BRC Asia Limited

BRC 9M & 3Q 2015 net profits fell 41% & 64% y-o-y to S$12.83 million and S$2.37 million respectively

- **3Q2015 revenue declined 7% y-o-y from S$98.47 million to S$91.73 million despite increased sales volume amidst buoyant construction activities**
- **Y-o-y gross and net profit margins for 9M2015 dropped from 14.67% to 9.70% and from 7.29% to 4.25% respectively**

Singapore, 5 August 2015 – SGX-Mainboard listed BRC Asia Limited ("BRC" or "The Group"), one of the largest prefabricated steel reinforcement providers in Singapore, delivered more steel to customers for the nine months and quarter ended 30 June 2015 (9M2015 and 3Q2015) compared to the corresponding periods in the last financial year (3Q2014 and 9M2014) as construction activities continued to remain robust. Be that as it may, both revenues and profitability were significantly lower due to sliding unit selling prices and intense market competition, which drove unit selling prices to fall much faster than steel prices. Consequently, gross and net profit margins in 3Q2015 and 9M2015 dived to 10.55% & 2.58% and 9.70% & 4.25% respectively from 13.96% & 6.59% and 14.67% & 7.29% in 3Q2014 and 9M2014.

Financial Highlights (S$'000)

	3Q2014	3Q2015	Change (%)	9M2014	9M2015	Change (%)
Revenue	98,468	91,729	(7)	296,363	301,606	2
Gross Profit	13,744	9,681	(30)	43,464	29,246	(33)
Gross Profit Margin	13.96%	10.55%	-	14.67%	9.70%	-
Net Profit	6,490	2,365	(64)	21,595	12,833	(39)
Net Profit Margin	6.59%	2.58%	-	7.29%	4.25%	-

Industry Outlook

Stock & Vacancy and Supply in the Pipeline as at end of 2nd quarter 2015

Property Type	Market Indicators	**As at 2Q15**	As at 1Q15	As at 4Q14	As at 3Q14
Private Residential Units (No. of units)	Completed Units				
	Available	**318,524**	311,635	308,814	302,510
	Occupied	**293,453**	289,289	284,752	280,941
	Vacant	**25,071**	22,346	24,062	21,569
	Supply in the Pipeline	**61,237**	68,201	68,960	74,496
	Under Construction	**54,706**	59,105	59,296	64,001
	Planned Development	**6,531**	9,096	9,664	10,495
Executive Condominiums (No. of units)	Completed Units				
	Available	**16,904**	16,176	15,040	14,624
	Occupied	**14,513**	13,730	13,306	12,249
	Vacant	**2,391**	2,446	1,734	2,375
	Supply in the Pipeline	**14,701**	15,441	14,220	14,131
	Under Construction	**14,069**	13,790	13,065	11,636
	Planned Development	**632**	1,651	1,155	2,495
Office Space ('000 sqm)	Completed Units				
	Available	**7,583**	7,575	7,553	7,408
	Occupied	**6,837**	6,799	6,780	6,786
	Vacant	**746**	776	773	622
	Supply in the Pipeline	**962**	880	908	1,087
	Under Construction	**769**	746	814	986
	Planned Development	**193**	134	94	101
Retail Space ('000 sqm)	Completed Units				
	Available	**5,973**	5,948	5,914	5,818
	Occupied	**5,545**	5,545	5,570	5,438
	Vacant	**428**	403	344	380
	Supply in the Pipeline	**774**	723	785	884
	Under Construction	**603**	550	510	620
	Planned Development	**171**	173	275	264
Hotel Rooms (No. of rooms)	Supply in the Pipeline	**10,967**	12,168	13,298	12,134
	Under Construction	**9,517**	9,996	10,451	10,481
	Planned Development	**1,450**	2,172	2,847	1,653

Source: Real estate statistics published by the Urban Redevelopment Authority of Singapore

The above Table clearly shows that, with the exception of office space, planned development of private sector building projects has declined over the last four quarters to the lowest point as at the end of second quarter 2015. In this same space last year, the data then showed the same trend from 3Q13 to 2Q14. This indicates that there has been sustained inadequacy in the replenishment of the project supply pipeline as projects progressed from planning to construction.

On the industrial property front, the project pipeline is expected to be robust with about 1.6 million and 2.8 million square metres of space estimated to come on-stream in the second half of 2015 and in 2016 respectively. This is substantively stronger than the average annual supply of industrial space of 1.5 million square metres in the past three years.

In public housing, the Housing & Development Board (HDB) had earlier in the year announced that it planned to launch only 16,900 Build-to-Order (BTO) flats in 2015, a figure which is substantially lower than the average of 24,969 BTO flats launched each year over the last four years.[1] As of mid-2015, the HDB remains on track to achieve the planned BTO launch numbers for 2015.

On balance, the project supply pipeline as at the end of second quarter 2015 remained reasonably strong in itself to indicate that short term construction and reinforcing steel demand will not fall off the cliff.

Regardless, the robustness of the last few years have created a bloated reinforcing steel industry supply chain and, as a result, with the building and construction cycle entering a moderating phase, industry profit margins are now under unrelenting downward pressures.

-End-

<u>About BRC Asia Limited</u>

BRC Asia Limited is one of the largest reinforcing steel fabricators in Singapore. The Group's core business is in providing a complete range of reinforcing solutions - steel welded mesh, prefabricated reinforcing steel cages, cut & bent reinforcement bars - for the construction industry.

The Company was incorporated in Singapore in 1938 as the Malayan Wire Mesh & Fencing Co Ltd and was listed on the SGX-ST Mainboard in July 2000.

For more information, please visit the Group's website at www.brc.com.sg

---

For more information and media enquiries, please contact:

Mr SEAH Kiin Peng, seah.kiinpeng@brc.com.sg
Ms LEE Chun Fun, lee.chunfun@brc.com.sg
Tel: (65) 6265 2333
Fax: (65) 6261 9302

[1] In 2011, 2012, 2013 and 2014, according to data obtained from HDB's website, HDB launched 25,200, 27,084, 25,139 and 22,455 BTO flats respectively.