

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 DECEMBER 2020

	Note	1Q2021 S\$'000	1Q2020 S\$'000	Change %
Revenue		213,426	226,807	(6)
Cost of sales		(190,004)	(196,985)	(4)
<b>Gross profit</b>		<b>23,422</b>	<b>29,822</b>	<b>(21)</b>
Other income	A	3,258	981	232
<b>Expenses</b>				
Distribution expenses		(1,417)	(1,571)	(10)
Administrative expenses		(4,195)	(4,056)	3
Finance costs		(1,370)	(2,069)	(34)
Other operating expenses		(4,169)	(5,907)	(29)
Impairment loss on trade receivables		(2,481)	(733)	238
Share of results of joint venture		365	254	44
Share of results of associates		(1,504)	(1,254)	20
<b>Profit before tax</b>	B	<b>11,909</b>	<b>15,467</b>	<b>(23)</b>
Income tax expense		(2,305)	(2,761)	(17)
<b>Profit for the period</b>		<b>9,604</b>	<b>12,706</b>	<b>(24)</b>
<b>Other comprehensive income:</b>				
<b>Items that will not be reclassified subsequently to profit or loss</b>				
Net fair value loss on equity instruments at fair value through other comprehensive income		(30)	-	n.m.
<b>Items that may be reclassified subsequently to profit or loss</b>				
Net exchange loss on net investment in foreign operations		(757)	(42)	1,702
Foreign currency translation: Exchange differences on translation of foreign operations		164	(191)	n.m.
<b>Other comprehensive loss, net of tax</b>		<b>(623)</b>	<b>(233)</b>	<b>167</b>
<b>Total comprehensive income for the period</b>		<b>8,981</b>	<b>12,473</b>	<b>(28)</b>

n.m. denotes not meaningful

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 DECEMBER 2020

Note A - Other income	1Q2021 S\$'000	1Q2020 S\$'000	Change %
Interest income from debt instruments at amortised cost	21	42	(50)
Government grants	890	-	n.m.
Rental income	35	43	(19)
Sundry income	128	62	106
Foreign exchange gain, net <sup>1</sup>	2,145	834	157
Sales commission	27	-	n.m.
Gain on disposal of property, plant and equipment	12	-	n.m.
	<u>3,258</u>	<u>981</u>	<u>232</u>

Note B - Profit before tax is arrived at after charging/(crediting) the following:	1Q2021 S\$'000	1Q2020 S\$'000	Change %
Depreciation of property, plant and equipment	4,401	4,902	(10)
Depreciation of investment properties	17	17	-
Interest expense	1,370	2,069	(34)
Expenses relating to short-term leases	298	698	(57)
Expenses relating to leases of low-value assets	4	5	(20)
Fair value changes on derivatives, net <sup>2</sup>	2,219	1,826	22
Allowance for/(reversal of) provision for onerous contracts <sup>3</sup>	7,935	(6,339)	n.m.
Impairment loss on trade receivables <sup>4</sup>	2,481	733	238
Fair value changes on trade receivables <sup>5</sup>	631	2,756	(77)
Gain on disposal of property, plant and equipment	(12)	-	n.m.

<sup>1</sup> 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 Dollars, Malaysian Ringgit and Euro.

<sup>2</sup> Derivatives include currency forward contracts used to hedge exposure to foreign currency exchange risk arising from purchases of steel which are mainly denominated in US Dollars. 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.

<sup>3</sup> Provision for onerous contracts are made for certain 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.

<sup>4</sup> Expected credit losses estimated for trade receivables carried at amortised cost.

