapore Chartered Accountants Adviser to Singapore FinTech Association 	<p>Listed company:</p> <ul style="list-style-type: none"> BRC Asia Limited (Executive Director) <p>Others:</p> <ul style="list-style-type: none"> Anhui BRC & Ma Steel Weldmesh Co. Ltd. BRC International Pte. Ltd. BRC Projects Pte. Ltd. Gold Sky Shipping Pte. Ltd. Lee Metal Group Pte. Ltd. Lee Welded Mesh Singapore Pte. Ltd. LMG Realty Pte. Ltd. Maxlee Development Pte. Ltd.

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	Teo Ser Luck	Xu Jiguo
Present	Others: <ul style="list-style-type: none"> • F4U Pte. Ltd. (Director) • Helicap Pte. Ltd. (Director) • Nufin Data Pte. Ltd. (Chairman) • Nufund Pte. Ltd. (Director) • Vicduo Food Tech Pte. Ltd. (Director) 	
Disclose the following matters concerning an appointment of Director, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, General Manager or other Officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a Director or an equivalent person or a key executive, at the time when he was a Director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a Director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

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	Teo Ser Luck	Xu Jiguo
(h) Whether he has ever been disqualified from acting as a Director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

Disclosure applicable to the appointment of Director only

Any prior experience as a Director of a listed company?	N.A.	N.A.
If yes, please provide details of prior experience.	N.A.	N.A.
If no, please state if the Director has attended or will be attending training on the roles and responsibilities of a Director of a listed issuer as prescribed by the Exchange.	N.A.	N.A.

Please provide details of relevant experience and the nominating committee's reasons for not requiring the Director to undergo training as prescribed by the Exchange (if applicable).

	Zhang Xingwang	Darrell Lim Chee Lek
Date of Appointment	5 December 2017	14 February 2019
Date of last re-appointment	26 January 2018	N.A.
Age	46	42
Country of principal residence	Singapore	Singapore

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	Zhang Xingwang	Darrell Lim Chee Lek
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the contribution, performance, attendance, preparedness, participation and suitability of Mr. Zhang for re-election as Director of the Company and concluded that Mr. Zhang possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.	The Board has considered, among others, the recommendation of the Nominating Committee and has reviewed and considered the contribution, performance, attendance, preparedness, participation and suitability of Mr. Lim for re-election as Director of the Company and concluded that Mr. Lim possesses the experience, expertise, knowledge and skills to contribute towards the core competencies of the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive Director Mr. Zhang is responsible for the Group's manufacturing operations in Singapore and Malaysia.	Executive Director Mr. Lim is responsible for the corporate and capital market strategies of the Group.
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Chief Operating Officer	Executive Director
Professional qualifications	<ul style="list-style-type: none"> Bachelor of Mineral Engineering, Central South University, China Master of Business Administration (Degree), Wright State University, USA 	Master of Business Administration, University of Oxford, England
Any relationship (including immediate family relationships) with any existing Director, existing executive Officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	No	No
Conflict of Interest (including any competing business)	No	No
Working experience and occupation(s) during the past 10 years	<ul style="list-style-type: none"> Fairborn Resource Pte. Ltd. (Director) Guangdong Guangxin Mining Resources Group Co., Ltd (Vice General Manager) International Economics & Trading Corp., Wugang Group (Raw Material Department Director) 	<ul style="list-style-type: none"> Singapore Exchange Limited (Head of Corporate Coverage) Singapore Exchange Limited (Head of Investor Relations) Singapore Exchange Limited (Equities Product Manager) Singapore Exchange Limited (Corporate Strategist)
Undertaking submitted to the listed issuer in the form of Appendix 7.7 (Listing Rule 704(7)) or Appendix 7H (Catalist Rule 704(6))	Yes	Yes
Shareholding interest in the listed issuer and its subsidiaries	Nil	Nil
Other Principal Commitments* Including Directorships#		
Notes:		
* "Principal Commitments" has the same meaning as defined in the Code		
# These fields are not applicable for announcements of appointments pursuant to Listing Rule 704 (9) or Catalist Rule 704 (8).		

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	Zhang Xingwang	Darrell Lim Chee Lek
Past (for the last 5 years)	Nil	Nil
Present	Listed company: • BRC Asia Limited (Executive Director) Others: • BRC International Pte. Ltd. • BRC Projects Pte. Ltd. • Fairborn Resources Pte. Ltd. • Lee Metal Group Pte. Ltd. • Lee Welded Mesh Singapore Pte. Ltd. • LMG Realty Pte. Ltd.	Listed company: • BRC Asia Limited (Executive Director)

Disclose the following matters concerning an appointment of Director, Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, General Manager or other Officer of equivalent rank. If the answer to any question is "yes", full details must be given.

(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he was a Director or an equivalent person or a key executive, at the time when he was a Director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he ceased to be a Director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him?	No	No
(d) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such purpose?	No	No
(e) Whether he has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No
(g) Whether he has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No

CORPORATE GOVERNANCE REPORT

	Zhang Xingwang	Darrell Lim Chee Lek
(h) Whether he has ever been disqualified from acting as a Director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No
(j) Whether he has ever, to his knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		
i. any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
ii. any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
iii. any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
iv. any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere in connection with any matter occurring or arising during that period when he was so concerned with the entity or business trust?	No	No
(k) Whether he has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

Disclosure applicable to the appointment of Director only

Any prior experience as a Director of a listed company?	N.A.	N.A.
If yes, please provide details of prior experience.	N.A.	N.A.
If no, please state if the Director has attended or will be attending training on the roles and responsibilities of a Director of a listed issuer as prescribed by the Exchange.	N.A.	N.A.

Please provide details of relevant experience and the nominating committee's reasons for not requiring the Director to undergo training as prescribed by the Exchange (if applicable).

Principle 5: Board Performance

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual directors.

The Company has in place a system to assess the Board's performance as a whole. With the recommendation of the Nominating Committee, the Board uses objective performance criteria to evaluate the Board's performance. To-date, no external facilitator has been engaged for the purposes of Board assessment.

The Nominating Committee has determined that given the background, expertise, level of participation and contribution made by respective Directors, it would not be necessary for Directors to perform self-evaluation assessments.

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On an annual basis, the Nominating Committee in consultation with the Chairman of the Board, will review and evaluate the performance of the Board as a whole. The qualitative criteria used to evaluate the overall Board performance includes the composition of the Board, information flow to the Board, Board procedures, corporate strategy and planning, risk management and accountability as well as matters concerning Key Executive Officers and standard conduct of its Board members. The Nominating Committee will evaluate the process for performance evaluation review and its effectiveness from time to time. The Chairman of the Board will act on the results of the performance evaluations and, in consultation with the Nominating Committee, propose, where appropriate, new members to be appointed to the Board or seek the resignation of existing members.

The Board has taken the view that the recommendations under the Code to include financial indicators as part of the performance criteria for Board evaluation is not appropriate as it is more of a measurement of Management's performance and therefore, less applicable to the whole Board.

The Nominating Committee met in November 2019 and discussed amongst others, the Board's performance, independence of the Independent Directors and re-election of Directors who will be retiring at the next annual general meeting. All committee members present at the meeting participated in the discussion. No significant issues were identified from the evaluation of the Board's performance for the financial year under review.

Each member concerned abstained from voting on the resolution in respect of his/her re-nomination as a Director.

REMUNERATION MATTERS

Principle 6: Procedures for Developing Remuneration Policies

The Board has a formal and transparent procedure for developing policies on Director and executive remuneration, and for fixing the remuneration packages of Individual Directors and Key Executive Officers. No Director is involved in deciding his/her own remuneration.

Principle 7: Level of Mix of Remuneration

The level and structure of remuneration of the Board and Key Executive Officers are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the Company.

Remuneration Committee

The Remuneration Committee, regulated by a set of written terms of reference, consists of four members who are all Independent Directors.

The members of the Remuneration Committee are as follows:

Mr. Teo Ser Luck	Chairman
Mr. Joel Leong Kum Hoe	Member
Mr. He Jun	Member
Ms. Chang Pui Yook	Member

The principal functions of the Remuneration Committee are to:

- recommend to the Board a framework of remuneration for the Directors and Key Executive Officers of the Group, including Chief Executive Officer (or equivalent) and Chief Financial Officer (or equivalent);
- determine specific remuneration packages for each Executive Director including the Chief Executive Officer (or equivalent);
- review all aspects of remuneration of employees (including, among others, employees who are related to the Directors and relatives of the Directors and controlling Shareholders), including Directors' fees, salaries, allowances, bonuses and other benefits-in-kind;
- review and ensure that the remuneration of Independent Directors is appropriate to the level of contribution by them taking into account factors such as effort and time spent and responsibilities of the Directors;
- recommend the employees' share option schemes or any long-term incentive scheme, which may be set up from time to time and to do all acts necessary in connection therewith; and
- review the Company's obligation arising in the event of termination of the Executive Directors and Key Executive Officers' contract of services to ensure that such contract of services contain fair and reasonable clauses which are not overly generous.

The Remuneration Committee's recommendations are made in consultation with the Chief Executive Officer and Executive Directors and submitted for endorsement by the Board.

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In determining the remuneration system for the Key Executive Officers, the Remuneration Committee may seek advice from human resource consultants and senior practitioners in order to obtain comparable information on the market and the industry. The annual review covers all aspects of remuneration including salaries, fees, allowances, bonuses, options and benefits-in-kind, taking into consideration the long-term interests of the Group. The Remuneration Committee will also take into account the performance of the Group as well as that of the Directors and Key Executive Officers, aligning their interests with those of Shareholders and linking rewards to corporate and individual performance as well as industry benchmarks. It ensures that remuneration package is appropriate to attract, retain and motivate the Directors and Key Executive Officers to provide good stewardship of the Group and successfully manage the Group for the long term. The review of remuneration packages takes into consideration the financial and commercial health, business needs and long-term interest of the Group. Performance-related remuneration is aligned with the interests of Shareholders and other Stakeholders and promotes the long-term success of the Group.

The remuneration of the Independent Directors is in the form of a fixed fee after taking into consideration factors such as effort, time spent and responsibilities of the Directors. Independent Directors' fees are subject to the Shareholders' approval at the annual general meeting.

During the year, the Remuneration Committee met once, discussing various remuneration matters and recording its decision by way of minutes and circular resolutions. The Committee members present at the meeting were involved in the deliberations. No Director was involved in the fixing of his/her own remuneration. No external remuneration consultants were appointed for the financial year under review.

Principle 8: Disclosure on Remuneration

The Company is transparent on its remuneration policies, level and mix of remuneration, the procedures for setting remuneration, and the relationships between remuneration, performance and value creation.

The remuneration package of Executive Directors and Key Executive Officers consists of:

Basic Salary

Basic salary is determined based on the market value of the job. Merit increments, if any, are added to the basic salary. In line with the Singapore government's recommendations, the Company has designated a portion of the basic salary as a monthly variable component for certain employees, including Key Executive Officers.

Fees

The Non-Executive and Independent Directors are entitled to Directors' fees. The level of fees is reviewed for reasonableness taking into account the size of the Company, level of contribution and the additional duties and responsibilities of the Directors.

Bonus

The Executive Directors and selected Key Executive Officers are entitled to a bonus which is determined by the Company's performance. The Board, as recommended by the Remuneration Committee, approves any bonuses paid to the Executive Directors and selected Key Executive Officers.

Benefits-in-kind

Customary benefits-in-kind consistent with market practices are given to Executive Directors and Key Executive Officers.

Employee Share Option Scheme

The Company does not have an Employee Share Option Scheme in place.

Given the competitive environment the Company is operating in, the Company will not disclose amounts and the breakdown of each individual Director as the Company believes that disclosure may be prejudicial to its business interests. The Company believes that disclosing remuneration breakdown in percentage terms paid to the Directors provide sufficient overview of the remuneration of Directors.

The remuneration (in percentage terms) of the Directors is set out below:

Name of Director	Salary %	Bonus %	Fees¹ %	Benefits-in-kind² %	Total %
Above S\$250,000					
Mr. Seah Kiin Peng	37	53	-	10	100
Mr. Xu Jiguo	32	57	-	11	100
Mr. Zhang Xingwang	36	54	-	10	100
Mr. Darrell Lim Chee Lek ³	57	22	-	21	100

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Name of Director	Salary %	Bonus %	Fees ¹ %	Benefits-in-kind ² %	Total %
Up to S\$250,000					
Mr. Teo Ser Luck	-	-	100	-	100
Ms. Chang Pui Yook	-	-	100	-	100
Mr. He Jun	-	-	100	-	100
Mr. Joel Leong Kum Hoe	-	-	100	-	100

Notes:

1. The fees have been approved by Shareholders at the last Annual General Meeting held on 30 January 2019.
2. Includes transport allowances, contributions to Central Provident Fund and other benefits-in-kind.
3. Mr. Darrell Lim Chee Lek was appointed as Executive Director of the Company on 14 February 2019.

Key Executive Officers (Top 5)

Regarding the Code's recommendation to fully disclose the remuneration of at least the top 5 Key Executive Officers who are not Directors or Chief Executive Officer, the Company does not believe it to be in its best interests to disclose the identity and remuneration of its top 5 Key Executive Officers, as having considered the highly competitive human resources environment for personnel with the requisite knowledge, expertise and experience in the Company's business activities, such disclosure may give rise to talent retention issues and would cause negative impact to the Company if experienced and senior members of the Management team are poached.

Having considered several factors, the Group is of the view that in order to maintain confidentiality of remuneration matters, remuneration of the top 5 Key Executive Officers in the bands of S\$250,000 breakdown (in percentage or dollar terms) as well as the aggregate total remuneration paid will not be disclosed.

Remuneration of Employees Related to Directors

There is no employee related to a Director or the Chief Executive Officer or a substantial shareholder of the Company whose remuneration exceeds S\$100,000 in the Company's employment for the financial year ended 30 September 2019.

For the financial year under review, there were no terminations, retirements or post-employment benefits granted to the Directors, the Chief Executive Officer and Key Executive Officers.

Where appropriate, the Remuneration Committee reviews the service contracts of the Company's Chief Executive Officer and the Executive Directors.

There is no contractual provision under the present remuneration structure that allows the Company to reclaim variable incentive components of remuneration from the Chief Executive Officer, Executive Directors and Key Executive Officers. However, in alignment with the current regulatory standards, the variable incentives of the Chief Executive Officer, Executive Directors and Key Executive Officers may be clawed back in the event of exceptional circumstances of misstatement of financial results or of misconduct resulting in financial or other losses to the Company.

The Company's compensation framework comprises fixed salary and short-term incentives. The Company subscribes to linking the executive remuneration to corporate and individual performance, based on an annual appraisal of employees and using indicators such as core values, competencies, key result areas, performance rating and potential of the employees.

Principle 9: Risk Management and Internal Controls

The Board is responsible for the governance of risk and ensures that management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its Shareholders.

Internal Controls

The Board is responsible for the overall risk governance, risk management and internal control framework of the Group and is fully aware of the need to put in place a system of internal controls within the Group to safeguard shareholders' interest. Management also reviews the system of internal controls regularly in order to ensure that sufficient checks and balances exist within the system to safeguard the Group's assets. The Audit Committee ensures that these controls are effective by engaging an external consultant as the internal auditor. The internal auditor works within the scope of an audit plan, which has been approved by the Audit Committee, to review and test the adequacy, effectiveness and independence of the internal controls of the Group. The external independent auditors will, in the course of the external audit, conduct a review of certain internal control procedures relevant to the preparation of financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control. The roles of risk management have been delegated to the Audit Committee.

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The Board approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instils the right risk focused culture throughout the Group for effective risk governance.

The Board has reviewed the adequacy of the Group's internal controls framework in relation to financial, operational, compliance and information technology controls as well as risk management systems of the Group. The Board, with the concurrence of the Audit Committee, is of the view that the Group's internal controls addressing financial, operational, compliance and information technology risk as well as the Group's risk management systems are effective and adequate as at 30 September 2019. The Board and Audit Committee did not identify any major concern on the Group's internal controls or risk management systems for the financial year under review.

The system of internal controls provides reasonable assurance against material financial misstatements or loss and includes the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practices and the identification and management of business risks.

The Board acknowledges that no system of internal controls can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

The Board has received assurance from the Chief Executive Officer and Chief Financial Officer that the financial records as at 30 September 2019 have been properly maintained and the financial statements for the financial year under review give a true and fair view of the Group's operations and finances. The Board has also received assurance from the Chief Executive Officer and Key Executive Officers that the Group's risk management and internal control systems are adequate and effective.

Internal Audit

As the size of the Group cannot support a full-time internal audit team and also for cost reasons, the Management has, with approval from the Audit Committee, outsourced its internal audit function to an independent professional service firm, Yang Lee & Associates ("YLA"). YLA will report directly to the Chairman of the Audit Committee and has unrestricted access to the Audit Committee as well as the Company's documents, records, properties and personnel that are relevant to their work. The Company's engagement with YLA stipulates that its work shall be guided by the International Standards for the Professional Practice of Internal Auditing Issued by the Institute of Internal Auditors.

The Audit Committee will, at least annually, review the adequacy, effectiveness and independence of the internal audit function. During the financial year under review, internal audit reviews were conducted on the operations of two subsidiaries within the Group.

Based on a review on the internal audit function and activities performed, the Audit Committee is of the view that the internal auditor is independent, effective, qualified and adequately resourced.

Principle 10: Audit Committee

The Board has an Audit Committee which discharges its duties objectively.

Audit Committee

The Audit Committee members of the Committee are:

Mr. Joel Leong Kum Hoe	Chairman
Mr. He Jun	Member
Ms. Chang Pui Yook	Member (appointed on 7 August 2019)

On 7 August 2019, Mr. Teo Ser Luck ceased to be a member of the Audit Committee and Ms. Chang Pui Yook was appointed as the new member. All the members of the committee are Independent Directors. There is a good mix of expertise among the members who can handle financial, legal as well as commercial issues relating to the Company's business.

There were four Audit Committee meetings held during the year. In the meetings dealing with the announcement of the Group's results, all other Directors and the Chief Financial Officer were also present.

CORPORATE GOVERNANCE REPORT

The Audit Committee has written terms of reference and its key functions are to:

- review with the Company's external auditor their audit plan, their evaluation of the system of internal accounting controls in the course of the external audit, their letter to the Management and the Management's response and results of the Company's audit conducted by internal and external auditors;
- review the reports of the Company's external auditor as well as the independence and objectivity of the external auditor;
- review the co-operation given by the Company's Officers to the external auditor;
- review and discuss with the external auditor any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules and regulations which has or is likely to have a material adverse impact on the Group's operating results or financial position and the Management's response;
- make recommendations to the Board on the proposal to the Shareholders on the appointment, re-appointment and removal of external auditors and approving the remuneration and terms of engagement of the external auditors;
- review the quarterly announcements and annual financial statements, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the SGX-ST Listing Manual and any other relevant statutory or regulatory requirements;
- review the significant reporting issues and judgements so as to ensure integrity of the financial statements of the Group and any announcements relating to the Group's financial performance;
- review the material internal control procedures, comprising financial, operational, compliance and information technology controls and ensure co-ordination between the external auditors and the Management, and review the assistance given by the Management to the auditors, and discuss problems and concerns, if any, arising from audits, and any matters which the auditors may wish to discuss (in the absence of the Management, where necessary);
- approve the Group's internal audit plans;
- monitor the implication of outstanding internal control weaknesses highlighted by the internal and external auditors;
- review interested person transactions (if any) falling within the scope of Chapter 9 of the Listing Manual (including any entrusted loans that may be provided to interested persons prior to such loans being entered into to ensure that (i) the terms and (ii) the grant of the entrusted loans (taking into account various factors that may include but are not limited to the rationale for the grant, the creditworthiness of the borrower and the interest rate payable to the Group) are not prejudicial to the Group and the Shareholders);
- review potential conflicts of interest, if any;
- review and consider transactions in which there may be potential conflicts of interests between the Group and the interested persons and recommend whether those who are in a position of conflict should abstain from participating in any discussions or deliberations of the Board or voting on resolutions of the Board or the Shareholders in relation to such transactions as well as to ensure that proper measures to mitigate such conflicts of interest have been put in place;
- review key financial risk areas, with a view to providing an independent oversight on the Group's financial reporting, the outcome of such review will be disclosed in the annual reports or if there are material findings, to be immediately announced via SGXNET;
- review and recommend hedging policies and instruments, if any, to be implemented by the Company to the Directors;
- review the suitability of the Chief Financial Officer;
- review the effectiveness of the Company's internal audit function, if applicable;
- undertake such other reviews and projects as may be requested by the Board, and report to the Board its finding from time to time on matters arising and requiring the attention of the Audit Committee; and
- undertake such other functions and duties as may be required by statute or the Listing Manual, or by such amendments as may be made thereto from time to time on a quarterly basis.

Apart from the abovementioned duties, the Audit Committee shall commission and review the findings of internal investigations in the event of suspected fraud, irregularity, failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material adverse impact on the Group's operating results and/or financial position.

The Audit Committee has full access to and the cooperation from the Management, along with the full discretion to invite any Director or Key Executive Officer to attend its meetings, and reasonable resources to enable it to discharge its function properly. The Board considers Mr. Joel Leong Kum Hoe, well qualified to chair the Audit Committee. The Key Executive Officers of the Company attend meetings of the Audit Committee on invitation.

The Company has put in place a whistle-blowing policy and the Audit Committee has the authority to conduct independent investigations into any complaints. The Audit Committee oversees the administration of whistle-blowing policy. Periodic reports will be submitted to the Audit Committee stating the number of and details of complaints received, the results of the investigations and follow-up actions. There were no reported incidents under the whistle-blowing policy for the financial year under review.

CORPORATE GOVERNANCE REPORT

As at to-date, no reports of fraudulent or inappropriate activities or malpractices have been received.

No former Partner or Director of the Company's existing auditing firm or auditing corporation has acted as a member of the Company's Audit Committee: (a) within a period of 2 years commencing on the date of his/her ceasing to be a Partner of the auditing firm or Director of the auditing corporation; and in any case (b) for as long as he/she has any financial interest in the auditing firm or auditing corporation.

During the year, the Audit Committee has met with the external auditor and internal auditor without the presence of Management. The Audit Committee has also reviewed all non-audit services provided by the external auditors to ensure that the provision of these services did not affect the independence of auditors. The amount of fees paid to the auditors in respect of the audit and non-audit services for the year under review can be found on page 69 of the Annual Report. The Audit Committee has reviewed the non-audit services provided by the external auditor and is satisfied that the nature and extent of such services would not prejudice the independence and objectivity of the external auditor and accordingly, has recommended the re-appointment of the external auditor at the forthcoming annual general meeting.

The Audit Committee is kept abreast of changes to the accounting standards and issues which have a direct impact on the financial statements by the external auditor.

In appointing the audit firm for the Group, the Audit Committee takes into account several factors such as the adequacy of resources and experience of the auditing firm, the audit engagement partner assigned to the audit, the firm's other audit engagements, the size and complexity of the Group being audited as well as the number and experience of supervisory and professional staff assigned to the audit. The Audit Committee is satisfied that the Company has complied with the Listing Rules 712 and 715. The Board and Audit Committee have reviewed and confirmed the suitability of the appointment of different auditors for the Group's certain insignificant associated companies incorporated in Singapore and are satisfied that the said appointment would not compromise the standard and effectiveness of the audit of the Group.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 11: Shareholder Rights and Conduct of General Meetings

The Company treats all Shareholders fairly and equitably in order to enable them to exercise Shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives its Shareholders a balanced and understandable assessment of its performance, position and prospects.

Principle 12: Engagement with Shareholders

The Company communicates regularly with its Shareholders and facilitates the participation of Shareholders during general meetings and other dialogues to allow Shareholders to communicate their views on various matters affecting the Company.

Principle 13: Engagement with Stakeholders

The Board adopts an inclusive approach by considering and balancing the needs and interests of material Stakeholders, as part of its overall responsibility to ensure that the best interests of the Company are served.

The Company is mindful of its obligation to ensure a timely and adequate disclosure of information on matters of material impact on the Company to its Shareholders, in compliance with the requirements set out in the SGX-ST Listing Manual. All announcements, annual reports and sustainability reports are released via SGX-ST and published at the Company's website: www.brc.com.sg.

In presenting the annual financial statements and announcements of financial results to Shareholders, the Board has a responsibility to present a fair assessment of the Group's financial performance and position including the prospects of the Group. The Board is mindful of the obligation to provide timely and fair disclosure of material information and price sensitive information. The Management is accountable to the Board while Board is accountable to the Shareholders.

The Company encourages Shareholders' participation at the Company's annual general meetings. The annual general meeting is the principal forum for dialogue with Shareholders. There is an open question and answer session at which Shareholders may raise questions or share their views regarding the proposed resolutions as well as the Company's businesses and affairs. The Company has engaged Sino-Lion Communications Pte Ltd as its investor relations consultant to facilitate effective and efficient communications with its Shareholders.

CORPORATE GOVERNANCE REPORT

The Company ensures that sufficient explanations of all resolutions are included in the notice of the annual general meeting. At the annual general meeting, the Company makes available the Chairman of the Board and Chairman of the respective Audit, Nominating and Remuneration Committees as well as the Company's auditor and other advisors to provide answers to Shareholders' queries. Key Executive Officers of the Group are also present to address any queries which Shareholders may have. All Directors, Chief Financial Officer, Company Secretary and external auditor were present at the last annual general meeting held on 30 January 2019.

