

# **Swee Hong Limited**

**Second Quarter and Half Year**

**Unaudited Financial Statement**

**for the period ended**

**31 December 2019**

(Company Registration No.: 198001852R)  
(Incorporated in the Republic of Singapore)

## PART 1 – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF-YEAR AND FULL YEAR RESULTS

### 1(a)(i) Group income statement, together with comparative statement for the corresponding period of the immediately preceding financial year

	Group					
	Current second quarter ended 31 Dec 2019 S\$'000	Previous second quarter ended 31 Dec 2018 S\$'000	Increase / (Decrease)	Current half year ended 31 Dec 2019 S\$'000	Previous half year ended 31 Dec 2018 S\$'000	Increase / (Decrease)
<b>Revenue</b>	1,707	7,320	(77%)	3,266	15,268	(79%)
Cost of works	(1,498)	(6,597)	(77%)	(3,004)	(13,895)	(78%)
<b>Gross profit</b>	209	723	(71%)	262	1,373	(81%)
Other gains – net	57	228	(75%)	176	279	(37%)
<b>Expenses</b>						
- Distribution and marketing	-	(5)	(100%)	(1)	(5)	(80%)
- Administrative	(665)	(608)	9%	(1,279)	(1,092)	17%
- Other operating expenses	(823)	-	100%	(1,644)	-	100%
- Finance	(190)	(312)	(39%)	(380)	(501)	(24%)
<b>(Loss)/ profit before income tax</b>	(1,412)	26	n.m.	(2,866)	54	n.m.
Income tax expense	-	-	n.m.	-	-	n.m.
<b>Net (loss)/ profit</b>	(1,412)	26	n.m.	(2,866)	54	n.m.
<b>Other comprehensive (loss)/gain:</b>						
Items that may be reclassified subsequently to profit or loss:						
Financial assets, at FVOCI						
- Fair value gains/ (losses)	-	(1)	n.m.	-	(1)	n.m.
Currency translation differences arising from consolidation						
- Gains/ (losses)	*	*	n.m.	*	*	n.m.
Other comprehensive gain/ (loss), net of tax	*	(1)	n.m.	*	(1)	n.m.
<b>Total comprehensive (loss)/ income</b>	(1,412)	25	n.m.	(2,866)	53	n.m.
<b>Net (loss)/ profit attributable to:</b>						
Equity holders of the Company	(1,412)	26	n.m.	(2,866)	54	n.m.
Non-controlling interests	*	*	n.m.	*	*	n.m.
	(1,412)	26	n.m.	(2,866)	54	n.m.
<b>Total comprehensive income attributable to:</b>						
Equity holders of the Company	(1,412)	25	n.m.	(2,866)	53	n.m.
Non-controlling interests	*	*	n.m.	*	*	n.m.
	(1,412)	25	n.m.	(2,866)	53	n.m.

\* Amount below S\$1,000.  
n.m. denotes not meaningful.

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**1(a)(ii) The net profit attributable to shareholders of the Company includes the following charges/(credits):**

	Group					
	Current second quarter ended 31 Dec 2019 S\$'000	Previous second quarter ended 31 Dec 2018 S\$'000	Increase / (Decrease)	Current half year ended 31 Dec 2019 S\$'000	Previous half year ended 31 Dec 2018 S\$'000	Increase / (Decrease)
Currency translation (gains)/ losses - net	*	*	n.m.	*	*	n.m.
Foreign exchange (gains) – net	-	(10)	(100%)	-	(2)	(100%)
Dividend income	-	-	n.m.	-	*	n.m.
Gain on disposal of property, plant and equipment	-	*	n.m.	-	(2)	(100%)
Property, plant & equipment written-off	58	-	100%	58	-	100%
Amortisation of deferred income	(35)	(35)	n.m.	(71)	(71)	n.m.
Bank interest income	*	(10)	(100%)	*	(20)	(100%)
Government grant	(14)	(16)	(13%)	(31)	(18)	72%
Income from sales of scrap materials	(6)	(157)	(96%)	(73)	(165)	(56%)
Other income	-	-	n.m.	-	(1)	n.m.
Interest expenses	190	312	(39%)	380	501	(24%)
Late payment interest charges	821	-	100%	1,642	-	100%
Deprecation of property, plant and equipment	265	340	(22%)	531	679	(22%)

\* Amount below S\$1,000.  
n.m. denotes not meaningful.

