

STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS AND THIRD QUARTER ENDED 30 JUNE 2021

	Note	9 Months 2021 S\$'000	9 Months 2020 S\$'000	Change %	3Q2021 S\$'000	3Q2020 S\$'000	Change %
Revenue		832,924	495,135	68	340,198	36,572	830
Cost of sales		(775,506)	(444,036)	75	(322,428)	(40,672)	693
Gross profit/(loss)		57,418	51,099	12	17,770	(4,100)	n.m.
Other income	A	6,741	4,732	42	1,186	3,475	(66)
Expenses							
Distribution expenses		(4,080)	(4,173)	(2)	(1,269)	(1,163)	9
Administrative expenses		(11,794)	(10,299)	15	(3,418)	(2,553)	34
Finance costs		(3,300)	(5,423)	(39)	(1,064)	(1,455)	(27)
Other operating expenses		(4,696)	(9,475)	(50)	(117)	(1,033)	(89)
(Provision)/reversal of impairment loss on trade receivables		(3,012)	1,423	n.m.	(543)	5,092	n.m.
Share of results of joint venture		687	640	7	261	418	(38)
Share of results of associates		(2,109)	(3,593)	(41)	(502)	(1,513)	(67)
Profit/(loss) before tax	B	35,855	24,931	44	12,304	(2,832)	n.m.
Income tax (expense)/credit		(6,521)	(4,784)	36	(2,120)	318	n.m.
Profit/(loss) for the period		29,334	20,147	46	10,184	(2,514)	n.m.
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		(27)	-	n.m.	3	-	n.m.
Items that may be reclassified subsequently to profit or loss							
Net exchange gain/(loss) on net investment in foreign operations		(227)	53	n.m.	(372)	(631)	(41)
Foreign currency translation: Exchange differences on translation of foreign operations		288	97	197	136	(228)	n.m.
Other comprehensive income, net of tax		34	150	(77)	(233)	(859)	(73)
Total comprehensive income for the period		29,368	20,297	45	9,951	(3,373)	n.m.

n.m. denotes not meaningful

STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS AND THIRD QUARTER ENDED 30 JUNE 2021

Note A - Other income

	9 Months 2021 S\$'000	9 Months 2020 S\$'000	Change %	3Q2021 S\$'000	3Q2020 S\$'000	Change %
Interest income	80	273	(71)	20	155	(87)
Government grant	1,959	2,571	(24)	375	2,451	(85)
Rental income	115	117	(2)	41	32	28
Sundry income	270	270	-	52	200	(74)
Sales commission	33	226	(85)	6	226	(97)
Foreign exchange gain, net ¹	1,183	1,275	(7)	1,183	954	24
Fair value changes on derivatives, net ²	3,082	-	n.m.	(495)	(543)	(9)
Gain on disposal of property, plant and equipment	19	-	n.m.	4	-	n.m.
	<u>6,741</u>	<u>4,732</u>	<u>42</u>	<u>1,186</u>	<u>3,475</u>	<u>(66)</u>

Note B - Profit/(loss) before tax is arrived at after charging/(crediting) the following:

	9 Months 2021 S\$'000	9 Months 2020 S\$'000	Change %	3Q2021 S\$'000	3Q2020 S\$'000	Change %
Interest expense	3,300	5,423	(39)	1,064	1,455	(27)
Depreciation of property, plant and equipment	13,205	15,283	(14)	4,393	5,450	(19)
Depreciation of investment properties	52	52	-	17	17	-
Expenses relating to short-term leases	671	1,661	(60)	194	510	(62)
Expenses relating to leases of low-value assets	14	-	n.m.	5	-	n.m.
Foreign exchange gain, net ¹	(1,058)	(1,275)	(17)	(2,537)	(954)	166
Fair value changes on derivatives, net ²	(3,082)	643	n.m.	495	1,186	(58)
Allowance for/(reversal of) provision for onerous contracts ³	40,385	(6,442)	n.m.	11,496	-	n.m.
Provision/(reversal) of impairment loss on trade receivables ⁴	3,012	(1,423)	n.m.	543	(5,092)	n.m.
Fair value changes on trade receivables ⁵	898	3,841	(77)	267	(895)	n.m.
Gain on disposal of property, plant and equipment	(19)	-	n.m.	(4)	-	n.m.

