

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the first quarter ended 31 December 2019

	Note	1Q2020 \$'000	1Q2019 \$'000	Change
Revenue		226,807	237,973	(5%)
Cost of sales		(196,985)	(221,126)	(11%)
Gross profit		29,822	16,847	77%
Other income	A	981	698	41%
Expenses				
Distribution expenses		(1,571)	(1,527)	3%
Administrative expenses		(4,056)	(3,626)	12%
Finance costs		(2,069)	(2,834)	(27%)
Other operating expenses		(5,907)	(1,496)	295%
Impairment loss on trade receivables		(733)	-	n.m.
Share of results of joint venture		254	198	28%
Share of results of associates		(1,254)	(677)	85%
Profit before tax	B	15,467	7,583	104%
Income tax expense		(2,761)	(1,424)	94%
Profit for the period		12,706	6,159	106%
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss				
Net exchange gain on net investment in foreign operations		(42)	(159)	(74%)
Foreign currency translation:				
Exchange differences on translation of foreign operations		(191)	(103)	85%
Other comprehensive loss, net of tax		(233)	(262)	(11%)
Total comprehensive income for the period		12,473	5,897	112%

n.m. denotes not meaningful

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For the first quarter ended 31 December 2019

Note A - Other income	1Q2020 \$'000	1Q2019 \$'000	Change
Interest income	42	53	(21%)
Government grant	-	54	n.m.
Rental income	43	45	(4%)
Sundry income	62	15	313%
Foreign exchange gain, net ¹	834	516	62%
Bad debts recovered	-	15	n.m.
	<u>981</u>	<u>698</u>	41%

Note B - Profit before tax is arrived at after charging/(crediting) the following:	1Q2020 \$'000	1Q2019 \$'000	Change
Interest expense	2,069	2,834	(27%)
Depreciation of property, plant and equipment	4,902	3,631	35%
Depreciation of investment properties	17	18	(6%)
Operating lease expense	703	2,997	(77%)
Loss from fair value changes on derivatives, net ²	1,826	170	974%
Reversal of provision for onerous contracts ³	(6,339)	(5,466)	16%
Impairment loss on trade receivables	733	-	n.m.
Fair value changes on trade receivables subject to provisioning pricing	2,756	-	n.m.
Loss on disposal of property, plant and equipment	-	37	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 Dollars, Malaysian Ringgit and Euro.

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 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.

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.

BALANCE SHEETS

As at 31 December 2019

	Group		Company	
	31.12.2019	30.9.2019	31.12.2019	30.9.2019
	\$'000	\$'000	\$'000	\$'000
Non-current assets				
Property, plant and equipment	162,455	134,110	64,399	52,793
Investment properties	2,385	2,402	-	-
Investment in subsidiaries	-	-	229,359	229,359
Interest in joint venture	7,455	7,220	6,076	6,076
Interest in associates	17,758	18,951	24,200	24,200
Investment securities	84	84	83	84
	190,137	162,767	324,117	312,512
Current assets				
Inventories	244,279	231,891	116,045	127,132
Trade and other receivables	187,504	195,315	111,919	120,572
Amount due from subsidiaries	-	-	13,787	6,226
Prepayments	4,303	7,902	3,918	7,397
Deposits	194	228	143	133
Derivatives	-	656	-	505
Asset held for sale	31,021	30,049	-	-
Cash and cash equivalents	42,446	65,778	27,511	24,656
	509,747	531,819	273,323	286,621
Total assets	699,884	694,586	597,440	599,133
Current liabilities				
Trade and other payables	80,554	67,164	37,246	57,611
Amount due to subsidiaries	-	-	31,808	965
Contract liabilities	3,862	4,023	270	534
Loans and borrowings	202,808	245,839	100,856	134,190
Loan from immediate holding company	23,100	23,100	23,100	23,100
Provisions	3,109	8,668	2,757	5,092
Derivatives	1,170	-	1,170	-
Current income tax liabilities	11,846	9,064	7,685	5,292
	326,449	357,858	204,892	226,784
Non-current liabilities				
Provisions	1,003	1,003	254	254
Loans and borrowings	84,931	60,658	68,626	60,113
Deferred tax liabilities	12,100	12,139	6,358	6,358
	98,034	73,800	75,238	66,725
Total liabilities	424,483	431,658	280,130	293,509
Net assets	275,401	262,928	317,310	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	(2,908)	(2,675)	-	-
Retained earnings	153,892	141,186	192,893	181,207
Total equity	275,401	262,928	317,310	305,624
Total equity and liabilities	699,884	694,586	597,440	599,133