Attendance by proxies is allowed as stipulated in the Constitution and Act. The Company's Constitution allows a member of the Company who is not a relevant intermediary to appoint not more than two proxies to attend, speak and vote at general meetings. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the general meetings provided that each proxy must be appointed to exercise the rights attached to the shares held by such member. The Board believes that it would not promote greater efficiency or effective decision making nor would it be cost effective to lift the limit on the number of proxies for a member who is not a relevant intermediary. The Board does not implement absentia-voting methods by mail, e-mail or fax, until issues on security and integrity are satisfactorily resolved. All Shareholders have the opportunity to participate effectively in and vote at general meetings. Separate resolutions on each distinct issue are tabled at general meetings. "Bundling" of resolutions are kept to a minimum and executed only where the resolutions are interdependent as to form one significant proposal and only where there are reasons and material implications involved.

At the annual general meeting of the Company held on 30 January 2019, the Company put all resolutions tabled to vote by poll. The voting results of all votes cast in respect of each resolution and the respective percentages were displayed at the meeting and announced in a timely manner via SGXNET after the meeting.

The proceedings of the annual general meeting and extraordinary general meeting (if any) are properly recorded, including all comments or queries raised by Shareholders relating to the agenda of the meeting and responses from the Board and Management. All minutes of general meetings are available to Shareholders upon their request.

The Company welcomes feedback from Stakeholders with regards to the Company's sustainability efforts. The Stakeholders may send feedback to the Company at: info@brc.com.sg.

Dividends

The Company has adopted a dividend policy that aims to provide Shareholders of the Company with a target annual dividend payout of not less than 30% of net profit attributable to Shareholders, excluding non-recurring, one-off and exceptional items, for the financial years ended 30 September 2019 ("**FY2019**") and 30 September 2020 ("**FY2020**"). For more details with regards to the dividend policy for FY2019 and FY2020, please refer to the announcement released by the Company on 13 May 2019.

The dividend policy is subject to the Board's continuing determination that the policy shall be in the best interest of the Group and its Shareholders, and are in compliance with all applicable laws and regulations. The Board will continually review the dividend policy and reserves the rights in its sole and absolute discretion to update, amend, modify and/or cancel the dividend policy at any time.

Investors should note that the foregoing statement of the Company's dividend policy is a statement of the Board's present intention and does not constitute a legal binding obligation of the Group to declare a dividend at any time or from time to time.

Corporate Social Responsibility

Apart from creating long term value for its Stakeholders and upholding high standards of governance, the Company recognises the importance of environmental sustainability and social responsibilities.

The Company has in place proper procedures for recycling and disposal of steel scrap. In addition, the Company has been involved in giving to the less fortunate communities by way of donations.

The Company will publish its standalone sustainability report for the financial year under review within the prescribed timeline and the same will be uploaded on the Company's website and SGXNET.

Interested Person Transactions

The Company has set out the procedures for review and approval of the Group's interested person transactions. All interested person transactions entered into by the Group is submitted to the Audit Committee for review on a quarterly basis.

CORPORATE GOVERNANCE REPORT

Disclosure according to Rule 907 of the SGX-ST Listing Manual in respect of interested person transactions for the financial year ended 30 September 2019 is stated in the table below:

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) (S\$'000)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000) (S\$'000)
Esteel Enterprise Pte. Ltd. - Loan facility interest	1,523	Nil
Shanghai Emetal Hong Energy Co., Ltd. - Steel hedging contractual price differential • payable to • receivable from - Sales commission income	4,075 1,177 156	Nil Nil Nil

The Company does not have a general mandate from Shareholders for interested person transactions pursuant to Rule 920 of the SGX- ST Listing Manual.

It has set out the procedures for review and approval of the Group's interested person transactions.

Risk Management

The Board acknowledges that risks are inherent in business and views the taking of risks as a prelude to generating returns. However, the Board's policy is that risks should be managed in order to reduce the variability of returns. The Board regularly reviews and improves its business and operational activities to identify areas of significant business risks as well as take appropriate measures to control and mitigate these risks.

The primary responsibility for identifying business risks lies with Management, who then tables and recommends processes to the Board for their deliberation and for formulating policies to deal with the risks. The Board approves the recommended processes for managing risks which may include but not limited to optimisation, hedging, reduction of exposure or limiting possible losses through controls.

Material Contracts

There were no material contracts of the Group involving the interests of any Director or controlling shareholders subsisting at the end of the financial year ended 30 September 2019 or if not then subsisting, entered into since the previous financial year.

Utilisation of Proceeds

There have been no proceeds raised in the financial year under review and no outstanding proceeds from previous fund raising.

Dealing in the Company's Securities

The Group's internal code on dealing in Company's securities is in place and there has not been any incidence of non-compliance. The Company has informed its Directors and Officers not to deal in the Company's shares whilst they are in possession of unpublished material and price-sensitive information and during the period commencing two weeks before the announcement of the Company's financial results for each of the first three quarters of its financial year and one month before the announcement of the Company's full year financial statements. The Directors and Officers of the Company are also advised not to deal in the Company's securities on short-term considerations.

The Directors and Officers are also advised to observe insider trading provisions under the Securities and Futures Act (Chapter 289) at all times even when dealing in the Company's securities within the permitted periods. Directors of the Company are required to report all dealings to the Company Secretary. The Company Secretary ensures that all disclosure announcements are released to SGX-ST within the prescribed timeline.

In view of the processes in place, in the opinion of the Board, the Company has complied with Rule 1207(19) of the Listing Manual issued by SGX-ST on dealing in securities.

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DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of BRC Asia Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 30 September 2019.

Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 September 2019 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

The directors of the Company in office at the date of this report are:

Teo Ser Luck
Seah Kiin Peng
Xu Jiguo
Zhang Xingwang
Darrell Lim Chee Lek (appointed on 14 February 2019)
Joel Leong Kum Hoe
He Jun
Chang Pui Yook

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

No director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, at the end of the financial year and 21 October 2019.

Share options

- (a) Options to take up unissued shares

During the financial year, no option to take up unissued shares of the Company or any corporation in the Group was granted.

- (b) Options exercised

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

- (c) Unissued shares under options

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under options.

DIRECTORS' STATEMENT

Audit Committee

The Audit Committee performed the functions specified in the Singapore Companies Act, Chapter 50. The functions performed are detailed in the Report on Corporate Governance.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the Board of Directors,

Seah Kiin Peng
Director

Xu Jiguo
Director

Singapore
9 January 2020

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 September 2019
Independent auditor's report to the members of BRC Asia Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of BRC Asia Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 30 September 2019, the statements of changes in equity of the Group and the Company and the consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) (SFRS(I)) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 30 September 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") *Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities* ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Impairment of trade receivables

Trade receivable balances are significant to the Group as they represent 35% of the Group's current assets and trade receivables carried at amortised cost are subject to expected credit loss assessment at year end. The expected credit loss assessment requires significant management estimation over the correlation between historical observed default rates and forecast economic conditions. Consequently, we determined that this is a key audit matter.

Our audit procedures included, amongst others, evaluating the Group's processes and controls for monitoring and identifying trade receivables with collection risks. We reviewed management's assessment on the adoption of SFRS(I) 9 *Financial Instruments*. In particular, we tested the inputs used by management in computing the historical loss rate and evaluated the basis used for the forward-looking adjustment in determining the expected credit loss rate. We also checked the mathematical accuracy of the expected credit loss allowance and assessed the adequacy of the Group's disclosures on the trade receivables and the related risks such as credit risk and liquidity risk in Notes 35(a) and 35(b) to the financial statements.

Provision for onerous contracts

As at 30 September 2019, the Group recognised provisions for onerous contracts amounting to \$7.2 million. The process of estimating provision for onerous contracts requires management's judgement on the estimated unavoidable costs of meeting its contractual obligations based on the inventory on hand, plus estimated costs of inventory purchases and conversion costs required. Consequently, we determined that this is a key audit matter.

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 September 2019
Independent auditor's report to the members of BRC Asia Limited

Key audit matters (cont'd)

Provision for onerous contracts (cont'd)

Our audit procedures included, amongst others, evaluating the Group's process for identifying onerous contracts. We tested the completeness of this identification against open sales orders and current year sales as well as through analysis of the underlying contracts in place. In particular, we evaluated management's assessment for the unavoidable costs in meeting the obligations under these contracts. We also checked the mathematical accuracy of management's computation of the provision for onerous contracts and assessed the adequacy of the Group's disclosures on provision for onerous contracts in Note 26 of the financial statements.

Impairment of investment in subsidiary

As at 30 September 2019, the Company's investment in subsidiaries amounted to \$229.4 million. Based on management's assessment, indicators of impairment were noted in the cost of investment for a subsidiary. Management prepared a discounted cash flow analysis to determine the recoverable amount of the subsidiary using a value in use ("VIU") model and concluded that no impairment was required as at 30 September 2019 as the recoverable amount exceeds the carrying amount. This resulted in a reversal of impairment loss of \$3.8 million that had been previously provided for.

The VIU calculation was determined based on a number of significant assumptions such as forecasted revenue, profit margin, terminal growth rate and discount rate. These estimates require significant management judgement. As such, we determined that this is a key audit matter.

Our audit procedures included, amongst others, assessing the reasonableness of management's assumptions applied in the VIU calculation based on our knowledge of the subsidiary's operations and past performance. In addition, we reviewed management's analysis of sensitivity of the recoverable amount to significant changes in the respective key assumptions. We have also assessed the adequacy of the disclosures in Note 14 to the financial statements.

Other information

Management is responsible for other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of management and directors for the financial statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

The directors' responsibilities include overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 30 September 2019
Independent auditor's report to the members of BRC Asia Limited

Auditor's responsibilities for the audit of the financial statements (cont'd)

detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Ho Shyan Yan.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
9 January 2020

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 September 2019

	Note	2019 \$'000	2018 \$'000
Revenue	4	913,287	567,009
Cost of sales		(836,717)	(521,938)
Gross profit		76,570	45,071
Other income	5	2,842	2,482
Expenses			
Distribution expenses		(5,934)	(5,129)
Administrative expenses		(12,967)	(13,346)
Finance costs	6	(9,575)	(5,202)
Other operating expenses		(9,114)	(4,857)
Impairment loss on trade receivables	19	(2,538)	(2,541)
Share of results of joint venture	15	1,282	777
Share of results of associates	16	(2,131)	(1,605)
Profit before tax from continuing operations	7	38,435	15,650
Income tax expense	9	(6,873)	(3,607)
Profit from continuing operations, net of tax		31,562	12,043
Discontinued operation			
Loss on disposal of subsidiary	10	-	(863)
Profit, net of tax	10	-	1,116
Profit from discontinued operation, net of tax		-	253
Profit for the year		31,562	12,296
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		(25)	-
Items that may be reclassified subsequently to profit or loss			
Net fair value loss on available-for-sale financial assets		-	(5)
Net exchange gain on net investment in foreign operations		250	398
Foreign currency translation:			
Exchange differences on translation of foreign operations		(161)	288
Reclassifications		-	(67)
Other comprehensive income for the year, net of tax		64	614
Total comprehensive income for the year		31,626	12,910

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 30 September 2019

	Note	2019 \$'000	2018 \$'000
Profit for the year attributable to:			
Owners of the Company			
Profit from continuing operations, net of tax		31,562	12,043
Loss from discontinued operation, net of tax		-	(293)
		31,562	11,750
Non-controlling interest			
Profit from discontinued operation, net of tax		-	546
		-	546
		31,562	12,296
Total comprehensive income for the year attributable to:			
Owners of the Company		31,626	12,291
Non-controlling interests		-	619
		31,626	12,910
Total comprehensive income for the year attributable to owners of the Company:			
Profit from continuing operations, net of tax		31,626	12,582
Loss from discontinued operation, net of tax		-	(291)
		31,626	12,291
Basic earnings per share from continuing operations (cents)	11	13.53	5.57
Basic earnings per share (cents)	11	13.53	5.43

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 30 September 2019

	Note	30.9.2019	Group 30.9.2018	1.10.2017	30.9.2019	Company 30.9.2018	1.10.2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Non-current assets							
Property, plant and equipment	12	134,110	148,978	89,136	52,793	60,042	65,942
Investment properties	13	2,402	2,471	–	–	–	–
Investment in subsidiaries	14	–	–	–	229,359	225,559	26,371
Interest in joint venture	15	7,220	12,116	11,650	6,076	6,076	6,076
Interest in associates	16	18,951	11,477	6,714	24,200	13,505	8,807
Investment securities	17	84	109	1,614	84	109	1,614
Loan to investee company	19	–	–	1,500	–	–	1,500
		162,767	175,151	110,614	312,512	305,291	110,310
Current assets							
Inventories	18	231,891	270,249	111,433	127,132	158,032	103,376
Trade and other receivables	19	195,315	180,725	75,516	126,798	88,271	85,487
Prepayments		7,902	4,526	1,022	7,397	4,025	259
Deposits		228	300	255	133	131	235
Derivatives	21	656	–	–	505	–	–
Asset held for sale	20	30,049	26,711	–	–	–	–
Cash and cash equivalents	22	65,778	41,080	23,989	24,656	15,591	19,673
		531,819	523,591	212,215	286,621	266,050	209,030
Total assets		694,586	698,742	322,829	599,133	571,341	319,340
Current liabilities							
Trade and other payables	23	67,164	58,210	69,049	58,576	61,379	61,031
Contract liabilities	4(c)	4,023	3,178	443	534	2,449	161
Loans and borrowings	24	245,839	255,838	52,376	134,190	140,691	52,376
Loan from immediate holding company	25	23,100	–	–	23,100	–	–
Provisions	26	8,668	20,066	11,667	5,092	4,998	11,438
Derivatives	21	–	325	344	–	239	344
Current income tax liabilities		9,064	5,115	2,808	5,292	2,665	2,808
		357,858	342,732	136,687	226,784	212,421	128,158
Net current assets		173,961	180,859	75,528	59,837	53,629	80,872
Non-current liabilities							
Provisions	26	1,003	993	408	254	244	408
Loans and borrowings	24	60,658	82,265	10,772	60,113	79,948	10,772
Deferred tax liabilities	27	12,139	12,616	6,785	6,358	7,258	6,785
Loan from immediate holding company	25	–	23,100	–	–	23,100	–
		73,800	118,974	17,965	66,725	110,550	17,965
Total liabilities		431,658	461,706	154,652	293,509	322,971	146,123
Net assets		262,928	237,036	168,177	305,624	248,370	173,217

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

As at 30 September 2019

		Group			Company		
	Note	30.9.2019	30.9.2018	1.10.2017	30.9.2019	30.9.2018	1.10.2017
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Share capital	28	125,001	125,001	68,011	125,001	125,001	68,011
Treasury shares	28	(1,105)	(1,105)	(1,105)	(1,105)	(1,105)	(1,105)
Other reserves	29	(2,154)	(2,218)	(1,879)	521	546	1,436
Retained earnings		141,186	115,358	102,728	181,207	123,928	104,875
Equity attributable to owners of the Company		262,928	237,036	167,755	305,624	248,370	173,217
Non-controlling interests		-	-	422	-	-	-
Total equity		262,928	237,036	168,177	305,624	248,370	173,217
Total equity and liabilities		694,586	698,742	322,829	599,133	571,341	319,340

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 September 2019

Group	Note	Attributable to owners of the Company					Non-controlling interests	Total equity
		Share capital	Treasury shares	Other reserves	Retained earnings	Total		
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance at 1 October 2017		68,011	(1,105)	(1,879)	102,728	167,755	422	168,177
Profit for the year		-	-	-	11,750	11,750	546	12,296
Other comprehensive income for the year		-	-	541	-	541	73	614
Total comprehensive income for the year		-	-	541	11,750	12,291	619	12,910
Conversion of bonds	24	10,000	-	-	-	10,000	-	10,000
Issuance of shares	28	46,990	-	-	-	46,990	-	46,990
Capital contribution from non-controlling interest		-	-	-	-	-	840	840
Total contributions by and distributions to owners		56,990	-	-	-	56,990	840	57,830
Acquisition of non-controlling interests without a change in control		-	-	5	(5)	-	(9)	(9)
Disposal of a subsidiary		-	-	-	-	-	(1,872)	(1,872)
Total changes in ownership interests in subsidiaries		-	-	5	(5)	-	(1,881)	(1,881)
Total transactions with owners in their capacity as owners		56,990	-	5	(5)	56,990	(1,041)	55,949
Employee share options cancelled		-	-	(885)	885	-	-	-
Balance at 30 September 2018 and 1 October 2018		125,001	(1,105)	(2,218)	115,358	237,036	-	237,036
Effect of the adoption of SFRS(I)	2.2	-	-	-	(3,401)	(3,401)	-	(3,401)
Balance at 1 October 2018 – SFRS(I) framework		125,001	(1,105)	(2,218)	111,957	233,635	-	233,635
Profit for the year		-	-	-	31,562	31,562	-	31,562
Other comprehensive income for the year		-	-	64	-	64	-	64
Total comprehensive income for the year		-	-	64	31,562	31,626	-	31,626
Cash dividends on ordinary shares	30	-	-	-	(2,333)	(2,333)	-	(2,333)
Total contributions by and distributions to owners		-	-	-	(2,333)	(2,333)	-	(2,333)
Balance at 30 September 2019		125,001	(1,105)	(2,154)	141,186	262,928	-	262,928

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the financial year ended 30 September 2019

	Note	Share capital \$'000	Treasury shares \$'000	Other reserves \$'000	Retained earnings \$'000	Total equity \$'000
Company						
Balance at 1 October 2017		68,011	(1,105)	1,436	104,875	173,217
Profit for the year		-	-	-	18,168	18,168
Other comprehensive income for the year		-	-	(5)	-	(5)
Total comprehensive income for the year		-	-	(5)	18,168	18,163
Conversion of bonds	24	10,000	-	-	-	10,000
Issuance of shares	28	46,990	-	-	-	46,990
Total contributions by and distributions to owners		56,990	-	-	-	56,990
Employee share options cancelled		-	-	(885)	885	-
Balance at 30 September 2018 and 1 October 2018		125,001	(1,105)	546	123,928	248,370
Effect of the adoption of SFRS(I)	2.2	-	-	-	(1,455)	(1,455)
Balance at 1 October 2018 – SFRS(I) framework		125,001	(1,105)	546	122,473	246,915
Profit for the year		-	-	-	61,067	61,067
Other comprehensive income for the year		-	-	(25)	-	(25)
Total comprehensive income for the year		-	-	(25)	61,067	61,042
Cash dividends on ordinary shares	30	-	-	-	(2,333)	(2,333)
Total contributions by and distributions to owners		-	-	-	(2,333)	(2,333)
Balance at 30 September 2019		125,001	(1,105)	521	181,207	305,624

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 30 September 2019

	Note	2019 \$'000	2018 \$'000
Operating activities			
Profit before tax from continuing operations		38,435	15,650
Profit before tax from discontinued operation		-	270
		38,435	15,920
Adjustments for:			
Share of results of joint venture	15	(1,282)	(777)
Share of results of associates	16	2,131	1,605
Amortisation of club memberships		-	12
Depreciation of investment properties	13	69	23
Depreciation of property, plant and equipment	12	15,938	10,829
Write-off of property, plant and equipment	7	304	4
Impairment loss on property, plant and equipment	12	1,816	-
Allowance for inventory obsolescence	18	567	578
Impairment loss on trade receivables, net	19	2,538	2,541
Fair value changes on trade receivables subjected to provisional pricing	7	1,349	-
Fair value changes on derivatives, net	21	(981)	380
Loss/(gain) on disposal of property, plant and equipment	7	280	(22)
Gain on disposal of club memberships		-	(455)
Goodwill on acquisition of subsidiary written off	14	-	55
Loss on disposal of investment in a subsidiary	10	-	863
Bad debts recovered		(40)	-
Bad debts written off		-	14
Reversal of provision for onerous contracts	7	(12,849)	(11,983)
Provision for retirement benefits	8	10	22
Provision for restoration costs		1,452	-
Unrealised exchange differences		106	(869)
Interest expense		9,575	5,202
Interest income	5	(1,040)	(1,153)
Dividend income from investment securities	5	(2)	(5)
Operating cash flow before working capital changes		58,376	22,784
Changes in working capital			
Trade and other receivables		(15,710)	(4,777)
Inventories		37,791	(42,614)
Prepayments and deposits		(3,304)	(2,646)
Development costs for asset held for sale		(3,338)	(211)
Trade and other payables and contract liabilities		8,182	19,808
Cash flows generated from/(used in) operations		81,997	(7,656)
Income taxes paid		(2,704)	(3,075)
Retirement benefits paid	26	-	(186)
Net cash flows generated from/(used in) operating activities		79,293	(10,917)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 30 September 2019

	Note	2019 \$'000	2018 \$'000
Investing activities			
Purchase of property, plant and equipment	12	(2,298)	(26,865)
Acquisition of non-controlling interests		-	(9)
Proceeds from disposal of property, plant and equipment		160	586
Proceeds from disposal of club memberships		-	810
Net cash inflow on disposal of a subsidiary	10	-	936
Capital contribution from non-controlling interest of a subsidiary		-	840
Net cash outflow from acquisition of subsidiaries	14	-	(142,334)
Proceeds from disposal of investment securities		-	1,500
Proceeds from repayment of loan from investee company		-	1,500
Interest received		198	694
Dividend income from investment securities		2	5
Dividend income from an associate	16	1,050	-
Long term loan to an associate company		(10,425)	(4,632)
Net cash flows used in investing activities		(11,313)	(166,969)
Financing activities			
Repayment of finance lease obligations	24	(3,093)	(2,504)
(Repayment of)/proceeds from bills payable, net	24	(15,057)	52,552
Proceeds from bank loans		67,290	129,311
Repayment of bank loans		(80,746)	(50,000)
Proceeds from issuance of shares	28	-	46,990
Proceeds from loan from immediate holding company, net		-	23,100
Dividends paid on ordinary shares	30	(2,333)	-
Interest paid		(9,410)	(4,490)
Net cash flows (used in)/generated from financing activities		(43,349)	194,959
Net increase in cash and cash equivalents		24,631	17,073
Cash and cash equivalents at beginning of year		41,080	23,989
Effects of exchange rate changes on cash and cash equivalents		67	18
Cash and cash equivalents at end of year	22	65,778	41,080

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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. The principal activities of the subsidiaries are disclosed in Note 14 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (International) ("SFRS(I)").

For all periods up to and including the year ended 30 September 2018, the Group prepared its financial statements in accordance with Financial Reporting Standards in Singapore ("FRS"). These financial statements for the year ended 30 September 2019 are the first the Group has prepared in accordance with SFRS(I). Refer to Note 2.2 for information on how the Group adopted SFRS(I).

The financial statements have been prepared on the historical cost basis except as disclosed in the accounting policies below.

The 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.

2.2 First-time adoption of SFRS(I)

These financial statements for the year ended 30 September 2019 are the first the Group and the Company have prepared in accordance with SFRS(I). Accordingly, the Group and the Company have prepared financial statements that comply with SFRS(I) applicable as at 30 September 2019, together with the comparative period data for the year ended 30 September 2018, as described in the summary of significant accounting policies. On preparing the financial statements, the Group's and the Company's opening balance sheets were prepared as at 1 October 2017, the Group's and the Company's date of transition to SFRS(I).

The principal adjustments made by the Group on adoption of SFRS(I) and the adoption of the new standards that are effective on 1 October 2018 are disclosed below.

Exemptions applied on adoption of SFRS(I)

SFRS(I) allows first-time adopters exemptions from the retrospective application of certain requirements under SFRS(I). The Group has applied the exemption whereby the comparative information do not comply with SFRS(I) 9 *Financial Instruments* or SFRS(I) 7 *Financial Instruments: Disclosures* to the extent the disclosures relate to items within the scope of SFRS(I) 9.

New accounting standards effective on 1 October 2018

The accounting policies adopted are consistent with those previously applied under FRS except that in the current financial year, the Group has adopted all the SFRS(I) which are effective for annual financial periods beginning on or after 1 October 2018. Except for the impact arising from the exemptions applied as described above and the adoption of SFRS(I) 9 and SFRS(I) 15 described below, the adoption of these standards did not have any material effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

2.2 First-time adoption of SFRS(I) (cont'd)

New accounting standards effective on 1 October 2018 (cont'd)

SFRS(I) 9 Financial Instruments

On 1 October 2018, the Group adopted SFRS(I) 9, which is effective for annual periods beginning on or after 1 October 2018.

The changes arising from the adoption of SFRS(I) 9 have been applied retrospectively. The Group has elected to apply the exemption in SFRS(I) 1 and has not restated comparative information in the year of initial application. The impact arising from SFRS(I) 9 adoption was included in the opening retained earnings at the date of initial application, 1 October 2018. The comparative information was prepared in accordance with the requirements of FRS 39.

(a) Classification and measurement

SFRS(I) 9 requires debt instruments to be measured either at amortised cost, fair value through other comprehensive income ("FVOCI") or fair value through profit or loss ("FVPL"). Classification of debt instruments depends on the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest ("SPPI"). An entity's business model is how an entity manages its financial assets in order to generate cash flows and create value for the entity either from collecting contractual cash flows, selling financial assets or both. If a debt instrument is held to collect contractual cash flows, it is measured at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held both to collect the assets' contractual cash flows and to sell the assets are measured at FVOCI. Financial assets are measured at FVPL if they do not meet the criteria of FVOCI or amortised cost.