¹ The Group and the Company have transactional currency exposures arising from purchases which are denominated in a currency other than the respective functional currencies of the Group entities. The foreign currencies in which these transactions are denominated are mainly US Dollar (USD), Malaysian Ringgit (MYR) and Euro (EUR).

² Derivatives include currency forward contracts used to hedge exposure to foreign currency exchange risk arising from purchases of steel which are mainly denominated in USD. As the Group did not adopt hedge accounting under SFRS(I) 9, fair value changes on derivatives are recognised immediately in the statement of comprehensive income.

³ Provision for onerous contracts are made for sales contracts under which the costs to meet the obligations are expected to exceed the sales value. These provisions are reversed when the contractual obligations are met or no longer exist or when the costs to meet the obligations no longer exceed the sales value.

⁴ Expected credit losses estimated for trade receivables carried at amortised cost.

⁵ Trade receivables subject to provisional pricing carried at fair value through profit and loss.

STATEMENT OF FINANCIAL POSITION

	Group		Company	
	30.6.2021 S\$'000	30.9.2020 S\$'000	30.6.2021 S\$'000	30.9.2020 S\$'000
Non-current assets				
Property, plant and equipment	148,360	154,755	69,141	58,186
Investment properties	2,281	2,333	-	-
Investment in subsidiaries	-	-	229,359	229,359
Interest in joint venture	8,876	7,870	6,076	6,076
Interest in associates	2,100	4,389	3,568	3,934
Investment securities	57	84	57	84
Other receivables	3,595	4,396	3,595	4,396
	165,269	173,827	311,796	302,035
Current assets				
Inventories	388,578	237,185	383,189	235,211
Trade and other receivables	180,467	89,824	142,321	66,318
Amount due from subsidiaries	-	-	7,448	7,551
Prepayments	28,188	7,037	27,807	6,531
Deposits	479	290	266	240
Derivatives	2,890	-	2,890	-
Asset held for sale	-	33,893	-	-
Cash and bank balances	67,502	77,892	58,135	67,204
	668,104	446,121	622,056	383,055
Total assets	833,373	619,948	933,852	685,090
Current liabilities				
Trade and other payables	72,133	27,918	67,058	21,069
Amount due to subsidiaries	-	-	87,557	89,074
Contract liabilities	7,361	21,410	6,633	15,079
Loans and borrowings	313,132	160,338	312,921	141,039
Loan from immediate holding company	-	20,000	-	20,000
Provisions	43,385	3,006	42,240	2,530
Derivatives	-	192	-	192
Current income tax liabilities	9,534	10,339	7,668	8,829
	445,545	243,203	524,077	297,812
Non-current liabilities				
Provisions	1,390	1,390	261	261
Loans and borrowings	81,720	98,926	74,424	80,803
Deferred tax liabilities	11,650	11,882	5,998	5,998
	94,760	112,198	80,683	87,062
Total liabilities	540,305	355,401	604,760	384,874
Net assets	293,068	264,547	329,092	300,216
Equity				
Share capital	138,754	125,001	138,754	125,001
Treasury shares	(1,105)	(1,105)	(1,105)	(1,105)
Capital reserve	597	597	597	597
Fair value reserve	(103)	(76)	(103)	(76)
Foreign currency translation reserve	(2,680)	(2,741)	-	-
Retained earnings	157,605	142,871	190,949	175,799
Total equity	293,068	264,547	329,092	300,216
Total equity and liabilities	833,373	619,948	933,852	685,090

AGGREGATE AMOUNT OF GROUP'S BORROWINGS AND DEBT SECURITIES

Amount repayable in one year or less, or on demand	30 June 2021		30 September 2020	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Bills payable to banks	-	299,521	-	110,845
Other borrowings	-	-	540	-
Lease liabilities	-	4,994	-	3,683
Bank loans	7,409	1,208	6,682	38,588
Loan from immediate holding company	-	-	-	20,000
	7,409	305,723	7,222	173,116

Amount repayable after one year	30 June 2021		30 September 2020	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Lease liabilities	-	27,556	-	27,529
Bank loans	50,372	3,792	66,696	4,701
	50,372	31,348	66,696	32,230

Details of any collateral

Other borrowings of S\$Nil (30 September 2020: S\$0.5 million) are secured by certain motor vehicles. The carrying amount of motor vehicles held under these borrowings as at 30 September 2020 was S\$2.0 million.

