

**BUSINESS UPDATE
FOR THE THIRD QUARTER ENDED 30 JUNE 2022**

KEY FINANCIAL HIGHLIGHTS FOR GROUP

	9M2022 S\$'000	3Q2022 S\$'000
Summarised Statement of Comprehensive Income		
Revenue	1,308,663	515,333
Gross profit	105,515	36,738
Profit after tax	60,208	20,367
Total comprehensive income for the period	59,519	19,922
	30.06.2022 S\$'000	
Summarised Balance Sheet		
Non-current assets	158,537	
Current assets	865,529	
Total assets	1,024,066	
Current liabilities	579,613	
Non-current liabilities	60,141	
Total liabilities	639,754	
Net assets	384,312	
	30.06.2022 S\$'000	
Loans and Borrowings		
Current	360,251	
Non-current	50,385	
Total loans and borrowings	410,636	
Cash and cash equivalents	175,767	
Net loans and borrowings	234,869	
	9M2022 S\$'000	3Q2022 S\$'000
Summarised Statement of Cash Flows		
Net cash flows generated from operating activities	99,432	70,005
Net cash flows used in investing activities	(1,856)	(1,020)
Net cash flows used in financing activities	(5,292)	(33,638)
Net increase in cash and cash equivalents	92,284	35,347
Cash and cash equivalents at beginning of period	82,970	139,967
Effects of exchange rate changes on cash and cash equivalents	513	453
Cash and cash equivalents at end of financial period	175,767	175,767

COMMENTARY

Based on advance estimates released by the Singapore Ministry of Trade and Industry ("MTI") on 14 July 2022¹, Singapore's GDP remained unchanged on a quarter-on-quarter ("q-o-q") seasonally-adjusted basis in the second quarter of 2022, after posting growth of 0.9% in the first quarter of 2022. Be that as it may, the local construction sector grew 3.8% in the second quarter, faster than the 1.8% expansion in the preceding quarter. This was in part due to the relaxation of border restrictions on the inflow of migrant workers. Nevertheless, as MTI pointed out, "*In absolute terms, the value-added of the sector remained 23.7% per cent below its pre-pandemic (i.e., first quarter of 2019) level due to continued labour shortages as the inflow of migrant workers would take time to recover.*"

Further, we observe that construction site activity levels were adversely affected during the quarter due to two transient issues. One, in the first six months of 2022, the Ministry of Manpower ("MOM") reported 28 workplace fatalities, many of which were in the construction industry; in comparison, there were a total of 17 incidents during the same period pre-Covid in 2019.² This had led to a call for companies to conduct a safety time-out from 9 May 2022 by MOM, the Workplace Safety and Health ("WSH") Council, the National Trades Union Congress ("NTUC") and industry partners.³ Two, up to 15 June 2022, there were more than 12,000 cases of dengue reported, which was already more than the 5,258 cases logged in the whole of 2021. This has resulted in a spate stop-work orders issued by the authorities to construction sites, which had impeded project progress.⁴

Be that as it may, with the ending of government Covid-19 support measures for the local construction industry and a rising interest rate environment, we are of the view that credit risk remains elevated in the local construction industry. At the same time, persistently high input costs should continue to pose significant challenges to businesses in this sector going forward. Finally, international steel prices have moderated recently, mainly due to the volatile conditions in China as a result of Covid-19 and a potential property crisis there.

On the other hand, construction order books island-wide have remained robust on the back of strong demand for public housing and infrastructure projects as Singapore continues to emerge from the Covid-19 pandemic. The Housing & Development Board, for example, remains on track to launch up to 23,000 new flats in 2022, with launches of 3,900 and 4,600 flats in February and May respectively, and upcoming launches of 4,900 and 9,500 flats in August and November respectively. This bodes well for the demand for reinforcing steel and BRC, which are an integral part of the local construction supply chain.

As of 30 June 2022, our sales order book stood at approximately S\$1.135 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
Chief Executive Officer

Singapore
2 August 2022

¹ https://www.mti.gov.sg/-/media/MTI/Newsroom/Press-Releases/2022/07/AdvEst_2Q22.pdf

² <https://www.humanresourcesonline.net/singapore-reported-28-workplace-fatalities-in-first-6-months-of-2022-mom-working-on-new-safety-code-of-practice>

³ <https://www.channelnewsasia.com/singapore/workplace-deaths-safety-time-out-mom-wsh-ntuc-2671196>

⁴ <https://www.straitstimes.com/singapore/health/59-stop-work-orders-issued-to-construction-sites-for-mosquito-breeding-this-year-9-firms-to-be-charged-nea>