

BUSINESS UPDATE FOR THE FIRST QUARTER ENDED 31 DECEMBER 2022

KEY FINANCIAL HIGHLIGHTS FOR GROUP

Summarised Statement of Comprehensive Income	1Q2023 S\$'000
Revenue	341,250
Gross profit	23,422
Profit after tax	11,702
Total comprehensive income for the period	8,743

Summarised Balance Sheet	31.12.2022 S\$'000
Non-current assets	153,677
Current assets	740,267
Total assets	893,944
Current liabilities	433,904
Non-current liabilities	52,511
Total liabilities	486,415
Net assets	407,529

Loans and Borrowings	31.12.2022 S\$'000
Current	302,392
Non-current	45,070
Total loans and borrowings	347,462
Cash and cash equivalents	112,703
Net loans and borrowings	234,759

Summarised Statement of Cash Flows	1Q2023 S\$'000
Net cash flows generated from operating activities	80,114
Net cash flows used in investing activities	(1,802)
Net cash flows used in financing activities	(113,459)
Net decrease in cash and cash equivalents	(35,147)
Cash and cash equivalents at beginning of period	154,574
Effects of exchange rate changes on cash and cash equivalents	(6,724)
Cash and cash equivalents at end of financial period	112,703

COMMENTARY

Based on advance estimates, the Singapore economy grew by 2.2% on a year-on-year ("y-o-y") basis in the fourth quarter of 2022 ("4Q2022"), slowing from the 4.2% growth in the previous quarter. For 2022 as a whole, the Singapore economy grew by 3.8%, compared to 7.6% in 2021. In 2023, the Ministry of Trade and Industry ("MTI") is forecasting that Singapore's GDP growth rate would moderate further to between 0.5% to 2.5%, mainly due to the downside risks in the global economy and volatile and weakening external demand conditions.¹

Be that as it may, the local construction sector continued to recover. For 4Q2022, it grew by 10.4% on a y-o-y basis, higher than the 7.8% growth in the preceding quarter. However, while the sector grew by 6.5% in 2022, its value-added remained 19.3% below pre-pandemic (fourth quarter of 2019) level. According to the Building and Construction Industry ("BCA"), preliminary data showed that 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 A breakdown of the demand is shown in the following figure:



Source: BCA-REDAS Built Environment and Property Prospects Seminar 2023

The continued recovery of local construction demand bodes well for its supply chain, including reinforcing steel. In the short term, however, the industry faces multiple challenges of escalating costs (particularly for labour and energy) and slower-than-usual site progress resulting in lower-than-expected contractual offtake. Slower offtake is also driving more intense competition for new contracts, compressing margins as firms in the industry strive to overcome the shortfall in delivery volumes. Looking ahead, we continue to believe that once the kinks are ironed out, the local construction sector would push ahead to fulfil the substantial number of projects that remained to be completed.

As of 31 December 2022, our sales order book stood at approximately S\$1.4 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
Director and Chief Executive Officer

8 February 2023

¹ <https://www.mti.gov.sg/Newsroom/Press-Releases/2022/11/MTI-Forecasts-GDP-Growth-of-around-3.5-Per-Cent-in-2022-and-0.5-to-2.5-Per-Cent-in-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#:~:text=Thursday%2C%2012%20January%202023&text=The%20Building%20and%20Construction%20Authority,billion%20and%20S%2432%20billion.>