Bank loans of S\$57.8 million as at 30 June 2021 (30 September 2020: S\$73.4 million) were secured by mortgages over certain leasehold properties (30 September 2020: leasehold properties and asset held for sale) of the Group.

STATEMENT OF CASH FLOW

	9 Months 2021 S\$'000	9 Months 2020 S\$'000	3Q2021 S\$'000	3Q2020 S\$'000
Operating activities				
Profit/(loss) before tax	35,855	24,931	12,304	(2,832)
Adjustments for:				
Share of results of joint venture	(687)	(640)	(261)	(418)
Share of results of associates	2,109	3,593	502	1,513
Depreciation of investment properties	52	52	17	17
Depreciation of property, plant and equipment	13,205	15,283	4,393	5,450
Provision/(reversal) of impairment loss on trade receivables	3,012	(1,423)	543	(5,092)
Fair value changes on trade receivables subject to provisional pricing	898	3,841	267	(895)
Fair value changes on derivatives, net	(3,082)	643	495	1,186
Gain on disposal of property, plant and equipment	(19)	-	(4)	-
Allowance for/(reversal of) provision for onerous contracts	40,385	(6,442)	11,496	-
Unrealised exchange differences	228	(253)	(338)	(103)
Interest expense	3,300	5,423	1,064	1,455
Interest income	(80)	(273)	(20)	(155)
Operating cash flow before working capital changes	95,176	44,735	30,458	126
Changes in working capital				
Trade and other receivables	(93,752)	143,296	(34,674)	131,038
Inventories	(151,393)	(42,488)	(106,888)	(24,474)
Prepayments and deposits	(21,340)	(438)	(7,702)	(1,671)
Asset held for sale	33,893	(3,222)	-	(747)
Trade and other payables and contract liabilities	33,517	(38,314)	(138,187)	(36,323)
Cash flows (used in)/generated from operations	(103,899)	103,569	(256,993)	67,949
Income taxes paid	(7,558)	(4,670)	(2,876)	(467)
Net cash flows (used in)/generated from operating activities	(111,457)	98,899	(259,869)	67,482
Investing activities				
Purchase of property, plant and equipment	(1,566)	(1,104)	(531)	(254)
Proceeds from disposal of property, plant and equipment	30	24	8	-
Interest received	80	273	20	155
Net cash flows used in investing activities	(1,456)	(807)	(503)	(99)
Financing activities				
Repayment of principal obligations under lease liabilities	(4,121)	(4,295)	(1,365)	(1,368)
Repayment of other borrowings	(540)	(394)	(180)	(214)
Proceeds from/(repayment of) bills payable, net	188,676	(74,970)	258,957	(43,747)
Proceeds from bank loans	12,000	14,194	-	22,365
Repayment of bank loans	(65,886)	-	(2,088)	-
Proceeds from issuance of shares	14,200	-	-	-
Share issuance expense	(447)	-	-	-
Repayment of loan from immediate holding company	(20,000)	(3,100)	-	-
Dividends paid	(14,600)	(18,667)	-	-
Interest paid	(3,197)	(4,665)	(1,171)	(931)
Net cash flows generated from/(used in) financing activities	106,085	(91,897)	254,153	(23,895)
Net (decrease)/increase in cash and cash equivalents	(6,828)	6,195	(6,219)	43,488
Cash and cash equivalents at beginning of period	74,438	65,778	73,726	28,895
Effects of exchange rate changes on cash and cash equivalents	(108)	123	(5)	(287)
Cash and cash equivalents at end of financial period	67,502	72,096	67,502	72,096

EARNINGS PER ORDINARY SHARE (CENTS)

The Group	9 Months 2021	9 Months 2020	3Q2021	3Q2020
- Basic	12.27	8.63	4.19	(1.08)
- Diluted	12.27	8.63	4.19	(1.08)
Weighted average number of shares for basic earnings per share	239,049,375	233,335,089	243,335,089	233,335,089
Weighted average number of shares for diluted earnings per share	239,049,375	233,335,089	243,335,089	233,335,089

NET ASSET VALUE PER ORDINARY SHARE (CENTS)

	30.6.2021	30.9.2020
The Group	120.44	113.38
The Company	135.24	128.66

Net asset value per ordinary share was calculated based on 243,335,089 and 233,335,089 shares as at 30 June 2021 and 30 September 2020 respectively.