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**1(b)(i) Statement of financial position, together with a comparative statement as at the end of the immediately preceding financial year**

	Group		Company	
	Unaudited As at 31 December 2019 S\$'000	Unaudited As at 30 June 2019 S\$'000	Unaudited As at 31 December 2019 S\$'000	Unaudited As at 30 June 2019 S\$'000
<b>ASSETS</b>				
<b>Current assets</b>				
Cash and cash equivalents	486	576	477	566
Trade and other receivables	856	709	876	730
Contract assets	2,520	2,871	2,520	2,871
Construction contract work-in-progress	164	185	164	185
	<u>4,026</u>	<u>4,341</u>	<u>4,037</u>	<u>4,352</u>
<b>Non-current assets</b>				
Financial assets, at FVPL	15	15	15	15
Investment in subsidiary corporations	-	-	4	4
Property, plant and equipment	3,470	3,996	3,470	3,996
	<u>3,485</u>	<u>4,011</u>	<u>3,489</u>	<u>4,015</u>
<b>Total assets</b>	<u>7,511</u>	<u>8,352</u>	<u>7,526</u>	<u>8,367</u>
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Trade and other payables	21,422	24,043	21,409	24,032
Contract liabilities	2,500	2,031	2,500	2,031
Deferred income	142	142	142	142
Borrowings	20,276	16,898	20,276	16,898
	<u>44,340</u>	<u>43,114</u>	<u>44,327</u>	<u>43,103</u>
<b>Non-current liabilities</b>				
Deferred income	178	249	178	249
Borrowings	8,719	7,849	8,719	7,849
	<u>8,897</u>	<u>8,098</u>	<u>8,897</u>	<u>8,098</u>
<b>Total liabilities</b>	<u>53,237</u>	<u>51,212</u>	<u>53,224</u>	<u>51,201</u>
<b>NET LIABILITIES</b>	<u>(45,726)</u>	<u>(42,860)</u>	<u>(45,698)</u>	<u>(42,834)</u>
<b>EQUITY</b>				
<b>Capital and reserves attributable to equity holders of the Company</b>				
Share capital	56,575	56,575	56,575	56,575
Other reserves	5	5	5	5
Accumulated losses	(102,306)	(99,440)	(102,278)	(99,414)
	<u>(45,726)</u>	<u>(42,860)</u>	<u>(45,698)</u>	<u>(42,834)</u>
Non-controlling interests	*	*	-	-
<b>TOTAL EQUITY</b>	<u>(45,726)</u>	<u>(42,860)</u>	<u>(45,698)</u>	<u>(42,834)</u>

\* Amount below S\$1,000.

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**Notes to Statement of Financial Position**

**(i) Trade and other receivables**

	Group		Company	
	Unaudited 31 December 2019 S\$'000	Unaudited 30 June 2019 S\$'000	Unaudited 31 December 2019 S\$'000	Unaudited 30 June 2019 S\$'000
Trade receivables – net	544	495	544	495
Non-trade receivables				
- Subsidiary corporations	-	-	20	21
- Related corporations	-	46	-	46
- Non-related parties	59	26	59	26
Deposits	220	109	220	109
Prepayments	33	33	33	33
	<u>856</u>	<u>709</u>	<u>876</u>	<u>730</u>

The non-trade amounts due from subsidiary corporations and related corporations are unsecured, interest-free and are receivable on demand.

**(ii) Contract assets and liabilities**

	Group		Company	
	Unaudited 31 December 2019 S\$'000	Unaudited 30 June 2019 S\$'000	Unaudited 31 December 2019 S\$'000	Unaudited 30 June 2019 S\$'000
Contract assets	34,837	35,188	34,837	35,188
Impairment allowances on contract assets	(32,317)	(32,317)	(32,317)	(32,317)
	<u>2,520</u>	<u>2,871</u>	<u>2,520</u>	<u>2,871</u>
Contract liabilities	<u>2,500</u>	<u>2,031</u>	<u>2,500</u>	<u>2,031</u>

Contract assets primarily relate to the Company's rights to consideration for work completed but not billed at the reporting date arising from construction contracts. Contract assets are transferred to trade receivables when the rights become unconditional. This usually occurs when the Group invoices the customer.

