

**Issuer:** BRC Asia Limited

**Security:** BRC Asia Limited

**Meeting details:**

Date: 26 January 2018

Time: 10.00 a.m.

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. It operates through three segments: Fabrication and Manufacturing, Renting of Construction Equipment; and Others. The company offers reinforcement bars; wires or mild steel round bars for construction and industrial applications; mesh products; cages; and weldfences, as well as prefabrication, and rebar cut and bend services. It is also involved in the trading of steel reinforcing bars; manufacture and sale of wire mesh fences; rental of construction equipment; and operation and management of airport, hotel, and resort. 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](http://www.sgx.com/wps/portal/sgxweb/home/company_disclosure/stockfacts?code=BEC))

**Q1.** During the financial year, the company was the target of a takeover by Esteel Enterprise Pte Ltd (Esteel) in September 2017. Esteel became the new controlling shareholder with a 89.907% stake as at 20 December 2017. The board has also been re-constituted with the resignation of an executive director and three of the former non-independent non-executive directors on 28 November 2017 and the appointment of an independent non-executive chairman and two new executive directors in November and December 2017.

- a) **Following a change in the controlling shareholder and the re-composition of the board, will the board be reviewing the strategic direction of the group?**
- b) **In particular, is there a significant change to the group’s growth plans in China?**
- c) **What are the main targets that have been set by the board for management in the new financial year?**

**Q2.** As shown in Note 23 (page 80 – Provisions), the group has recognised a charge for the provision for onerous contracts in the year of \$9.075 million, bringing the total to \$11.7 million at the end of the financial year.

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

- a) **Can management elaborate further on the provision for onerous contracts of \$9.075 million for the financial year? Please include details such as the number of contracts/customers, the projects affected, the type of products and the volume.**
- b) **Has the group conducted a comprehensive after-action review to understand the reasons for the large provision for onerous contracts?**
- c) **What are the improvements made to the group’s contracting and hedging policies?**
- d) **Can the board explain how it is helping management to take appropriate measures to control and mitigate the price risk of its raw material?**

**Q3.** As can be seen from Note 11 (pages 65 to 68 - Property, plant and equipment), the net book value of the group increased from \$77.7 million in 2016 to \$89.1 million in 2017. An extract of Note 11 is reproduced below:

Property, plant and equipment (cont'd)								
	Leasehold buildings	Freehold land	Plant and machinery	Motor vehicles	Furniture and equipment	Construction in progress	Formwork	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Net book value</b>								
At 30 September 2016	17,604	2,217	55,990	928	915	25	-	77,679
At 30 September 2017	16,759	2,161	57,592	913	619	1,535	9,557	89,136

(Source: Company annual report)

The main reason for the increase is the recognition of \$9.6 million in “Formwork” for the financial year ended 30 September 2017. Based on the company’s explanation in its summary of significant accounting policies (page 47), “Formwork” will be depreciated on a straight line basis over an estimated useful life of 10 years. There was no further explanation of “Formwork” and a search for the word “Formwork” yielded no results from the company’s annual reports since 2014.

- a) **Can the company help shareholders understand what “Formwork” is and how it is used in the group’s operations?**
- b) **Is the investment in “Formwork” part of the group’s new operations or has there been a change in the accounting policy for “Property, plant and equipment”?**

A copy of the questions for the Annual Report for the financial year ended 30 September 2016 could be found here:

<https://sias.org.sg/qa-on-annual-reports/?company=BRC%20Asia%20Ltd>

The company’s response could be found here: -----