AGGREGATE AMOUNT OF GROUP'S BORROWINGS AND DEBT SECURITIES

Amount repayable in one year or less, or on demand	31 December 2019		30 September 2019	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Lease liabilities	1,358	4,632	1,393	-
Bills payable	-	191,076	-	238,704
Bank loans	5,742	-	5,742	-
Loan from immediate holding company	-	23,100	-	23,100
	7,100	218,808	7,135	261,804

Amount repayable after one year	31 December 2019		30 September 2019	
	Secured \$'000	Unsecured \$'000	Secured \$'000	Unsecured \$'000
Lease liabilities	365	25,888	545	-
Bank loans	58,678	-	60,113	-
	59,043	25,888	60,658	-

Details of any collateral

Lease liabilities of S\$1.7 million (30 September 2019: S\$1.9 million) are secured by certain motor vehicles and certain plant and machinery. The carrying amount of motor vehicles and plant and machinery held under these leases were S\$2.2 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\$64.4 million as at 31 December 2019 were secured by mortgages over certain leasehold properties and asset held for sale held by the Group.

CONSOLIDATED CASH FLOW STATEMENT

For the first quarter ended 31 December 2019

	1Q2020 \$'000	1Q2019 \$'000
Operating activities		
Profit before tax	15,467	7,583
Adjustments for:		
Share of results of joint venture	(254)	(198)
Share of results of associates	1,254	677
Depreciation of investment properties	17	18
Depreciation of property, plant and equipment	4,902	3,631
Impairment loss on trade receivables	733	-
Fair value changes on trade receivables subject to provisioning pricing	2,756	-
Fair value changes on derivatives, net	1,826	170
Loss on disposal of property, plant and equipment	-	37
Reversal of provision for onerous contracts	(6,339)	(5,466)
Unrealised exchange differences	83	(201)
Interest expense	2,069	2,834
Interest income	(42)	(53)
Operating cash flow before working capital changes	22,472	9,032
Changes in working capital		
Trade and other receivables	4,322	(20,915)
Inventories	(12,388)	(53,164)
Prepayments and deposits	3,633	(5,523)
Development costs for asset held for sale	(972)	(562)
Trade and other payables and contract liabilities	13,229	7,320
Cash flows generated from/(used in) operations	30,296	(63,812)
Income taxes (paid)/refunded	(18)	330
Net cash flows generated from/(used in) operating activities	30,278	(63,482)
Investing activities		
Purchase of property, plant and equipment	(677)	(925)
Proceeds from disposal of property, plant and equipment	-	127
Interest received	42	53
Net cash flows used in investing activities	(635)	(745)
Financing activities		
Repayment of lease liabilities	(1,485)	(729)
(Repayment of)/proceeds from bills payable, net	(47,628)	53,071
Repayment of bank loans	(1,435)	-
Interest paid	(2,069)	(2,471)
Net cash flows (used in)/generated from financing activities	(52,617)	49,871
Net decrease in cash and cash equivalents	(22,974)	(14,356)
Cash and cash equivalents at beginning of period	65,778	41,080
Effects of exchange rate changes on cash and cash equivalents	(358)	20
Cash and cash equivalents at end of financial period	42,446	26,744

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\$32.3 million and S\$13.1 million respectively for its leases previously classified as operating leases (excluding low-value and short-term leases).

EARNINGS PER ORDINARY SHARE (CENTS)

The Group	1Q2020	1Q2019
Basic	5.45	2.64
Diluted	5.45	2.64
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

NET ASSET VALUE PER ORDINARY SHARE (CENTS)

	31.12.19	30.09.19
The Group*	118.03	112.68
The Company	135.99	130.98

* Based on the Group's net asset value (excluding non-controlling interest), divided by total number of issued shares excluding treasury share as at end of financial period.

Net asset value per ordinary share was calculated based on 233,335,089 shares as at 31 December 2019 and 30 September 2019.

PERFORMANCE REVIEW OF THE GROUP

Consolidated Statement of Comprehensive Income

Revenue

The Group's revenue decreased marginally by 5% to S\$226.8 million in the first financial quarter of 2020 ("1Q20") from S\$238.0 million in first financial quarter of 2019 ("1Q19"). The decrease was due mainly to lower average selling prices.

Gross profit margin and gross profit

The Group's gross profit as a percentage of revenue for 1Q20 increased to 13.1% from 7.1% in 1Q19. The increase in gross profit margins was contributed by lower costs from bulk raw material purchases. The Group's gross profit for 1Q20 increased by 77% to S\$29.8 million from S\$16.8 million in 1Q19, mainly as a result of improved margins.

