



OCEAN SKY INTERNATIONAL LIMITED

(Co. Regn. No. 198803225E)

First Quarter Financial Statement Announcement for the Period Ended 31/03/2019

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

1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income for the group together with a comparative statement for the corresponding period of the immediately preceding financial year.

	3 Months Ended		Incr/(Decr) %
	31/3/2019 S\$'000	31/3/2018 S\$'000	
Revenue	5,457	6,409	-14.9%
Cost of sales	(4,560)	(5,327)	-14.4%
Gross profit	897	1,082	-17.1%
Other income	32	8	300.0%
Administrative and other operating expenses	(806)	(872)	-7.6%
Finance costs	(63)	(74)	-14.9%
Share of results of joint ventures, net of tax	(523)	(19)	2652.6%
(Loss)/Profit before income tax	(463)	125	N.M.
Income tax expense	(53)	(77)	-31.2%
(Loss)/Profit for the financial period	(516)	48	N.M.
Other comprehensive income			
Items that may be reclassified subsequently to profit and loss account			
- Exchange differences on translating foreign operations	(109)	(502)	
Other comprehensive income for the financial period, net of tax	(109)	(502)	
Total comprehensive income for the financial period	(625)	(454)	

N.M. - Not Meaningful

Notes to the income statement:

(Loss)/Profit from operations includes the following:

Interest income	32	8
Interest expenses	(63)	(74)
Depreciation of property, plant and equipment	(199)	(207)
Amortisation of intangibles	-	(125)
Gain on foreign exchange (net)	89	25
Gain on disposal of property, plant and equipment	17	-

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	GROUP		COMPANY	
	31/3/2019 S\$'000	31/12/2018 S\$'000	31/3/2019 S\$'000	31/12/2018 S\$'000
Non-current assets				
Property, plant and equipment	10,224	10,268	270	298
Investment property	5,600	5,600	-	-
Goodwill	4,755	4,755	-	-
Investment in subsidiaries	-	-	41,964	41,152
Investment in joint ventures	17,283	17,399	-	-
	<u>37,862</u>	<u>38,022</u>	<u>42,234</u>	<u>41,450</u>
Current assets				
Inventories	208	116	-	-
Development property	6,226	5,812	-	-
Trade and other receivables	9,069	9,053	278	128
Cash and bank balances	23,665	23,910	20,004	21,419
	<u>39,168</u>	<u>38,891</u>	<u>20,282</u>	<u>21,547</u>
Current liabilities				
Trade and other payables	5,833	5,713	24,735	24,892
Provisions	576	419	-	-
Bank term loans	395	395	-	-
Finance lease payable	437	437	67	67
Income tax payable	3,524	3,513	-	-
	<u>10,765</u>	<u>10,477</u>	<u>24,802</u>	<u>24,959</u>
Net current assets	<u>28,403</u>	<u>28,414</u>	<u>(4,520)</u>	<u>(3,412)</u>
Non-current liabilities				
Bank term loans	12,432	11,995	-	-
Finance lease payable	351	343	96	113
Deferred tax liabilities	23	14	-	-
	<u>12,806</u>	<u>12,352</u>	<u>96</u>	<u>113</u>
Net assets	<u>53,459</u>	<u>54,084</u>	<u>37,618</u>	<u>37,925</u>
Equity				
Share capital	55,167	55,167	55,167	55,167
Reserves	(401)	(292)	-	-
Accumulated losses	(1,307)	(791)	(17,549)	(17,242)
Equity attributable to owners of the parent	<u>53,459</u>	<u>54,084</u>	<u>37,618</u>	<u>37,925</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

As at 31/3/2019		As at 31/12/2018	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
832	-	832	-

Amount repayable after one year

As at 31/3/2019		As at 31/12/2018	
Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
12,783	-	12,338	-

Details of any collateral

Finance lease liabilities are secured by rights to leased assets of plant, equipment and motor vehicles in Singapore.

Bank borrowings are secured by the legal mortgage in favour of the banks over :

- the factory cum office property in Singapore;
- the investment property in Singapore; and
- the development property in Singapore.