PERFORMANCE REVIEW OF THE GROUP

Statement of Comprehensive Income

Revenue

The Group's revenue for nine months ended 30 June 2021 ("9M2021") and third quarter of 2021 ("3Q2021") grew by 68% and 830% to S\$832.9 million and S\$340.2 million respectively, from S\$495.1 million in 9M2020 and S\$36.6 million in 3Q2020. The increase, compared to the same period last year, was mainly attributable to the low base in 2020, when construction activities came almost to a halt amid the Singapore government's Circuit Breaker ("CB") measures to contain the spread of Covid-19 in foreign worker dormitories.

Gross profit margin and gross profit

The Group's gross profit margin for 9M2021 decreased to 6.9% from 10.3% in 9M2020 due to a provision for onerous contracts of S\$40.4 million in 9M2021, compared to a reversal of S\$6.4 million in the corresponding period last year. Management has assessed and estimated that the unavoidable costs to meet the obligations of certain sales contracts are expected to exceed the economic benefits to be received due to the escalation of international steel prices. Such provisions are reversed when the contractual obligations are met or no longer exist, or when the costs to meet the obligations no longer exceed the sales values.

Despite recording a provision for onerous contracts of S\$11.5 million in 3Q2021, the Group's gross profit margin increased to 5.2% in 3Q2021 from -11.2% in 3Q2020. The negative gross margin in 3Q2020 was the result of fixed and other costs, which continued to be incurred during the period of extraordinary low sales arising from CB measures.

As a result, gross profit for the Group increased 12% to S\$57.4 million for 9M2021 and, for the quarter, turned from a gross loss of S\$4.1 million for 3Q2020 to a gross profit of S\$17.8 million for 3Q2021.

Other income

Lower government grants were received in 9M2021 and 3Q2021, as compared to the corresponding periods in the previous financial year. This resulted in a decrease in other income to S\$1.2 million in 3Q2021 from S\$3.5 million in 3Q2020. However, the lower government grant in 9M2021 was offset by an increase in fair value changes on derivatives, thus resulting in higher other income of S\$6.7 million in 9M2021 from S\$4.7 million in 9M2020.

Distribution and administrative expenses

Distribution expenses for 9M2021 remained fairly stable compared with 9M2020. Higher salaries and staff-related costs in 9M2021 resulted in an increase in administrative expenses by 15% over 9M2020.

Finance costs

Finance costs decreased by 39% to S\$3.3 million in 9M2021 and 27% to S\$1.1 million in 3Q2021 respectively from the corresponding periods in last financial year due to lower level of borrowings and falling interest rates in 9M2021 as compared to 9M2020.

Other operating expenses

Other operating expenses decreased by 50% to S\$4.7 million in 9M2021 compared to the same period in the last financial year, mainly due to lower fair value loss on trade receivables, down to S\$0.9 million in 9M2021 from S\$3.8 million in 9M2020.

(Provision)/reversal of impairment loss on trade receivables

The provision for impairment loss on trade receivables was S\$3.0 million in 9M2021 and S\$0.5 million in 3Q2021, compared to a reversal of S\$1.4 million in 9M2020 and S\$5.1 million in 3Q2021 respectively. These were mainly due to increase in trade receivables, which was in line with the higher sales following the easing of CB measures in 3Q2020.

Share of results of joint venture

The Group's share of profit from its joint venture increased by 7% to S\$0.7 million in 9M2021 from S\$0.6 million in 9M2020. The higher 9M2021 profit was generated from increased volume as compared to the same period last year when construction activities were drastically reduced during the Covid-19 lockdowns within China. However, the share of profit from joint venture in 3Q2021 decreased by 38% to S\$0.3 million from S\$0.4 million in 3Q2020, when demand momentarily surged after the easing of Covid-19 lockdowns in China.

Share of results of associates

Share of losses of associates decreased by 41% to S\$2.1 million in 9M2021 and 67% to S\$0.5 million in 3Q2021, from S\$3.6 million in 9M2020 and S\$1.5 million in 3Q2020 respectively. The losses were attributable to the Group's 17% equity interest in Pristine Islands Investment Pte Ltd, an investment holding company with a 100% interest in a subsidiary that operates and manages an airport, hotel and resort in the Maldives. The lower losses were partly attributed by the improved hotel and resort occupancy rates in the Maldives.