Other income

Other income for 1Q20 increased by S\$0.3 million to S\$1.0 million from S\$0.7 million in 1Q19. The increase was mainly due to foreign exchange gains.

Distribution and administrative expenses

Distribution expenses for 1Q20 increased marginally by 3% to S\$1.6 million from S\$1.5 million in 1Q19. Administrative expenses increased by 12% to S\$4.1 million in 1Q20 from S\$3.6 million in 1Q19. The higher administrative expenses in 1Q20 were mainly due to increases in legal and professional fees as well as staff-related costs, mainly provisions for bonuses in line with higher profits.

Finance costs

Finance costs for 1Q20 decreased by 27% to S\$2.1 million from S\$2.8 million in 1Q19. The bridging loans taken up for the acquisition of Lee Metal, which bore interest at higher rates, were repaid in the second quarter of 2019.

Other operating expenses

Other operating expenses for 1Q20 increased by 295% to S\$5.9 million from S\$1.5 million in 1Q19. The increase was mainly due to net loss of S\$1.8 million from fair value changes on derivatives, mainly US dollar denominated currency forward contracts, and fair value changes of S\$2.7 million on trade receivables that were subjected to provisioning pricing.

Impairment loss on trade receivables

Following the adoption of SFRS(I) 9 in FY2019, the Group recognised impairment of S\$0.7 million on its trade receivables carried at amortised cost in 1Q20.

Share of results of joint venture

The Group's share of profit from its investment in the joint venture in China increased by 28% to S\$0.3 million in 1Q20 from S\$0.2 million in 1Q19 due to better local market conditions.

Share of results of associates

Share of losses of associates increased to S\$1.3 million in 1Q20 from S\$0.7 million in 1Q19. This was mainly attributable to the Group's share of losses from its 17% equity interest in Pristine Islands Investment Pte Ltd, an investment holding company with 100% interest in a subsidiary that operates and manages an airport, a hotel and a resort in the Maldives. While operations for the hotel had commenced since September 2017, the resort just began operating from late September 2019.

PERFORMANCE REVIEW OF THE GROUP

Balance Sheets

As at 31 December 2019, the Group's balance sheet remained strong with net assets of S\$275.4 million and net asset value per ordinary share of 118.03 Singapore cents.

As there were less deposits paid for steel purchases, the Group's prepayments decreased by S\$3.6 million.

The Group's trade and other payables increased by S\$13.4 million mainly due to accrual for goods-in-transit.

The Group's loans and borrowings decreased by S\$18.4 million mainly due to the net repayment of bills payable of S\$47.6 million, partially offset by recognition of lease liabilities of S\$32.3 million upon the adoption of SFRS(I) 16.

The Group's provisions decreased by S\$5.6 million mainly due to reversal of provision for onerous contracts, partially offset by provision for reinstatement costs.

The Group's derivatives liabilities increased by S\$1.2 million due to mark-to-market losses of currency forward contracts as at 31 December 2019.

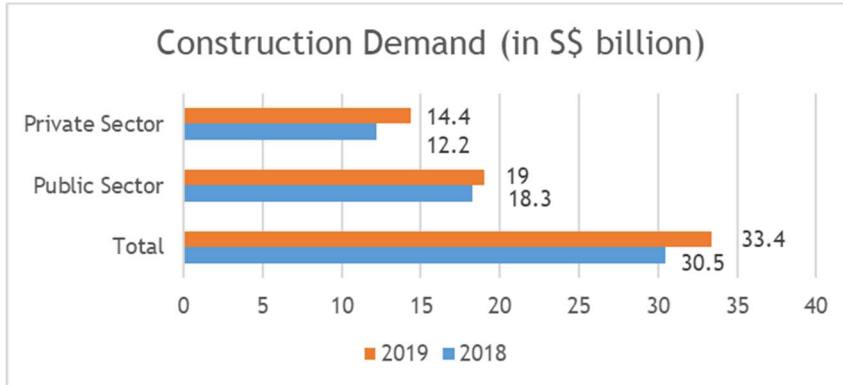
Consolidated Cash Flow Statement

Net cash flows generated from operating activities were S\$30.3 million in 1Q20 as compared to a net cash outflow of S\$63.5 million used in operating activities in 1Q19.

The net cash flows generated from operating activities were mainly used in the repayment of bank borrowings.

COMMENTARY

According to the Building and Construction Authority ("BCA"), total construction demand continued to grow in 2019 and expanded by 9.5% to a preliminary estimate of S\$33.4 billion, exceeding the upper bound of BCA's forecast of between S\$27 billion and S\$32 billion. The following chart (Chart 1) shows the breakdown between public and private sector construction demand.