Debt instruments

The Group intends to hold its financial assets to collect contractual cash flows, and accordingly measured them at amortised cost when it applies SFRS(I) 9. The adoption did not have a significant impact to the Group apart from the change in classification and measurement of balances relating to provisionally priced trade receivables.

Under SFRS(I) 9, trade receivables that are subjected to provisional pricing will fail the SPPI test as it is exposed to future price movements. Therefore, the entire receivable is now required to be measured at fair value through profit or loss, with subsequent changes in fair value recognised in the statement of comprehensive income. This resulted in a change of classification from amortised cost to FVPL on 1 October 2018. As a result, there is a decrease in carrying value of \$1,582,000 and \$749,000 due to fair value adjustment for the Group and Company respectively, with a corresponding decrease in retained earnings as at 1 October 2018.

Equity instruments

SFRS(I) 9 requires all equity instruments to be carried at fair value through profit or loss, unless an entity chooses on initial recognition, to present fair value changes in other comprehensive income.

For equity securities, the Group has elected to measure its available-for-sale ("AFS") quoted equity securities at FVOCI. There is no impact upon adoption as at 1 October 2018.

(b) Impairment

SFRS(I) 9 requires the Group to record expected credit losses on all its financial assets measured at amortised cost or FVOCI and financial guarantees. The Group previously recorded impairment based on the incurred loss model when there is objective evidence that a financial asset is impaired.

Upon adoption of SFRS(I) 9, the Group recognised additional impairment on the Group's trade receivables carried at amortised cost of \$4,606,000. The additional impairment loss recognised arising from adoption of SFRS(I) 9 resulted in a decrease in retained earnings of \$2,516,000 and a recognition of reimbursement asset of \$2,090,000 as at 1 October 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

2.2 First-time adoption of SFRS(I) (cont'd)

SFRS(I) 9 Financial Instruments (cont'd)

(b) Impairment (cont'd)

The Company recognised an additional impairment on the Company's trade receivables carried at amortised cost of \$1,004,000 with a corresponding decrease in retained earnings as at 1 October 2018.

The reconciliation for loss allowance for the Group and Company are as follow:

Trade receivables	Group \$'000	Company \$'000
Opening loss allowance as at 1 October 2018	2,790	466
Amount restated through retained earnings	4,606	1,004
Amount classified to trade receivables carried at FVPL	(23)	-
Adjusted loss allowance as at 1 October 2018	7,373	1,470

(c) Tax adjustments and other adjustments

The corresponding tax impact to the Group arising from the adoption of SFRS(I) 9 resulted in a decrease in deferred tax liabilities of \$697,000 and a corresponding increase in retained earnings.

The corresponding tax impact to the Company arising from the adoption of SFRS(I) 9 resulted in a decrease in deferred tax liabilities of \$298,000 and a corresponding increase in retained earnings.

SFRS(I) 15 Revenue from Contracts with Customers

The Group adopted SFRS(I) 15 which is effective for annual periods beginning on or after 1 October 2018.

The Group is in the business of sales of the prefabrication of steel reinforcement for use in concrete, trading of steel reinforcing bars, and manufacturing and sale of wire mesh fences. The key impact of adopting SFRS(I) 15 is summarised as detailed as follows:

Variable consideration

For the sale of prefabrication of steel reinforcement, some contracts with customers provide prompt payment discount, as well as sales discounts. In addition, the Group enters into contracts which incorporate price fluctuation clause which allow for price adjustment based on changes in steel reinforcement prices for the stipulated delivery month.

Such provisions give rise to variable consideration under SFRS(I) 15. The Group previously recognised revenue from the sale of goods measured at the fair value of the consideration received or receivable, net of these discounts and price adjustments.

The Group applied the "most likely amount method" in estimating the variable consideration to which it will be entitled and there has been no significant impact upon adoption of SFRS(I) 15.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 30 September 2018 and 1 October 2018 to the balance sheet of the Group. The adoption of SFRS(I) does not have any impact to the balance sheet of the Group as at 1 October 2017.

Group	30.9.2018 (FRS) \$'000	SFRS(I) 9 adjustments \$'000	1.10.2018 (SFRS(I)) \$'000
Non-current assets			
Property, plant and equipment	148,978	-	148,978
Investment properties	2,471	-	2,471
Interest in joint venture	12,116	-	12,116
Interest in associates	11,477	-	11,477
Investment securities	109	-	109
	175,151	-	175,151
Current assets			
Inventories	270,249	-	270,249
Trade and other receivables	180,725	(4,098)	176,627
Prepayments	4,526	-	4,526
Deposits	300	-	300
Asset held for sale	26,711	-	26,711
Cash and cash equivalents	41,080	-	41,080
	523,591	(4,098)	519,493
Total assets	698,742	(4,098)	694,644
Current liabilities			
Trade and other payables	58,210	-	58,210
Contract liabilities	3,178	-	3,178
Loans and borrowings	255,838	-	255,838
Provisions	20,066	-	20,066
Derivatives	325	-	325
Current income tax liabilities	5,115	-	5,115
	342,732	-	342,732
Net current assets	180,859	(4,098)	176,761
Non-current liabilities			
Provisions	993	-	993
Loans and borrowings	82,265	-	82,265
Deferred tax liabilities	12,616	(697)	11,919
Loan from immediate holding company	23,100	-	23,100
	118,974	(697)	118,277
Total liabilities	461,706	(697)	461,009
Net assets	237,036	(3,401)	233,635
Equity attributable to owners of the Company			
Share capital	125,001	-	125,001
Treasury shares	(1,105)	-	(1,105)
Other reserves	(2,218)	-	(2,218)
Retained earnings	115,358	(3,401)	111,957
Total equity	237,036	(3,401)	233,635

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

2.2 First-time adoption of SFRS(I) (cont'd)

The following is the reconciliation of the impact arising from first-time adoption of SFRS(I) including application of the new accounting standards on 30 September 2018 and 1 October 2018 to the balance sheet of the Company. The adoption of SFRS(I) does not have any impact to the balance sheet of the Company as at 1 October 2017.

Company	30.9.2018 (FRS) \$'000	SFRS(I) 9 adjustments \$'000	1.10.2018 (SFRS(I)) \$'000
Non-current assets			
Property, plant and equipment	60,042	-	60,042
Investment in subsidiaries	225,559	-	225,559
Interest in joint venture	6,076	-	6,076
Interest in associates	13,505	-	13,505
Investment securities	109	-	109
	305,291	-	305,291
Current assets			
Inventories	158,032	-	158,032
Trade and other receivables	88,271	(1,753)	86,518
Prepayments	4,025	-	4,025
Deposits	131	-	131
Cash and cash equivalents	15,591	-	15,591
	266,050	(1,753)	264,297
Total assets	571,341	(1,753)	569,588
Current liabilities			
Trade and other payables	61,379	-	61,379
Contract liabilities	2,449	-	2,449
Loans and borrowings	140,691	-	140,691
Provisions	4,998	-	4,998
Derivatives	239	-	239
Current income tax liabilities	2,665	-	2,665
	212,421	-	212,421
Net current assets	53,629	(1,753)	51,876
Non-current liabilities			
Provisions	244	-	244
Loans and borrowings	79,948	-	79,948
Deferred tax liabilities	7,258	(298)	6,960
Loan from immediate holding company	23,100	-	23,100
	110,550	(298)	110,252
Total liabilities	322,971	(298)	322,673
Net assets	248,370	(1,455)	246,915
Equity attributable to owners of the Company			
Share capital	125,001	-	125,001
Treasury shares	(1,105)	-	(1,105)
Other reserves	546	-	546
Retained earnings	123,928	(1,455)	122,473
Total equity	248,370	(1,455)	246,915

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

2.3 Standards issued but not yet effective

The Group has not adopted the following standards applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
SFRS(I) 16 <i>Leases</i>	1 January 2019
SFRS(I) INT 23 <i>Uncertainty Over Income Tax Treatments</i>	
Amendments to SFRS(I) 1-28 <i>Long-term interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to SFRS(I) 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to SFRS(I) 1-19 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Annual Improvements to SFRS(I)s 2015 – 2017 Cycle	1 January 2019
Amendments to SFRS(I) 10 & SFRS(I) 1-28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

Except for SFRS(I) 16, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 16 are described below.

SFRS(I) 16 *Leases*

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. SFRS(I) 16 is effective for annual periods beginning on or after 1 January 2019. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

The Group plans to adopt SFRS(I) 16 retrospectively with the cumulative effect of initially applying the standard as an adjustment to the opening retained earnings at the date of initial application, 1 October 2019.

On the adoption of SFRS(I) 16, the Group expects to choose, on a lease-by-lease basis, to measure the right-of-use asset at either:

- (i) its carrying amount as if SFRS(I) 16 had been applied since the commencement date, but discounted using the lessee's incremental borrowing rate as of 1 October 2019; or
- (ii) an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet immediately before 1 October 2019.

In addition, the Group plans to elect the following practical expedients:

- not to reassess whether a contract is, or contains a lease at the date of initial application and to apply SFRS(I) 16 to all contracts that were previously identified as leases;
- to apply the exemption not to recognise right-of-use asset and lease liabilities to leases for which the lease term ends within 12 months as of 1 October 2019; and
- to apply a single discount rate to a portfolio of leases with reasonably similar characteristics.

The Group has performed a preliminary impact assessment based on currently available information, and the assessment may be subject to changes arising from ongoing analysis until the Group adopts SFRS(I) 16 on 1 October 2019.

On the adoption of SFRS(I) 16, the Group expects to recognise an equal amount of right-of-use assets and lease liabilities of \$32,887,000 for its leases previously classified as operating leases (excluding short-term leases).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the end of the reporting period. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company's. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

(b) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets of the acquiree are recognised on the acquisition date at either fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

2.6 Foreign currency

The financial statements are presented in Singapore Dollars, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the closing rate of exchange ruling at the end of the reporting period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the balance sheet date are recognised in the profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss on disposal of the foreign operation.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into Singapore Dollars at the rate of exchange ruling at the end of reporting period and the profit or loss are translated at the weighted average exchange rates for the financial year. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, all property, plant and equipment except for freehold land and a leasehold building are measured at cost less accumulated depreciation and accumulated impairment losses. The leasehold building was initially stated at cost and subsequently measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation.

The valuation of the leasehold building was carried out in 1993 based on the appraisals received from an independent firm of professional valuers and the revaluation surplus was taken to asset revaluation reserve. The Group does not have a policy of periodically revaluing its leasehold buildings as allowed under FRS 16 for one-off revaluation performed between 1 January 1984 and 31 December 1996.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

2.7 Property, plant and equipment (cont'd)

Depreciation is computed on a straight line basis over the estimated useful life of the asset as follows:

Leasehold buildings	-	Over the lease term of between 11 to 36 years
Plant and machinery	-	4 to 15 years
Motor vehicles	-	7 years
Furniture and equipment	-	3 to 5 years
Formwork	-	10 years

Assets under construction are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2.8 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that is held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

Investment properties are initially measured at cost, including transaction costs and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is computed using the straight-line method to allocate their depreciable amount over the estimated useful life as follows:

Leasehold property	-	Over lease term of 45 years
Freehold property	-	30 years

The carrying value of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of investment properties are recognised in profit or loss in the year of retirement or disposal.

2.9 Impairment of non-financial assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

2.9 Impairment of non-financial assets (cont'd)

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 Subsidiaries

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

2.11 Joint arrangements

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for interest in joint venture is set out in Note 2.12.

2.12 Joint venture and associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its interest in associates and joint venture using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

2.12 Joint venture and associates (cont'd)

Under the equity method, the interest in associate or joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associate or joint venture. The profit or loss reflects the share of results of the operations of the associate or joint venture. Distributions received from associate or joint venture reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associate or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associate or joint venture.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's interest in associates or joint venture. The Group determines at each balance sheet date whether there is any objective evidence that the interest in the associates or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates and joint venture are prepared as at the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

In the Company's balance sheet, interests in joint venture and associates are stated at cost less impairment loss.

2.13 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instruments.

At initial recognition, the Group measures a financial asset at its fair value, plus, in the case of financial assets not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset. The measurement categories for classification of debt instruments are:

(i) Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through the amortisation process.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

2.13 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement (cont'd)

Investments in debt instruments (cont'd)

(ii) Fair value through profit or loss

Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instruments that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss in the period in which it arises.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group has irrevocably elected to present subsequent changes in fair value in OCI. Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established.

Derivatives

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. Changes in fair value of derivatives are recognised in profit or loss.

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received, and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(b) Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are de-recognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or has expired. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

2.14 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantees. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default ("a lifetime ECL").

For trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.15 Cash and cash equivalents

Cash and cash equivalents comprise cash at banks and on hand which are subject to an insignificant risk of changes in value.

2.16 Asset held for sale

Asset held for sale relates to property acquired and being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Asset held for sale is held as inventory and is measured at the lower of cost and net realisable value.

Net realisable value of asset held for sale is the estimated selling price in the ordinary course of business, based on market prices at the reporting date and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The cost of asset held for sale recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Raw materials: purchase costs on a weighted average basis.
- Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

2.18 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.19 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.14 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.20 Borrowing costs

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress, and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other cost that an entity incurs in connection with the borrowing of funds.

2.21 Convertible bonds

Convertible bonds are separated into liability and equity components based on the terms of the contract.

On issuance of the convertible bonds, the fair value of the liability component is determined using a market rate for an equivalent non-convertible bond. This amount is classified as a financial liability measured at amortised cost (net of transaction costs) until it is extinguished on conversion or redemption in accordance with the accounting policy set out in Note 2.13(b).

The remainder of the proceeds is allocated to the conversion option that is recognised and included in shareholders' equity. Transaction costs are deducted from equity, net of associated income tax. The carrying amount of the conversion option is not remeasured in subsequent years.

Transaction costs are apportioned between the liability and equity components of the convertible bonds based on the allocation of proceeds to the liability and equity components when the instruments are initially recognised.

No conversion option (equity component) was recognised by the Group and Company as the difference in the fair value of the liability component and the proceeds from the bonds was not significant.

2.22 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in profit or loss, under "Other income".

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

2.23 Employee benefits

(a) **Defined contribution plans**

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group makes contributions to the Central Provident Fund in Singapore, a defined contribution pension scheme. Similar defined contributions are made in accordance to other schemes in the jurisdiction that the Group operates in. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) **Retirement benefits**

Retirement benefits are granted to employees who commenced employment with the Company prior to 1 January 1983. The retirement benefits are calculated based on one (1) week's pay for each full year of service at the employee's last-drawn salary at date of retirement.

Defined benefit plans are post-employment benefit plans other than defined contribution plans. Defined benefit plans typically define the amount of benefit that an employee will receive on or after retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of a defined benefit plan is the present value of the defined benefit obligation at the balance sheet date. The defined benefit obligation is calculated annually. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using market yields of high quality government bonds that are denominated in the currency in which the benefits will be paid; and it has tenures approximating that of the related benefit obligations.

Defined benefit costs comprise the following:

- Service cost
- Net interest on the net defined benefit liability or asset
- Remeasurements of net defined benefit liability or asset

Service costs which include current service costs, past service costs and gains or losses on non-routine settlements are recognised as expense in profit or loss. Past service costs are recognised when plan amendment or curtailment occurs.

Net interest on the net defined benefit liability or asset is the change during the period in the net defined benefit liability or asset that arises from the passage of time which is determined by applying the discount rate based on high quality corporate bonds to the net defined benefit liability or asset. Net interest on the net defined benefit liability or asset is recognised as expense or income in profit or loss.

Remeasurements comprising actuarial gains and losses are recognised immediately in other comprehensive income in the period in which they arise. Remeasurements are recognised in retained earnings within equity and are not reclassified to profit or loss in subsequent periods.

(c) **Employee leave entitlements**

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

2.24 Leases

As lessee

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.25(b).

2.25 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) **Sale of goods**

The Group supplies steel products to its customers. Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

Some contracts with customers allow for price adjustments based on changes in steel reinforcement prices for the stipulated delivery month. These are referred to as provisional pricing arrangements. The period between provisional invoicing and the finalisation is up to two months.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, net of estimated prompt payment discount and sales discount.

At the end of the reporting period, the Group updates its assessment of the estimated transaction price. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes.

(b) **Rental income**

Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(c) **Dividend income**

Dividend income is recognised when the Group's right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

2.25 Revenue (cont'd)

(d) **Interest income**

Interest income is recognised using the effective interest method.

2.26 Taxes

(a) **Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) **Deferred tax**

Deferred tax is provided using the liability method on taxable temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and interests in joint ventures and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and interests in joint ventures and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

2.26 Taxes (cont'd)

(b) **Deferred tax (cont'd)**

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity; and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

(c) **Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

2.27 Share capital and share issuance expenses

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.28 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.29 Contingencies

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but not recognised because:
 - (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

3. Significant accounting judgements and estimates

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of asset or liability affected in the future periods.

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement which has the most significant effect on the amounts recognised in the financial statements:

Impairment of investment in subsidiary

The Company assesses at each reporting date whether there is an indicator that an asset may be impaired. If any indicator exists, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use ("VIU"), and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

As at 30 September 2019, based on the results of the subsidiaries, indicators of impairment were noted in the cost of investment for BRC Prefab Holdings Sdn Bhd. Management prepared a discounted cash flow analysis to determine the recoverable amount of the subsidiary using the VIU model, based on assumptions such as forecasted revenue, profit margin, terminal growth rate and discount rate. As the recoverable amount estimated exceeds the carrying amount, the Company reversed the impairment loss of \$3,800,000 that had been previously made on its cost of investment in the subsidiary.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) **Impairment of trade receivables**

The Group uses a provision matrix to calculate ECLs for trade receivables carried at amortised cost. The provision rates are based on days past due for grouping of various customers that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables carried at amortised cost is disclosed in Note 35(a).

(b) **Provision for onerous contracts**

Provision for onerous contracts is recorded in respect of outstanding order books vis-à-vis inventory on hand and committed purchases whereby the costs to meet the obligations are expected to exceed the economic benefits to be received. Management assessed and estimated the unavoidable costs required to fulfil its contractual obligation based on the value of inventory on hand, plus estimated costs of inventory purchases and conversion costs required.

The carrying amount of the Group's provision for onerous contracts as at 30 September 2019 was \$7,216,000 (30 September 2018: \$20,066,000; 1 October 2017: \$11,667,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

4. Revenue

(a) *Disaggregation of revenue*

Group	2019 \$'000	2018 \$'000
Primary geographical markets		
Singapore	888,037	531,615
Malaysia	25,250	35,394
	913,287	567,009
Timing of transfer of goods		
At a point in time	913,287	567,009

(b) *Estimating variable consideration for sale of goods with fluctuation clause*

In estimating the variable consideration for sale of goods with fluctuation clause based on published steel reinforcement indices from the Building and Construction Authority, the Group applied the 'most likely amount method' to predict the steel reinforcement indices based on spot sales prices and steel price trend.

(c) *Contract liabilities*

Information about receivables and contract liabilities from contracts with customers is disclosed as follows:

Group	30.9.2019 \$'000	30.9.2018 \$'000	1.10.2017 \$'000
Receivables from contracts with customers (Note 19)	185,315	177,068	73,962
Contract liabilities	4,023	3,178	443

The Group has recognised impairment losses on receivables arising from contracts with customers amounting to \$2,538,000 (2018: \$2,541,000).

Contract liabilities primarily relate to the Group's obligation to transfer goods to customers for which the Group has received advances from customers. These are recognised as revenue as the Group performs under the contract.

Significant changes in the contract liabilities balances during the period are as follows:

Group	2019 \$'000	2018 \$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	3,178	443

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

5. Other income

	Group	
	2019 \$'000	2018 \$'000
Interest income from:		
- Debt instruments at amortised cost	1,040	-
- Loans and receivables	-	1,153
Dividend income from investment securities	2	5
Bad debts recovered	40	-
Government grant	199	184
Rental income	172	56
Sundry income	199	12
Sales commission	209	-
Gain on disposal of property, plant and equipment	-	22
Gain on disposal of club membership	-	455
Gain from fair value changes on derivatives, net	981	-
Foreign exchange gain, net	-	595
	2,842	2,482

Government grant income relates mainly to Special Employment Credit ("SEC") grants, Wage Credit Scheme ("WCS") and Workforce Training and Upgrading Scheme.

The SEC was introduced as a 2011 Budget Initiative to support employers as well as to raise the employability of older low-wage Singaporeans. It was enhanced in 2012 to provide employers with continuing support to hire older Singaporean workers. Subsequently as announced in the 2016 Budget, this Credit was extended from 2017 to 2019, providing a wage-offset to employers hiring Singaporean workers aged 55 and above, and earning up to \$4,000. At Budget 2019, the Minister for Finance announced a further one-year extension of SEC to end-2020.

The WCS was introduced as a 2013 Budget Initiative and extended in the 2015 Budget to help businesses with rising wage costs. The Government co-funded 40% of wage increases from 2013 to 2015 and 20% of wage increases from 2016 to 2017 to Singaporean employees earning a gross monthly wage of up to \$4,000. It was further extended in the 2018 Budget for three more years to support businesses embarking on transformation efforts and encourage sharing of productivity gains with workers. Government co-funding will be maintained at 20% in 2018, and will subsequently be stepped down to 15% in 2019 and 10% in 2020.

The Workforce Training and Upgrading Scheme co-funds the costs of selected skills assessment and training courses to upgrade the skills of workforce in the built environment.

6. Finance costs

	Group	
	2019 \$'000	2018 \$'000
Interest expense on:		
- bills payable to banks	6,337	3,106
- finance lease obligations	108	69
- bank loans	1,607	1,189
- loans from immediate holding company	1,523	638
- convertible bond	-	200
	9,575	5,202

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

7. Profit before tax from continuing operations

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

	Group	
	2019	2018
	\$'000	\$'000
Audit fees paid/payable to		
- auditors of the company	381	454
- other auditors	31	17
Non-audit fees paid/payable to		
- auditors of the company	42	42
Depreciation of property, plant and equipment (Note 12)	15,938	9,842
Depreciation of investment properties (Note 13)	69	23
Amortisation of club memberships	-	12
Operating lease expenses	11,408	7,484
Foreign exchange loss/(gain), net	316	(594)
(Gain)/loss from fair value changes on derivatives, net	(981)	380
Reversal of provision for onerous contracts (Note 26)	(12,849)	(11,983)
Fair value changes on trade receivables subject to provisional pricing	1,349	-
Bad debts recovered	(40)	-
Bad debts written off	-	14
Allowance for inventory obsolescence (Note 18)	567	578
Loss/(gain) on disposal of property, plant and equipment	280	(22)
Write-off of property, plant and equipment	304	4
Impairment loss on property, plant and equipment	1,816	-
Employee compensation (Note 8)	32,890	24,396
Utilities	4,440	3,142
Repair and maintenance	8,531	5,844
Transportation expenses	8,685	7,822
Legal and other professional fees	1,311	4,431
Inventories recognised as an expense in cost of sales (Note 18)	785,215	467,842

8. Employee compensation

	Group	
	2019	2018
	\$'000	\$'000
Wages and salaries	30,760	23,091
Employer's contribution to Central Provident Fund	2,120	1,283
Retirement benefits (Note 26)	10	22
	32,890	24,396

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

8. Employee compensation (cont'd)

Employee share option scheme

Under the BRC Share Option Scheme 2011 (the "Scheme") for Executive Directors and confirmed employees of the Group which has since expired, share options were granted on 15 March 2011, 6 March 2012, and 28 March 2013 respectively to all eligible employees except for controlling shareholders or associates of such controlling shareholders [as defined in the Listing Manual of Singapore Exchange Securities Trading Limited ("SGX-ST")].

All options that were granted are valid for a period of five (5) years from the date of grant. The options granted without a discount are exercisable during the period commencing from the first anniversary of the date of grant and expiring on the fifth anniversary of the date of grant of such options. The options granted at a discount are exercisable during the period commencing from the second anniversary of the date of grant and expiring on the fifth anniversary of the date of grant of such options.

The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The persons to whom the options have been issued shall have no restriction on the eligibility to participate in any other share options or share incentive schemes implemented by the Company or any other company within the Group. The Group and the Company have no obligation to repurchase or settle the options in cash.