Contract liabilities relate to considerations received by the Company but the performance obligations have not been satisfied under its contracts at the end of the reporting period.

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**1(b)(ii) Aggregate amount of the Group's borrowings and debts securities**

	Group			
	Unaudited As at 31 December 2019		Unaudited As at 30 June 2019	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
<b>(a) Amount repayable in one year or less, or on demand</b>				
Borrowings	-	19,876	-	16,617
Finance lease liabilities	400	-	281	-
<b>(b) Amounts repayable after one year</b>				
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
Finance lease liabilities	303	-	448	-
Convertible bonds	-	8,416	-	7,401

On 19 February 2018, the Company issued 5% convertible bonds denominated in Singapore Dollars with a nominal value of S\$7.0 million. The bonds are due for repayment three years from the issue date at their nominal value of S\$7.0 million or may be converted into shares of the Company at the holder's option at the conversion price of S\$0.015 per share during the conversion period from 19 August 2019 up to 15 days before the maturity date of 18 February 2021. Please refer to the Company's announcements dated 31 August 2017, 7 September 2017, 7 February 2018 and 18 February 2018 as well as the Company's circular dated 23 January 2018 for more information on the convertible bonds.

The finance lease liabilities of S\$703,000 are secured by a guarantee provided by the Company's single largest shareholder. As at 31 December 2019, the carrying amounts of plant and machinery held under finance leases are with net book value of S\$936,000.

The loans from the Company's single largest shareholder and a related party amounting to S\$7.9 million and S\$2.3 million respectively are unsecured, interest-free and repayable on demand.

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**1(c) Group cash flow statement, together with a comparative statement for the corresponding period of the immediately preceding financial year**

	Group			
	Unaudited Current second quarter ended 31 December 2019 S\$'000	Unaudited Previous second quarter ended 31 December 2018 S\$'000	Unaudited Current half year ended 31 December 2019 S\$'000	Unaudited Previous half year ended 31 December 2018 S\$'000
<b>Cash flows from operating activities</b>				
Net (loss)/ profit	(1,412)	26	(2,866)	54
Adjustments for:				
Depreciation of property, plant and equipment	265	340	531	679
Gain on disposal of property, plant and equipment - net	-	*	-	(2)
Interest income	*	(10)	*	(20)
Dividend income	-	-	-	*
Interest expenses	190	312	380	501
Late payment interest charges	821	-	1,642	-
Amortisation of deferred income	(35)	(35)	(71)	(71)
Property, plant and equipment written-off	58	-	58	-
Unrealised currency translation gains - net	-	(13)	-	(2)
<b>Operating cash flows before working capital changes</b>	<b>(113)</b>	<b>620</b>	<b>(326)</b>	<b>1,139</b>
<b>Changes in working capital:</b>				
Construction contract work-in-progress	21	116	21	446
Trade and other receivables	2,400	2,642	(147)	(904)
Trade and other payables	(3,712)	(5,200)	(2,622)	(2,146)
Contract assets	642	1,862	351	3,206
Contract liabilities	(490)	-	468	-
Cash flows (used in)/ generated from operations	(1,252)	40	(2,255)	1,741
Interest received	*	*	*	*
<b>Net cash (used in)/ provided by operating activities</b>	<b>(1,252)</b>	<b>40</b>	<b>(2,255)</b>	<b>1,741</b>
<b>Cash flows from investing activities</b>				
Additions to property, plant and equipment	(57)	(29)	(63)	(61)
Proceeds from disposal of property, plant and equipment	-	17	-	52
Dividends received	-	*	-	*
<b>Net cash used in investing activities</b>	<b>(57)</b>	<b>(12)</b>	<b>(63)</b>	<b>(9)</b>
<b>Cash flows from financing activities</b>				
Proceeds from borrowings	2,544	2,500	4,078	4,800
Repayment of borrowings	(1,060)	(2,300)	(1,806)	(5,800)
Repayment of finance lease liabilities	(12)	(56)	(25)	(341)
Interest paid	(10)	(317)	(20)	(644)
<b>Net cash provided by/ (used in) financing activities</b>	<b>1,462</b>	<b>(173)</b>	<b>2,227</b>	<b>(1,985)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>153</b>	<b>(145)</b>	<b>(91)</b>	<b>(253)</b>
<b>Cash and cash equivalents</b>				
Beginning of financial period	213	377	457	488
Effects of currency translation on cash and cash equivalents	-	3	-	*
<b>End of financial period</b>	<b>366</b>	<b>235</b>	<b>366</b>	<b>235</b>

\* Amount below S\$1,000.