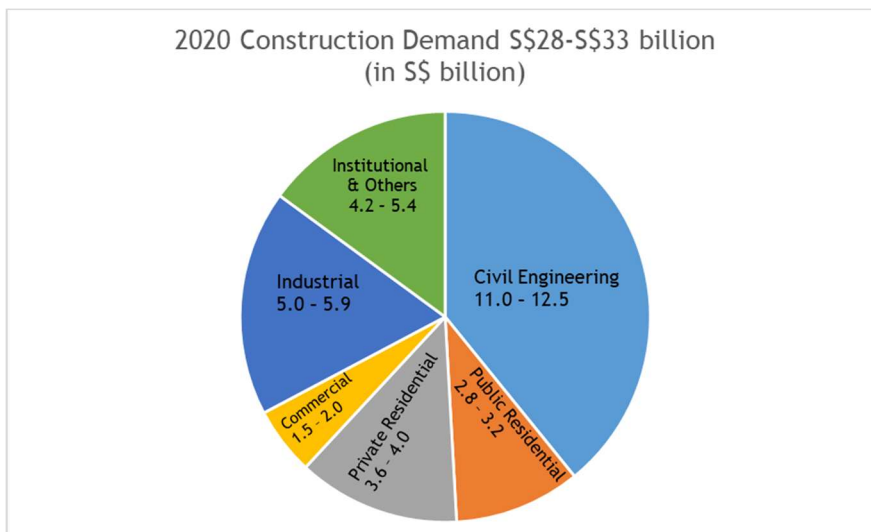


(Chart 1)

While the increase in public sector construction demand was driven by more industrial and institutional building projects - e.g. Jurong Town Corporation's ("JTC") business park development and Singapore Institute of Technology's ("SIT") campus construction at Punggol Digital District - on top of the continued strong demand for civil engineering developments, private sector construction demand for all development types increased, supported by commercial developments at Central Boulevard and Beach Road, Changi Airport Terminal 2 upgrading, berth construction at Tuas Mega Port and major investments in petrochemical facilities.

Nevertheless, 2019's construction demand is still some way off the S\$38.8 billion and S\$35.8 billion achieved in 2014 and 2013 respectively.

For 2020, BCA is of the view that overall construction prospects remain bright. Total construction demand is projected to reach between S\$28 billion and S\$33 billion in 2020. The public sector will continue to take the lead and its demand is expected to make up 62% (S\$17.5-S\$20.5 billion) of the total projected construction demand. On the other hand, barring any major projects to be awarded in 2020 for the expansion of the Integrated Resorts, private sector construction demand is expected to moderate from 2019's level to between S\$10.5 billion to S\$12.5 billion in 2020. The following chart (Chart 2) shows a breakdown of 2020 construction demand by segment.



(Chart 2)

COMMENTARY

This bodes well for the reinforcing steel industry, an integral part of the construction supply chain.

However, the ongoing Coronavirus disease ("COVID-19") outbreak, which started in China in December 2019 and grew in severity in scale and geography over the course of January and February 2020, is expected to adversely impact Singapore's economy, business and consumer confidence this year, especially as it is expected to persist for some time to come. Chinese nationals and Chinese-made products ranging from tiles, to ironmongery, to glass panels, to timber, etc., make up a significant part of the workforce and supply chain in the local construction industry. The prolonged and widespread factory closures within China and the severe travel restrictions imposed after the COVID-19 outbreak by China and Singapore had already started to negatively affect project progress in many local construction sites to varying degrees. For instance, on 2 February 2020, Singapore's Minister for Manpower Josephine Teo announced that about 30,000 work pass holders who are of Chinese nationality left Singapore over the Chinese New Year ("CNY") break and had not returned. This slowdown had already affected our post-CNY steel delivery volumes, which are lower than usually expected during this season. As it is not possible to predict how this disease outbreak will develop locally and elsewhere going forward, we are unable to meaningfully forecast its impact on our business at this moment. Having said that, we have put in place measures in our workplaces to try to protect our people as best as we can. Business continuity planning has also been stepped up to minimise disruptions to our operations. We are closely monitoring the evolving situation, evaluating the impact, and will respond dynamically to ensure that the actions we take are timely, prudent and appropriate.

As at 31 December 2019, our sales order book stood at S\$900 million. The duration of projects in our sales order book may be up to 5 years.

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	1Q2020 S\$'000	1Q2019 S\$'000
Esteel Enterprise Pte Ltd - Loan facility interest	262	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.