STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS AND THIRD QUARTER ENDED 30 JUNE 2020

	Note	9 Months 2020 S$'000	9 Months 2019 S$'000	Change %	3Q2020 S$'000	3Q2019 S$'000	Change %
Revenue		495,135	678,796	(27)	36,572	209,726	(83)
Cost of sales		(444,036)	(626,858)	(29)	(40,672)	(188,677)	(78)
Gross profit/(loss)		51,099	51,938	(2)	(4,100)	21,049	n.m.
Other income	A	4,732	1,085	336	3,475	70	4,864
Expenses							
Distribution expenses		(4,173)	(4,225)	(1)	(1,163)	(1,538)	(24)
Administrative expenses		(10,299)	(9,411)	9	(2,553)	(3,852)	(34)
Finance costs		(5,423)	(7,729)	(30)	(1,455)	(2,212)	(34)
Other operating expenses		(9,475)	(5,539)	71	(1,033)	(2,126)	(51)
Reversal/(provision) of impairment loss on trade receivables		1,423	(339)	n.m.	5,092	(339)	n.m.
Share of results of joint venture		640	585	9	418	279	50
Share of results of associates		(3,593)	(1,331)	170	(1,513)	(372)	307
Profit/(loss) before tax	B	24,931	25,034	n.m.	(2,832)	10,959	n.m.
Income tax (expense)/credit		(4,784)	(4,384)	9	318	(1,824)	n.m.
Profit/(loss) for the period		20,147	20,650	(2)	(2,514)	9,135	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		–	(28)	n.m.	–	(28)	n.m.
Items that may be reclassified subsequently to profit or loss							
Net exchange gain/(loss) on net investment in foreign operations		53	(234)	n.m.	(631)	(194)	225
Foreign currency translation: Exchange differences on translation of foreign operations		97	(244)	n.m.	(228)	(390)	(42)
Other comprehensive income, net of tax		150	(506)	n.m.	(859)	(612)	40
Total comprehensive income for the period		20,297	20,144	1	(3,373)	8,523	n.m.

n.m. denotes not meaningful

STATEMENT OF COMPREHENSIVE INCOME

FOR THE NINE MONTHS AND THIRD QUARTER ENDED 30 JUNE 2020

Note A - Other income

	9 Months 2020 S$'000	9 Months 2019 S$'000	Change %	3Q2020 S$'000	3Q2019 S$'000	Change %
Interest income	273	156	75	155	46	237
Dividend income	–	2	n.m.	–	2	n.m.
Government grant	2,571	169	1,421	2,451	4	n.m.
Rental income	117	130	(10)	32	43	(26)
Sundry income	270	89	203	200	24	733
Sales commission	226	208	9	226	208	9
Foreign exchange gain, net[1]	1,275	299	326	954	61	1,464
Fair value changes on derivatives, net[2]	–	–	–	(543)	(334)	63
Bad debts recovered	–	32	n.m.	–	16	n.m.
	4,732	1,085	336	3,475	70	4,864