1(c) A statement of cashflows (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	3 Months Ended	
	31/3/2019	31/3/2018
	S\$'000	S\$'000
Operating activities		
(Loss)/Profit before income tax	(463)	125
Adjustments for:		
Depreciation of property, plant and equipment	199	207
Amortisation of intangible assets	-	125
Gain on disposal of property, plant and equipment	(17)	-
Unrealised foreign exchange gain	(21)	3
Interest expense	63	74
Interest income	(32)	(8)
Share of results of joint ventures	523	19
Operating profit before working capital changes	<u>252</u>	<u>545</u>
Working capital changes:		
Development property	(414)	(37)
Inventories	(93)	(15)
Trade and other receivables	(15)	450
Trade and other payables	122	(3,829)
Provisions	157	224
Cash generated from/(used in) operations	<u>9</u>	<u>(2,662)</u>
Interest paid	(63)	(74)
Income taxes paid	(14)	-
Net cash used in operating activities	<u>(68)</u>	<u>(2,736)</u>
Investing activities		
Purchase of property, plant and equipment	(32)	(36)
Proceeds from disposal of property, plant and equipment	23	-
Advances to joint ventures	(413)	(3,093)
Interest received	32	8
Net cash used in investing activities	<u>(390)</u>	<u>(3,121)</u>
Financing activities		
Proceeds from bank borrowings	535	-
Repayment of bank borrowings	(99)	(100)
Repayment of finance lease liabilities	(120)	(151)
Net cash generated from/(used in) financing activities	<u>316</u>	<u>(251)</u>
Net change in cash and cash equivalents	(142)	(6,108)
Cash and cash equivalents at beginning of financial period	23,910	27,983
Effect of foreign exchange rate changes on the balance of cash held in foreign currencies	(103)	(549)
Cash and cash equivalents at end of financial period	<u>23,665</u>	<u>21,326</u>
Cash and cash equivalents comprise:		
Cash at banks and on hand	12,311	8,209
Short-term deposits	11,354	13,117
Cash and cash equivalents as per statement of financial position	<u>23,665</u>	<u>21,326</u>

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.

	Share capital	Foreign currency translation reserve	Revaluation reserve	Retained earnings / (Accumulated losses)	Equity attributable to owners of the parent
	S\$'000	S\$'000	S\$'000	S\$'000	S\$'000
<u>The Group</u>					
Balance at 1 January 2019	55,167	(413)	121	(791)	54,084
Total comprehensive income for the financial period	-	(109)	-	(516)	(625)
Balance at 31 March 2019	<u>55,167</u>	<u>(522)</u>	<u>121</u>	<u>(1,307)</u>	<u>53,459</u>
Balance at 1 January 2018	48,866	323	121	8,780	58,090
Effect of change in presentation and functional currency	-	(489)	-	489	-
Total comprehensive income for the financial period	-	(502)	-	48	(454)
Balance at 31 March 2018	<u>48,866</u>	<u>(668)</u>	<u>121</u>	<u>9,317</u>	<u>57,636</u>
<u>The Company</u>					
Balance at 1 January 2019	55,167	-	-	(17,242)	37,925
Total comprehensive income for the financial period	-	-	-	(307)	(307)
Balance at 31 March 2019	<u>55,167</u>	<u>-</u>	<u>-</u>	<u>(17,549)</u>	<u>37,618</u>
Balance at 1 January 2018	48,866	489	-	(11,712)	37,643
Effect of change in presentation and functional currency	-	(489)	-	489	-
Total comprehensive income for the financial period	-	-	-	(251)	(251)
Balance at 31 March 2018	<u>48,866</u>	<u>-</u>	<u>-</u>	<u>(11,474)</u>	<u>37,392</u>

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 the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings 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. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed 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.

Issued and fully paid:	No. of shares	S\$'000
	Ordinary shares	
At 31 Dec 2018 and 31 Mar 2019	<u>430,583,096</u>	<u>55,167</u>

As at 31 March 2019, the Company has 105,642,794 outstanding warrants convertible into 105,642,794 shares of the Company. The warrants will expire on 6 August 2021. As at 31 March 2018, the Company did not have any outstanding options, warrants or other instrument convertible into securities of the Company.

The Company did not have any treasury shares and subsidiary holdings as at 31 March 2019 and 31 March 2018.

