

Issuer: BRC Asia Limited

Security: BRC Asia Limited

Meeting details:

Date: 23 January 2017

Time: 09:00H

Venue: 5 Sixth Lok Yang Road, Singapore 628103

Company Description

BRC Asia Limited, together with its subsidiaries, engages in the prefabrication of steel reinforcement for use in concrete in Singapore, Malaysia, and the People's Republic of China. The company offers reinforcement bars; wires or mild steel round bars for construction and industrial applications; welded wire mesh; cages for columns and beams; prefab bored piles, pilecaps, stumps, columns, beams, walls, and staircase shelter walls; and weldfence, as well as rebar cut and bend services. It is also involved in the trade of steel reinforcing bars; and manufacture and sale of wire mesh fences. The company was incorporated in 1938 and is based in Singapore.

(Source: http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BEC)

Q1. In the Operations & Financial Review (page 6 of the annual report), it was disclosed that the group benefitted from “a sudden but short-lived uplift in gross margins from March to July, buffering the otherwise declining profitability for the rest of the financial year”.

- a) **Can the company disclose the estimated gross margins from the periods October 2015 to February 2016 and August to September 2016?**
- b) **What are the pro-active measures the company has taken to mitigate the “increasingly severe and irrational” market competition?**
- c) **Can the company provide a breakdown of the split between revenue derived from trading and revenue from its value-added services?**

Q2. In Note 14 (Available-for-sale financial assets – page 63), it was noted the company has subscribed for 200,000 unquoted shares in Pristine Island Investment Pte. Ltd. (“PII”) for US\$200,000 (equivalent to \$283,000) during the financial year. In Note 16 (Trade and other receivables – page 64), it was further disclosed that the company had “extended additional loan of US\$1,700,000 (equivalent to \$2,300,000) to Pristine Island Investment Pte. Ltd. which is not expected to be repaid in the next twelve months”.

Separately, it was announced by the Joint Venture Partners that PII would undertake the lease, development and operation of a domestic airport, development and operation of a tourist hotel and a tourist island resort in the Republic of Maldives. The total estimated development costs amount to US\$120 million, with the company’s proportional share amounting to US\$18 million.

- a) **Would the investment into PII significantly change the risk profile of the company?**
- b) **Has the company obtained a mandate from shareholders for this diversification into property development/investment?**
- c) **How would the company fund the potential capital contribution and/or shareholders’ loan of up to US\$18 million to PII?** As at 30 September 2016, the company has cash and cash equivalent of S\$12 million (page 37) and an outstanding convertible bond of \$10,000,000 due five years from 16 May 2014.

Q3. Guideline 2.2 of the Code of Corporate Governance issued by the Monetary Authority of Singapore in 2012 states that:

2.2 The independent directors should make up at least half of the Board where:

- (a) the Chairman of the Board (the “Chairman”) and the chief executive officer (or equivalent) (the “CEO”) is the same person;*
- (b) the Chairman and the CEO are immediate family³ members;*
- (c) the Chairman is part of the management team; or*
- (d) the Chairman is not an independent director.*

The non-executive Chairman, Mr. Sia Ling Sing, is considered a non-independent director. As such, guideline 2.2(d) of the Code of Corporate Governance requires that independent directors should make up ***at least half*** of the board.

As noted in Principle 2 of the Corporate Governance Report (Composition and Balance - page 15), the company has disclosed that:

“Although the number of Independent Directors does not make up to at least one-third of the Board, a deviation from the guideline of the Code, all major decisions are reviewed by the Board and the Board believes that there are adequate safeguards and checks in place whereby Chairman of the Board who is a non-executive director and the Group Managing Director are not the same person.”

- a) **Would the nominating committee elaborate further on the scope and depth of deliberation they have had with regard to Guideline 2.2 of the Code of Corporate Governance 2012?**
- b) **Would the nominating committee agree to the interpretation that the Code actually requires the company to have independent director making up at half the board, and not just one-third (as stated in the annual report)?**
- c) Rule 710 of the SGX rulebook states: “An issuer must describe its corporate governance practices with specific reference to the principles of the Code in its annual report. It must disclose any deviation from any guideline of the Code together with an appropriate explanation for such deviation in the annual report.” **Could the company provide an appropriate explanation for the deviation from Guideline 2.2?**