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

	9 Months 2020 S$'000	9 Months 2019 S$'000	Change %	3Q2020 S$'000	3Q2019 S$'000	Change %
Interest expense	5,423	7,729	(30)	1,455	2,212	(34)
Depreciation of property, plant and equipment	15,283	10,917	40	5,450	3,639	50
Depreciation of investment properties	52	52	–	17	17	–
Operating lease expense	1,661	8,616	(81)	510	2,669	(81)
Foreign exchange gain, net[1]	(1,275)	(299)	326	(954)	(61)	1,464
Fair value changes on derivatives, net[2]	643	1,172	(45)	1,186	1,506	(21)
Reversal of provision for onerous contracts[3]	(6,442)	(11,484)	(44)	–	(3,798)	n.m.
Allowance for inventory obsolescence	–	157	n.m.	–	–	–
(Reversal)/provision of impairment loss on trade receivables[4]	(1,423)	339	n.m.	(5,092)	339	n.m.
Fair value changes on trade receivables[5]	3,841	–	n.m.	(895)	–	n.m.
Loss/(gain) on disposal of property, plant and equipment	–	32	n.m.	–	(18)	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	
	30.6.2020 S$'000	30.9.2019 S$'000	30.6.2020 S$'000	30.9.2019 S$'000
Non-current assets				
Property, plant and equipment	153,894	134,110	59,548	52,793
Investment properties	2,350	2,402	–	–
Investment in subsidiaries	–	–	229,359	229,359
Interest in joint venture	7,998	7,220	6,076	6,076
Interest in associates	15,499	18,951	24,400	24,200
Investment securities	84	84	84	84
	179,825	162,767	319,467	312,512
Current assets				
Inventories	274,379	231,891	147,715	127,132
Trade and other receivables	49,601	195,315	24,977	120,572
Amount due from subsidiaries	–	–	18,214	6,226
Prepayments	8,299	7,902	7,972	7,397
Deposits	269	228	188	133
Derivatives	13	656	13	505
Asset held for sale	33,271	30,049	–	–
Cash and cash equivalents	72,096	65,778	65,446	24,656
	437,928	531,819	264,525	286,621
Total assets	617,753	694,586	583,992	599,133
Current liabilities				
Trade and other payables	28,639	67,164	21,673	57,611
Amount due to subsidiaries	–	–	62	965
Contract liabilities	4,992	4,023	2,286	534
Loans and borrowings	175,524	245,839	130,177	134,190
Loan from immediate holding company	20,000	23,100	20,000	23,100
Provisions	3,006	8,668	2,530	5,092
Current income tax liabilities	9,377	9,064	7,255	5,292
	241,538	357,858	183,983	226,784
Non-current liabilities				
Provisions	1,383	1,003	254	254
Loans and borrowings	98,335	60,658	82,955	60,113
Deferred tax liabilities	11,939	12,139	6,358	6,358
	111,657	73,800	89,567	66,725
Total liabilities	353,195	431,658	273,550	293,509
Net assets	264,558	262,928	310,442	305,624
Equity				
Share capital	125,001	125,001	125,001	125,001
Treasury shares	(1,105)	(1,105)	(1,105)	(1,105)
Capital reserve	597	597	597	597
Fair value reserve	(76)	(76)	(76)	(76)
Foreign currency translation reserve	(2,525)	(2,675)	–	–
Retained earnings	142,666	141,186	186,025	181,207
Total equity	264,558	262,928	310,442	305,624
Total equity and liabilities	617,753	694,586	583,992	599,133

AGGREGATE AMOUNT OF GROUP'S BORROWINGS AND DEBT SECURITIES

	30 June 2020		30 September 2019	
	Secured	Unsecured	Secured	Unsecured
Amount repayable in one year or less, or on demand	S$'000	S$'000	S$'000	S$'000
Lease liabilities	1,324	3,784	1,393	–
Bills payable	–	163,734	–	238,704
Bank loans	6,682	–	5,742	–
Loan from immediate holding company	–	20,000	–	23,100
	8,006	187,518	7,135	261,804

	30 June 2020		30 September 2019	
	Secured	Unsecured	Secured	Unsecured
Amount repayable after one year	S$'000	S$'000	S$'000	S$'000
Lease liabilities	5	24,963	545	–
Bank loans	73,367	–	60,113	–
	73,372	24,963	60,658	–

Details of any collateral

Lease liabilities of S$1.3 million (30 September 2019: S$1.9 million) are secured by certain motor vehicles and plant and machinery. The carrying amount of motor vehicles and plant and machinery held under these leases were S$2.0 million (30 September 2019: S$2.2 million) and S$0.8 million (30 September 2019: S$0.8 million) respectively.

Bank loans of S$80.0 million as at 30 June 2020 were secured by mortgages over certain leasehold properties and asset held for sale of the Group.