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

**STATEMENT OF FINANCIAL POSITION**

	Group		Company	
	31.12.2020	30.9.2020	31.12.2020	30.9.2020
	S\$'000	S\$'000	S\$'000	S\$'000
<b>Non-current assets</b>				
Property, plant and equipment	151,084	154,755	56,524	58,186
Investment properties	2,316	2,333	-	-
Investment in subsidiaries	-	-	229,359	229,359
Interest in joint venture	8,333	7,870	6,076	6,076
Interest in associates	2,528	4,389	3,207	3,934
Investment securities	54	84	54	84
Other receivables	4,396	4,396	4,396	4,396
	168,711	173,827	299,616	302,035
<b>Current assets</b>				
Inventories	121,326	237,185	118,781	235,211
Trade and other receivables	143,924	89,824	108,914	66,317
Amount due from subsidiaries	-	-	9,343	7,552
Prepayments	9,007	7,037	8,674	6,531
Deposits	349	290	240	240
Asset held for sale	34,710	33,893	-	-
Cash and bank balances	52,000	77,892	41,426	67,204
	361,316	446,121	287,378	383,055
<b>Total assets</b>	<b>530,027</b>	<b>619,948</b>	<b>586,994</b>	<b>685,090</b>
<b>Current liabilities</b>				
Trade and other payables	25,656	27,918	21,356	21,069
Amount due to subsidiaries	-	-	58,416	89,074
Contract liabilities	6,580	21,410	981	15,079
Loans and borrowings	60,384	160,338	57,636	141,039
Loan from immediate holding company	20,000	20,000	20,000	20,000
Provisions	10,941	3,006	10,140	2,530
Derivatives	2,411	192	2,411	192
Current income tax liabilities	11,246	10,339	9,753	8,829
	137,218	243,203	180,693	297,812
<b>Non-current liabilities</b>				
Loans and borrowings	106,087	98,926	88,568	80,803
Provisions	1,390	1,390	261	261
Deferred tax liabilities	11,804	11,882	5,997	5,998
	119,281	112,198	94,826	87,062
<b>Total liabilities</b>	<b>256,499</b>	<b>355,401</b>	<b>275,519</b>	<b>384,874</b>
<b>Net assets</b>	<b>273,528</b>	<b>264,547</b>	<b>311,475</b>	<b>300,216</b>
<b>Equity attributable to owners of the Company</b>				
Share capital	125,001	125,001	125,001	125,001
Treasury shares	(1,105)	(1,105)	(1,105)	(1,105)
Fair value reserve	(106)	(76)	(106)	(76)
Foreign currency translation reserve	(3,334)	(2,741)	-	-
Asset revaluation reserve	597	597	597	597
Retained earnings	152,475	142,871	187,088	175,799
<b>Total equity</b>	<b>273,528</b>	<b>264,547</b>	<b>311,475</b>	<b>300,216</b>
<b>Total equity and liabilities</b>	<b>530,027</b>	<b>619,948</b>	<b>586,994</b>	<b>685,090</b>

**AGGREGATE AMOUNT OF GROUP'S BORROWINGS AND DEBT SECURITIES**

Amount repayable in one year or less, or on demand	31 December 2020		30 September 2020	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Bills payable to banks	-	10,547	-	110,845
Other borrowings	360	-	540	-
Lease liabilities	-	3,707	-	3,683
Bank loans	8,602	37,168	6,682	38,588
Loan from immediate holding company	-	20,000	-	20,000
	8,962	71,422	7,222	173,116

Amount repayable after one year	31 December 2020		30 September 2020	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Lease liabilities	-	26,742	-	27,529
Bank loans	74,946	4,399	66,696	4,701
	74,946	31,141	66,696	32,230

**Details of any collateral**

Other borrowings of S\$0.4 million (30 September 2020: S\$0.5 million) are secured by certain motor vehicles. The carrying amount of motor vehicles held under these borrowings are S\$1.9 million (30 September 2020: S\$2.0 million).

Bank loans of S\$83.5 million as at 31 December 2020 (30 September 2020: S\$73.4 million) were secured by mortgages over certain leasehold properties and asset held for sale held by the Group.