Movement in the number of unissued ordinary shares under option is as follows:

Group and Company	1.10.2017	Surrendered for cancellation during financial year	30.9.2018
	'000	'000	'000
Number of ordinary shares under option			
2013 Options – discounted	1,064	(1,064)	-
2013 Options – undiscounted	3,987	(3,987)	-
	5,051	(5,051)	-
	5,051	(5,051)	-

Pursuant to the mandatory conditional cash offer dated 22 September 2017 by Esteele Enterprise Pte. Ltd. (the "Offeror") to acquire all issued ordinary shares in the capital of the Company, the Offeror made a proposal ("Options Proposal") to the holders of the share options to pay to them a cash amount in consideration of them agreeing not to exercise any options into new shares and not to exercise any of their rights as option holders. As at the financial year ended 30 September 2018, all outstanding options have been surrendered for cancellation as the holders of all outstanding options have accepted the Options Proposal.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

9. Income tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 30 September 2019 and 2018 are:

	Group	
	2019	2018
	\$'000	\$'000
Current income tax – continuing operations		
- Current financial year	7,516	2,481
- (Over)/under provision in respect of previous financial years	(863)	106
	6,653	2,587
Deferred income tax – continuing operations		
- Current financial year arising from origination and reversal of temporary differences	5	985
- Under provision in respect of previous financial years	215	35
	220	1,020
Income tax expense attributable to continuing operations	6,873	3,607
Income tax expense attributable to discontinued operation (Note 10)	-	17
Income tax expense recognised in profit or loss	6,873	3,624

Relationship between tax expense and profit before tax

A reconciliation between the tax expense and the product of profit before tax multiplied by the applicable corporate tax rate for the years ended 30 September 2019 and 2018 is as follows:

	Group	
	2019	2018
	\$'000	\$'000
Profit before tax from continuing operations	38,435	15,650
Profit before tax from discontinued operations (Note 10)	-	270
Accounting profit before tax	38,435	15,920
Tax calculated at domestic rates applicable to profits in the countries where the Group operates	6,643	2,740
Adjustments:		
Income not subject to taxation	(12)	(68)
Expenses not deductible for tax purposes	1,257	1,355
Effect of partial tax exemption and tax relief	(101)	(87)
Effects of deferred tax assets not recognised	-	31
Effects of enhanced capital allowances and investment allowances	-	(521)
Benefits from previously unrecognised capital allowances	(62)	-
(Over)/under provision in respect of previous financial years	(648)	141
Others	(204)	33
Income tax expense recognised in profit or loss	6,873	3,624

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

9. Income tax expense (cont'd)

Relationship between tax expense and profit before tax (cont'd)

As at 30 September 2019, a subsidiary of the Group has unutilised tax losses and unabsorbed capital allowances amounting to \$2,962,000 (2018: \$2,968,000) and \$4,757,000 (2018: \$5,017,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. These losses and capital allowances have no expiry date.

The Company and one of its subsidiary company are entitled to investment allowances at a support level of 50% on the approved fixed capital expenditure incurred under the Investment Allowance Scheme ("IAS") administered by the Building and Construction Authority ("BCA") of Singapore.

Tax consequences of proposed dividends

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements as at 30 September 2019.

10. Discontinued operation

On 10 July 2018, the Company announced the decision of its board of directors to dispose its 51%-owned subsidiary, Nuformsystem (M) Sdn Bhd ("NFSB"), which was previously reported in the renting of construction equipment segment. The disposal consideration was fully settled in cash. The decision is consistent with the Group's strategy to focus on its core fabrication and manufacturing businesses and to divest its renting of construction equipment business. The disposal of NFSB was completed on 16 August 2018.

The value of assets and liabilities of NFSB recorded in the consolidated financial statements as at 16 August 2018, and the effects of the disposal were:

	\$'000
Carrying amounts of assets and liabilities as at date of disposal	
Property, plant and equipment	35,408
Inventories	290
Trade and other receivables	3,589
Deposits	27
Cash and cash equivalents	84
	<hr/>
	39,398
Trade and other payables	(34,878)
Advances received	(679)
Loans and borrowings	(19)
	<hr/>
Net assets derecognised	3,822
Less: Non-controlling interests	(1,872)
	<hr/>
Net assets disposed off	1,950
	<hr/>
Cash inflow arising from disposal	
Cash consideration	1,020
Cash and cash equivalents of the subsidiary	(84)
	<hr/>
Net cash inflow on disposal of a subsidiary	936
	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

10. Discontinued operation (cont'd)

	\$'000
Loss on disposal	
Cash received	1,020
Net assets disposed off	(1,950)
Cumulative exchange differences in respect of the net assets of the subsidiary reclassified from equity on loss of control	67
	<u>(863)</u>

Income statement disclosure

The results of NFSB which was included in the Group's consolidated financials for the year ended 30 September 2018 are as follows:

	\$'000
Revenue	2,118
Expenses	(985)
Profit before tax	1,133
Income tax expense	(17)
Profit, net of tax	1,116
Loss on disposal of subsidiary	(863)
Profit from discontinued operations, net of tax	<u>253</u>
Profit before tax from discontinued operations	<u>270</u>

Cash flow statement disclosure

The cash flows attributable to NFSB are as follows:

	\$'000
Operating	24,319
Investing	(25,950)
Net cash outflows	<u>(1,631)</u>

Earnings per share disclosure

Basic loss per share from discontinued operations, attributable to owners of the Company (cents)	<u>(0.14)</u>
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The basic loss per share from discontinued operation are calculated by dividing the loss from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation. These loss and share data are presented in the tables in Note 11(a).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

11. Earnings per share

(a) *Continuing operations*

Basic earnings per share from continuing operations are calculated by dividing profit from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares (excluding treasury shares) outstanding during the financial year.

There were no dilutive potential ordinary shares for the financial years ended 30 September 2019 and 30 September 2018.

The earnings per share is calculated as follows:

	Group	
	2019	2018
	\$'000	\$'000
Profit for the year attributable to owners of the Company	31,562	11,750
Add: Loss from discontinued operation, net of tax attributable to owners of the Company	-	293
Profit from continuing operations, net of tax attributable to owners of the Company	31,562	12,043
	Weighted average no. of ordinary shares	
	2019	2018
	'000	'000
Weighted average number of ordinary shares (excluding treasury shares) for basic earnings per share computation	233,335	216,192
	Group	
	2019	2018
Basic earnings per share from continuing operations (cents)	13.53	5.57
Basic earnings per share (cents)	13.53	5.43

(b) *Earnings per share computations*

The basic earnings per share are calculated by dividing the profit for the year attributable to owners of the Company by the weighted average number of ordinary shares (excluding treasury shares).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

12. Property, plant and equipment

Group	Leasehold buildings \$'000	Freehold land \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Furniture and equipment \$'000	Construction in progress \$'000	Formwork \$'000	Total \$'000
Cost or valuation								
At 1 October 2017	30,920	2,161	110,165	1,964	6,139	1,535	10,033	162,917
Represented by:								
Cost	24,620	2,161	110,165	1,964	6,139	1,535	10,033	156,617
Valuation	6,300	-	-	-	-	-	-	6,300
Additions	58	-	497	37	104	737	25,432	26,865
Acquisition of subsidiaries	38,837	-	28,254	5,590	1,168	4,114	-	77,963
Reclassification	-	-	1,897	62	192	(2,151)	-	-
Disposal	-	-	(3,772)	(582)	(127)	-	-	(4,481)
Disposal of subsidiary	-	-	(5)	(39)	(61)	-	(36,839)	(36,944)
Written-off	-	-	(22)	-	(260)	-	-	(282)
Exchange differences	165	77	318	2	33	42	1,374	2,011
At 30 September 2018 and 1 October 2018	69,980	2,238	137,332	7,034	7,188	4,277	-	228,049
Represented by:								
Cost	63,680	2,238	137,332	7,034	7,188	4,277	-	221,749
Valuation	6,300	-	-	-	-	-	-	6,300
Additions	1,452	-	109	108	525	1,556	-	3,750
Reclassification	901	-	4,602	19	-	(5,522)	-	-
Disposal	-	-	(1,939)	(506)	(90)	-	-	(2,535)
Written-off	-	-	(4,822)	-	(93)	-	-	(4,915)
Exchange differences	(39)	(18)	(92)	-	(8)	-	-	(157)
At 30 September 2019	72,294	2,220	135,190	6,655	7,522	311	-	224,192
Represented by:								
Cost	65,994	2,220	135,190	6,655	7,522	311	-	217,892
Valuation	6,300	-	-	-	-	-	-	6,300
Accumulated depreciation								
At 1 October 2017	14,161	-	52,573	1,051	5,520	-	476	73,781
Disposal	-	-	(3,772)	(19)	(126)	-	-	(3,917)
Disposal of subsidiary	-	-	-	(2)	(24)	-	(1,510)	(1,536)
Written-off	-	-	(18)	-	(260)	-	-	(278)
Exchange differences	25	-	87	-	22	-	58	192
Depreciation charge	2,040	-	6,665	538	610	-	976	10,829
At 30 September 2018 and 1 October 2018	16,226	-	55,535	1,568	5,742	-	-	79,071
Disposal	-	-	(1,681)	(329)	(85)	-	-	(2,095)
Written-off	-	-	(4,521)	-	(90)	-	-	(4,611)
Impairment loss	-	-	1,816	-	-	-	-	1,816
Exchange differences	(6)	-	(25)	-	(6)	-	-	(37)
Depreciation charge	5,416	-	8,698	1,018	806	-	-	15,938
At 30 September 2019	21,636	-	59,822	2,257	6,367	-	-	90,082
Net carrying amount								
At 1 October 2017	16,759	2,161	57,592	913	619	1,535	9,557	89,136
At 30 September 2018	53,754	2,238	81,797	5,466	1,446	4,277	-	148,978
At 30 September 2019	50,658	2,220	75,368	4,398	1,155	311	-	134,110

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

12. Property, plant and equipment (cont'd)

Company	Leasehold buildings \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Furniture and equipment \$'000	Construction in progress \$'000	Total \$'000
Cost or valuation						
At 1 October 2017	26,279	89,448	1,964	5,237	-	122,928
Represented by:						
Cost	19,979	89,448	1,964	5,237	-	116,628
Valuation	6,300	-	-	-	-	6,300
Additions	-	15	-	-	527	542
Reclassification	-	250	62	192	(504)	-
Disposal	-	(3,772)	-	(126)	-	(3,898)
Written-off	-	(22)	-	(256)	-	(278)
At 30 September 2018 and 1 October 2018	26,279	85,919	2,026	5,047	23	119,294
Represented by:						
Cost	19,979	85,919	2,026	5,047	23	112,994
Valuation	6,300	-	-	-	-	6,300
Additions	1,452	28	42	439	-	1,961
Reclassification	-	4	19	-	(23)	-
Disposal	-	(1,514)	-	(83)	-	(1,597)
Written-off	-	(1,372)	-	(92)	-	(1,464)
At 30 September 2019	27,731	83,065	2,087	5,311	-	118,194
Represented by:						
Cost	21,431	83,065	2,087	5,311	-	111,894
Valuation	6,300	-	-	-	-	6,300
Accumulated depreciation						
At 1 October 2017	13,465	37,562	1,051	4,908	-	56,986
Disposal	-	(3,772)	-	(125)	-	(3,897)
Written-off	-	(18)	-	(256)	-	(274)
Depreciation charge	883	5,073	223	258	-	6,437
At 30 September 2018 and 1 October 2018	14,348	38,845	1,274	4,785	-	59,252
Disposal	-	(1,163)	-	(78)	-	(1,241)
Written-off	-	(1,356)	-	(89)	-	(1,445)
Impairment loss	-	1,116	-	-	-	1,116
Depreciation charge	2,336	4,977	212	194	-	7,719
At 30 September 2019	16,684	42,419	1,486	4,812	-	65,401
Net carrying amount						
At 1 October 2017	12,814	51,886	913	329	-	65,942
At 30 September 2018	11,931	47,074	752	262	23	60,042
At 30 September 2019	11,047	40,646	601	499	-	52,793

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

12. Property, plant and equipment (cont'd)

Assets under construction

The Group's and Company's assets under construction mainly relate to expenditure for plant and machinery in the course of construction.

Revaluation of leasehold building

Included in leasehold buildings is a building which was revalued based on appraisals received from an independent firm of professional valuers in 1993. The valuation was based on the open market value of the leasehold building. The revaluation surplus was taken to asset revaluation reserve.

The Group does not have a policy of periodic revaluation of property leasehold buildings (as allowed under FRS16 for one-off revaluation performed on property, plant and equipment between 1 January 1984 and 31 December 1996).

If the leasehold building stated at valuation had been included in the financial statements at cost less accumulated depreciation, the net book value would have been \$Nil (30 September 2018: \$Nil, 1 October 2017: \$Nil).

Assets held under finance leases

The carrying amount of motor vehicle and plant and machinery held under finance leases at the end of the reporting period were \$2,229,000 and \$848,000 (30 September 2018: \$2,773,000 and \$7,140,000; 1 October 2017: \$Nil and \$8,327,000) respectively.

The leased assets are pledged as security for the related finance lease liabilities.

Assets pledged as security

In addition to assets held under finance leases, the Group's leasehold buildings with a carrying amount of \$26,525,000 (30 September 2018: \$Nil; 1 October 2017: \$Nil) and asset held for sale (Note 20) are mortgaged to secure the Group's bank loans (Note 24).

Provision for restoration costs

During the financial year, the Group provided for restoration costs amounting to \$1,452,000 (2018: \$Nil). The cash outflow on acquisition of property, plant and equipment amounted to \$2,298,000 (2018: \$26,865,000).

Impairment of assets

During the financial year, the Group carried out a review of the recoverable amount of a class of machinery in view of management's continuous efforts to streamline production. An impairment loss of \$1,816,000 representing the write-down of certain machinery to their recoverable amounts was recognised in the "Other operating expenses" line item of the statement of comprehensive income for the financial year ended 30 September 2019. The recoverable amount was estimated based on fair value less cost of disposal.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

13. Investment properties

	Group \$'000
Balance sheet:	
Cost:	
At 1 October 2017	-
Acquisition of subsidiaries	2,494
At 30 September 2018, 1 October 2018 and 30 September 2019	2,494
Accumulated depreciation:	
At 1 October 2017	-
Depreciation charge	23
At 30 September 2018 and 1 October 2018	23
Depreciation charge	69
At 30 September 2019	92
Net carrying amount:	
At 1 October 2017	-
At 30 September 2018	2,471
At 30 September 2019	2,402

	Group	
	2019 \$'000	2018 \$'000
Statement of comprehensive income:		
Rental income from investment properties:		
- Minimum lease payments	172	56
Direct operating expenses (including repairs and maintenance) arising from:		
- Rental generating properties	(95)	(49)

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance or enhancements.

The investment properties held by the Group as at 30 September 2019 are as follows:

Description and location	Existing use	Tenure	Unexpired lease term
Factory unit, 3791 Jalan Bukit Merah [^]	Industrial	Leasehold	44 years
Apartment unit, 2909/75-89 A'Beckett Street Melbourne VIC 3000 [#]	Residential	Freehold	N/A

[^] Independently valued by Knight Frank Pte Ltd at \$1,820,000 in September 2018. The valuation was carried out based on direct comparison approach in which current market conditions and other relevant factors were considered.

[#] Independently valued by Knight Frank Pte Ltd at AUD 560,000 in September 2018. The valuation was carried out based on direct comparison approach in which current market conditions and other relevant factors were considered.

Management has assessed that the fair values have not changed significantly as at 30 September 2019.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

14. Investment in subsidiaries

	30.9.2019	Company 30.9.2018	1.10.2017
	\$'000	\$'000	\$'000
Shares, at cost:			
Balance as at beginning of the year	217,414	18,226	18,160
Acquisition of subsidiaries	-	199,311	-
Disposal of subsidiary	-	(1,007)	-
Additional investment in subsidiaries	-	884	66
	217,414	217,414	18,226
Impairment losses	(57)	(3,857)	(3,857)
At the end of the financial year	217,357	213,557	14,369
Intercompany indebtedness:			
Non-trade amount due from a subsidiary	12,002	12,002	12,002
Total investment in subsidiaries	229,359	225,559	26,371

In the previous financial year, the Company subscribed for additional 2,652,000 ordinary shares in Nuformsystem (M) Sdn Bhd ("NMSB") for a consideration of MYR 2,652,000. The subsidiary was subsequently disposed in August 2018 (Note 10).

Intercompany indebtedness

The amounts owing by a subsidiary included as part of the Company's net investment in the subsidiary are unsecured, bear interest at 2.38% to 2.97% per annum (2018: 1.94% to 2.42% per annum), have no fixed repayment terms and are repayable only when the cash flows of the subsidiary permit.

(a) **Composition of the Group**

Details of the subsidiaries are as follows:

Name of subsidiary	Principal activities	Country of incorporation/ business	Proportion (%) of ownership interest		
			30.9.2019	30.9.2018	1.10.2017
Held by the Company					
⁽¹⁾ Lee Metal Group Pte. Ltd.	Prefabrication, manufacturing and sale, and trading of steel products	Singapore	100	100	-
⁽²⁾ BRC Prefab Holdings Sdn. Bhd.	Prefabrication, manufacturing and sale, and trading of steel products	Malaysia	100	100	100
⁽³⁾ BRC Prefab Sdn. Bhd.	Inactive	Malaysia	100	100	70

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

14. Investment in subsidiaries (cont'd)

(a) Composition of the Group (cont'd)

Name of subsidiary	Principal activities	Country of incorporation/ business	Proportion (%) of ownership interest		
			30.9.2019	30.9.2018	1.10.2017
Held by the Company (cont'd)					
* BRC Projects Pte. Ltd. (f.k.a BRC International Pte. Ltd./Eva Investments Pte. Ltd.)	Dormant	Singapore	100	100	100
Nuformsystem (M) Sdn. Bhd.	Renting of construction equipment	Malaysia	-	-	51
Held through Lee Metal Group Pte. Ltd.					
⁽¹⁾ Lee Welded Mesh Singapore Pte. Ltd.	Manufacture of reinforcing mesh and any other manufactured mesh and the processing of fabricated reinforcing bars	Singapore	100	100	-
⁽¹⁾ BRC International Pte. Ltd. (f.k.a Steel Park International Pte. Ltd.)	Inactive	Singapore	100	100	-
⁽²⁾ Steel Park Malaysia Sdn. Bhd.	Trading business of steel, metal and related materials	Malaysia	100	100	-
⁽¹⁾ LMG Realty Pte. Ltd.	Property development and investment	Singapore	100	100	-
# Listeel Hong Kong Limited	Inactive	Hong Kong	-	100	-
^ Lee Metal Investment Pte. Ltd.	Investment holding	Singapore	-	100	-

⁽¹⁾ Audited by Ernst & Young LLP, Singapore

⁽²⁾ Audited by a member firm of EY Global in the respective country

⁽³⁾ Audited by Roger Yue, Tan & Associates

* Not required to be audited

Deregistered on 18 April 2019

^ Struck off on 4 December 2018

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

14. Investment in subsidiaries (cont'd)

(b) Acquisition of subsidiaries

In the previous financial year, the Company acquired 100% equity interest of Lee Metal Group Pte. Ltd. ("Lee Metal Group"), a manufacturer of prefabrication, manufacturing and sale, and trading of steel products in Singapore. Upon the acquisition, Lee Metal Group became a subsidiary of the Group. The Group acquired Lee Metal Group in order to strengthen its position as a leader of prefabrication, manufacturing and sale, and trading of steel products in Singapore. The acquisition is expected to reduce costs through economies of scale in the long run.

The fair value of the identifiable assets and liabilities as at acquisition date were:

	\$'000
Cash and cash equivalents	56,977
Inventories	117,070
Asset held for sale	26,500
Trade and other receivables	106,288
Prepayment	761
Derivatives	399
Investment properties	2,494
Property, plant and equipment	77,963
Deferred tax assets	789
Investment in associates	1,698
Club membership	367
	<u>391,306</u>
Trade and other payables	(7,682)
Loans and borrowings	(155,615)
Provision	(20,375)
Income tax liabilities	(2,778)
Deferred tax liabilities	(5,600)
	<u>(192,050)</u>
Total identifiable net assets at fair value	199,256
Goodwill arising from acquisition	55
	<u>199,311</u>
<u>Effect of the acquisition of Lee Metal Group on cash flows</u>	
Total consideration settled in cash	199,311
Less: Cash and cash equivalents acquired	(56,977)
Net cash outflow from acquisition	<u>142,334</u>
<u>Goodwill arising from acquisition</u>	

The goodwill of \$55,000 comprises the value of strengthening the Group's market position and cost reduction synergies expected to arise from the acquisition and is allocated entirely to the prefabrication and manufacturing segment. This has been written off in 2018 as the amount is determined by management not to be significant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

14. Investment in subsidiaries (cont'd)

(b) Acquisition of subsidiaries (cont'd)

Transaction costs

Transaction costs related to the acquisition of \$3,494,000 were recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 30 September 2018.

Trade and other receivables acquired

The fair value of trade and other receivables as at acquisition date was \$106,288,000 and includes trade receivables of \$93,125,000 and other receivables and deposits of \$13,163,000, which was also the gross contractual amount. The full contractual amount was expected to be collected.

Impact of the acquisition on profit or loss

From the acquisition date, Lee Metal Group has contributed \$135,852,000 of revenue and \$5,468,000 to the Group's profit for the last financial year. If the business combination had taken place at the beginning of the last financial year, the revenue from continuing operations would have been \$829,213,000 and the Group's profit from continuing operations, net of tax would have been \$9,461,000.

15. Interest in joint venture

The Company has a 50% (30 September 2018: 50%, 1 October 2017: 50%) equity interest in a joint venture, Anhui BRC & Ma Steel Weldmesh Co. Ltd, incorporated in the People's Republic of China ("PRC"). The joint venture's principal activity is to market and manufacture steel welded wire mesh and other forms of wire and reinforcing steel products for use in the construction industry in the PRC. The Group jointly controls the venture with the other partner under the contractual agreement and unanimous consent is required for all major decisions.

	Group			Company		
	30.9.2019	30.9.2018	1.10.2017	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unquoted shares, at cost	6,076	6,076	6,076	6,076	6,076	6,076
Share of post-acquisition reserves	7,888	6,606	5,829	-	-	-
Less: Accumulated dividends received	(224)	(224)	(224)	-	-	-
Less: Dividend receivable from joint venture	(5,983)	-	-	-	-	-
Effects of exchange rates	(537)	(342)	(31)	-	-	-
	7,220	12,116	11,650	6,076	6,076	6,076

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

15. Interest in joint venture (cont'd)

The summarised financial information of the joint venture and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000
Summarised balance sheet			
Cash and cash equivalents	4,123	6,236	1,656
Other current assets	32,117	32,955	35,646
Current assets	36,240	39,191	37,302
Non-current assets	3,117	2,915	2,870
Total assets	39,357	42,106	40,172
Current liabilities	14,848	7,321	6,670
Non-current liabilities	10,069	10,553	10,202
Total liabilities	24,917	17,874	16,872
Net assets	14,440	24,232	23,300
Proportion of the Group's ownership	50%	50%	50%
Group's share of net assets/carrying amount of the interest	7,220	12,116	11,650
		2019	2018
		\$'000	\$'000
Summarised statement of comprehensive income:			
Revenue		76,828	116,588
Depreciation		(58)	(299)
Interest expense		(450)	(580)
Operating expenses		(73,582)	(114,054)
Profit before tax		2,738	1,655
Tax		(174)	(101)
Profit after tax representing total comprehensive income		2,564	1,554
50% share of results of joint venture		1,282	777

Dividends of \$5,983,000 was declared during the financial year but not received (2018: \$Nil) from the joint venture.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

16. Interest in associates

The Group's interest in the associates are summarised below:

	Group			Company		
	30.9.2019	30.9.2018	1.10.2017	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Unquoted shares, at cost	3,853	3,853	2,155	2,155	2,155	2,155
Shareholder loans	22,045	11,350	6,652	22,045	11,350	6,652
Share of post-acquisition reserve	(6,025)	(3,894)	(2,289)	-	-	-
Dividend received	(1,050)	-	-	-	-	-
Effects of exchange difference	128	168	196	-	-	-
	18,951	11,477	6,714	24,200	13,505	8,807

Details of the associates are as follows:

Name of associate	Principal activities	Country of incorporation/ business	Proportion (%) of ownership interest		
			30.9.2019	30.9.2018	1.10.2017
Held by the Company					
⁽¹⁾ Pristine Islands Investment Pte. Ltd.	Investment holding	Singapore	17	17	17
Held through LMG Realty Pte. Ltd.					
⁽²⁾ MaxLee Development Pte. Ltd.	Property development	Singapore	35	35	-

⁽¹⁾ Audited by BDO LLP, Singapore

⁽²⁾ Audited by Ernst & Young LLP, Singapore

The shareholder loans are unsecured and bear interest at 1% per annum above the prevailing bank lending rates. The loans are not expected to be repaid in the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

16. Interest in associates (cont'd)

The summarised financial information in respect of Pristine Islands Investment Pte. Ltd. ("PII") based on its SFRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000
Summarised balance sheet			
Current assets	24,150	15,064	10,733
Non-current assets	183,844	121,368	74,603
Total assets	207,994	136,432	85,336
Current liabilities	33,698	109,432	62,612
Non-current liabilities	195,204	35,567	22,360
Total liabilities	228,902	144,999	84,972
Net (liabilities)/assets	(20,908)	(8,567)	364
Less: Non-controlling interest	20	12	-
Net (liabilities)/assets attributable to owners of the associate	(20,888)	(8,555)	364
Net (liabilities)/assets excluding goodwill	(20,888)	(8,555)	364
Proportion of the Group's ownership	17%	17%	17%
Group's share of net (liabilities)/assets	(3,551)	(1,454)	62
Shareholder loans	22,046	11,350	6,652
Carrying amount of the interest	18,495	9,896	6,714
		2019	2018
		\$'000	\$'000
Summarised statement of comprehensive income			
Revenue		12,456	10,410
Loss after tax from continuing operations		(12,097)	(8,757)
Total comprehensive income		(12,097)	(8,757)

The Company has pledged its entire shareholdings in PII to a consortium of banks in respect of loan facilities granted to PII. A similar charge was executed by all other shareholders of PII in respect of their shareholdings.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

16. Interest in associates (cont'd)

The summarised financial information in respect of MaxLee Development Pte. Ltd. ("MLD") based on its SFRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000
Summarised balance sheet			
Current assets	1,312	4,538	-
Non-current assets	-	-	-
Total assets	1,312	4,538	-
Current liabilities	8	3	-
Non-current liabilities	-	18	-
Total liabilities	8	21	-
Net assets	1,304	4,517	-
Net assets excluding goodwill	1,304	4,517	-
Proportion of the Group's ownership	35%	35%	-
Group's share of net assets/carrying amount of the interest	456	1,581	-

	2019	2018
	\$'000	\$'000
Summarised statement of comprehensive income		
Revenue	-	-
Loss after tax from continuing operations	(213)	(333)
Total comprehensive loss	(213)	(333)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

17. Investment securities

(a) *Financial instruments as at 30 September 2019*

Group and Company	30.9.2019 \$'000
At fair value through other comprehensive income	
- Equity securities (quoted)	84
At beginning of financial period	109
Fair value changes recognised in other comprehensive income [Note 29(b)]	(25)
	84

The Group has elected to measure the equity securities at fair value through other comprehensive income due to the Group's intention to hold these equity instruments as long-term investments.