No shares were bought back by the Company during the first quarter ended 31 March 2019.

1(d)(iii) To show the total number of issued shares excluding treasury shares as at the end of current financial period and as at the end of the immediately preceding year.

	31/3/2019	31/12/2018
The total number of issued ordinary shares excluding treasury shares	<u>430,583,096</u>	<u>430,583,096</u>

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

There were no treasury shares held by the Company during and as at the end of the current financial period reported on.

1(d)(v) A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

The Company did not have any subsidiary holdings during and as at the end of the current financial period reported on.

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 by the Company's auditors.

3. Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of a 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.

The Group has applied the same accounting policies and methods of computation as in the Group's most recently audited financial statements for the financial year ended 31 December 2018 except as disclosed in paragraph 5.

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 and the Company have adopted all the applicable new and revised SFRS(I) that become effective for accounting periods beginning 1 January 2019.

The adoption of these new and revised IFRS(I) does not have any material impact to the Group financial statements.

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

	3 Months Ended	
	31/03/2019	31/03/2018
Earnings/(Loss) per share (based on the profit for the financial period):		
Based on the weighted average number of ordinary shares in issue	SGD Cents (0.120)	0.015
Weighted average number of ordinary shares in issue	430,583,096	324,940,302
On a fully diluted basis	SGD Cents (0.120)	0.015
Adjusted weighted average number of ordinary shares in issue	430,583,096 **	324,940,302 *

* There were no dilutive ordinary shares in issue for the three months ended 31 March 2018.

** The Group was in a loss-making position for the three months ended 31 March 2019. As such, the potential ordinary shares to be converted arising from the outstanding warrants as at 31 March 2019 were anti-dilutive (i.e. decrease the loss per share which is not meaningful).

7. Net asset value (for the issuer and group) per ordinary share based on issued share capital of the issuer at the end of the:-

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

	GROUP		COMPANY	
	31/3/2019	31/12/2018	31/3/2019	31/12/2018
	SGD Cents	SGD Cents	SGD Cents	SGD Cents
Net asset value per ordinary share based on the existing issued share capital as at the end of respective periods	12.42	12.56	8.74	8.81

Net asset value per ordinary share is computed based on the number of issued ordinary shares of 430,583,096 as at 31 March 2019 and 31 December 2018 respectively.

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.

The Company is a Singapore-based investment holding company with an interest in the civil engineering, construction and related services business ("**Construction and Engineering Business**"), and the business of property development, investment and management ("**Real Estate Business**").

Statement of Comprehensive Income

Review of the Group performance for the 3 months ended 31 March 2019 ("1Q2019") as compared to previous corresponding period ended 31 March 2018 ("1Q2018")

Group	3 Months Ended			
	31/3/2019	31/3/2018	Incr/(Decr)	Incr/(Decr)
	S\$'000	S\$'000	S\$'000	%
Revenue from external customers				
- Construction and Engineering Business	5,391	6,343	(952)	-15.0%
- Real Estate Business	66	66	-	0.0%
Total Revenue	5,457	6,409	(952)	-14.9%

The Group recorded a revenue of S\$5.46 million for 1Q2019 compared with S\$6.41 million recorded for 1Q2018. The decrease of S\$0.95 million was due to lower volume of work performed and certified from the on-going projects of the Group's construction and engineering segment. In tandem, the cost of sales decreased by S\$0.77 million to S\$4.56 million for 1Q2019 from S\$5.33 million for 1Q2018 due to the lower volume of work performed.

Other income increased by S\$0.02 million to S\$0.03 million for 1Q2019 from S\$0.01 million for 1Q2018 due to higher interest income earned on more short-term deposits placement.

Administrative and other operating expenses decreased by S\$0.06 million to S\$0.81 million for 1Q2019 from S\$0.87 million for 1Q2018, due mainly to:

- (a) no amortisation of intangibles in 1Q2019 as the intangibles have been fully amortised in the financial year ended 31 December 2018; and
(b) higher foreign exchange gain for 1Q2019 as compared to 1Q2018,

partly offset by the one-off write-back of overprovision of professional expenses in 1Q2018.

Finance costs of S\$0.06 million for 1Q2019 was relatively comparable to S\$0.07 million for 1Q2018.