**CONSOLIDATED STATEMENT OF CASH FLOWS**

	1Q2021	1Q2020
	S\$'000	S\$'000
<b>Operating activities</b>		
Profit before tax	11,909	15,467
Adjustments for:		
Share of results of joint venture	(365)	(254)
Share of results of associates	1,504	1,254
Depreciation of investment properties	17	17
Depreciation of property, plant and equipment	4,401	4,902
Impairment loss on trade receivables	2,481	733
Fair value changes on trade receivables subject to provisional pricing	631	2,756
Fair value changes on derivatives, net	2,219	1,826
Gain on disposal of property, plant and equipment	(12)	-
Allowance for/(reversal of) provision for onerous contracts	7,935	(6,339)
Unrealised exchange differences	(1,422)	83
Interest expense	1,370	2,069
Interest income	(21)	(42)
<b>Operating cash flow before working capital changes</b>	<b>30,647</b>	<b>22,472</b>
Changes in working capital		
Trade and other receivables	(57,212)	4,322
Inventories	115,859	(12,388)
Prepayments and deposits	(2,029)	3,633
Development costs for asset held for sale	(817)	(972)
Trade and other payables and contract liabilities	(17,508)	13,229
<b>Cash flows generated from operations</b>	<b>68,940</b>	<b>30,296</b>
Income taxes paid	(1,476)	(18)
<b>Net cash flows generated from operating activities</b>	<b>67,464</b>	<b>30,278</b>
<b>Investing activities</b>		
Purchase of property, plant and equipment	(172)	(677)
Proceeds from disposal of property, plant and equipment	16	-
Interest received	21	42
<b>Net cash flows used in investing activities</b>	<b>(135)</b>	<b>(635)</b>
<b>Financing activities</b>		
Repayment of principal obligations under lease liabilities	(1,357)	(1,305)
Repayment of other borrowings	(180)	(180)
Repayment of bills payable, net	(100,298)	(47,628)
Proceeds from bank loans	12,000	-
Repayment of bank loans	(1,831)	(1,435)
Interest paid	(954)	(2,069)
<b>Net cash flows used in financing activities</b>	<b>(92,620)</b>	<b>(52,617)</b>
Net decrease in cash and cash equivalents	(25,291)	(22,974)
Cash and cash equivalents at beginning of period	74,438	65,778
Effects of exchange rate changes on cash and cash equivalents	(601)	(358)
Cash and cash equivalents at end of financial period	48,546	42,446

**CONSOLIDATED STATEMENT OF CASH FLOWS (cont'd)**

For the purpose of the statement of cash flows, cash and cash equivalents comprise the following at 31 December:

	1Q2021	1Q2020
	S\$'000	S\$'000
Cash and bank balances	52,000	42,446
Less: Restricted cash	(3,454)	-
<b>Cash and cash equivalents at end of financial period</b>	<b>48,546</b>	<b>42,446</b>

**EARNINGS PER ORDINARY SHARE**

The Group	1Q2021	1Q2020
Basic (cents)	4.12	5.45
Diluted (cents)	4.12	5.45
Weighted average number of shares for basic earnings per share	233,335,089	233,335,089
Weighted average number of shares for diluted earnings per share	233,335,089	233,335,089

**PLACEMENT SHARES**

On 26 January 2021, the Group completed a placement of 10,000,000 new ordinary shares at an issue price of S\$1.42 for each ordinary share, the total number of issued shares of the Company has increased from 233,335,089 shares (excluding 1,626,600 treasury shares) to 243,335,089 shares (excluding 1,626,600 treasury shares). All net proceeds were used to repay outstanding bank borrowings. The shares placement has no financial impact on the results for this reporting period.

**NET ASSET VALUE PER ORDINARY SHARE (CENTS)**

	31.12.2020	30.9.2020
The Group	117.23	113.38
The Company	133.49	128.66

Net asset value per ordinary share was calculated based on 233,335,089 shares as at 31 December 2020 and 30 September 2020.

## PERFORMANCE REVIEW OF THE GROUP

### STATEMENT OF COMPREHENSIVE INCOME

#### Revenue

The Group's revenue for first quarter ended 31 December 2020 ("1Q2021") fell by 6% to S\$213.4 million from S\$226.8 million in the first quarter of the preceding year ended 31 December 2019 ("1Q2020"). Sales revenue decreased due to Covid-19 safe working and management measures, which enforced a less intense pace of work throughout the construction (and its related) industries, and lowering output as a result.