The Group recognised a dividend of \$2,000 (2018: \$5,000) from its investment securities during the financial year.

(b) *Financial instruments as at 30 September 2018 and 1 October 2017*

Group and Company	30.9.2018 \$'000	1.10.2017 \$'000
Available-for-sale financial assets		
- Equity securities (quoted)	109	114
- Unquoted shares in an investee company	-	1,500
	109	1,614

In the previous financial year, the Company disposed 1,166,667 unquoted shares which represented a 10% interest in Nuform System Asia Pte. Ltd. ("NSAPL"), for a consideration of \$1,500,000 and the Company ceased to have any interest in NSAPL.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

18. Inventories

	Group			Company		
	30.9.2019	30.9.2018	1.10.2017	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Balance Sheet:						
Raw materials	203,464	227,955	60,512	98,876	125,249	53,290
Work-in-progress	-	1,152	-	-	-	-
Finished goods	1,477	1,816	1,996	1,319	996	1,213
Goods in transit	28,305	40,114	49,135	28,292	32,575	49,083
	233,246	271,037	111,643	128,487	158,820	103,586
Allowance for inventory obsolescence	(1,355)	(788)	(210)	(1,355)	(788)	(210)
	231,891	270,249	111,433	127,132	158,032	103,376

The cost of inventories recognised as expense and included in "Cost of sales" in the consolidated statement of comprehensive income amounted to \$785,215,000 (2018: \$467,842,000).

The allowance for inventory obsolescence recognised as income and included in "Cost of sales" in the consolidated statement of comprehensive income amounted to \$567,000 (2018: \$578,000).

19. Trade and other receivables

	Group			Company		
	30.9.2019	30.9.2018	1.10.2017	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade receivables, net:						
- Third parties	185,315	177,068	73,658	113,059	78,997	64,878
- Due from related parties	-	-	304	-	-	304
- Due from subsidiaries	-	-	-	6,209	8,413	15,753
	185,315	177,068	73,962	119,268	87,410	80,935
Other receivables:						
- Third parties	2,490	2,796	156	3	-	52
- Sales tax receivable, net	-	-	995	-	-	-
- Due from an associate	1,685	843	383	1,685	843	383
- Due from subsidiaries	-	-	-	17	-	4,097
- Due from a joint venture	16	18	20	16	18	20
- Dividend receivable from a joint venture	5,809	-	-	5,809	-	-
	10,000	3,657	1,554	7,530	861	4,552
Total trade and other receivables	195,315	180,725	75,516	126,798	88,271	85,487

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

19. Trade and other receivables (cont'd)

	Group			Company		
	30.9.2019	30.9.2018	1.10.2017	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Add:						
- Deposits	228	300	255	133	131	235
- Cash and cash equivalents (Note 22)	65,778	41,080	23,989	24,656	15,591	19,673
- Loan to investee company	-	-	1,500	-	-	1,500
Less:						
- Sales tax receivables, net	-	-	(995)	-	-	-
- Trade receivables subject to provisional pricing	(90,145)	-	-	(40,613)	-	-
Total financial assets carried at amortised cost	171,176	222,105	100,265	110,974	103,993	106,895
Trade receivables subject to provisional pricing	90,145	-	-	40,613	-	-
Add: Currency forward contracts (Note 21)	656	(325)	(344)	505	(239)	(344)
Total financial asset/ (liabilities) at fair value through profit or loss	90,801	(325)	(344)	41,118	(239)	(344)

Trade receivables

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables subject to provisional pricing amounting to \$90,145,000 (30 September 2018: \$Nil, 1 October 2017: \$Nil) relate to sale of goods with price fluctuation clause which allow for price adjustments based on the market price.

Receivables denominated in foreign currencies are as follows:

	Group			Company		
	30.9.2019	30.9.2018	1.10.2017	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
United States Dollar	16,651	1,307	-	16,651	1,307	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

19. Trade and other receivables (cont'd)

Related party balances

The non-trade amounts due from subsidiaries are unsecured, bear interest at 2.38% to 2.97% (2018: 1.94% to 2.42%) per annum and repayable on demand and are expected to be settled in cash.

The non-trade amounts due from a joint venture are unsecured, non-interest bearing and repayable on demand and are expected to be settled in cash.

Loan to investee company

The loan is unsecured, bears interest at 6% per annum and has been fully repaid during the previous financial year.

Receivables that are past due but not impaired

The Group has trade receivables amounting to \$69,751,000 as at 30 September 2018 and \$27,215,000 as at 1 October 2017 that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	30.9.2018	1.10.2017
	\$'000	\$'000
Trade receivables past due:		
- Less than 90 days	67,113	27,034
- 90 to 180 days	2,638	181
	69,751	27,215

Receivables that are impaired

The Group's trade receivables that are impaired at the balance sheet date and the movements of the allowance accounts are as follows:

	Group		Company	
	30.9.2018	1.10.2017	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000	\$'000
Trade receivables – nominal amounts	2,790	249	466	214
Less: Allowance for impairment	(2,790)	(249)	(466)	(214)
	-	-	-	-
Movements in allowance accounts:				
At beginning of financial year	249		214	
Charge for the financial year	2,542		252	
Reversal during the financial year	(1)		-	
Bad debts written off against allowance	-		-	
At end of financial year	2,790		466	

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and/or have defaulted on payment. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

19. Trade and other receivables (cont'd)

Expected credit losses

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

	Group \$'000	Company \$'000
Movements in allowance accounts:		
At 1 October 2018	7,373	1,470
Charge for the financial year	2,538	2,087
Written off	(316)	(159)
At 30 September 2019	<u>9,595</u>	<u>3,398</u>

20. Asset held for sale

	Group	
	30.9.2019 \$'000	30.9.2018 \$'000
At beginning of the financial year	26,711	-
Acquisition of subsidiaries (Note 14(b))	-	26,500
Additional development costs capitalised	3,338	211
At end of the financial year	<u>30,049</u>	<u>26,711</u>
<i>Represented by:</i>		
Land	25,523	25,523
Development costs	4,526	1,188
	<u>30,049</u>	<u>26,711</u>

Details of development property

Description and location	% owned	Site area (square metre)	Gross floor area (square metre)	Stage of completion as at date of annual report (expected year of completion)
Detached house along Nassim Road, Singapore	100	1,235	953	65% (2020)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

21. Derivatives

Derivatives comprise currency forward contracts that are used to hedge foreign currency payables and contracted purchase commitments of inventories denominated in US Dollar which exist at the balance sheet date and extending to March 2020 (30 September 2018: March 2019, 1 October 2017: December 2017).

	30.9.2019			30.9.2018			1.10.2017		
	Contract/ Notional Amount \$'000	Assets \$'000	Liabilities \$'000	Contract/ Notional Amount \$'000	Assets \$'000	Liabilities \$'000	Contract/ Notional Amount \$'000	Assets \$'000	Liabilities \$'000
Group									
Currency forward contracts	159,978	656	-	159,637	-	(325)	100,104	-	(344)
Company									
Currency forward contracts	132,693	505	-	83,421	-	(239)	100,104	-	(344)

22. Cash and cash equivalents

	Group			Company		
	30.9.2019 \$'000	30.9.2018 \$'000	1.10.2017 \$'000	30.9.2019 \$'000	30.9.2018 \$'000	1.10.2017 \$'000
Cash at banks and on hand	65,778	41,080	23,989	24,656	15,591	19,673

Cash at banks earn interest at floating rates based on daily bank deposit rates.

Cash and cash equivalents denominated in foreign currencies are as follows:

	Group			Company		
	30.9.2019 \$'000	30.9.2018 \$'000	1.10.2017 \$'000	30.9.2019 \$'000	30.9.2018 \$'000	1.10.2017 \$'000
United States Dollar	1,490	6,095	381	1,334	1,410	364
Australian Dollar	8	8	-	-	-	-
Malaysia Ringgit	65	112	146	33	78	146

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

23. Trade and other payables

	Group			Company		
	30.9.2019	30.9.2018	1.10.2017	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Trade payables:						
- Third parties	51,062	38,977	55,454	48,066	37,496	54,955
- Due to subsidiaries	-	-	-	903	-	-
	51,062	38,977	55,454	48,969	37,496	54,955
Other payables:						
- Due to subsidiaries	-	-	-	62	14,611	70
- Sales tax payables, net	1,829	1,113	179	847	752	179
- Accrued employee compensation	7,597	7,888	3,293	5,507	5,006	3,293
- Accrued operating expenses	6,676	10,232	10,123	3,191	3,514	2,534
	16,102	19,233	13,595	9,607	23,883	6,076
Total trade and other payables	67,164	58,210	69,049	58,576	61,379	61,031
Add:						
- Loans and borrowings (Note 24)	306,497	338,103	63,148	194,303	220,639	63,148
- Loan from immediate holding company (Note 25)	23,100	23,100	-	23,100	23,100	-
Less:						
- Provision for unutilised leave	(880)	(960)	(625)	(726)	(688)	(625)
- Sales tax payables, net	(1,829)	(1,113)	(179)	(847)	(752)	(179)
Total financial liabilities carried at amortised cost	394,052	417,340	131,393	274,406	303,678	123,375

Trade payables are generally settled on 30 to 90 days terms.

The non-trade amounts due to a subsidiary are unsecured, bear interest at Nil (2018: 2.25%), are repayable upon demand and are expected to be settled in cash.

Trade and other payables denominated in foreign currencies are as follows:

	Group			Company		
	30.9.2019	30.9.2018	1.10.2017	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Euro	52	59	112	50	6	112
United States Dollar	12,298	301	60	12,255	291	60
Malaysia Ringgit	45	2	52	45	2	52

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

24. Loans and borrowings

	Group			Company		
	30.9.2019	30.9.2018	1.10.2017	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current						
Bills payable to banks (unsecured)	238,704	140,556	51,012	127,777	140,556	51,012
Bills payable to banks (secured)	-	113,205	-	-	-	-
Finance lease obligations (secured) [Note 32 (d)]	1,393	2,077	1,364	671	135	1,364
Bank loans (secured)	5,742	-	-	5,742	-	-
	245,839	255,838	52,376	134,190	140,691	52,376
Non-current						
Finance lease obligations (secured) [Note 32 (d)]	545	2,954	772	-	637	772
Bank loans (secured)	60,113	79,311	-	60,113	79,311	-
Convertible bonds (unsecured)	-	-	10,000	-	-	10,000
	60,658	82,265	10,772	60,113	79,948	10,772
Total loans and borrowings	306,497	338,103	63,148	194,303	220,639	63,148

Bills payable to banks

Bills payable bears interest at 1.35% to 2.81% per annum (2018: 1.51% to 5.30% per annum) and is repayable within 5 months (30 September 2018: 4 months, 1 October 2017: 4 months) after the financial year end.

Bills payable to banks in the previous financial year were secured by the following:

- corporate guarantee given by the Company and certain subsidiaries to the banks; and
- a deed of charge and assignment of inventories and floating charge over trade receivables.

Finance lease obligations

These obligations are secured by a charge over the leased assets (Note 12). The discount rate implicit in the lease is 2.51% to 2.91% (2018: 1.95% to 3.06%) per annum.

Bank loans

As at 30 September 2019, the bank loans bear interest ranging from 1.88% to 2.38% per annum for the first and second year and commercial financing rate in the subsequent years. These are secured by certain leasehold buildings (Note 12) and asset held for sale (Note 20) and are repayable in equal quarterly instalments over the next 7 to 20 years.

The bank loan of \$79,311,000 as at 30 September 2018 bore interest at 1.75% and 2.25% above SOR per annum for the first and second year respectively and is secured by the shares of Lee Metal Group. The loan was fully repaid during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

24. Loans and borrowings (cont'd)

Convertible bonds

The Company issued \$10,000,000 redeemable convertible bonds (the "Bonds") on 16 May 2014 which were due five years from the issue date of the Bonds. The total proceeds of \$10,000,000 was used by the Company for working capital purposes. The Bonds were convertible at the option of the bondholders into ordinary shares of the Company at conversion price of one share for every \$1.00 of Bonds held.

The Bonds bore interest at a fixed rate of 5% per annum and were payable on a half-yearly basis on 30 June and 31 December each year. In the previous financial year, all the bonds were converted into ordinary shares at a price of \$1.00 per share (Note 28).

A reconciliation of liabilities arising from financing activities is as follows:

	30.9.2018	Cash flows	Non-cash changes			30.9.2019
			Acquisition	Disposal	Other*	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bills payable and loans						
- current	253,761	(15,057)	-	-	5,742	244,446
- non-current	79,311	(13,456)	-	-	(5,742)	60,113
Finance lease obligations						
- current	2,077	(3,093)	-	-	2,409	1,393
- non-current	2,954	-	-	-	(2,409)	545
	338,103	(31,606)	-	-	-	306,497
Loan from immediate holding company	23,100	-	-	-	-	23,100
	361,203	(31,606)	-	-	-	329,597

	1.10.2017	Cash flows	Non-cash changes			30.9.2018
			Acquisition	Disposal	Other	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bills payable and loans						
- current	51,012	52,552	150,216	(19)	-	253,761
- non-current	-	79,311	-	-	-	79,311
Finance lease obligations						
- current	1,364	(2,504)	2,504	-	713*	2,077
- non-current	772	-	2,895	-	(713)*	2,954
Convertible bonds	10,000	-	-	-	(10,000)#	-
	63,148	129,359	155,615	(19)	(10,000)	338,103
Loan from immediate holding company	-	23,100	-	-	-	23,100
	63,148	152,459	155,615	(19)	(10,000)	361,203

* relates to reclassification of non-current portion of loan including obligations under finance leases due to passage of time.

relates to reclassification to equity upon conversion of bonds.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

25. Loan from immediate holding company

The loan bears interest at a fixed rate of 4.5% per annum and is payable in June 2020.

26. Provisions

	Group			Company		
	30.9.2019	30.9.2018	1.10.2017	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Current						
Provision for onerous contracts	7,216	20,066	11,667	3,640	4,998	11,438
Provision for restoration costs	1,452	-	-	1,452	-	-
	8,668	20,066	11,667	5,092	4,998	11,438
Non-current						
Provision for retirement benefits	254	244	408	254	244	408
Provision for restoration costs	749	749	-	-	-	-
	1,003	993	408	254	244	408

Provision for onerous contracts

Provision for onerous contracts are recorded in respect of certain sales contracts for which the unavoidable costs to meet the obligations are expected to exceed the economic benefits to be received under it.

	Group		Company	
	30.9.2019	30.9.2018	30.9.2019	30.9.2018
	\$'000	\$'000	\$'000	\$'000
At beginning of financial year	20,066	11,667	4,998	11,438
Acquisition of subsidiaries	-	20,375	-	-
Reversal for the year, net	(12,849)	(11,983)	(1,358)	(6,440)
Exchange differences	(1)	7	-	-
At end of financial year	7,216	20,066	3,640	4,998

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

26. Provisions (cont'd)

Provision for retirement benefits

The Group and Company have in place a retirement benefit scheme for employees who commenced employment with the Company prior to 1 January 1983. The retirement benefits are calculated based on one week's pay for each full year of service at the employee's last-drawn basic salary at date of retirement. The retirement benefit scheme is unfunded and will be paid out by the Company in cash when due. As at 30 September 2019, there are no plan assets (30 September 2018: Nil, 1 October 2017: Nil).

The changes in the present value of the defined retirement benefit obligation recognised as a liability in the balance sheets are as follows:

	Group and Company	
	30.9.2019	30.9.2018
	\$'000	\$'000
At beginning of financial year	244	408
Payment during financial year	-	(186)
Charged to statement of comprehensive income (Note 8)	10	22
Service cost	8	20
Interest cost	2	2
At end of financial year	254	244

Of the total charged, amounts of \$2,000 (2018: \$2,000) and \$8,000 (2018: \$20,000) were included in "Cost of Sales" and "Administrative expenses" respectively.

The principal actuarial assumptions at the balance sheet date are as follows:

	Group and Company		
	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000
Discount rate at 30 September	2%	2%	2%
Future salary increases	1%	1%	1%
Resignation rate	0%	0%	0%

Amounts for the current and previous four periods are as follows:

	2019	2018	2017	2016	2015
	\$'000	\$'000	\$'000	\$'000	\$'000
Defined benefit obligation	254	244	408	427	489

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

27. Deferred tax liabilities

Deferred tax as at 30 September 2019, 30 September 2018 and 1 October 2017 relates to the following:

	Group			Consolidated Income Statement		Company		
	Consolidated Balance Sheet					Balance Sheet		
	30.9.2019	30.9.2018	1.10.2017	2019	2018	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Deferred tax assets:								
Provisions	3,480	3,634	2,130	851	2,011	1,051	953	2,014
Unutilised tax benefits	570	1,214	761	644	(748)	-	-	-
Deferred tax liabilities:								
Differences in depreciation for tax purposes	(11,187)	(12,272)	(9,676)	(1,085)	(125)	(7,116)	(8,211)	(8,799)
Fair value adjustments on acquisition of subsidiaries	(4,709)	(5,192)	-	(483)	(118)	-	-	-
Undistributed earnings	(293)	-	-	293	-	(293)	-	-
Deferred tax liabilities, net	(12,139)	(12,616)	(6,785)			(6,358)	(7,258)	(6,785)
Deferred tax expense				220	1,020			

Unrecognised temporary differences relating to interest in joint venture

As at 30 September 2018 and 1 October 2017, no deferred tax liability has been recognised for taxes that would be payable on the undistributed earnings of the Group's joint venture. Such temporary differences for which no deferred tax liability was been recognised aggregate to \$5,037,000 and \$4,903,000 as at 30 September 2018 and 1 October 2017 respectively. The deferred tax liability was estimated to be \$252,000 and \$245,000 as at 30 September 2018 and 1 October 2017 respectively.

28. Share capital and treasury shares

Share capital

	Group and Company			
	2019		2018	
	No. of ordinary shares '000	\$'000	No. of ordinary shares '000	\$'000
Issued and fully paid				
At beginning of financial year	234,962	125,001	187,962	68,011
Conversion of bonds (Note 24)	-	-	10,000	10,000
Issuance of shares	-	-	37,000	46,990
At end of financial year	234,962	125,001	234,962	125,001

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

28. Share capital and treasury shares (cont'd)

Share capital (cont'd)

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.

On 2 February 2018, the Company allotted and issued 37,000,000 new ordinary shares fully paid at \$1.27 per share to 15 investors, pursuant to the authority granted by shareholders of the Company at the Annual General Meeting held on 23 January 2017. The placement shares rank, pari passu, in all respects with the existing shares in the Company.

Treasury shares

	Group and Company			
	2019		2018	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Issued and fully paid				
At beginning and end of financial year	1,627	1,105	1,627	1,105

Treasury shares relate to ordinary shares of the Company that are held by the Company. There have been no reissuance of treasury shares since their acquisitions.

29. Other reserves

	Note	Group			Company		
		30.9.2019 \$'000	30.9.2018 \$'000	1.10.2017 \$'000	30.9.2019 \$'000	30.9.2018 \$'000	1.10.2017 \$'000
Share option reserve	(a)	-	-	885	-	-	885
Fair value reserve	(b)	(76)	(51)	(46)	(76)	(51)	(46)
Foreign currency translation reserve	(c)	(2,675)	(2,764)	(3,315)	-	-	-
Asset revaluation reserve	(d)	597	597	597	597	597	597
		(2,154)	(2,218)	(1,879)	521	546	1,436

(a) Share option reserve

Share option reserve represents the equity-settled share options granted to employees. The reserve is made up of the cumulative value of services received from employees recorded over the vesting period commencing from the grant date of equity-settled share options, and is reduced by the expiry or exercise of the share options.

	Group and Company	
	2019 \$'000	2018 \$'000
At beginning of financial year	-	885
Cancelled during the year	-	(885)
At end of financial year	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

29. Other reserves (cont'd)

(b) Fair value reserve

Fair value reserve represents the cumulative fair value changes, net of tax, of quoted investment securities until they are disposed or impaired.

	Group and Company	
	2019	2018
	\$'000	\$'000
At beginning of financial year	(51)	(46)
- Net loss on fair value changes during the financial year	(25)	(5)
At end of financial year	(76)	(51)

(c) Foreign currency translation reserve

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the effect of exchange differences arising on monetary items that forms part of the Group's net investment in foreign operations.

	Group	
	2019	2018
	\$'000	\$'000
At beginning of financial year	(2,764)	(3,315)
Net effect of exchange differences arising from the translation of financial statements of foreign operations	(161)	148
Net effect of exchange differences arising from the shareholder loans due from an associate and a subsidiary	250	398
Acquisition of non-controlling interests without a change in control	-	5
At end of financial year	(2,675)	(2,764)

(d) Asset revaluation reserve

Asset revaluation reserve arose on revaluation of a certain leasehold building in 1993 (Note 12). There is no movement in asset revaluation reserve during the current and previous financial years as the Group does not have a policy of periodic revaluation of property leasehold buildings (as allowed under FRS 16 for one-off revaluation performed on property, plant and equipment between 1 January 1984 and 31 December 1996).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

30. Dividends

	Group and Company	
	2019	2018
	\$'000	\$'000

Declared and paid during the financial year:

Cash dividends on ordinary shares:

- Final exempt (one-tier) dividend for 2019: 1 cent (2018: Nil) per share	2,333	-
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Proposed but not recognised as a liability as at 30 September:

Dividends on ordinary shares, subject to shareholders' approval at the forthcoming Annual General Meeting ("AGM"):

	Group and Company	
	2019	2018
	\$'000	\$'000
- Final exempt (one-tier) dividend for 2019: 5 cents (2018: 1 cent) per share	11,667	2,333
- Special exempt (one-tier) dividend for 2019: 3 cents (2018: Nil) per share	7,000	-
	18,667	2,333

31. 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:

(a) *Sales and purchases of goods and services*

	Group	
	2019	2018
	\$'000	\$'000
Interest income from associate	842	459
Interest payable to immediate holding company	(1,523)	(638)
Steel hedging paid/payable to company related to a shareholder	(4,075)	-
Steel hedging received/receivable from company related to a shareholder	1,177	-
Sales commission income from company related to a shareholder	156	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

31. Related party transactions (cont'd)

(b) *Compensation of key management personnel*

The remuneration of directors and other members of key management of the Group paid during the financial year is as follows:

	Group	
	2019	2018
	\$'000	\$'000
Wages and salaries	3,166	1,860
Employer's contribution to Central Provident Fund	98	79
Other short-term benefits	365	271
Directors' fees	305	252
	3,934	2,462

Included in the above is total compensation to directors (including directors' fees) of the Company amounting to \$2,311,000 (2018: \$1,358,000).

32. Commitments and contingencies

(a) *Capital commitments*

Capital expenditures contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group			Company		
	30.9.2019	30.9.2018	1.10.2017	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Capital commitment in respect of:						
Plant and machinery	-	434	299	-	-	145
Furniture and equipment	-	-	11	-	-	11
Asset held for sale	5,445	8,000	-	-	-	-
	5,445	8,434	310	-	-	156

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

32. Commitments and contingencies (cont'd)

(b) *Operating lease commitments – as lessee*

The Group has entered into leases on buildings, plants and machinery. Lease on building have a tenure of twelve to twenty three years while plant and machinery has a tenure of one to three years.

Minimum lease payments recognised as an expense in profit or loss for the financial year ended 30 September 2019 amounted to \$11,408,000 (2018: \$7,484,000).

As at the balance sheet date, the Group and the Company have future minimum lease payments under operating lease commitments for rental payable in subsequent periods as follows:

	Group			Company		
	30.9.2019	30.9.2018	1.10.2017	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Within one financial year	6,790	7,122	7,064	6,241	3,938	6,836
After one financial year but within five financial years	14,151	11,322	11,607	6,343	5,565	11,523
After five financial years	11,946	12,083	11,744	9,246	10,737	11,744
	32,887	30,527	30,415	21,830	20,240	30,103

The above operating lease commitments are based on existing rates. Certain lease agreements have a provision for a periodic revision of such rates in the future.

(c) *Operating lease commitments – as lessor*

The Group has entered into commercial property lease for its investment properties. These non-cancellation leases have remaining lease terms of one to five years.