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For the purpose of presenting the consolidated statement of cash flows, the consolidated cash and cash equivalents comprise the following:

	Group	
	31 December 2019	31 December 2018
	S\$'000	S\$'000
<b>Cash and cash equivalents</b>		
Cash at bank and on hand	366	235
Fixed deposits at bank	120	1,860
Cash and cash equivalents per consolidated statement of financial position	486	2,095
Less: Fixed deposits pledged	(120)	(1,860)
Cash and cash equivalents per consolidated statement of cash flows	366	235

**1(d)(i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year**

**Statement of changes in equity**

Group	Share capital S\$'000	Accumulated losses S\$'000	Other reserves S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
<b>As at 1 July 2019</b>	56,575	(99,440)	5	*	(42,860)
Loss for the financial period	-	(2,866)	-	-	(2,866)
Other comprehensive loss for the financial period	-	-	*	*	*
<b>As at 31 December 2019</b>	56,575	(102,306)	5	*	(45,726)
<b>As at 1 July 2018</b>	52,778	(42,587)	6	-	10,197
Profit for the financial period	-	54	-	*	54
Other comprehensive loss for the financial period	-	-	(1)	*	(1)
<b>As at 31 December 2018</b>	52,778	(42,533)	5	*	10,250
Company	Share capital S\$'000	Accumulated losses S\$'000	Other reserves S\$'000	Non-controlling interests S\$'000	Total equity S\$'000
<b>As at 1 July 2019</b>	56,575	(99,414)	5	-	(42,834)
Loss for the financial period	-	(2,864)	-	-	(2,864)
Other comprehensive loss for the financial period	-	-	*	-	*
<b>As at 31 December 2019</b>	56,575	(102,278)	5	-	(45,698)
<b>As at 1 July 2018</b>	52,778	(43,358)	6	-	9,426
Profit for the financial period	-	54	-	-	54
Other comprehensive loss for the financial period	-	-	(1)	-	(1)
<b>As at 31 December 2018</b>	52,778	(43,304)	5	-	9,479

\* Amount below S\$1,000.



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Other reserves	Group		Company	
	31 December 2019 S\$'000	31 December 2018 S\$'000	31 December 2019 S\$'000	31 December 2018 S\$'000
<b>(a) Composition:</b>				
Fair value reserve	5	5	5	5
Currency translation reserve	*	*	-	-
	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
<b>(b) Movements:</b>				
<b>(i) Fair value reserve</b>				
Beginning of financial period	5	6	5	6
Fair value losses	*	(1)	*	(1)
End of financial period	<u>5</u>	<u>5</u>	<u>5</u>	<u>5</u>
<b>(ii) Currency translation reserve</b>				
Beginning of financial period	*	-	-	-
Net currency translation differences of financial statements of foreign subsidiary corporation	*	*	-	-
End of financial period	<u>*</u>	<u>*</u>	<u>-</u>	<u>-</u>

\* Amount below S\$1,000.

**1(d)(ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year**

#### Share Capital

During the financial period ended 31 December 2019, there had been no increase in the issued and paid-up share capital of the Company.

#### Treasury shares

As at 31 December 2019 and 2018, there were no treasury shares held.

#### Convertible bonds

##### S\$7,000,000 convertible bonds due on 18 February 2021

We refer to the Company's announcement dated 31 August 2017, 7 September 2017, 7 February 2018 and 18 February 2018, regarding the Company's issuance of S\$7,000,000 convertible bonds due on 18 February 2021. The convertible bonds are convertible at the holder's option at any time from 19 August 2019 up to 15 days before the maturity date of 18 February 2021 into fully paid ordinary shares of the Company at an initial conversion price of S\$0.015 per share. As at 31 December 2019, there was no conversion of bonds into equity shares.