#### Gross profit margin and gross profit

The Group's gross profit margin for 1Q2021 decreased to 11.0% from 13.1% in 1Q2020, mainly due to provision for onerous contracts.

A provision for onerous contracts of S\$7.9 million was recorded in 1Q2021 compared to a reversal of S\$6.3 million in 1Q2020. In view of the recent rapid escalation of international steel prices, Management assessed and estimated that the unavoidable costs to meet the obligations of certain sales contracts based on the value of inventory on hand plus estimated costs of inventory purchases and conversion costs incurred are expected to exceed the economic benefits to be received.

Gross profit decreased by 21% to S\$23.4 million in 1Q2021 from S\$29.8 million in 1Q2020 due to lower sales volumes (due to Covid-19) and provision for onerous contracts.

#### Other income

Other income increased to S\$3.3 million in 1Q2021 from S\$1.0 million in 1Q2020, which was largely a result of net foreign exchange gain of S\$2.1 million and government grants of S\$0.9 million.

#### Distribution and administrative expenses

Distribution expenses decreased by 10% to S\$1.4 million in 1Q2021 compared to S\$1.6 million in 1Q2020 mainly due to the reduction in the Group's sales and manufacturing activities. Administrative expenses increased marginally by 3% to S\$4.2 million in 1Q2021 from S\$4.1 million in 1Q2020.

#### Finance costs

Finance costs for 1Q2021 decreased by 34% to S\$1.4 million compared to S\$2.1 million in 1Q2020. This decrease was mainly attributable to falling interest rates as well as a lower level of borrowings.

#### Other operating expenses

Other operating expenses decreased by 29% to S\$4.2 million in 1Q2021 compared to S\$5.9 million in 1Q2020. This was mainly due to a S\$2.1 million decrease in quarter-on-quarter fair value changes on trade receivables subject to provisioning pricing, from S\$2.8 million in 1Q2020 to S\$0.6 million in 1Q2020. This decrease was partially offset by a S\$0.4 million increase in loss in quarter-on-quarter fair value changes on derivatives, from S\$1.8 million in 1Q2020 to S\$2.2 million in 1Q2021.

#### Impairment loss on trade receivables

Impairment loss on trade receivables increased to S\$2.5 million in 1Q2021 from S\$0.7 million in 1Q2020, mainly due an increase in trade receivables at amortised cost.

#### Share of results of joint venture

The Group's share of profit from its joint venture increased by 44% to S\$0.4 million in 1Q2021 from S\$0.3 million in 1Q2020 due to better local market conditions.

## **PERFORMANCE REVIEW OF THE GROUP (cont'd)**

### **STATEMENT OF COMPREHENSIVE INCOME (cont'd)**

#### **Share of results of associates**

Share of losses of associates for 1Q2021 increased by 20% to S\$1.5 million from S\$1.3 million in 1Q2020. 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 higher losses were partly attributed by the drop in hotel and resort occupancy rates in the Maldives due to widespread global travel restrictions associated with Covid-19 global pandemic.

### **STATEMENT OF FINANCIAL POSITION**

As at 31 December 2020, the Group's balance sheet remained strong with net assets of S\$273.5 million and net asset value per ordinary share of 117.23 Singapore cents.

Physical inventories decreased by S\$115.9 million as steel deliveries picked up steadily since August 2020 with the restart of construction activities post-Circuit Breaker whilst the Group slowed raw material purchasing activities during the Circuit Breaker period and its immediate aftermath.

The Group's trade and other receivables increased by S\$54.1 million due to higher sales activities in 1Q2021 as compared to the last quarter in the previous financial year.

The Group's prepayments increased by S\$2.0 million arising from deposits paid to suppliers.

The Group's contract liabilities decreased by S\$14.8 million due to the recognition of revenue upon delivery of steel to the customers which had made payments in advance.

The Group's loans and borrowings decreased by S\$92.8 million mainly due to the repayment of bills payable to banks.

Due to an increase in the provision for onerous contracts, the Group's provisions increased by S\$7.9 million.