Share of results of joint ventures was a loss of S\$0.52 million for 1Q2019 as compared with a loss of S\$0.02 million for 1Q2018. The increase of S\$0.50 million was due mainly to :

- (a) interest in relation to the property loans for the 17 Balmoral Road and 16 Cairnhill Rise projects was expensed off in 1Q2019. The interest on such loans was previously capitalised in 1Q2018; and
- (b) marketing and promotional expenses, including the construction of show unit, for the 17 Balmoral Road project.

Income tax expense decreased to S\$0.05 million for 1Q2019 from S\$0.08 million for 1Q2018 due mainly to lower profit from the Group's construction and engineering segment.

As a result of the foregoing, the Group registered a loss after income tax of S\$0.52 million for 1Q2019, compared with a profit after income tax of S\$0.05 million for 1Q2018.

Statement of Financial Position

Review of the Group's financial position as at 31 March 2019 as compared to 31 December 2018

Property, plant and equipment decreased to S\$10.22 million as at 31 March 2019 from S\$10.27 million as at 31 December 2018 due mainly to depreciation, partly offset by additions for the financial period.

Investment in joint ventures decreased to S\$17.28 million as at 31 March 2019 from S\$17.40 million as at 31 December 2018. This is due mainly to recognition of share of loss of joint ventures, which is partly offset by additional advances extended to the joint venture for the project at 17 Balmoral Road for the financial period.

Development property increased to S\$6.23 million as at 31 March 2019 from S\$5.81 million as at 31 December 2018 due to progressive construction work performed for the financial period.

Provisions increased to S\$0.58 million as at 31 March 2019 from S\$0.42 million as at 31 December 2018 due mainly to provision for defect liabilities for projects completed in 1Q2019 in relation to the Group's construction and engineering segment.

Total bank borrowings increased to S\$12.83 million as at 31 March 2019 from S\$12.39 million as at 31 December 2018 due to draw down of construction loan for the development project at 6 Nim Drive, partly offset by repayment for the financial period.

Total finance lease payables increased to S\$0.79 million as at 31 March 2019 from S\$0.78 million as at 31 December 2018 due to financing of a new motor vehicle, partly offset by repayment for the financial period.

Statement of Cashflows

Review of the Group's cashflows for 1Q2019

The Group incurred net cash outflow from operating activities of S\$0.07 million for 1Q2019 due mainly to operating profit before working capital changes of S\$0.25 million, net working capital outflow of S\$0.24 million and payment of interest charges and income taxes of S\$0.08 million.

The Group incurred net cash outflow from investing activities of S\$0.39 million for 1Q2019 due mainly to additional advances extended to the joint venture for the project at 17 Balmoral Road.

The Group generated net cash inflow from financing activities of S\$0.32 million for 1Q2019 due to draw down of construction loan for the development project at 6 Nim Drive, partly offset by repayment of bank borrowings and finance leases.

Overall, total cash and cash equivalents decreased from S\$23.91 million as at 31 December 2018 to S\$23.67 million as at 31 March 2019.

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 10 May 2019 issued a profit guidance announcement and the financial results for the first quarter ended 31 March 2019 is consistent with the guidance issued.

10. A commentary at the date of the announcement of the significant trends and 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.

The Board of Directors believes that while the broader long-term outlook for the construction and real estate industries is positive, the operating environment remains competitive over the next 12 months. Its views are underpinned by the following:

(a) Construction and Engineering Business

Based on the Building and Construction Authority's (BCA) construction demand forecast released in January 2019, the value of construction contracts to be awarded in 2019 is expected to range between S\$27 billion and S\$32 billion¹.

The steady outlook for construction demand in 2019 is supported by major infrastructure and industrial building projects in the public sector as well as the redevelopment of past en-bloc sites and new industrial developments in the private sector.

Over the medium term, BCA anticipates steady improvement in the construction demand, with a projection of between \$27.0 billion and \$34.0 billion per year for the period of 2020 to 2021 and between \$28.0 billion and \$35.0 billion annually for the period of 2022 to 2023. Besides public residential developments, public sector construction demand over the medium term will continue to be supported by big infrastructure projects such as the Cross Island Line, developments at Jurong Lake District and Changi Airport Terminal 5.

