

BUSINESS UPDATE FOR THE THIRD QUARTER ENDED 30 JUNE 2023

KEY FINANCIAL HIGHLIGHTS FOR GROUP

Summarised Statement of Comprehensive Income	9M2023 S\$'000	3Q2023 S\$'000
Revenue	1,176,862	459,805
Gross profit	87,391	34,675
Profit after tax	48,827	22,589
Total comprehensive income for the period	45,546	21,844

Summarised Balance Sheet	30.06.2023 S\$'000
Non-current assets	145,405
Current assets	774,839
Total assets	920,244
Current liabilities	489,843
Non-current liabilities	32,709
Total liabilities	522,552
Net assets	397,692

Loans and Borrowings	30.06.2023 S\$'000
Current	332,303
Non-current	27,505
Total loans and borrowings	359,808
Cash and cash equivalents	163,944
Net loans and borrowings	195,864

Summarised Statement of Cash Flows	9M2023 S\$'000
Net cash flows generated from operating activities	159,338
Net cash flows generated from investing activities	276
Net cash flows used in financing activities	(144,374)
Net increase in cash and cash equivalents	15,240
Cash and cash equivalents at beginning of period	154,574
Effects of exchange rate changes on cash and cash equivalents	(5,870)
Cash and cash equivalents at end of financial period	163,944

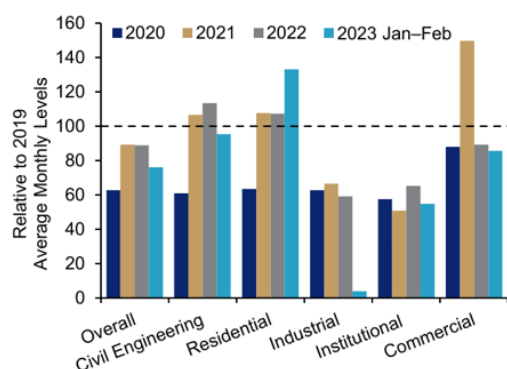
COMMENTARY

Advance estimates released by the Ministry of Trade and Industry ("MTI") on 14 July 2023¹ revealed that the Singapore economy grew by 0.7% on a year-on-year ("y-o-y") basis in the second quarter of 2023 ("2Q2023"), a slight improvement from the 0.4% y-o-y growth recorded in the preceding quarter. On a seasonally-adjusted quarterly basis, GDP grew 0.3% - reversing from the previous quarter's 0.4% contraction - and helped Singapore avert a technical recession. The sluggish growth stemmed mainly from the dismal performance of the manufacturing sector, which contracted 7.5% on a y-o-y basis in 2Q2023, after recording a 5.3% y-o-y decline in the first quarter of 2023 ("1Q2023").

On the other hand, Singapore's construction sector continued growing robustly, expanding by 6.6% and 6.9% on a y-o-y basis in 2Q2023 and 1Q2023 respectively, after having recorded a 6.7% y-o-y growth for the whole of 2022. Post-COVID, the local construction sector has been well-supported by strong demand. According to the Building and Construction Industry ("BCA"), total construction demand for 2022 reached S\$29.8 billion, which was within BCA's earlier forecast of S\$27 billion to S\$32 billion, and similar to the S\$29.9 billion recorded in 2021. For 2023, the BCA projects that total local construction demand would range between S\$27 billion and S\$32 billion, with the public sector expected to make up 60% of this demand.² In fact, contracts awarded in the civil engineering and residential segments have largely returned to pre-Covid levels (Chart 1).³ In particular, the Housing & Development Board ("HDB") has ramped up the supply of Build-To-Order ("BTO") flats to meet increased housing demand, from 17,100 flats in 2021, to 23,200 flats in 2022, and 23,000 flats in 2023. According to the HDB, it remains on track to launch 100,000 flats from 2021 to 2025.⁴

Chart 1

Contracts awarded by sector



Source: MAS, Building and Construction Authority (BCA)

¹ <https://www.mti.gov.sg/Newsroom/Press-Releases/2023/07/Singapore-GDP-Grew-by-0.7-Per-Cent-in-the-Second-Quarter-of-2023>

² <https://www1.bca.gov.sg/about-us/news-and-publications/media-releases/2023/01/12/singapore's-construction-demand-to-remain-strong-in-2023>

³ <https://www.mas.gov.sg/publications/macroeconomic-review/2023/volume-xxii-issue-1-apr-2023>

⁴ <https://www.hdb.gov.sg/cs/infoweb/about-us/news-and-publications/press-releases/03072023-2Q23-Flash-RPI>

COMMENTARY (cont'd)

Whilst this strong local demand bodes well for reinforcing steel and BRC Asia going forward, the recent business failures of some main contractors is a stark reminder that there remains loss-making pre-COVID construction projects that are still uncompleted, and they continue to test the financial resilience and mettle of their builders severely. In this regard, BRC Asia will continue to exercise robust due diligence to minimise our exposure.

As of 30 June 2023, our sales order book stood at approximately S\$1.34 billion. The duration of projects in our sales order book range up to 5 years and may be subject to further changes.

On behalf of the Board of Directors

Seah Kiin Peng
Chief Executive Officer

Singapore
4 August 2023