### **STATEMENT OF CASH FLOWS**

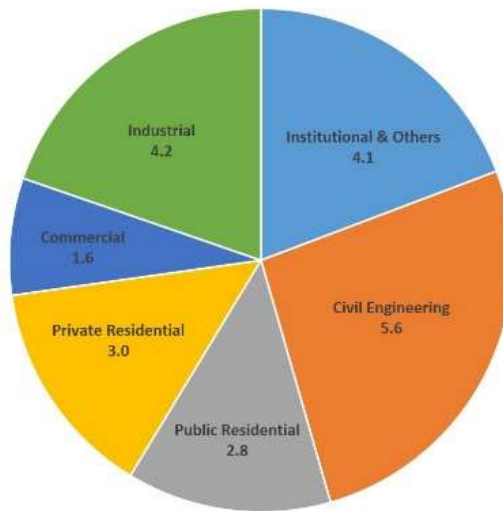
Net cash flows generated from operating activities of S\$67.5 million for 1Q2021, coupled with cash and cash equivalents of S\$74.4 million at the beginning of the financial period, were mainly used in the repayment of bills payables, lease liabilities and other borrowings.



**COMMENTARY**

On 17 September 2020, the Building and Construction Authority (“BCA”) revised its projected construction demand for 2020 from the earlier forecast of between S\$28 billion and S\$33 billion released in January 2020 to between S\$18 billion and S\$23 billion. BCA said that, “The downward revision is due to a drop in private sector construction demand, and postponements in the award of some public sector projects from 2020 to 2021, as contractors and suppliers have asked for more time to assess the impact of Covid-19 on resource management and project implementation timelines.”<sup>1</sup> Based on preliminary estimates released on 18 January 2021, construction demand for 2020 declined significantly from 2019’s S\$33.5 billion to come in at S\$21.3 billion<sup>2</sup>:

**2020 Construction Demand S\$21.3 billion  
Segment Breakdown (in S\$ billion)**



For 2021, BCA expects construction demand to improve to between S\$23 billion and S\$28 billion. The public sector is expected to contribute about 65%, or approximately S\$15 billion - S\$18 billion, of the new contracts amid an anticipated stronger demand for public housing and infrastructure projects. The following chart shows the breakdown between public and private sector construction demand from 2014<sup>2</sup>:



<sup>1</sup> <https://www1.bca.gov.sg/docs/default-source/docs-corp-news-and-publications/media-releases/revised-construction-demand-2020.pdf>

<sup>2</sup> Source: Built Environment and Property Prospects Seminar 2021, 18 & 19 January 2021, organised by BCA and REDAS at the BCA Academy, Singapore

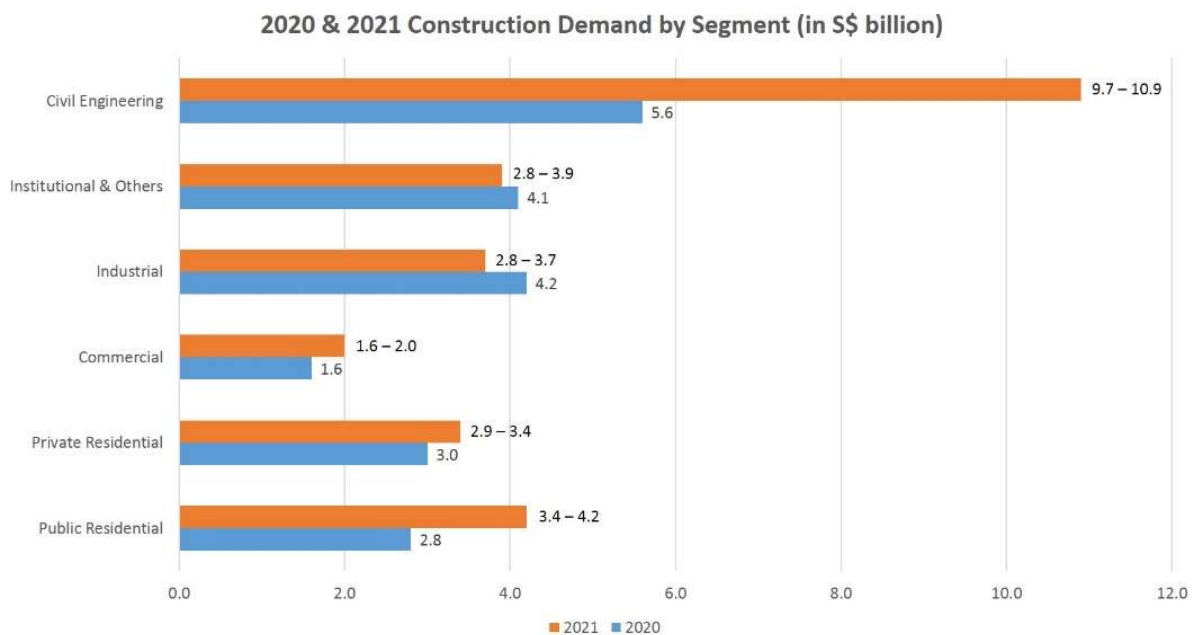
## COMMENTARY (cont'd)