Future minimum lease receivables under non-cancellable operating leases at the end of the reporting period are as follows:

	Group		
	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000
Within one financial year	170	70	-
After one financial year but within five financial years	481	-	-
	651	70	-

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

32. Commitments and contingencies (cont'd)

(c) *Operating lease commitments – as lessor (cont'd)*

The Group had entered into leases on construction equipment. As at 30 September 2019, the Group does not have such leasing arrangement subsequent to the disposal of Nuformsystem (M) Sdn. Bhd. (Note 10).

Future minimum lease receivables under non-cancellable operating leases at the end of the reporting period are as follows:

	Group		
	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000
Within one financial year	-	-	2,229
After one financial year but within five financial years	-	-	198
	-	-	2,427

(d) *Finance lease commitments*

The Group and Company have finance leases for certain items of motor vehicle and plant and machinery.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group					
	30.9.2019		30.9.2018		1.10.2017	
	Minimum lease payments	Present value of payments (Note 24)	Minimum lease payments	Present value of payments (Note 24)	Minimum lease payments	Present value of payments (Note 24)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Within 1 year	1,412	1,393	2,158	2,077	1,396	1,364
After 1 year but within 5 years	545	545	3,018	2,954	807	772
Total minimum lease payments	1,957	1,938	5,176	5,031	2,203	2,136
Less : Amount representing finance charges	(19)	-	(145)	-	(67)	-
Present value of minimum lease payments	1,938	1,938	5,031	5,031	2,136	2,136

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

32. Commitments and contingencies (cont'd)

(d) Finance lease commitments (cont'd)

	Company					
	30.9.2019		30.9.2018		1.10.2017	
	Minimum lease payments	Present value of payments (Note 24)	Minimum lease payments	Present value of payments (Note 24)	Minimum lease payments	Present value of payments (Note 24)
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Within 1 year	690	671	156	135	1,396	1,364
After 1 year but within 5 years	-	-	651	637	807	772
Total minimum lease payments	690	671	807	772	2,203	2,136
Less : Amount representing finance charges	(19)	-	(35)	-	(67)	-
Present value of minimum lease payments	671	671	772	772	2,136	2,136

(e) Contingencies

The Company and one of its subsidiary have provided corporate guarantees in respect of banking facilities provided by banks to its subsidiaries for the financial year ended 30 September 2018. The amount of the facilities drawn down by the subsidiaries as at 30 September 2018 was \$113,205,000 (Note 24). There were no such guarantees provided as at 30 September 2019.

The Company has provided a corporate guarantee in respect of banking facilities provided by a consortium of banks to an associate up to the extent of the Company's 17% shareholding in the investee. As at 30 September 2019, the amount of facilities drawn down by the associate amounted to \$59,266,000 (30 September 2018: \$28,922,000; 1 October 2017: \$16,099,000).

33. Segment reporting

For management purposes, the Group is organised into business units based on its products and services, and has reportable segments as follows:

- (i) The fabrication and manufacturing segment is involved in the business of prefabrication of steel reinforcement for use in concrete, trading of steel reinforcing bars, and manufacturing and sale of wire mesh fences.
- (ii) The renting of construction equipment segment relates to rental of construction equipment (disposed during the previous financial year).
- (iii) Others relate to property development and investment in an associate who operates in the business of management of airport, hotel and resort and property development.

No operating segments have been aggregated to form the above reportable operating segments.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

33. Segment reporting (cont'd)

Year ended 30 September 2019	Fabrication and manufacturing \$'000	Others \$'000	Adjustments and eliminations \$'000	Notes	Total for continuing operations \$'000
Revenue:					
External customers	913,287	-	-		913,287
Inter-segment	-	-	-		-
Total revenue	913,287	-	-		913,287
Results:					
Interest income	1,042	314	(316)		1,040
Interest expense	(9,891)	-	316		(9,575)
Dividend income	2	-	-		2
Depreciation expense	(14,979)	(1,028)	-		(16,007)
Share of results of joint-venture	1,282	-	-		1,282
Share of results of associate	-	(2,131)	-		(2,131)
Reversal of provision for onerous contracts	12,849	-	-		12,849
Impairment loss on property, plant and equipment	(1,816)	-	-		(1,816)
Other non-cash expenses	(4,758)	-	-		(4,758)
Income tax expense	(6,856)	(17)	-		(6,873)
Segment profit/(loss)	32,130	(568)	-		31,562
Assets:					
Segments assets	604,073	90,545	(32)	A	694,586
Additions to property, plant and equipment	3,094	656	-		3,750
Interest in joint venture	7,220	-	-		7,220
Interest in associates	-	18,951	-		18,951
Liabilities:					
Segment liabilities	(426,013)	(5,677)	32	A	(431,658)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

33. Segment reporting (cont'd)

	Fabrication and manufacturing	Others	Adjustments and eliminations	Notes	Total for continuing operations
Year ended 30 September 2018	\$'000	\$'000	\$'000		\$'000
Revenue:					
External customers	567,009	-	-		567,009
Inter-segment	-	-	-		-
Total revenue	567,009	-	-		567,009
Results:					
Interest income	1,086	108	(41)		1,153
Interest expense	(5,243)	-	41		(5,202)
Dividend income	5	-	-		5
Depreciation expense	(9,490)	(352)	-		(9,842)
Share of results of joint-venture	777	-	-		777
Share of results of associate	-	(1,605)	-		(1,605)
Reversal of provision for onerous contracts	11,983	-	-		11,983
Other non-cash expenses	(3,138)	-	-		(3,138)
Income tax expense	(3,533)	(74)	-		(3,607)
Segment profit/(loss)	13,648	(1,605)	-		12,043
Assets:					
Segments assets	642,510	70,876	(14,644)	A	698,742
Additions to property, plant and equipment	26,865	-	-		26,865
Interest in joint venture	12,116	-	-		12,116
Interest in associates	-	11,477	-		11,477
Liabilities:					
Segment liabilities	(474,063)	(2,287)	14,644	A	(461,706)
As at 1 October 2017					
Assets:					
Segment assets	314,882	6,714	-		321,596
Additions to property, plant and equipment	9,360	-	-		9,360
Interest in joint venture	11,650	-	-		11,650
Interest in associate	-	6,714	-		6,714
Liabilities:					
Segment liabilities	(154,652)	-	-		(154,652)

Note A: Inter-segment assets/liabilities are deducted from segment assets/liabilities to arrive at total assets/liabilities reported in the consolidated balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

33. Segment reporting (cont'd)

Geographical segments

Revenue and non-current assets information from continuing operations based on geographical locations of customers and assets respectively are as follows:

	Revenue		Non-current assets		
	2019	2018	30.9.2019	30.9.2018	1.10.2017
	\$'000	\$'000	\$'000	\$'000	\$'000
Singapore	888,037	531,615	142,458	148,914	69,055
China	-	-	7,220	12,116	11,650
Malaysia	25,250	35,394	13,089	14,121	13,590
Others	-	-	-	-	6,714
	913,287	567,009	162,767	175,151	101,009

Non-current assets information presented above consist of property, plant and equipment, interest in joint venture, interest in associates, investment securities and loan to investee company as presented in the consolidated balance sheet.

34. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

34. 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 measured at fair value at the end of the reporting period:

	Group			Total
	Quoted prices in active markets for identical instruments	Significant observable inputs other than quoted prices	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
30 September 2019	\$'000	\$'000	\$'000	\$'000
Assets measured at fair value				
Financial assets:				
<u>Investment securities (Note 17)</u>				
- Quoted equity securities at FVOCI	84	-	-	84
<u>Debt instruments at FVPL (Note 19)</u>				
- Trade receivables subject to provisional pricing	-	-	90,145	90,145
<u>Derivatives (Note 21)</u>				
- Currency forward contracts	-	656	-	656
Financial assets as at 30 September 2019	84	656	90,145	90,885

	Group			Total
	Quoted prices in active markets for identical instruments	Significant observable inputs other than quoted prices	Significant unobservable inputs	
	(Level 1)	(Level 2)	(Level 3)	
30 September 2018	\$'000	\$'000	\$'000	\$'000
Assets measured at fair value				
Financial assets:				
<u>Investment securities (Note 17)</u>				
Available-for-sale financial assets:				
- Quoted equity securities	109	-	-	109
Financial assets as at 30 September 2018	109	-	-	109

Liabilities measured at fair value

Financial liabilities:

Derivatives (Note 21)

- Currency forward contracts

	-	(325)	-	(325)
Financial liabilities as at 30 September 2018	-	(325)	-	(325)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

34. 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	Significant observable inputs other than quoted prices	Significant unobservable inputs	
	(Level 1) \$'000	(Level 2) \$'000	(Level 3) \$'000	
1 October 2017				\$'000
Assets measured at fair value				
Financial assets:				
<i>Investment securities (Note 17)</i>				
Available-for-sale financial assets:				
- <i>Quoted equity securities</i>	114	-	-	114
Financial assets as at 1 October 2017	114	-	-	114
Liabilities measured at fair value				
Financial liabilities:				
<i>Derivatives (Note 21)</i>				
- <i>Currency forward contracts</i>	-	(344)	-	(344)
Financial liabilities as at 1 October 2017	-	(344)	-	(344)

(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 (Note 21):

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

(d) **Level 3 fair value measurements**

The Group applied the 'most likely amount method' to predict steel reinforcement indices based on historical published indices from the Building and Construction Authority, spot sales prices and steel price trend. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

(e) **Assets not measured at fair value, for which fair value is disclosed**

The following table shows an analysis of the Group's assets not measured at fair value, for which fair value is disclosed:

	Note	Group	
		Fair value measurements at the end of the reporting period using	
		Significant unobservable inputs (Level 3)	Carrying amount
		\$'000	\$'000
30.9.2019			
<i>Assets:</i>			
Investment properties	13	2,343	2,402
30.9.2018			
<i>Assets:</i>			
Investment properties	13	2,394	2,471

Determination of fair value

Fair value as disclosed in the table above is based on independent valuations performed. Details are disclosed in Note 13.

(f) **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 has not been disclosed for the Group's investments in unquoted equity securities because fair value cannot be measured reliably. These equity securities represent ordinary shares in a Singapore company that is not quoted on any market. The Group has disposed of this investment in the previous financial year (Note 17).

Fair value information is not disclosed for the following financial instruments of the Group and Company as at 30 September 2019 as the difference between the carrying amounts and their fair values are not significant.

Group	30.9.2019 \$'000	30.9.2018 \$'000	1.10.2017 \$'000
<i>Financial assets:</i>			
Loan to investee company	-	-	1,500
<i>Financial liabilities:</i>			
Obligations under finance lease	(1,938)	(5,031)	(2,136)
Loan from immediate holding company	(23,100)	(23,100)	-
Convertible bonds	-	-	(10,000)
Net financial liabilities	(25,038)	(28,131)	(10,636)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

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

- (f) **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 (cont'd)**

Company	30.9.2019 \$'000	30.9.2018 \$'000	1.10.2017 \$'000
<i>Financial assets:</i>			
Loan to investee company	-	-	1,500
<i>Financial liabilities:</i>			
Obligations under finance lease	(671)	(772)	(2,136)
Loan from immediate holding company	(23,100)	(23,100)	-
Convertible bonds	-	-	(10,000)
Net financial liabilities	(23,771)	(23,872)	(10,636)

35. Financial risk management objective and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. The Board of Directors reviews and agrees on the policies and procedures for the management of these risks, which are executed by the Chief Executive Officer and/or the Chief Financial Officer.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and procedures for the management of these risks.

(a) **Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's credit risk arises primarily from trade and other receivables. For other financial assets (including investment securities, derivatives, and cash and cash equivalents), the Group and the Company minimise credit risks by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on a financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

35. Financial risk management objective and policies (cont'd)

(a) Credit risk (cont'd)

The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations.
- Actual or expected significant changes in the operating results of the borrower.
- Significant increases in credit risk on other financial instruments of the same borrower.
- Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements.
- Significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrowers in the group and changes in the operating results of the borrower.

Regardless of the analysis above, a financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- There is significant difficulty of the issuer or the borrower.
- A breach of contract, such as a default or past due event.
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.
- There is a disappearance of an active market for that financial asset because of financial difficulty.

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 90 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where loans and receivables have been written off, the company continues to engage enforcement activity to attempt to recover the receivable due. Where recoveries are made, these are recognised in profit or loss.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

Trade receivables

The Group provides for lifetime expected credit losses for all trade receivables using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance to days past due. The loss allowance provision as at 30 September 2019 is determined as follows, the expected credit losses below also incorporate forward looking information such as forecast of economic conditions.

Summarised below is the information about the credit risk exposure on the Group's trade receivables using provision matrix:

	Current	1 to 30 days past due	31 to 60 days past due	61 to 90 days past due	More than 90 days past due	Total
30 September 2019	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Gross carrying amount	51,830	33,483	8,750	2,368	8,334	104,765
Loss allowance provision	(1,234)	(854)	(267)	(165)	(7,075)	(9,595)
	50,596	32,629	8,483	2,203	1,259	95,170

Information regarding loss allowance movement of trade receivables are disclosed in Note 19.

During the financial year, the Group wrote-off \$316,000 of trade receivables which were more than 90 days past due as the Group does not expect to receive future cash flows.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

35. Financial risk management objective and policies (cont'd)

(a) Credit risk (cont'd)

Credit risk concentration profile

The Group's and the Company's trade receivables concentration profiles by geographical areas and industry sectors as at the end of reporting period are as follows:

	30.9.2019	Group 30.9.2018	1.10.2017
	\$'000	\$'000	\$'000
By geographical areas:			
- Singapore	175,996	162,791	65,115
- Malaysia	7,055	12,969	8,847
- Others	2,264	1,308	-
	185,315	177,068	73,962
By industry sector:			
- Construction	185,315	177,068	73,962

At the end of the reporting period, approximately:

- 47% (30 September 2018: 30%, 1 October 2017: 34%) of the Group's and 29% (30 September 2018: 58%, 1 October 2017: 32%) of the Company's trade receivables were due from 10 (30 September 2018: 10, 1 October 2017: 10) major customers who are in the construction industry in Singapore.
- 11% (30 September 2018: 11%, 1 October 2017: 24%) of the Company's trade and other receivables were due from related parties.

Financial assets that are neither past due nor impaired

Cash and cash equivalents and derivative financial instruments that are neither past due nor impaired are placed with or entered into with reputable financial institutions with high credit ratings and have no history of default. Trade and other receivables that are neither past due nor impaired are with creditworthy debtors having good payment record with the Group.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 19 (Trade and other receivables).

Amount due from subsidiaries and related parties

The Company assessed the latest performance and financial position of the counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been no significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using 12-month ECL and determined that the ECL is insignificant.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

35. Financial risk management objective and policies (cont'd)

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group and the Company manage liquidity risk by ensuring the availability of funding through an adequate amount of committed credit facilities from reputable financial institutions. In addition, the Group and the Company also maintain sufficient cash balances for operating and future investment opportunities.

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of reporting period based on contractual undiscounted repayment obligations:

Group	Within 1 year	2 to 5 years	More than 5 years	Total
	\$'000	\$'000	\$'000	\$'000
At 30 September 2019				
Financial assets:				
Investment securities	-	84	-	84
Trade and other receivables	195,315	-	-	195,315
Cash and cash equivalents	65,778	-	-	65,778
Other current assets- deposits	228	-	-	228
Derivatives				
- Receipts	160,634	-	-	160,634
- Payments	(159,978)	-	-	(159,978)
Total undiscounted financial assets	261,977	84	-	262,061
Financial liabilities:				
Trade and other payables	64,445	-	-	64,445
Loans and borrowings	247,290	28,897	56,474	332,661
Loan from immediate holding company	23,880	-	-	23,880
Total undiscounted financial liabilities	335,615	28,897	56,474	420,986
Total net undiscounted financial liabilities	(73,638)	(28,813)	(56,474)	(158,925)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

35. Financial risk management objective and policies (cont'd)

(b) Liquidity risk (cont'd)

Group	Within 1 year \$'000	2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
At 30 September 2018				
Financial assets:				
Investment securities	-	109	-	109
Trade and other receivables	180,725	-	-	180,725
Cash and cash equivalents	41,080	-	-	41,080
Other current assets- deposits	300	-	-	300
Total undiscounted financial assets	222,105	109	-	222,214
Financial liabilities:				
Trade and other payables	56,137	-	-	56,137
Loans and borrowings	260,837	84,553	-	345,390
Loan from immediate holding company	1,039	23,880	-	24,919
Derivatives				
- Receipts	(159,312)	-	-	(159,312)
- Payments	159,637	-	-	159,637
Total undiscounted financial liabilities	318,338	108,433	-	426,771
Total net undiscounted financial liabilities	(96,233)	(108,324)	-	(204,557)
At 1 October 2017				
Financial assets:				
Loan to investee company	150	1,585	-	1,735
Investment securities	-	1,614	-	1,614
Trade and other receivables	74,521	-	-	74,521
Cash and cash equivalents	23,989	-	-	23,989
Other current assets- deposits	255	-	-	255
Total undiscounted financial assets	98,915	3,199	-	102,114
Financial liabilities:				
Trade and other payables	68,245	-	-	68,245
Loans and borrowings	53,162	11,118	-	64,280
Derivatives				
- Receipts	(99,760)	-	-	(99,760)
- Payments	100,104	-	-	100,104
Total undiscounted financial liabilities	121,751	11,118	-	132,869
Total net undiscounted financial liabilities	(22,836)	(7,919)	-	(30,755)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

35. Financial risk management objective and policies (cont'd)

(b) Liquidity risk (cont'd)

Company	Within 1 year \$'000	2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
At 30 September 2019				
Financial assets:				
Investment securities	-	84	-	84
Trade and other receivables	126,798	-	-	126,798
Cash and cash equivalents	24,656	-	-	24,656
Other current assets- deposits	133	-	-	133
Derivatives				
- Receipts	133,198	-	-	133,198
- Payments	(132,693)	-	-	(132,693)
Total undiscounted financial assets	152,092	84	-	152,176
Financial liabilities:				
Trade and other payables	57,003	-	-	57,003
Loans and borrowings	135,641	281,352	56,474	473,467
Loan from immediate holding company	23,880	-	-	23,880
Total undiscounted financial liabilities	216,524	281,352	56,474	554,350
Total net undiscounted financial liabilities	(64,432)	(281,268)	(56,474)	(402,174)
At 30 September 2018				
Financial assets:				
Investment securities	-	109	-	109
Trade and other receivables	88,271	-	-	88,271
Cash and cash equivalents	15,591	-	-	15,591
Other current assets- deposits	131	-	-	131
Total undiscounted financial assets	103,993	109	-	104,102
Financial liabilities:				
Trade and other payables	59,939	-	-	59,939
Loans and borrowings	144,678	82,186	-	226,864
Loan from immediate holding company	1,039	23,880	-	24,919
Derivatives				
- Receipts	(83,182)	-	-	(83,182)
- Payments	83,421	-	-	83,421
Total undiscounted financial liabilities	205,895	106,066	-	311,961
Total net undiscounted financial liabilities	(101,902)	(105,957)	-	(207,859)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

35. Financial risk management objective and policies (cont'd)

(b) Liquidity risk (cont'd)

Company	Within 1 year \$'000	2 to 5 years \$'000	More than 5 years \$'000	Total \$'000
At 1 October 2017				
Financial assets:				
Loan to investee company	150	1,585	-	1,735
Investment securities	-	1,614	-	1,614
Trade and other receivables	85,487	-	-	85,487
Cash and cash equivalents	19,673	-	-	19,673
Other current assets- deposits	235	-	-	235
Total undiscounted financial assets	105,545	3,199	-	108,744
Financial liabilities:				
Trade and other payables	60,227	-	-	60,227
Loans and borrowings	53,162	11,118	-	64,280
Derivatives				
- Receipts	(99,760)	-	-	(99,760)
- Payments	100,104	-	-	100,104
Total undiscounted financial liabilities	113,733	11,118	-	124,851
Total net undiscounted financial liabilities	(8,188)	(7,919)	-	(16,107)

The table below shows the contractual expiry by maturity of the Group and Company's commitments. The maximum amount of the corporate guarantee is allocated to the earliest period in which the guarantee could be called.

	30.9.2019 \$'000	30.9.2018 \$'000	1.10.2017 \$'000
Group			
Corporate guarantee - 1 year or less	-	113,205	261
Corporate guarantee - 1 to 5 years	10,075	4,917	3,425
	10,075	118,122	3,686
Company			
Corporate guarantee - 1 year or less	-	2,301	261
Corporate guarantee - 1 to 5 years	10,075	4,917	3,425
	10,075	7,218	3,686

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

35. Financial risk management objective and policies (cont'd)

(c) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually re-priced at intervals of less than 6 months (2018: 6 months) from the balance sheet date.

Sensitivity analysis for interest rate risk

At the end of reporting period, if SGD interest rates had been 50 basis points lower/ higher with all other variables constant, the Group's profit before tax would have been \$1,194,000 (2018: \$1,665,000) higher/ lower respectively as a result of lower/ higher interest expense on floating rate loans and borrowings.

(d) **Foreign currency risk**

The Group and the Company have transactional currency exposures arising from purchases that are denominated in a currency other than the respective functional currencies of the Group entities. The foreign currency in which these transactions are denominated is mainly the US Dollar ("USD").

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the reporting period, such foreign currency balances are mainly in USD.

The Group and the Company use currency forward contracts to hedge its exposure to foreign currency exchange risk arising from purchases which are mainly denominated in USD. The Group's and the Company's trade payables balances at the balance sheet date have similar exposures.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD/SGD exchange rate, with all other variables held constant, of the Group's profit before tax:

	2019	2018
	Profit before tax	
	Increase/ (decrease)	Increase/ (decrease)
	\$'000	\$'000
Group and Company		
USD/SGD - strengthened 7% (2018: 7%)	409	497
- weakened 7% (2018: 7%)	(409)	(497)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 September 2019

36. Capital management

The primary objective of the Group's capital management is to ensure that it maintains healthy capital structure in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the financial years ended 30 September 2019 and 2018.

The Group monitors capital using a gearing ratio, which is net debt divided by capital plus net debt. The Group includes within net debt, loans and borrowings and loan from immediate holding company less cash and cash equivalents. Capital includes equity attributable to owners of the Company.

	Group	
	2019	2018
	\$'000	\$'000
Loans and borrowings (Note 24)	306,497	338,103
Loan from immediate holding company (Note 25)	23,100	23,100
Less: Cash and cash equivalents	(65,778)	(41,080)
Net debt	263,819	320,123
Equity attributable to owners of the Company	262,928	237,036
Capital plus net debt	526,747	557,159
Gearing ratio	50%	57%

37. Authorisation of financial statements for issue

The financial statements for the year ended 30 September 2019 were authorised for issue in accordance with a resolution of the Board of Directors dated on 9 January 2020.

APPENDIX I

PROPOSED RENEWAL OF THE SHARE PURCHASE MANDATE OF BRC ASIA LIMITED (THE "COMPANY")

1. BACKGROUND

1.1 Notice of AGM

We refer to Ordinary Resolution 11 set out in the notice of annual general meeting ("**Notice of AGM**") at pages 135 to 138 of the annual report of the Company dated 9 January 2020 ("**Annual Report**").

1.2 Letter to Shareholders

The purpose of this Appendix I is to provide shareholders of the Company ("**Shareholders**") with information relating to, and to explain the rationale for, the proposed renewal of the Share Purchase Mandate (as defined in **paragraph 1.4** below), and to seek their approval in relation therefor at the annual general meeting of the Company to be held on 30 January 2020 ("**AGM**").

The details of the Share Purchase Mandate are set out at **paragraph 2** of this Appendix I.

1.3 SGX-ST

The Singapore Exchange Securities Trading Limited ("**SGX-ST**") assumes no responsibility for the accuracy of any statements or opinions made or reports contained in this Appendix I.

1.4 Proposed Renewal of the Share Purchase Mandate

It is a requirement under the Companies Act, Chapter 50 of Singapore, as amended or modified from time to time ("**Companies Act**") for a company to obtain the approval of its shareholders to purchase or otherwise acquire its own shares at a general meeting of its shareholders. At the annual general meeting of the Company held on 30 January 2019 ("**2019 AGM**"), shareholders of the Company ("**Shareholders**") had approved, *inter alia*, the renewal of the share purchase mandate approved on 26 January 2018 authorising the Company to purchase or otherwise acquire issued ordinary shares in the capital of the Company (the "**Shares**") (the "**Share Purchase Mandate**").

The Share Purchase Mandate took effect on the date of the passing of Ordinary Resolution 11 at the 2019 AGM and will expire on the date of the forthcoming AGM, scheduled to be held on 30 January 2020. Accordingly, the directors of the Company ("**Directors**") are proposing to seek Shareholders' approval for the renewal of the Share Purchase Mandate at the AGM. The Share Purchase Mandate is set out in Ordinary Resolution 11 in the Notice of AGM.

1.5 Advice to Shareholders

If a Shareholder is in any doubt as to the course of action he should take, he should consult his stockbroker, bank manager, solicitor, accountant or other professional adviser immediately.