However, the operating environment in the construction industry is expected to remain challenging with rising manpower costs and intense competition among local and overseas construction players.

Moving forward, the Group will continue to focus on improving productivity and efficiency to enhance its competitiveness.

(b) Real Estate Business

Cambodia

The Group remains focused on the development of the 71-unit joint venture shop house project, Eco Garden Mall, following the completion of the first phase comprising 28 units in 2018. Marketing materials and sales initiatives are being developed for the first phase. The sale proceeds to be generated from the first phase will be earmarked for the development of the second phase, comprising the remaining 43 units of the project.

Singapore

The Group remains focused on the smooth execution and delivery of its existing development projects. The Group expects its detached house development project at 6 Nim Drive to be completed in 2019 as planned while the joint venture high-end residential condominium development projects at 17 Balmoral Road and 16 Cairnhill Rise continue to record steady progress. Construction works, including the construction of the onsite show unit, have begun for the development project at 17 Balmoral Road.

While the Group is encouraged by the positive sentiment in the high-end residential segment and the surge in sales of new private homes recorded in March 2019², the Group is also mindful of the surge in launches and will work closely with its joint venture partners to maximise value of the development projects at 17 Balmoral Road and 16 Cairnhill Rise under the prevailing market conditions.

Amidst external headwinds and uncertainties in the Singapore property market, the Group will remain disciplined and focused in its strategy to broaden its foothold in property development and investment in Singapore and the Southeast Asia region to deliver long-term sustainable growth and value for shareholders.

¹ Building and Construction Authority, 14 Jan 2019, *Singapore's total construction demand to remain strong this year*

² Channel News Asia, 15 Apr 2019, *New private home sales jump 47% in March as developers roll out multiple projects*

11. Dividend

If a decision regarding dividend has been made :

(a) Whether an interim (final) dividend has been declared (recommended); and

No dividend has been declared for 1Q 2019.

(b) Amount per share (cents) and previous corresponding period (cents).

Not applicable. No dividend has been declared for 1Q 2018.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not Applicable.

(e) The date on which Registrable Transfer receive by the Company (up to 5.00pm) will be registered before entitlements to the dividend are determined.

Not Applicable.

12. If no dividend has been declared/recommended, a statement to that effect and the reason(s) for the decision.

No dividend has been declared/recommendedd for 1Q 2019 as the Company currently does not have profits available for the declaration of a dividend.

13. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

The Group has not obtained a general mandate from shareholders for IPTs.

There was no interested person transaction during the period under review.

14. Use of proceeds.

An aggregate of 105,642,794 Rights Shares and 105,642,794 Warrants have been allotted and issued by the Company on 6 August 2018 and 7 August 2018, respectively, pursuant to the Rights cum Warrants Issue. The Company has raised net proceeds of approximately S\$6.30 million (after deducting estimated costs and expenses incurred in connection with the Rights cum Warrants Issue of approximately S\$0.25 million) from the allotment and issuance of 105,642,794 Rights Shares. The net proceeds have not been utilised as at the date of this announcement.

No Warrants have been exercised as at the date of this announcement.

15. Negative confirmation pursuant to Rule 705(5) of the Catalist Rules.

We, Ang Boon Cheow Edward and Chia Yau Leong, being directors of the Company, do hereby confirm on behalf of the board of directors of the Company that, to the best of its knowledge, nothing has come to the attention of the board which may render the unaudited financial results for the period under review to be false or misleading in any material respect.

On behalf of the board of directors

Ang Boon Cheow Edward

Chia Yau Leong

16. Confirmation that the issuer has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules.

The Company confirms that undertakings under Rule 720(1) have been obtained from all its directors and executive officers in the format set out in Appendix 7H.

BY ORDER OF THE BOARD

Chia Yau Leong
Executive Director and Company Secretary

15 May 2019

Sponsor's Statement

This announcement has been prepared by Ocean Sky International Limited (the "Company") and its contents have been reviewed by the Company's sponsor, UOB Kay Hian Private Limited. (the "Sponsor") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist.

The Sponsor has not independently verified the contents of this announcement. This announcement has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this announcement, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this announcement.

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