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**1(d)(iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year**

	Number of shares	Share capital (S\$)
As at 1 July 2019	3,232,159,507	56,574,963
As at 31 December 2019	3,232,159,507	56,574,963

During the financial period ended 31 December 2019, there had been no increase in the issued and paid-up share capital of the Company.

**1(d)(iv) A statement showing all sales, transfers, disposals, cancellation and/or use of treasury shares as at the end of the current financial period reported on**

Not applicable.

**2 Whether the figures have been audited, or reviewed and in accordance with which auditing standard or practice**

The figures have not been audited or reviewed.

**3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter)**

Not applicable.

**4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied**

Except as disclosed in note 5 below, the Group has applied the same accounting policies and computation methods used in the preparation of the financial statements for the current reporting period as compared with the audited annual financial statements for the financial year ended 30 June 2018.

In addition, the financial liabilities repayable after one year of the Group are not reclassified to current liabilities as these unaudited financials are prepared on the basis that the restructuring scheme and the proposed investor investment are completed successfully.

**5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change**

The Group has adopted all new and revised Financial Reporting Standard ("FRS") and Interpretations of FRS ("INT FRS") that are relevant to its operations and effective for annual year beginning on or after 1 July 2019, where applicable.

The adoption of these new/revised FRS and INT FRS did not result in any substantial change to the Group's accounting policies and has no material/significant impact on the financial statements of the Group for the current reporting period or prior years reporting period.

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**6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends**

	Group			
	Unaudited Current second quarter ended 31 December 2019	Unaudited Previous second quarter ended 31 December 2018	Unaudited Current half year ended 31 December 2019	Unaudited Previous half year ended 31 December 2018
Net (loss)/ profit attributable to equity holders of the Company (S\$ '000)	(1,412)	26	(2,866)	54
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	3,232,160	2,832,160	3,232,160	2,832,160
Basic earnings per share (cents per share)	n.m.	0.001	n.m.	0.002
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	3,232,160	2,832,160	3,232,160	2,832,160
Diluted earnings per share (cents per share)	n.m.	0.001	n.m.	0.002

*n.m. denotes not meaningful.*

For the financial period ended 31 December 2019, the calculation for the diluted earnings per share did not assume conversion of outstanding convertible bonds because the conversion price is anti-dilutive.

**7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares, excluding treasury shares, of the issuer at the end of the**

- (a) current period reported on and  
(b) immediately preceding financial year**

	Group		Company	
	31 December 2019 Unaudited	30 June 2019 Unaudited	31 December 2019 Unaudited	30 June 2019 Unaudited
Net liabilities (S\$'000)	(45,726)	(42,860)	(45,698)	(42,834)
Number of shares ('000)	3,232,160	3,232,160	3,232,160	3,232,160
Net liabilities value per ordinary shares (cents)	n.m.	n.m.	n.m.	n.m.

*n.m. denotes not meaningful.*

**8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. It must include a discussion of the following:-**

- (a) any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors; and**
- (b) any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on**

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As per the SGX announcement dated 17 May 2019, the Company announced that applications had been made to the High Court of the Republic of Singapore to commence a court supervised process to reorganise its liabilities and to seek a moratorium against enforcement actions and legal proceedings by creditors pursuant to section 211B of the Companies Act (Cap. 50).

The unaudited financial statements for the half year 2Q2020 had been prepared based on certain key assumptions and adjustment as follows:

- i) The unaudited financial statements have been prepared on a going concern basis on the assumption of a successful restructuring exercise.
- ii) The periodic assessment of the carrying value of assets has been carried out. These assets are assessed at the end of the reporting period to determine whether there is objective evidence that they are impaired, in accordance with *FRS 36 impairment of Assets*.