Public residential construction demand is expected to rebound from S\$2.8 billion in 2020 to between S\$3.4 billion and S\$4.2 billion in 2021. New public housing units are slated for development in areas such as Tengah Toa Payoh, Hougang, Pasir Ris, Geylang and Woodlands. According to the Housing and Development Board (HDB), it will be offering about 3,700 Build-To-Order ("BTO") flats in February 2021, and another 3,800 BTO flats in May 2021.<sup>3</sup>

Similarly, civil engineering construction demand is projected to recover strongly to between S\$9.7 billion and S\$10.9 billion in 2021 from the S\$5.6 billion achieved in 2020. The key public sector projects that are expected to be rolled out in this segment in 2021 include various contracts for the Jurong Region MRT Line, Cross Island MRT Line Phase 1 and Deep Tunnel Sewerage System Phase 2.

On the other hand, private sector construction demand for 2021 is only expected to stay at about 2020's level, but it could outperform expectations if economic recovery accelerates and business sentiment improves. For the private residential segment, its 2021 forecast construction demand of S\$2.9 billion - S\$3.4 billion will be underpinned by redevelopment of the remaining past en-bloc residential sites. And while private sector industrial building construction is also not expected to return to pre-Covid levels in 2021, it is likely to improve gradually from S\$1.7 billion in 2020 to between S\$2.2 billion - S\$2.9 billion in 2021, supported by the upcoming development of high-specification industrial buildings and data centres, such as Perennial Business City. In the commercial space, a number of major hotel retrofitting projects are expected to proceed in 2021 in anticipation and preparation of future recovery in tourism, and major redevelopment projects such as Shaw Tower and Keppel Tower developments are expected to be awarded.

In summary, the following chart compares the 2020 and 2021 construction demand by segment<sup>2</sup>:



The BCA also expects total nominal construction output to increase from S\$19.5 billion in 2020 to between S\$24 billion and S\$27 billion in 2021, which will be supported by an anticipated improvement in construction demand in 2021, and the catch-up on the construction activity backlog caused by the Covid-19 outbreak during 2020.

Compared to the severe disruptions caused to the construction industry and its supply chain by the measures taken to tackle Covid-19 in 2020, these expected broad improvements to Singapore's construction demand and output in 2021 certainly bode well for the reinforcing steel industry, which is an integral part of the construction supply chain. Having said that, it bears cautioning that this is all based on a principal assumption: that there would be no Circuit Breaker-like lockdown this year.

<sup>3</sup> <https://www.hdb.gov.sg/about-us/news-and-publications/press-releases/22012021-Release-of-4th-Quarter-2020-Public-HousingData>

**COMMENTARY (cont'd)**

Moreover, under this Covid-19 new normal, as long as a more permanent solution is not found for this 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 continue to be cognisant of higher credit risks throughout the industry going forward.

Be that as it may be, 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 at 31 December 2020, our sales order book stood at approximately S\$1.09 billion. The duration of projects in our sales order book range up to 5 years and may be subject to further changes.

**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	1Q2021 S\$'000	1Q2020 S\$'000
Esteel Enterprise Pte Ltd - Loan facility interest	227	262

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

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.