STATEMENT OF CASH FLOW

	9 Months 2020 S$'000	9 Months 2019 S$'000	3Q2020 S$'000	3Q2019 S$'000
Operating activities				
Profit/(loss) before tax	24,931	25,034	(2,832)	10,959
Adjustments for:				
Share of results of joint venture	(640)	(585)	(418)	(279)
Share of results of associates	3,593	1,331	1,513	372
Depreciation of investment properties	52	52	17	17
Depreciation of property, plant and equipment	15,283	10,917	5,450	3,639
Allowance for inventory obsolescence	–	157	–	–
(Reversal)/provision of impairment loss on trade receivables	(1,423)	339	(5,092)	339
Fair value changes on trade receivables	3,841	–	(895)	–
Fair value changes on derivatives, net	643	1,172	1,186	1,506
Loss/(gain) on disposal of property, plant and equipment	–	32	–	(18)
Bad debts recovered	–	(32)	–	(32)
Reversal of provision for onerous contracts	(6,442)	(11,484)	–	(3,798)
Unrealised exchange differences	(253)	41	(103)	–
Interest expense	5,423	7,729	1,455	2,212
Interest income	(273)	(156)	(155)	(46)
Dividend income from available-for-sale financial assets	–	(2)	–	(2)
Operating cash flow before working capital changes	44,735	34,545	126	14,869
Changes in working capital				
Trade and other receivables	143,296	(2,343)	131,038	1,576
Inventories	(42,488)	31,878	(24,474)	13,876
Prepayments and deposits	(438)	(2,555)	(1,671)	557
Development costs for asset held for sale	(3,222)	(2,168)	(747)	(761)
Trade and other payables and contract liabilities	(38,314)	12,526	(36,323)	3,387
Cash flows generated from operations	103,569	71,883	67,949	33,504
Income taxes paid	(4,670)	(2,320)	(467)	(1,120)
Net cash flows generated from operating activities	98,899	69,563	67,482	32,384
Investing activities				
Purchase of property, plant and equipment	(1,104)	(1,633)	(254)	(198)
Proceeds from disposal of property, plant and equipment	24	132	–	5
Interest received	273	156	155	46
Dividend income from available-for-sale financial assets	–	2	–	2
Dividend income from an associate company	–	1,050	–	1,050
Long term loan to an associate company	–	(3,672)	–	–
Net cash flows (used in)/generated from investing activities	(807)	(3,965)	(99)	905
Financing activities				
Repayment of lease liabilities	(4,689)	(1,593)	(1,582)	(445)
Repayment of bills payable, net	(74,970)	(64,155)	(43,747)	(2,839)
Proceeds from/(repayment of) bank loans	14,194	(12,021)	22,365	(12,021)
Repayment of loan from immediate holding company	(3,100)	–	–	(36,543)
Dividends paid	(18,667)	(2,333)	–	–
Interest paid	(4,665)	(7,475)	(931)	(2,221)
Net cash flows used in financing activities	(91,897)	(87,577)	(23,895)	(54,069)
Net increase/(decrease) in cash and cash equivalents	6,195	(21,979)	43,488	(20,780)
Cash and cash equivalents at beginning of period	65,778	41,080	28,895	39,826
Effects of exchange rate changes on cash and cash equivalents	123	(68)	(287)	(13)
Cash and cash equivalents at end of financial period	72,096	19,033	72,096	19,033

IMPACT ON SFRS(I) 16 ADOPTION

SFRS(I) 16 requires lessees to recognise most leases on balance sheets. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. At commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e. the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e. the right-of-use asset).

Upon adoption of SFRS(I) 16, the Group and the Company recognised an equal amount of right-of-use assets and leases liabilities of S$32.8 million and S$13.2 million respectively for its leases previously classified as operating leases (excluding low-value and short-term leases).

EARNINGS PER ORDINARY SHARE (CENTS)

The Group	9 Months 2020	9 Months 2019	3Q2020	3Q2019
- Basic	8.63	8.85	(1.08)	3.91
- Diluted	8.63	8.85	(1.08)	3.91
Weighted average number of shares for basic earnings per share	233,335,089	233,335,089	233,335,089	233,335,089
Weighted average number of shares for diluted earnings per share	233,335,089	233,335,089	233,335,089	233,335,089

NET ASSET VALUE PER ORDINARY SHARE (CENTS)

	30.6.2020	30.9.2019
The Group	113.38	112.68
The Company	133.05	130.98

Net asset value per ordinary share was calculated based on 233,335,089 shares as at 30 June 2020 and 30 September 2019.

PERFORMANCE REVIEW OF THE GROUP

Statement of Comprehensive Income

Revenue

The Group's revenue for nine months ended 30 June 2020 ("9M2020") and third quarter of 2020 ("3Q2020") dropped sharply by 27% and 83% to S$495.1 million and S$36.6 million respectively, from S$678.8 million in 9M2019 and S$209.7 million in 3Q2019. Sales revenue slowed significantly due to the compulsory curtailment of our manufacturing operations arising from the Singapore government's Circuit Breaker ("CB") measures to deal with the Covid-19 pandemic.

Gross profit margin and gross profit

While gross profit as a percentage of revenue for remained fairly stable at 10% for 9M2020, it fell to -11% for 3Q2020. The negative gross margin was due to extraordinarily low sales revenue due to compulsory curtailment of our manufacturing operations due to CB measures on one hand, and continuance of fixed and direct costs on the other hand.