### **Review of the Group's performance**

**(Second quarter of FY2020 ("2Q2020") vs. Second quarter of FY2019 ("2Q2019"))**

#### **Revenue**

	Current second quarter ended 31 December 2019		Group Previous second quarter ended 31 December 2018		Increase/ (decrease)	Increase/ (decrease)
	S\$'000		S\$'000		S\$'000	
Civil Engineering	118	7%	7,320	100%	(7,202)	(98%)
Tunnelling	1,589	93%	-	-	1,589	100%
	<u>1,707</u>	<u>100%</u>	<u>7,320</u>	<u>100%</u>	<u>(5,613)</u>	

Revenue from Civil Engineering segment decreased by S\$7.2 million from S\$7.3 million in 2Q2019 to S\$0.1 million in 2Q2020 due to lower level of project activities as one of the Company's major Civil Engineering project is nearing completion.

Revenue from Tunnelling projects increased by S\$1.6 million compared to 2Q2019 due to new Tunnelling projects which have commenced during the financial period. The new Tunnelling projects have a current order book amounting to S\$77.9 million.

#### **Gross profit**

	Current second quarter ended 31 December 2019		Group Previous second quarter ended 31 December 2018		Increase/ (decrease)	Increase/ (decrease)
	S\$'000		S\$'000		S\$'000	
Civil Engineering	13	6%	723	100%	(710)	(98%)
Tunnelling	196	94%	-	-	196	100%
	<u>209</u>	<u>100%</u>	<u>723</u>	<u>100%</u>	<u>(514)</u>	

The Group's gross profit of approximately S\$209,000 in 2Q2020 was mainly attributable to new Tunnelling projects which commenced during the financial period.

#### **Other gains**

Other gains decreased by S\$171,000 from S\$228,000 in 2Q2019 to S\$57,000 in 2Q2020 mainly due to decrease of income from sales of scrap materials.

#### **Distribution and marketing expenses**

The Group did not incur significant distribution and marketing expenses during 2Q2020 and 2Q2019.

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**Administrative expenses**

Administrative expenses increased by S\$57,000 from S\$608,000 in 2Q2019 to S\$665,000 in 2Q2020 mainly due to an increases in professional fee charges incurred.

**Other operating expenses**

Other operating expenses incurred of approximately S\$0.8 million in 2Q2020 was due to late interest payment charges incurred.

**Finance cost**

Finance costs decreased by S\$122,000 from S\$312,000 in 2Q2019 to S\$190,000 in 2Q2020 mainly due to decrease of borrowings resulting in lower interests incurred.

**Loss for the financial period**

As a result of the above factors, the Group reported a loss, from net profit of S\$26,000 in 2Q2019 to net loss of S\$1.4 million in 2Q2020.

**Review of the Group's Financial Position**

**(31 December 2019 vs. 30 June 2019)**

**Current assets**

Current assets decreased by approximately S\$0.3 million from S\$4.3 million as at 30 June 2019 to S\$4.0 million as at 31 December 2019. The decrease was mainly due to a decrease in contract assets of approximately S\$0.4 million.

**Non-current assets**

Non-current assets decreased by approximately S\$0.5 million from S\$4.0 million as at 30 June 2019 to S\$3.5 million as at 31 December 2019. The decrease in non-current assets was mainly due to depreciation charges and property, plant & equipment written-off.

**Current liabilities**

Current liabilities increased by approximately S\$1.2 million from S\$43.1 million as at 30 June 2019 to S\$44.3 million as at 31 December 2019. The increase in current liabilities was mainly due to increase in borrowings of approximately S\$3.7 million and partially offset by decrease in trade and other payables of approximately S\$2.9 million.

**Non-current liabilities**

Non-current liabilities increased by approximately S\$0.8 million from S\$8.1 million as at 30 June 2019 to S\$8.9 million as at 31 December 2019. The increase in non-current liabilities was mainly due to late interest charges for borrowings.

**Review of the Group's Cash Flows**

**(Second quarter of FY2020 ("2Q2020") vs. Second quarter of FY2019 ("2Q2019"))**

**Net cash used in operating activities**

The Group used net cash of approximately S\$1.2 million from operating activities in 2Q2020. Major movements of the cash flow from operating activities comprised of:

- (a) operating cash outflow before working capital changes of S\$0.1 million;
- (b) an increase in trade receivables of S\$2.4 million,
- (c) a decrease in trade and other payables of approximately S\$3.7 million due to lower level of project activities from Civil Engineering project offset by new Tunnelling projects.