Statement of Financial Position

As at 30 June 2021, the Group's balance sheet remained strong with net assets of S\$293.1 million and net asset value per ordinary share of 120.44 Singapore cents.

Inventories increased by S\$151.4 million as the Group replenished its inventory to fulfil orders. Correspondingly, loans and borrowings also increased by S\$135.6 million.

The Group's trade and other receivables increased by S\$89.8 million due to higher sales in the current quarter, as compared to the last quarter in the previous financial year end.

The Group's prepayments increased by S\$21.2 million arising from deposits paid to suppliers.

The Group's trade and other payables increased by S\$44.2 million, mainly due to an increase in goods-in-transit.

The Group's contract liabilities decreased by S\$14.0 million due to recognition of revenue upon delivery of steel to customers that have made payments in advance.

The Group's loan from immediate holding company was repaid in full in 2Q2021.

The Group's provisions increased by S\$40.4 million, mainly due to the provision for onerous contracts.

Statement of Cash Flow

The net cash generated from financing activities of S\$106.1 million, were mainly used in operating activities.

COMMENTARY

The Singapore Ministry of Trade and Industry ("MTI") reported on 14 July 2021 that, based on advance estimates, the Singapore economy grew by 14.3% on a year-on-year ("yoy") basis in the second quarter of 2021 ("2Q21"). MTI pointed out that this strong growth was largely due to the low base in the second quarter of 2020 ("2Q20") when GDP fell 13.3% due to the Circuit Breaker ("CB") from 7 April to 1 June 2020, and that, in absolute terms, GDP in 2Q21 was still 0.9% below its pre-pandemic level in the second quarter of 2019 ("2Q19"). Mirroring this, the construction sector grew by 98.8% on a yoy basis in 2Q21 due to low base effects, as the CB had resulted in a stoppage of most construction activities in 2Q20; however, the value-added of the sector remained 31.6% below its pre-pandemic level.¹

On 1 June 2021, amid rising Covid-19 cases in the country, Malaysia went into a full lockdown (known as Movement Control Order 3.0, or "MCO 3.0") for 14 days, with only essential economic and service sectors allowed to continue operating. This has since been twice extended, with no fixed end date given in the latest extension. As many building materials used in construction in Singapore come from Malaysia, MCO 3.0 has adversely affected the progress of some Singapore construction sites. In turn, this has slowed the pace of draw down of reinforcing steel by some projects.

The Covid-19 situation in Singapore has also worsened in the last 3 months. The main impact on the construction supply chain in Singapore from this worsening Covid-19 situation in Singapore is a re-tightening of foreign labour supply, which forms the backbone of the construction supply chain in Singapore, and had been recovering steadily after the Circuit Breaker ended in June last year. Before these new restrictions, the industry was already grappling with higher costs and lower productivity arising from Covid-19 Safe Management Measures.

In the short-term, the lack of resources is likely to lead to a moderation of construction and construction-related activities in Singapore, and slow the recovery of the sector towards pre-pandemic levels.

Be that as it may, compared to the severe disruptions caused to the Singapore construction industry and its supply chain by the measures taken to tackle Covid-19 in 2020, the absence of a second Circuit Breaker-like lockdown thus far bodes well for the continued recovery of the construction supply chain, in which the reinforcing steel industry is an integral part of.

Going forward, supported by strong financials and fundamentals and led by a committed team of experienced professionals, the Group is confident of navigating safely through the uncertain times that are still ahead of us.

As of 30 June 2021, our sales order book stood at approximately S\$1.1 billion. The duration of projects in our sales order book range up to 5 years and may be subject to further changes.

¹ https://www.mti.gov.sg/-/media/MTI/Newsroom/Press-Releases/2021/07/AdvEst_2Q21.pdf

INTERESTED PERSON TRANSACTIONS

Name of interested person and nature of transaction	Aggregate value of all interested person transactions during the financial period (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions under shareholders' mandate pursuant to Rule 920 during the financial period (excluding transactions less than S\$100,000)	
	9 Months 2021 S\$'000	9 Months 2020 S\$'000	9 Months 2021 S\$'000	9 Months 2020 S\$'000
Esteel Enterprise Pte Ltd - Loan facility interest	355	731	-	-

Interested person transactions mandate for mutual supply of steel products between the Company and associates of the Company's controlling shareholder has been approved on the extraordinary general meeting held on 28 January 2021.