As a result, gross profit for the Group decreased 2% to S$51.1 million for 9M2020 and a gross loss of S$4.1 million was recorded for 3Q2020.

Other income

Other income increased by S$3.6 million in 9M2020 and S$3.4 million in 3Q2020 compared to the corresponding periods in the last financial year because of government grants of approximately S$2.4 million, which were largely from Covid-19 support measures. In addition, other income included a net foreign exchange gain of S$1.3 million and S$0.9 million for 9M2020 and 3Q2020 respectively.

Distribution and administrative expenses

Distribution expenses for 9M2020 remained fairly stable compared with 9M2019. An increase in trade credit insurance premiums and legal and professional fees resulted in an increase in administrative expenses of 9% in 9M2020. However, both distribution and administrative expenses decreased by 24% and 34% respectively in 3Q2020 because of the reduction of the Group's sales and manufacturing activities during CB.

Finance costs

Finance costs for 9M2020 and 3Q2020 were lower by 30% to S$5.4 million and 34% to S$1.5 million respectively compared to the corresponding periods in the last financial year. This decrease was mainly due to falling interest rates as well as a lower level of borrowings. The bank borrowings associated with the acquisition of Lee Metal Group, which also bore higher interest rates, were repaid in the previous financial year.

Other operating expenses

Compared to 9M2019, other operating expenses in 9M2020 increased 71%. This was mainly due to fair value changes of S$3.8 million on trade receivables that were subjected to provisioning pricing. Correspondingly, the decrease in other operating expenses in 3Q2020 of 51% compared to 3Q2019 was also mainly due to positive fair value changes of S$0.9 million on trade receivables that were subjected to provisioning pricing.

Reversal of impairment loss on trade receivables

The Group recognised an allowance for expected credit losses on trade receivables using a provisional matrix that is based on its historical credit loss experiences, and adjusted for forward-looking information specific to the economic environment, such as the Gross Domestic Product ("GDP") growth rate. A net reversal of the allowance for impairment loss on trade receivables of S$1.4 million and S$5.1 million were made in 9M2020 and 3Q2020 respectively; this was mainly due to significantly lower trade receivables.

Share of results of joint venture

The Group's share of results in 9M2020 and 3Q2020 from its investment in the joint venture in China increased by 9% to S$0.6 million and 50% to S$0.4 million respectively. The increase in 3Q2020 profits was attributable to the release of pent up demand for construction materials stemming from the resumption of construction activities that came with the general easing of Covid-19 lockdowns within China from March 2020 onwards.

Share of results of associates

Share of losses of associates for 9M2020 and 3Q2020, as compared to the corresponding periods in the previous financial years, increased by 170% to S$3.6 million and 307% to S$1.5 million respectively. The losses are 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, a hotel and a resort in the Maldives. Operations for the hotel has commenced since September 2017 and the resort started its operations in late September 2019. The higher losses are attributed by the drop in hotel and resort occupancy rates in the Maldives due to widespread travel restrictions associated with the Covid-19 global pandemic.

Statement of Financial Position

As at 30 June 2020, the Group's balance sheet remained strong with net assets of S$264.6 million and net asset value per ordinary share of 113.38 Singapore cents.

The Group's property, plant and equipment increased by S$19.8 million, mainly due to the recognition of S$32.8 million right-of-use assets on the balance sheet following the adoption of SFRS(I) 16 on 1 October 2019.

The increase in inventory by S$42.5 million was the result of declining sales during the compulsory curtailment of the Group's sales and manufacturing activities imposed by the Singapore government to combat the Covid-19 pandemic.

The Group's trade and other receivables decreased by S$145.7 million due to significantly lower sales in the current quarter as compared to the last quarter of the previous financial year.

The Group's derivatives decreased by S$0.6 million due to a lower quantum of outstanding US Dollar currency forward contracts for the hedging of raw material purchases, which had declined in tandem with the suspension of construction activities due to Covid-19.

The Group's trade and other payables decreased by S$38.5 million, which was mainly due to a reduction of goods-in-transit.

The Group's contract liabilities increased by S$1.0 million due to an increase in advance payments received.

Due to partial repayment in 2Q2020, loan from immediate holding company decreased by S$3.1 million.

The Group's provisions decreased by S$5.3 million mainly due to the reversal of provision for onerous contracts, partially offset by provision for restoration costs.