**Net cash used in investing activities**

The Group used net cash of approximately S\$57,000 for investing activities in 2Q2020 due to addition of plant and equipment of approximately S\$57,000.

**Net cash provided by financing activities**

The group used net cash of approximately S\$1.4 million for financing activities in 2Q2020 mainly due to:

- (a) repayment of borrowings of approximately S\$1.0 million; and
- (b) offset against proceeds from borrowings of approximately S\$2.5 million primarily in relation to loans to finance the working capital of the Group's ongoing projects.

**9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results**

The Company had on 12 February 2020 issued a profit guidance announcement on SGXNET to inform shareholders that the Group would be expecting to report a net loss for 2Q2020. The result in this announcement is in line with the previous announcement made.

**10 A commentary at the date of the announcement of the competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months**

**Business Outlook**

The Building and Construction Authority (BCA) has, in its media release on 8 January 2020 (source: <https://www1.bca.gov.sg/about-us/news-and-publications/media-releases/2020/01/08/singapore's-construction-demand-for-2020-expected-to-remain-strong>), projected that the total construction demand (value of construction contracts to be awarded) will remain strong in 2020 with sustained public sector construction demand. The total construction demand is expected to range between S\$28 billion and S\$33 billion.

Public sector construction demand, which is expected to reach between S\$17.5 billion and S\$20.5 billion this year, will make up about 60% of the projected demand for this year. Public sector construction demand is expected to be spurred by major infrastructure projects, which are larger and more complex in scale, such as the Integrated Waste Management Facility, infrastructure works for Changi Airport Terminal 5, Jurong Region MRT Line and Cross Island MRT Line.

Private sector construction demand is projected to be between S\$10.5 billion and S\$12.5 billion this year, supported by projects such as redevelopment of en-bloc sale sites, recreational developments at Mandai Park, Changi Airport new taxiway and berth facilities at Jurong Port and Tanjong Pagar Terminal.

The current order book is at S\$79.2 million and continuous effort will be made by the Company to secure more construction works.

In light of this, the Company is cautiously optimistic of the construction outlook in the next 12 months.

**11 Dividend**

**(a) Current Financial Period Reported On**

Any dividend declared for the current financial period reported on?

None.

**(b) Corresponding Period of the Immediately Preceding Financial Year**

Any dividend declared for the corresponding period of the immediately preceding financial year?

None.

**(c) Date payable**

Not applicable

**(d) Books closure date**

Not applicable

**12 If no dividend has been declared/recommendeded, a statement to that effect**

No dividend had been declared for the period ended 31 December 2019.

**13 Interested person transactions disclosure**

The Group had obtained a general mandate from shareholders of the Company for Interested Person Transactions (“**IPTs**”) under Rule 920 of the Listing Manual of the SGX-ST from shareholders in the Annual General Meeting held on 26 October 2018. The general mandate has since expired on 31 January 2020. There were no IPTs that were S\$100,000 and above during the financial period under review.

**14 Confirmation by the Company pursuant to Rule 720(1) of the SGX-ST Listing Manual**

The Company confirms that it has procured undertakings from all Directors and Executive Officers (in the format set out in Appendix 7.7) pursuant to Rule 720(1) of the Listing Manual of the SGX-ST.

(Company Registration No.: 198001852R)  
(Incorporated in the Republic of Singapore)

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**15 Negative confirmation pursuant to Rule 705(5) of the Listing Manual**

Due to the uncertainties of the outcome discussed in section 4 (page 10) and section 8 (page 11 & 12) above, and any unforeseen circumstances that may raise, further adjustments may be required to be made to the Group's management accounts at that point in time with the resultant that the unaudited financial statements of the Company and the Group for 2Q2020 may not be reflective of the Company and Group's financial statements for the financial year ending 30 June 2020. Save as aforementioned, the Board of Directors confirm to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements of the Group for the period ended 31 December 2019 to be false or misleading in any material aspect.

**FOR AND ON BEHALF OF THE BOARD  
BY ORDER OF THE BOARD**

**Yeo Junyu**

Executive Director

13 February 2020

**Moorthy Varadhan**

Executive Director

13 February 2020