2. SHARE PURCHASE MANDATE

2.1 Background and Rationale

The Directors wish to renew the Share Purchase Mandate to allow the Company to purchase issued Shares. The Share Purchase Mandate will allow the Directors to make share purchases at the appropriate price level and is one of the ways through which the return on equity of the Company and its subsidiaries ("**Group**") may be enhanced. Share purchases or acquisitions provide the Company with an easy mechanism to facilitate the return of surplus cash over and above its ordinary capital requirements in an expedient and cost-efficient manner. Share purchases or acquisitions also allow the Directors to exercise control over the share structure of the Company and may, depending on market conditions and funding arrangements at the time, lead to an enhancement of the earnings per Share ("**EPS**") and/or the net tangible asset ("**NTA**") per Share of the Company.

During the period when the Share Purchase Mandate is in force, the Share Purchase Mandate will give the Directors the flexibility to purchase or acquire Shares when and if the circumstances permit. The Share Purchase Mandate will also give the Company the opportunity to purchase or acquire Shares when such Shares are undervalued, to help mitigate short-term market volatility and to offset the effects of short-term speculation. The Share Purchase Mandate will also allow the Directors to effectively manage and minimise the dilution impact (if any) associated with share option schemes and performance share plans.

APPENDIX I

2. SHARE PURCHASE MANDATE (cont'd)

2.1 Background and Rationale (cont'd)

While the Share Purchase Mandate would authorise a purchase or acquisition of Shares of up to ten per cent. (10%) of the issued share capital of the Company (excluding Treasury Shares (as defined in **paragraph 2.2.3** (xi) below) and subsidiary holdings in each class as at the date of the AGM at which the Share Purchase Mandate is approved), Shareholders should note that purchases and acquisitions of Shares pursuant to the Share Purchase Mandate may not be carried out to the full ten per cent. (10%) limit as authorised and no purchases or acquisitions of Shares would be made in circumstances which would have or may have a material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST.

2.2 Details of the Share Purchase Mandate

Save for **paragraph 2.8** below, the authority and limitations placed on purchases or acquisitions of Shares under the Share Purchase Mandate, if renewed at the AGM, are the same as previously approved by Shareholders at the 2019 AGM and, for the benefit of Shareholders, are summarised below:

2.2.1 Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased by the Company. The total number of Shares which may be purchased is limited to that number of Shares representing not more than ten per cent. (10%) of the issued Shares as at the date of the AGM at which the renewal of the Share Purchase Mandate is approved ("**Approval Date**"), unless the Company has, at any time during the relevant period, effected a reduction of its share capital in accordance with the applicable Companies Act, in which event the issued share capital of the Company as altered pursuant to such reduction.

Purely for illustrative purposes, based on 233,335,089 issued Shares as at 19 December 2019, the latest practicable date prior to the printing of this Appendix I (the "**Latest Practicable Date**") (disregarding Treasury Shares (as defined in **paragraph 2.2.3** below) as at the Latest Practicable Date) and assuming no further Shares are issued on or prior to the AGM, the purchase by the Company of up to the maximum limit of ten per cent. (10%) of its issued Shares (excluding Treasury Shares (as defined in **paragraph 2.2.3** below)) will result in the purchase or acquisition of 23,333,508 Shares.

In the event that any of the convertible bonds issued by the Company ("**Convertible Bonds**") are converted, only those new Shares that are allotted and issued by the Approval Date pursuant to the conversion of Convertible Bonds will be taken into account for the purposes of determining the total number of Shares as at the Approval Date.

2.2.2 Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the date of the AGM at which the renewal of the Share Purchase Mandate is approved, up to such time that:

- (i) the next annual general meeting of the Company is held or required by law to be held;
- (ii) purchases and acquisitions of Shares pursuant to the Share Purchase Mandate are carried out to the full extent mandated; or
- (iii) the authority conferred by the Share Purchase Mandate is varied or revoked, whichever is the earliest.

2.2.3 Manner of Purchases

Purchases or acquisitions of Shares may be made on the SGX-ST ("**Market Purchases**"); and/or otherwise than on the SGX-ST, effected pursuant to an equal access scheme ("**Off-Market Purchases**").

Market Purchases refer to purchases of Shares by the Company transacted on the SGX-ST through the ready market, through one or more duly licensed stockbrokers appointed by the Company for the purpose.

APPENDIX I

2. SHARE PURCHASE MANDATE (cont'd)

2.2 Details of the Share Purchase Mandate (cont'd)

2.2.3 Manner of Purchases (cont'd)

Off-Market Purchases refer to purchases of Shares by the Company made under an equal access scheme or schemes for the purchase of Shares from Shareholders. The Directors may impose such terms and conditions, which are consistent with the Share Purchase Mandate, the listing rules ("**Listing Rules**") of the SGX-ST and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to an equal access scheme or schemes. Under the Companies Act, an equal access scheme must satisfy all the following conditions:

- (i) offers for the purchase or acquisition of issued Shares shall be made to every person who holds issued Shares to purchase or acquire the same percentage of their issued Shares;
- (ii) all of those persons shall be given a reasonable opportunity to accept the offers made to them; and
- (iii) the terms of all the offers are the same, except that there shall be disregarded:
 - (a) differences in consideration attributable to the fact that offers relate to Shares with different accrued dividend entitlements;
 - (b) differences in consideration attributable to the fact that offers relate to Shares with different amounts remaining unpaid; and
 - (c) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

In addition, pursuant to Rule 885 of the Listing Rules and Section 76C the Companies Act, in making an Off-Market Purchase in accordance with an equal access scheme, the Company must issue an offer document or notice to all Shareholders which must contain at least the following information:

- (i) the terms and conditions of the offer;
- (ii) the maximum number of Shares or the maximum percentage of ordinary shares authorised to be purchased or acquired;
- (iii) the maximum price which may be paid for the Shares;
- (iv) the date on which the Share Purchase Mandate is to expire, being a date that must not be later than the date on which the next annual general meeting of the Company is or is required by law to be held, whichever is earlier;
- (v) the sources of funds to be used for the purchase or acquisition of the Shares including the amount of financing and its impact on the Company's financial position;
- (vi) the period and procedures for acceptances;
- (vii) the reasons for the proposed purchase or acquisition of Shares;
- (viii) the consequences, if any, of the proposed purchase or acquisition of Shares by the Company that will arise under the Singapore Code on Take-overs and Mergers ("**Take-over Code**") or other applicable take-over rules;
- (ix) whether the purchase or acquisition of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;
- (x) details of any purchase or acquisition of Shares made by the Company in the previous twelve (12) months (whether by way of Market Purchases or Off-Market Purchases), giving the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions, where relevant, and the total consideration paid for the purchases; and

APPENDIX I

2. SHARE PURCHASE MANDATE (cont'd)

2.2 Details of the Share Purchase Mandate (cont'd)

2.2.3 Manner of Purchases (cont'd)

- (xi) whether the Shares purchased by the Company will be cancelled or kept as Treasury Shares (as defined in the Companies Act) ("**Treasury Shares**").

2.2.4 Maximum Purchase Price

The purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) to be paid for the Shares will be determined by the Directors. The purchase price to be paid for the Shares as determined by the Directors must not exceed:

- (i) in the case of a Market Purchase, one hundred and five per cent. (105%) of the Average Closing Price (as defined hereinafter) of the Shares; and
- (ii) in the case of an Off-Market Purchase, one hundred and ten per cent. (110%) of the Average Closing Price of the Shares,

in each case, excluding related expenses of the purchase or acquisition (the "**Maximum Price**").

"**Average Closing Price**" means the average of the closing market prices of a Share for the five (5) days on which the SGX-ST is open for trading in securities ("**Market Days**") on which transactions in the Shares were recorded, before the day on which the purchase or acquisition of Shares was made, or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Listing Rules, for any corporate action that occurs after the relevant five (5) Market Day period; and

"**date of the making of the offer**" means the date on which the Company announces its intention to make an offer for an Off-Market Purchase, stating therein the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

2.3 Status of Purchased Shares

Any Share which is purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a Treasury Share. At the time of each purchase or acquisition of the Shares by the Company, the Directors will decide whether the Shares purchased will be cancelled or kept as Treasury Shares. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company, which are cancelled and are not held as Treasury Shares.

All Shares purchased or acquired by the Company (other than Treasury Shares held by the Company to the extent permitted under the Companies Act) will be automatically de-listed by the SGX-ST, and certificates (if any) in respect thereof will be cancelled and destroyed by the Company as soon as reasonably practicable following settlement of any such purchase or acquisition.

2.4 Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as Treasury Shares. Some of the key provisions on treasury shares under the Companies Act are summarised below:

2.4.1 Maximum Holdings

The number of Shares held as Treasury Shares cannot at any time exceed ten per cent. (10%) of the total number of issued Shares.

APPENDIX I

2. SHARE PURCHASE MANDATE (cont'd)

2.4 Treasury Shares (cont'd)

2.4.2 Voting and Other Rights

The Company cannot exercise any right in respect of the Treasury Shares. In particular, the Company will not have the right to attend or vote at meetings and to receive any dividends or other distribution of the Company's assets in respect of the Treasury Shares.

However, the allotment of Treasury Shares as fully paid bonus shares in respect of Treasury Shares is allowed. A subdivision or consolidation of any Treasury Share into Treasury Shares of a smaller number is also allowed so long as the total value of the Treasury Shares after the subdivision or consolidation is the same as before.

2.4.3 Disposal and Cancellation

Where the Company holds Shares as Treasury Shares, it may dispose of such Treasury Shares at any time in the following ways:

- (i) sell the Treasury Shares for cash;
- (ii) transfer the Treasury Shares for the purposes of or pursuant to an employees' share scheme;
- (iii) transfer the Treasury Shares as consideration for the acquisition of shares in or assets of another company or assets of a person;
- (iv) cancel the Treasury Shares; or
- (v) sell, transfer or otherwise use the Treasury Shares for such other purposes as may be prescribed by the Minister for Finance of Singapore.

In addition, under Rule 704(28) of the Listing Rules, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage, the percentage of the number of treasury shares comprised in the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage and the value of the treasury shares comprised in the usage.

2.5 Reporting Requirements

Within thirty (30) days of passing a Shareholders' resolution to approve the purchase or acquisitions of Shares by the Company, the Company shall lodge a copy of such resolution with the Accounting and Corporate Regulatory Authority of Singapore ("**ACRA**").

The Company shall notify ACRA within thirty (30) days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include details of purchases or acquisitions including the date of the purchases or acquisitions, the total number of Shares purchased or acquired by the Company, the number of Shares cancelled and the number of Shares held as Treasury Shares, the Company's issued share capital before and after the purchases and acquisitions of Shares, the amount of consideration paid by the Company for the purchases or acquisitions, and such other information required by the Companies Act.

Rule 886 of the Listing Rules specifies that a listed company shall notify the SGX-ST of all purchases or acquisitions of its Shares not later than 9:00 a.m.:

- (a) in the case of a Market Purchase, on the Market Day following the day on which the Market Purchase was made; and
- (b) in the case of an Off-Market Purchase pursuant to an equal access scheme in accordance with Section 76C of the Companies Act, on the second Market Day after the close of acceptances of the offer for the Off-Market Purchase.

APPENDIX I

2. SHARE PURCHASE MANDATE (cont'd)

2.5 Reporting Requirements (cont'd)

The notification of such purchases or acquisitions of Shares to the SGX-ST shall be in such form and shall include such details that the SGX-ST may prescribe. The Company shall make arrangements with its stockbrokers to ensure that they provide the Company in a timely fashion the necessary information which will enable the Company to make the notifications to the SGX-ST.

2.6 Source of Funds

The Company may only apply funds for the purchase or acquisition of Shares as provided in the Constitution of the Company and in accordance with the applicable laws in Singapore. The Company may not purchase or acquire its Shares pursuant to the Share Purchase Mandate, for settlement otherwise than in accordance with the trading rules of the SGX-ST.

Under the Companies Act, purchases or acquisitions of Shares by the Company may be made out of the Company's capital or distributable profits provided that:

- (i) the Company is able to pay its debts in full at the time it purchases the Shares and will be able to pay its debts as they fall due in the normal course of business during the period of twelve (12) months immediately following the date of purchase; and
- (ii) the value of the Company's assets is not less than the value of its liabilities (including contingent liabilities) and will not after the purchase of Shares become less than the value of its liabilities (including contingent liabilities).

Where the purchase of Shares is made out of distributable profits, such purchase (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the purchase of Shares is made out of capital, the Company shall reduce the amount of its share capital by the total amount of the purchase price paid by the Company for the Shares but the amount available for the distribution of cash dividends by the Company will not be reduced.

The Company will use its internal resources and/or external borrowings to finance its purchase or acquisition of the Shares. Where the purchase of Shares is financed through internal resources, it will reduce the cash reserves of the Group and the Company, and thus the current assets and shareholders' funds of the Group and the Company. This will result in an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company. The actual impact on the gearing and current ratios will depend on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

Where the purchase or acquisition of Shares is financed through external borrowings or financing, there would be an increase in the gearing ratios of the Group and the Company and a decline in the current ratios of the Group and the Company, with the actual impact dependent on the number of Shares purchased or acquired and the prices at which the Shares are purchased or acquired.

However, the Directors do not propose to exercise the Share Purchase Mandate to such an extent as would have a material adverse effect on the working capital requirements of the Company or the gearing levels which, in the opinion of the Directors, are from time to time appropriate for the Company.

2.7 Financial Effects

The financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Purchase Mandate will depend on factors such as the aggregate number of Shares purchased or acquired, the purchase prices paid at the relevant time, how the purchase or acquisition is funded, whether the Shares purchased or acquired are held as Treasury Shares or immediately cancelled on purchase or acquisition as well as how the Shares, if held as Treasury Shares, are subsequently dealt with by the Company in accordance with Section 76K of the Companies Act.

Accordingly, it is not possible for the Company to calculate or quantify the actual impact of purchases or acquisitions of Shares that may be made pursuant to the Share Purchase Mandate on the NTA and EPS of the Company and the Group.

APPENDIX I

2. SHARE PURCHASE MANDATE (cont'd)

2.7 Financial Effects (cont'd)

2.7.1 Illustrative Financial Effects

For illustrative purposes only, based on the audited financial statements of the Company and the Group for the financial year ended 30 September 2019 (please refer to page 42 of the Annual Report), and based on the assumptions set out below:

- (i) in the case of Market Purchases by the Company and assuming that the Company purchases or acquires 23,333,508 Shares, representing ten per cent. (10%) of its issued share capital as at the Latest Practicable Date (excluding Treasury Shares) and the Shares are purchased at \$1.579 per Share, being a price representing one hundred and five per cent. (105%) of the Average Closing Price as at the Latest Practicable Date; and
- (ii) in the case of Off-Market Purchases by the Company and assuming that the Company purchases or acquires 23,333,508 Shares, representing ten per cent. (10%) of its issued share capital as at the Latest Practicable Date (excluding Treasury Shares) and the Shares are purchased at \$1.654 per Share, being a price representing one hundred and ten per cent. (110%) of the Average Closing Price as at the Latest Practicable Date,

and provided that the purchases or acquisitions are financed entirely out of internal sources of funds and external borrowings and the purchased or acquired Shares are cancelled or held in treasury, the impact of the purchase of Shares by the Company pursuant to the Share Purchase Mandate on the Group's and the Company's audited financial statements for the financial year ended 30 September 2019 would be as set out below.

	Market Share Purchase (\$'000)		Off-Market Share Purchase (\$'000)	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
Group				
Total Equity	262,928	226,084	262,928	224,334
Net asset attributable to owners	262,928	226,084	262,928	224,334
Current Assets	531,819	494,975	531,819	493,225
Current Liabilities	357,858	357,858	357,858	357,858
Total Borrowings	329,597	329,597	329,597	329,597
Cash and Cash Equivalents	65,778	28,934	65,778	27,184
No. of issued and paid-up Shares ('000) (excluding treasury shares)	233,335	210,002	233,335	210,002
Financial Ratios				
Net asset per Share attributable to owners (cents) ^(1a)	112.68	107.66	112.68	106.82
Gearing (times) ^(1b)	1.25	1.46	1.25	1.47
Basic Earnings per Share (cents) ^(1c)	13.53	15.03	13.53	15.03

APPENDIX I

2. SHARE PURCHASE MANDATE (cont'd)

2.7 Financial Effects (cont'd)

2.7.1 Illustrative Financial Effects (cont'd)

	Market Share Purchase (\$'000)		Off-Market Share Purchase (\$'000)	
	Before Share Purchase	After Share Purchase	Before Share Purchase	After Share Purchase
Company				
Total Equity	305,624	268,780	305,624	267,030
Net Tangible Assets ("NTA")	305,624	268,780	305,624	267,030
Current Assets	286,621	261,965	286,621	261,965
Current Liabilities	226,784	238,972	226,784	240,722
Total Borrowings	217,403	229,591	217,403	231,341
Cash and Cash Equivalents	24,656	-	24,656	-
No. of issued and paid-up Shares ('000) (excluding treasury shares)	233,335	210,002	233,335	210,002
Financial Ratios				
NTA per Share (cents) ^(1d)	130.98	127.99	130.98	127.16
Gearing (times) ^(1b)	0.71	0.85	0.71	0.87
Basic Earnings per Share (cents) ^(1c)	26.17	29.08	26.17	29.08

Notes:

- (1) For the purposes of the above calculations:
- "**Net asset per Share attributable to owners**" is calculated based on the net asset attributable to owners and the issued and paid-up Shares (excluding Treasury Shares) as at the Latest Practicable Date;
 - "**Gearing**" represents the ratio of total borrowings to total equity;
 - "**Basic Earnings per Share**" is calculated based on profit attributable to Shareholders and number of issued and paid-up Shares (excluding Treasury shares) as at the Latest Practicable Date; and
 - "**NTA per Share**" is calculated based on the NTA and the issued and paid-up Shares (excluding Treasury Shares) as at the Latest Practicable Date.

Shareholders should note that the financial effects set out in this section are purely for illustrative purposes only and are in no way indicative of the Company's real financial position or a forecast of the Group's and the Company's financial figures.

2.8 Tax Implications

The proceeds received by Shareholders from the Company will be treated for income tax purposes in the same manner as proceeds arising from any other disposal of shares. Whether the payment is taxable in the hands of such Shareholders will depend on whether such proceeds are receipt of an income or a capital nature.

Shareholders should note that the foregoing is not to be regarded as advice on the tax position of any Shareholder. Shareholders who are in doubt as to their respective tax positions or the tax implications of Share purchases by the Company, or, who may be subject to tax whether in or outside Singapore, should consult their own professional advisers.

APPENDIX I

2. SHARE PURCHASE MANDATE (cont'd)

2.9 Listing Rules

Under Rule 884 of the Listing Rules, a listed company may purchase shares by way of Market Purchases at a price per share which is not more than five per cent. (5%) above the average of the closing market prices of the shares over the last five (5) Market Days, on which transactions in the shares were recorded, before the day on which the purchases were made.

The Maximum Price for a Share in relation to Market Purchases by the Company conforms to this restriction.

While the Listing Rules do not expressly prohibit any purchase of shares by a listed company during any particular time(s), because the listed company would be regarded as an "insider" in relation to any proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Purchase Mandate at any time after any matter or development of a price-sensitive nature has occurred or has been the subject of consideration and/or a decision of the Board until such price-sensitive information has been publicly announced. Rule 1207(19) of the Listing Rules provides, *inter alia*, that a listed issuer and its officers should not deal in the listed issuer's securities during the period commencing two (2) weeks before the announcement of each of the issuer's results for the first three (3) quarters, and one (1) month before the announcement of the issuer's annual (full year) results, as the case may be, and ending on the date of the announcement of the relevant results. In line with the best practices guide on securities dealings issued by the SGX-ST, the Company will not purchase or acquire any Shares through Market Purchases during the period of one (1) month immediately preceding the announcement of the Company's full year results and the period of two (2) weeks immediately preceding the announcement of the Company's results for the first three (3) quarters.

2.10 Listing Status

The Company is required under Rule 723 of the Listing Rules to ensure that at least ten per cent. (10%) of any class of its equity securities (excluding preference shares and convertible equity securities) are in the hands of the public. The "public", as defined under the Listing Rules, are persons other than its Directors, chief executive officer, Substantial Shareholders or controlling shareholders and its subsidiaries, as well as the associates of such persons. For purposes of this Appendix I, the terms "**Substantial Shareholder**" and "**subsidiary**" shall have the meaning ascribed to them in the Companies Act and the terms "**controlling shareholder**" and "**associate**" shall have the meanings ascribed to them in the Listing Rules.

As at the Latest Practicable Date, there are 65,539,553 Shares in the hands of the public (as defined above), representing 28.09% of the issued Shares (excluding Treasury Shares). Assuming that the Company purchases its Shares through Market Purchases up to the full ten per cent. (10%) limit pursuant to the Share Purchase Mandate and all such Shares purchased are held by the public, the number of Shares in the hands of the public would be reduced to 42,206,045 Shares, representing 20.10% of the reduced issued share capital (excluding Treasury Shares) of the Company. It should be noted that the foregoing statement is for illustrative purposes only and should not be taken as any indication that the Directors will effect such purchases of its Shares.

It should further be noted that in undertaking any purchases of its Shares through Market Purchases, the Directors will use their best efforts to ensure that a sufficient number of Shares remains in public hands so that the Share purchase(s) will not:

- (i) adversely affect the listing status of the Shares on the SGX-ST;
- (ii) cause market illiquidity; or
- (iii) adversely affect the orderly trading of Shares.

2.11 Obligations to Make a Take-over Offer

Under the Take-over Code, a person will be required to make a general offer for a public company if:

- (i) he acquires thirty per cent. (30%) or more of the voting rights of the company; or
- (ii) he holds between thirty per cent. (30%) and fifty per cent. (50%) of the voting rights of the company and he increases his voting rights in the company by more than one per cent. (1%) in any period of six (6) months.

APPENDIX I

2. SHARE PURCHASE MANDATE (cont'd)

2.11 Obligations to Make a Take-over Offer (cont'd)

If, as a result of any purchase or acquisition by the Company of its Shares, the proportionate interest in the voting capital of the Company of a Shareholder and persons acting in concert with him increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a take-over offer for the Company under Rule 14 of the Take-over Code ("**Rule 14**").

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal) co-operate, through the acquisition by any of them of shares in a company to obtain or consolidate effective control of that company. Unless the contrary is established, the following persons, *inter alia*, will be presumed to be acting in concert:

- (i) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts); and
- (ii) a company, its parent, its subsidiaries and fellow subsidiaries, and their associated companies, and companies of which such companies are associated companies as well as any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the aforementioned entities for the purchase of voting rights, all with each other.

For this purpose, ownership or control of at least twenty per cent. (20%) but not more than fifty per cent. (50%) of the equity share capital of a company will be regarded as the test of associated company status.

The circumstances under which Shareholders (including Directors) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

Under Appendix 2 of the Take-Over Code, unless exempted, Directors and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights in the Company of such Directors and their concert parties:

- (i) increase to thirty per cent. (30%) or more; or
- (ii) if the voting rights of such Directors and their concert parties fall between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Directors and their concert parties increase by more than one per cent. (1%) in any period of six (6) months.

A Shareholder not acting in concert with the Directors will not incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company increase to thirty per cent. (30%) or more, or if the voting rights of such Shareholder fall between thirty per cent. (30%) and fifty per cent. (50%) of the Company's voting rights, the voting rights of such Shareholder increase by more than one per cent. (1%) in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Share Purchase Mandate.

The interests of the Directors and Substantial Shareholders as at the Latest Practicable Date are disclosed in **paragraph 3** below. As at the Latest Practicable Date, assuming that the Company purchases the maximum limit of ten per cent. (10%) of its issued Shares (excluding Treasury Shares):

- (i) none of the Directors (together with persons acting in concert with them, if any) will be obligated to make a take-over offer for the Company under Rule 14 as a result of the purchase by the Company of Shares under the Share Purchase Mandate; and
- (ii) none of the Directors are aware of any Substantial Shareholders who may become obligated to make a take-over offer for the Company under Rule 14 as a result of the purchase by the Company of Shares under the Share Purchase Mandate.

APPENDIX I

2. SHARE PURCHASE MANDATE (cont'd)

2.11 Obligations to Make a Take-over Offer (cont'd)

This **paragraph 2.11** does not purport to be a comprehensive or exhaustive description of all the implications that may arise under the Take-over Code. Shareholders who are in doubt as to whether they would incur any obligation to make a take-over offer as a result of any purchase of Shares by the Company pursuant to the Share Purchase Mandate are advised to consult their own professional advisers at the earliest opportunity.

2.12 Share Purchases in the Previous Twelve (12) Months

In the last twelve (12) months immediately preceding the Latest Practicable Date, the Company has not purchased any Shares by way of Market Purchases pursuant to the Share Purchase Mandate approved by Shareholders at the 2019 AGM.

3. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTEREST

Based on the Register of Directors' Shareholding and the Register of Substantial Shareholders respectively as at the Latest Practicable Date, and assuming (i) the Company purchases the maximum limit of ten per cent. (10%) of its issued Shares (excluding Treasury Shares), and (ii) there is no change in the number of Shares held by the Directors and Substantial Shareholders or which they are deemed interested in, as at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders, direct or indirect, in the Shares are set out below:

3.1 Interests in Shares

	Direct Interest		Deemed Interest		Total Interest	
	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾	Number of Shares	% ⁽¹⁾
Shareholders						
Estee Enterprise Pte. Ltd. ("Estee") ⁽²⁾	167,795,536	71.912	-	-	167,795,536	71.912
Advance Venture Investments Limited ("AVIL") ⁽²⁾	-	-	167,795,536	71.912	167,795,536	71.912
You Zhenhua ⁽³⁾	-	-	167,795,536	71.912	167,795,536	71.912

Notes:

- (1) Based on the total issued Shares (excluding Treasury Shares and subsidiary holdings in each class), comprising 233,335,089 Shares as at the Latest Practicable Date.
- (2) AVIL has a 80.1% interest in Estee. Accordingly, AVIL is deemed to have an interest in the Shares held by Estee pursuant to Section 7 of the Companies Act.
- (3) You Zhenhua has a 100% interest in AVIL. Accordingly, You Zhenhua is deemed to have an interest in the Shares held by AVIL pursuant to Section 7 of the Companies Act.

4. DIRECTORS' RECOMMENDATIONS

The Directors are of the opinion that the proposed renewal of the Share Purchase Mandate is in the best interests of the Company. The Directors recommend that Shareholders vote in favour of Ordinary Resolution 11 relating to the proposed renewal of the Share Purchase Mandate as set out in the Notice of AGM on pages 135 to 138 of the Annual Report.

5. ANNUAL GENERAL MEETING

The AGM, notice of which is set out on pages 135 to 138 of the Annual Report, will be held on Wednesday, 30 January 2020, at 10.00 a.m. at 5, Sixth Lok Yang Road, Singapore 628103.

APPENDIX I

6. ACTION TO BE TAKEN BY SHAREHOLDERS

6.1 Appointment of Proxies

Shareholders who are unable to attend the AGM and who wish to appoint a proxy to attend and vote on their behalf are requested to complete, sign and return the proxy form in the Annual Report ("**Proxy Form**") in accordance with the instructions printed thereon as soon as possible and in any event so as to arrive at the Company's Share Registrar office by 10.00 a.m. on 27 January 2020, not later than seventy-two (72) hours before the time set for the AGM. The completion and lodgement of the Proxy Form by a Shareholder does not preclude him from attending and voting in person at the AGM if he so wishes. In such event, the relevant Proxy Forms will be deemed to be revoked.

A Shareholder having a share capital who is a relevant intermediary may appoint more than two (2) proxies to attend, speak and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such Shareholder (which number and class of Shares shall be specified).

6.2 When Depositor Regarded as Shareholder

A Depositor (as defined in Section 81SF of the Securities and Futures Act, Chapter 289 of Singapore ("**Securities and Futures Act**")) shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register (as defined in Section 81SF of the Securities and Futures Act) at least seventy-two (72) hours before the AGM.

7. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix I and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix I constitutes full and true disclosure of all material facts about the renewal of the Share Purchase Mandate, the Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix I misleading.

Where information in this Appendix I 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 Appendix I in its proper form and context.

8. DOCUMENTS FOR INSPECTION

The following documents are available for inspection at the Company's Share Registrar's office at 80 Robinson Road, #11-02, Singapore 068898 during normal business hours from the date of this Appendix I up to (and including) the date of the AGM:

- (i) the Constitution of the Company; and
- (ii) the Annual Report of the Company for the financial year ended 30 September 2019.

Yours faithfully
For and on behalf of the Board of Directors of BRC ASIA LIMITED,

Seah Kiin Peng
Executive Director

STATISTICS OF SHAREHOLDINGS

As at 19 December 2019

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS

No. of Shares	:	234,961,689
Class of Shares	:	Ordinary Shares
Voting Rights	:	One vote for each ordinary share
Treasury Shares	:	1,626,600
Percentage of such holding against total number of issued ordinary shares (excluding treasury shares)	:	0.70%

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES*	%
1 - 99	13	1.07	313	0.00
100 - 1,000	822	67.43	326,900	0.14
1,001 - 10,000	265	21.74	1,279,119	0.55
10,001 - 1,000,000	107	8.78	13,079,721	5.60
1,000,001 and above	12	0.98	218,649,036	93.71
TOTAL	1,219	100.00	233,335,089	100.00

* Excluding treasury shares as at 19 December 2019 which comprised 1,626,600 shares. As at 19 December 2019, the Company had no subsidiary holdings. "Subsidiary Holdings" is defined in the Listing Manual to mean shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act, Chapter 50.

TWENTY LARGEST SHAREHOLDERS AS AT 19 DECEMBER 2019

NO.	NAME OF SHAREHOLDERS	NO. OF SHARES	%
1	UOB KAY HIAN PTE LTD	183,859,336	78.80
2	CGS-CIMB SECURITIES (SINGAPORE) PTE LTD	7,173,218	3.07
3	D3 RESOURCES PTE. LTD.	5,000,000	2.14
4	PHILLIP SECURITIES PTE LTD	4,705,200	2.02
5	CITIBANK NOMINEES SINGAPORE PTE LTD	4,614,100	1.98
6	JIANYOU INTERNATIONAL TRADE CO. LTD.	3,000,000	1.29
7	LUO BIN	2,000,000	0.86
8	LUO JUN HUA	2,000,000	0.86
9	SHANWOOD DEVELOPMENT PTE LTD	1,889,000	0.81
10	SHI YONG	1,611,700	0.69
11	OCBC SECURITIES PRIVATE LTD	1,593,002	0.68
12	DBS NOMINEES PTE LTD	1,203,480	0.52
13	GOH TIOW GUAN	1,000,000	0.43
14	SEAH BOON HWA	1,000,000	0.43
15	RAFFLES NOMINEES (PTE) LIMITED	850,788	0.36
16	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	757,600	0.32
17	HSBC (SINGAPORE) NOMINEES PTE LTD	704,100	0.30
18	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	698,915	0.30
19	ABN AMRO CLEARING BANK N.V.	689,500	0.30
20	LIM YIT WAH @NG YOE NIE	620,000	0.27
TOTAL:		224,969,939	96.43

Note:

% Based on 233,335,089 shares (excluding treasury shares) as at 19 December 2019. Treasury shares as at 19 December 2019 was 1,626,600 shares.

STATISTICS OF SHAREHOLDINGS

As at 19 December 2019

SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the substantial shareholders in the issued share capital of the Company as recorded in the register of substantial shareholders as at the latest practicable date are set out below.

	Direct Interest		Deemed Interest		Total Interest	
	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾	No. of Shares	% ⁽¹⁾
Substantial Shareholders						
Esteele Enterprise Pte. Ltd. ("Esteele") ⁽²⁾	167,795,536	71.912	-	-	167,795,536	71.912
Advance Venture Investments Limited ("AVIL") ⁽²⁾	-	-	167,795,536	71.912	167,795,536	71.912
You Zhenhua ⁽³⁾	-	-	167,795,536	71.912	167,795,536	71.912

Notes:

- (1) Percentage is calculated based on 233,335,089 shares (excluding treasury shares) as at 19 December 2019.
- (2) AVIL has a 80.1% interest in Esteele. Accordingly, AVIL is deemed to have an interest in the Shares held by Esteele pursuant to Section 7 of the Companies Act.
- (3) You Zhenhua has a 100% interest in AVIL. Accordingly, You Zhenhua is deemed to have an interest in the Shares held by AVIL pursuant to Section 7 of the Companies Act.

PUBLIC SHAREHOLDING

Based on information available to the Company, approximately 28.09% of the Company's shares are held in the hands of the public and therefore, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

BRC ASIA LIMITED

(Company Registration No.: 193800054G)

(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Annual General Meeting of BRC Asia Limited (the "Company") will be held at 5 Sixth Lok Yang Road, Singapore 628103 on Thursday, 30 January 2020 at 10.00 a.m. to transact the following businesses:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 30 September 2019 and the Auditors' Report thereon. **(Resolution 1)**
2. To declare a final tax-exempt (one-tier) dividend of 5 Singapore cents per ordinary share for the financial year ended 30 September 2019. **(Resolution 2)**
3. To declare a special tax-exempt (one-tier) dividend of 3 Singapore cents per ordinary share for the financial year ended 30 September 2019. **(Resolution 3)**
4. To approve the Directors' fees of S\$307,500 for the financial year ending 30 September 2020 (2019: S\$307,500). **(Resolution 4)**
5. To re-elect the following directors retiring pursuant to Regulation 104 of the Company's Constitution: *(See Explanatory Note 1)*
 - (a) Mr. Teo Ser Luck **(Resolution 5)**
 - (b) Mr. Xu Jiguo **(Resolution 6)**
 - (c) Mr. Zhang Xingwang **(Resolution 7)**
6. To re-elect Mr. Darrell Lim Chee Lek, who is retiring pursuant to Regulation 108 of the Constitution of the Company, as director of the Company. *(See Explanatory Note 1)* **(Resolution 8)**
7. To re-appoint Ernst & Young LLP, Certified Public Accountants, as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 9)**

AS SPECIAL BUSINESS

To consider and, if thought fit, to pass the following ordinary resolutions with or without any modifications:

8. Authority to Issue Shares **(Resolution 10)**

"That pursuant to Section 161 of the Companies Act, Cap. 50 (the "**Act**") and the listing rules (the "**Listing Rules**") of the listing manual ("**Listing Manual**") of Singapore Exchange Securities Trading Limited ("**SGX-ST**"), approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and conditions and for such purposes as the Directors may in their absolute discretion deem fit, to:

 - (a) (i) issue shares in the capital of the Company ("**Shares**") whether by way of bonus, rights or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, options, debentures or other instruments convertible into Shares,

(b) (notwithstanding the authority conferred by this resolution ("**Resolution**") may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

Provided that:

- (i) the aggregate number of Shares to be issued pursuant to this Resolution (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) shall not be more than fifty per cent (50%) of the total number of Shares (excluding treasury shares and subsidiary holdings), in the capital of the Company or such other limit as may be prescribed by the SGX-ST as at the date the general mandate is passed;
- (ii) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro-rata basis to existing shareholders shall not be more than twenty per cent (20%) of the total number of Shares (excluding treasury shares and subsidiary holdings) in the capital of the Company or such other limit as may be prescribed by the SGX-ST as at the date the general mandate is passed;
- (iii) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraphs (i) and (ii) above, the total number of Shares (excluding treasury shares and subsidiary holdings) shall be calculated based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company as at the date the general mandate is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or employee stock options or vesting of share awards which are outstanding or subsisting at the date the general mandate is passed and any subsequent bonus issue, consolidation or subdivision of the Company's shares; and
- (iv) unless earlier revoked or varied by the Company in general meeting, such authority shall continue in force until the next Annual General Meeting or the date by which the next Annual General Meeting is required by law to be held, whichever is earlier." (See *Explanatory Note 2*)

9. Approval of the Renewal of the General Mandate for Share Purchase

(Resolution 11)

"That:

- (a) for the purposes of Sections 76C and 76E of the Act, the exercise by the directors of the Company ("**Directors**") of all the powers of the Company to purchase or otherwise acquire Shares not exceeding in aggregate the Maximum Percentage (as hereinafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereinafter defined), whether by way of:
 - (i) purchases or acquisitions of Shares may be made on the SGX-ST ("**Market Purchases**") transacted through the SGX-ST's trading system through one or more duly licensed stockbrokers appointed by the Company for the purpose; and/or
 - (ii) otherwise than on the SGX-ST, in accordance with an equal access scheme ("**Off-Market Purchases**") as may be determined or formulated by the Directors as they consider fit in the interests of the Company, which scheme(s) shall satisfy the conditions, which are consistent with the Share Purchase Mandate (as hereinafter defined), the Listing Rules and the Act,

and otherwise in accordance with all other laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Purchase Mandate**");

- (b) unless otherwise varied or revoked by the Company in a general meeting, the authority conferred on the Directors pursuant to the Share Purchase Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest date on which:

NOTICE OF ANNUAL GENERAL MEETING

- (i) the next Annual General Meeting of the Company is held or required by law to be held;
 - (ii) share purchases have been carried out to the full extent mandated; or
 - (iii) the authority contained in the Share Purchase Mandate is varied or revoked;
- (c) in this Resolution:

"Average Closing Price" means the average of the last dealt prices of a Share for the five (5) consecutive trading days on which the Shares are transacted on the SGX-ST immediately preceding the date of the Market Purchase by the Company or, as the case may be, the Date of the Making of the Offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the Listing Rules, for any corporate action that occurs after the relevant five (5) days period;

"Date of the Making of the Offer" means the date on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from holders of Shares, stating therein the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

"Maximum Percentage" means that number of Shares representing ten per cent (10%) of the issued ordinary share capital as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares and subsidiary holdings as at that date); and

"Maximum Price" in relation to a Share to be purchased, means the purchase price (excluding related brokerage, commission, applicable goods and services tax, stamp duties, clearance fees and other related expenses) which shall not exceed:

- (i) in the case of a Market Purchase, one hundred and five per cent (105%) of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase, one hundred and ten per cent (110%) of the Average Closing Price of the Shares,

in each case, excluding related expenses of the purchase or acquisition; and

- (d) the Directors and/or any of the Directors be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient or necessary in the interests of the Company to give effect to the Share Purchase Mandate and/or this Resolution." (See *Explanatory Note 3*)

10. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Register of Members and Share Transfer Books of the Company will be closed on 18 March 2020 at 5 p.m. to determine the shareholders' entitlements to the proposed dividends.

Duly completed transfers of shares received by the Company's Share Registrar, Tricor Barbinder Share Registration Services (a business division of Tricor Singapore Pte. Ltd.) at 80 Robinson Road, #11-02, Singapore 068898, up to 5 p.m. on 18 March 2020 will be registered to determine shareholders' entitlements to the proposed dividends.

The proposed dividends, if approved by the members at the Annual General Meeting, will be paid on 26 March 2020.

BY ORDER OF THE BOARD

Lee Chun Fun
Low Mei Wan
Company Secretaries

10 January 2020

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- For ordinary resolutions 5, 6, 7 and 8 above, detailed information on the four (4) directors can be found under "Board of Directors" and "Corporate Governance Statement" sections of the Annual Report 2019.

Mr. Teo Ser Luck will, upon re-election as Director of the Company, remain as Chairman of the Board and continue to serve as Chairman of the Remuneration Committee and member of the Nominating Committee. He is considered independent for the purpose of Rule 704(8) of the Listing Manual of Singapore Exchange Securities Trading Limited.

Mr. Xu Jiguo, Mr. Zhang Xingwang and Mr. Darrell Lim Chee Lek, will, upon re-election as Directors of the Company, remain as Executive Directors of the Company.
- Resolution 10, if passed, will authorise and empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and/or shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution 10 in the Company up to an amount not exceeding in aggregate fifty per cent (50%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of which the total number of shares and shares to be issued in pursuance of Instruments made or granted pursuant to Resolution 10 issued other than on a pro-rata basis to existing shareholders shall not exceed twenty per cent (20%) of the total number of issued shares (excluding treasury shares and subsidiary holdings) of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

For the purpose of Resolution 10, the total number of issued shares (excluding treasury shares and subsidiary holdings) is based on the Company's total number of issued shares (excluding treasury shares and subsidiary holdings) at the time this proposed ordinary resolution is passed after adjusting for new shares arising from the conversion or exercise of Instruments or the vesting of share awards outstanding or subsisting at the time when this proposed ordinary resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.
- Resolution 11, if passed, will authorise the Directors to make purchases or otherwise acquire Shares from time to time subject to and in accordance with the guidelines set out in Appendix I, the Listing Manual and such other laws as may for the time being be applicable. This authority will continue in force until the next annual general meeting of the Company, unless previously revoked or varied at a general meeting or when such purchases or acquisitions are carried out to the full extent mandated.

Notes:

- A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Annual General Meeting.
 - A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Annual General Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member.
- A proxy need not be a member of the Company.
- If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
- The instrument appointing a proxy must be deposited at the Company Share Registrar's office at 80 Robinson Road #11-02, Singapore 068898, not later than 72 hours before the time appointed for the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting of the Company and/or any adjournment thereof, a shareholder of the Company (i) consents to the collection, use and disclosure of the shareholder's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the shareholder discloses the personal data of the shareholder's proxy(ies) and/or representative(s) to the Company (or its agents), the shareholder has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the shareholder will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the shareholder's breach of warranty.

BRC ASIA LIMITED(Company Registration No. 193800054G)
(Incorporated in the Republic of Singapore)**Proxy Form
for Annual General Meeting****IMPORTANT:**

1. Relevant intermediaries as defined in Section 181 of the Act, Cap. 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy BRC Asia Limited's shares, this Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
4. CPF Investors who wish to attend the Annual General Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 10 January 2020.

*I/We, _____ NRIC/Passport No. _____

of _____

being a member/members of BRC ASIA LIMITED (the "Company"), hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

or failing *him/her/them, the Chairman of the Annual General Meeting or such other person the Chairman may designate, as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company, to be held at 5 Sixth Lok Yang Road, Singapore 628103 on Thursday, 30 January 2020 at 10.00 a.m. and at any adjournment thereof.

The Chairman intends to cast undirected proxy votes in favour of each of the proposed resolutions. Where the Chairman is appointed as *my/our proxy/proxies, *I/we acknowledge that the Chairman may exercise *my/our proxy/proxies even if he has an interest in the outcome of the resolution.

I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at *his/their discretion, as *he/they will on any other matter arising at the Meeting.

No.	Ordinary Resolutions	For	Against
1.	To receive and adopt the Directors' Statement and Audited Financial Statements of the Company for the financial year ended 30 September 2019 and Auditors' Report thereon.		
2.	To declare a final tax-exempt (one-tier) dividend of 5 Singapore cents per ordinary share for the financial year ended 30 September 2019.		
3.	To declare a special tax-exempt (one-tier) dividend of 3 Singapore cents per ordinary share for the financial year ended 30 September 2019.		
4.	To approve the Directors' fees of S\$307,500 for the financial year ending 30 September 2020 (2019: S\$307,500).		
5.	To re-elect Mr. Teo Ser Luck as Director of the Company (Regulation 104).		
6.	To re-elect Mr. Xu Jiguo as Director of the Company (Regulation 104).		
7.	To re-elect Mr. Zhang Xingwang as Director of the Company (Regulation 104).		
8.	To re-elect Mr. Darrell Lim Chee Lek as Director of the Company (Regulation 108).		
9.	To re-appoint Ernst & Young LLP, Certified Public Accountants, as Auditors of the Company and to authorise the Directors to fix their remuneration.		
10.	To authorise Directors to allot and issue shares.		
11.	To approve the renewal of the General Mandate for Share Purchase.		

(Please indicate with a tick (✓) within the space provided whether you wish your vote to be cast for or against the Resolutions as set out in the Notice of the Meeting.)

Dated this _____ day _____ of 2020

Total No. of Shares in	No. of Shares Held
CDP Register	
Register of Members	

Signature(s) of member(s) or Common Seal

*Delete as appropriate

IMPORTANT: Please read notes overleaf before completing this Proxy Form.

Notes:

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Future Act, Cap. 289), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number of shares is inserted, this proxy form will be deemed to relate to all the shares held by you.
2. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's proxy form appoints more than one proxy, the proxy form shall specify the percentage of shares to be represented by each proxy and if no percentage is specified, the first named proxy shall be deemed to represent one hundred per cent (100%) of the shareholding and the second named proxy shall be deemed to be an alternate to the first named.
3. A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.
4. A proxy need not be a member of the Company.
5. The instrument appointing a proxy or proxies must be deposited at the Company's Share Registrar's office at 80 Robinson Road #11-02, Singapore 068898, not less than 72 hours before the time set for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing.
7. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its representative or attorney duly authorised. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the power of attorney (or other authority) or a duly certified copy thereof must, be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.
8. A corporation which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Cap. 50.
9. The Company shall be entitled to reject an instrument of proxy which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the instrument of proxy. In addition, in the case of shares entered in the Depository Register, the Company may reject an instrument of proxy if the Member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.
10. Please refer to the notes set out in the Notice of Annual General Meeting dated 10 January 2020.

AFFIX
STAMP

BRC Asia Limited
c/o Tricor Barbinder Share Registration Services
80 Robinson Road
#11-02, Singapore 068898

CORPORATE INFORMATION

BOARD OF DIRECTORS

Teo Ser Luck (Chairman and Independent Director)
Seah Kiin Peng (Executive Director and Chief Executive Officer)
Joel Leong Kum Hoe (Independent Director)
Chang Pui Yook (Independent Director)
He Jun (Independent Director)
Xu Jiguo (Executive Director and Chief Procurement Officer)
Zhang Xingwang (Executive Director and Chief Operating Officer)
Darrell Lim Chee Lek (Executive Director)

KEY EXECUTIVE OFFICERS

Lee Chun Fun (Chief Financial Officer and Company Secretary)
Tan Lau Ming (Deputy Chief Operating Officer)
Ong Lian Teck (Chief Commercial Officer)

REGISTERED OFFICE

350 Jalan Boon Lay
Jurong Industrial Estate
Singapore 619530
Tel: 6265 2333
Fax: 6264 3063
Website: www.brc.com.sg
Co. Reg. No. 193800054G

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Partner-in-charge: Ho Shyan Yan
(since financial year ended 30 September 2018)



SHARE REGISTRAR

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte Ltd)
80 Robinson Road #02-00
Singapore 068898
Co. Reg. No. 53035217J

COMPANY SECRETARIES

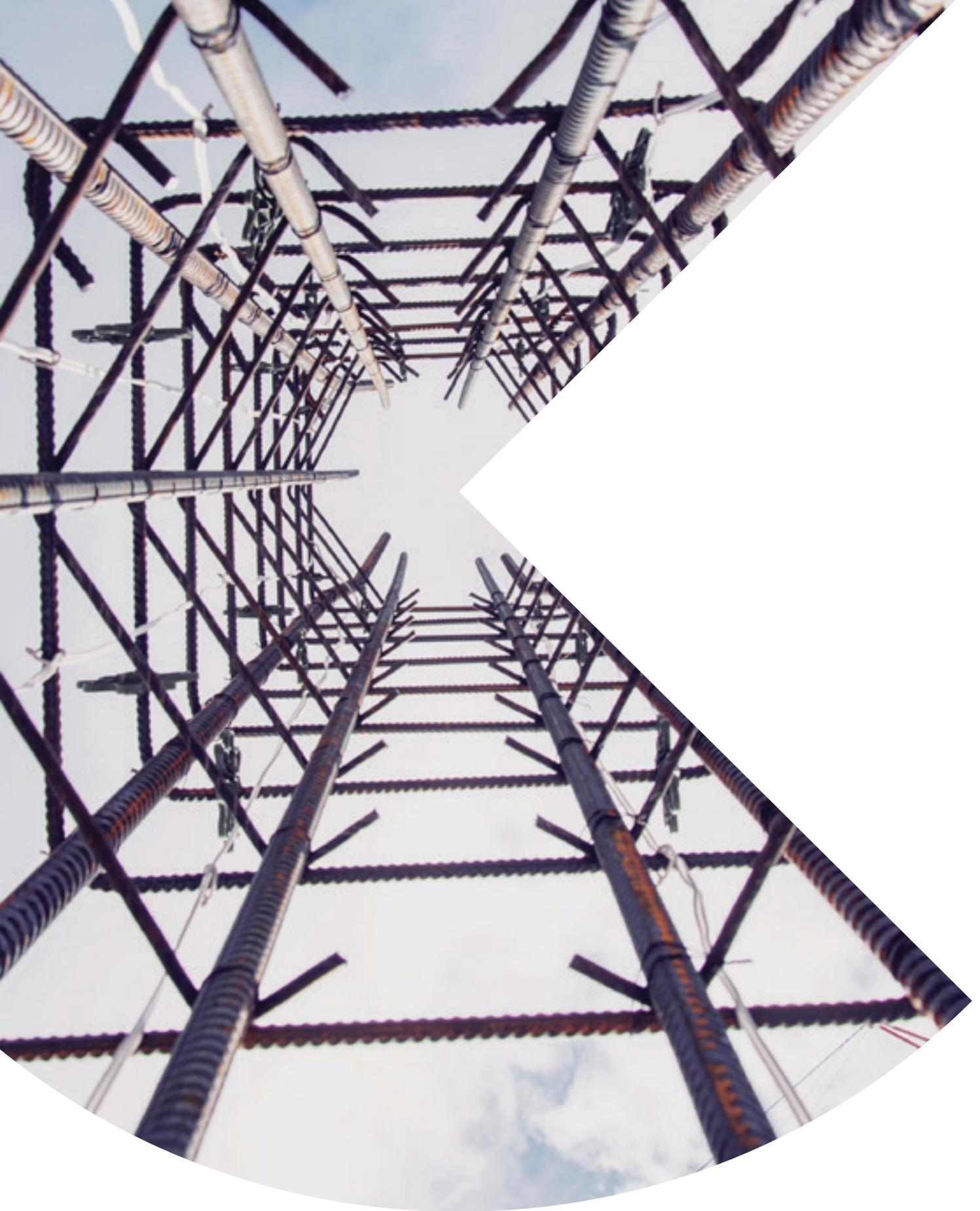
Lee Chun Fun
Low Mei Wan

SOLICITORS

Allen & Gledhill LLP
Eversheds Harry Elias LLP
OC Queen Street LLC
Rajah & Tann Singapore LLP

PRINCIPAL BANKERS

CIMB Bank Berhad
DBS Bank Limited
Malayan Banking Berhad
United Overseas Bank Limited



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www.brc.com.sg