Statement of Cash Flow

Net cash flows generated from operating activities of S$98.9 million in 9M2020, coupled with cash at banks and on hand of S$65.8 million at the beginning of the financial year, were mainly used in the repayment of bills payable, lease liabilities, as well as dividend payments.

COMMENTARY

On 15 May 2020, the Building and Construction Authority ("BCA") announced that construction work would only be allowed to resume "*in a controlled manner in phases after the COVID-19 circuit breaker period ends on 1 June 2020*." BCA added that, "*Currently, only about 5% of the construction workforce are working…BCA expects about another 5% of the construction workforce to gradually resume work in the month of June*". In the same media release, BCA's CEO Mr Hugh Lim was also quoted indicating that, "*BCA will work closely with the industry to help companies to be 'COVID-Safe and restart ready', so that more **projects can resume over the next few months***."[1] [Emphasis added] Following this BCA announcement, the Singapore Contractors Association ("SCAL") forecast that construction activity levels should only be back to normal closer towards the end of the year. Thus far, however, actual restart progress seemed to have under-performed the above-mentioned forecast.

During the Budget Debate in Parliament on 4 June 2020, among other things, the problems the contractors and the construction industry were facing and the resulting frustration on the ground as they navigated the myriad of new rules that were sometimes confusing, contradictory and inflexible, but were necessary to be somehow complied with in order to restart work, were highlighted.[2] The government responded quickly to the concerns raised and, *inter alia*, made the BCA the point-agency in Government for all matters regarding construction restart.[3] Nevertheless, it was reported in the Straits Times on 27 June 2020 that only 17,000 out of the 323,000 workers living in dormitories in Singapore, or 5.26%, were cleared to start work.[4] At about the same time, it was reported by Channel News Asia on 25 June 2020 that, "*By the end of next month, we will have covered quite a large proportion of workers in the dormitories…And shortly after that, we will be able to completely clear all the workers and clear the dormitories. All the workers, we expect, will be able to resume work thereafter*."

As a supplier of factory-fabricated reinforcing steel to a large number of construction projects in Singapore, BRC has detected a noticeable (though still slight) picking up of activities in the construction sector from about the third week of July 2020. For BRC, most of our workers have been cleared to start work from early July 2020, and we stand ready to support our customers' projects as they progressively restart their respective works.

Looking ahead, we foresee that, as long as a more permanent solution is not found for this Covid-19 disease, general economic activity is likely to remain subdued, and work productivity at large to decline significantly. For the construction sector (including its supply chain), this may come in the form of periodic disruption to work due to the results of swab testing for Covid-19, inherently lower efficiency and productivity from having to work under Covid-Safe measures, and heightened costs all around as a result. In particular, the fulfilment of balance works and supplies in existing contracts that were awarded during pre-Covid-19 times is expected to result in some of these contracts becoming unprofitable. Hence, we also foresee higher credit risks throughout the industry going forward.

Be that as it may, the Group is in a good shape financially with net assets of S$264.6 million as at 30 June 2020. Further, for the first nine months of the financial year 2020, despite recording a loss of S$2.5 million in the third quarter due to Covid-19, the Group remains profitable at S$20.1 million as at 30 June 2020.

Meanwhile, the Group is looking further ahead and committed to accelerating our digital and automation transformation in the new normal under Covid-19.

As at 30 June 2020, our sales order book stood at approximately S$934.0 million. The duration of projects in our sales order book range up to 5 years and may be subject to further changes.

[1] https://www1.bca.gov.sg/docs/default-source/docs-corp-news-and-publications/media-releases/covid-19/gradual-resumption-of-construction-work.pdf
[2] https://www.channelnewsasia.com/news/parliament/videos/june/lee-bee-wah-on-fortitude-budget-12804314 (from 3 minutes 38 seconds to 14 minutes 52 seconds)
[3] https://www.mnd.gov.sg/newsroom/speeches/view/speech-by-2m-desmond-lee-on-construction-restart-at-the-supplementary-budget-debate-2020
[4] https://www.straitstimes.com/singapore/136b-package-rolled-out-to-help-construction-firms-resume-work-safely

INTERESTED PERSON TRANSACTIONS

	Aggregate value of all interested person transactions during the financial period (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	
Name of interested person and nature of transaction	**9 Months 2020** S$'000	**9 Months 2019** S$'000
Esteel Enterprise Pte Ltd - Loan facility interest	731	1,261

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920 of the SGX-ST Listing Manual.