PROGEN HOLDINGS LTD

Half Year Financial Statement And Dividend Announcement for the Period Ended 30 June 2018

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

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.

	Group		
	For the half year ended		
	30 Jun 18 Unaudited S$ '000	30 Jun 17 Unaudited S$ '000	%
Revenues			
Products and installation	647	2,410	(73.15)
Services and maintenance	198	213	(7.04)
Rental income	115	18	538.89
Total revenues	960	2,641	(63.65)
Other items of income			
Dividend income	2	2	-
Other income	99	67	47.76
Total other items of income	101	69	46.38
Costs and expenses			
Cost of products and installation	(496)	(1,757)	(71.77)
Salaries and employee benefits	(1,404)	(1,425)	(1.47)
Depreciation and amortisation expense	(69)	(47)	46.81
Other expenses	(458)	(455)	0.66
Share of results of an associated company	(5)	-	NM
Total costs and expenses	(2,432)	(3,684)	(33.98)
Loss from operating activities	(1,371)	(974)	40.76
Finance cost	(46)	-	NM
Loss before income tax	(1,417)	(974)	45.48
Income tax expenses	-	(1)	(100.00)
Loss net of tax, attributable to equity holders of the parent	(1,417)	(975)	45.33
Other comprehensive income :			
Foreign currency translation	26	(3)	NM
Total comprehensive loss attributable to equity holders of the parent	(1,391)	(978)	42.23
Note 1: (Other Income)			
Foreign exchange gain	-	2	NM
Interest income	91	47	93.62
Others	8	18	(55.56)
	99	67	47.76

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	
	As at 30 Jun 18 (Unaudited) S$'000	As at 31 Dec 17 (Restated) S$'000	As at 1 Jan 2017 (Restated) S$'000	As at 30 Jun 18 (Unaudited) S$'000	As at 31 Dec 17 (Audited) S$'000
Non-current assets					
Property, plant and equipment	606	577	201	10	16
Investment property	24,000	24,000	26,000	-	-
Intangible asset - development cost	178	198	228	-	-
Fixed deposits	2,000	2,000	4,000	-	-
Deferred tax asset	54	54	54		
Investment in subsidiaries	-	-	-	8,987	8,987
Investment in associated company	394	399	-	-	-
Amount due from subsidiaries	-	-	-	18,479	18,945
Loan to associated company	7,445	5,235	-		
	34,677	32,463	30,483	27,476	27,948
Current assets					
Cash and bank balances	3,039	726	2,190	2,097	60
Fixed deposits	13	2,055	3,648	-	-
Trade receivables	684	1,133	1,299	-	-
Prepayments	97	116	36	11	19
Deposits	26	67	78	5	47
Other receivables	3,950	395	2,202	3,350	-
Investment securities	57	61	57	-	-
Amounts due from subsidiaries	-	-	-	815	533
Inventories	222	244	144	-	-
	8,088	4,797	9,654	6,278	659
Current liabilities					
Trade payables	(332)	(509)	(1,323)	(55)	(82)
Deferred revenue	(89)	(110)	(96)	-	-
Other payables	(2,541)	(2,612)	(2,900)	(742)	(733)
Income tax payable	(8)	(8)	(43)	(5)	(5)
Interest bearing loan	(4,935)	(2,950)	-		
Amounts due to subsidiaries	-	-	-	(456)	(456)
	(7,905)	(6,189)	(4,362)	(1,258)	(1,276)
Net current assests/ (liabilities)	**183**	**(1,392)**	**5,292**	**5,020**	**(617)**
Non-current liabilities					
Deferred tax liabilities	-	-	(1)	-	-
	-	-	(1)	-	-
Net assets	**34,860**	**31,071**	**35,774**	**32,496**	**27,331**
Equity attributable to equity holders of the parent					
Share capital	32,404	27,224	27,224	32,404	27,224
Foreign currency translation reserve	37	11	-	-	-
Accumulated profit	2,419	3,836	8,550	92	107
Total equity	**34,860**	**31,071**	**35,774**	**32,496**	**27,331**

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

Amount repayable in one year or less, or on demand

Group			
As at 30 June 2018 (Unaudited)		As at 31 December 2017 (Audited)	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
S$4,935	-	-	-

Amount repayable after one year

Group			
As at 30 June 2018 (Unaudited)		As at 31 December 2017 (Audited)	
Secured	Unsecured	Secured	Unsecured
S$'000	S$'000	S$'000	S$'000
-	-	-	-

Details of any collateral:-

The bank borrowings are secured against the Group's investment property at 28 Riverside Road, assignment of all rights, interests, benefits arising from the rental of the investment property and corporate guarantee of the Company.

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

	For the half year ended	
	30 Jun 18 Unaudited S$'000	30 Jun 17 Unaudited S$'000
Operating activities		
Loss before income tax	(1,417)	(974)
Adjustments for :		
Interest income	(91)	(47)
Interest expenses	46	-
Dividend income from investment securities	(2)	(2)
Depreciation of property, plant and equipment	49	27
Amortisation of intangible asset	20	20
Fair value loss/ (gain) on investment securities	4	(4)
Currency realignment	-	3
Share of results of an associated company	5	-
Operating cash flows before changes in working capital	(1,386)	(977)
(Increase)/ decrease in trade and other receivables	(3,106)	1,201
Decrease/ (increase) in prepayments and deposits	60	(11)
Decrease/ (increase) in inventories	22	(91)
Decrease in trade payables	(151)	(538)
Decrease in deferred revenue	(21)	(4)
Decrease in other payables	(71)	(788)
Cash flows used in operations	(4,653)	(1,208)
Interest expenses	(46)	-
Interest received	91	47
Payment of taxes	-	(15)
Net cash flows used in operating activities	(4,608)	(1,176)
Investing activities		
Purchase of property, plant and equipment	(78)	(24)
Loan to an associated company	(2,210)	-
Dividends received from investment securities	2	2
Net cash flows used in investing activities	(2,286)	(22)
Financing activities		
Proceeds from interest bearing loan	1,985	-
Proceeds from issuance of shares	5,180	-
Net cash flows generated from financing activities	7,165	-
Net decrease in cash and cash equivalents	271	(1,198)
Cash and cash equivalents at 1 January	2,781	5,838
Cash and cash equivalents at 30 June	3,052	4,640

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	Accumulated Profits/ (Losses)	Total Equity
Group (Unaudited)	S$'000	S$'000	S$'000	S$'000
2018				
At 1 January	27,224	11	3,836	31,071
Loss net of tax	-	-	(1,417)	(1,417)
Proceed from issuance of shares	5,180	-	-	5,180
Other comprehensive income for the half year	-	26	-	26
Total comprehensive income for the half year	5,180	26	(1,417)	3,789
At 30 June	32,404	37	2,419	34,860
2017 (Restated)				
At 1 January	27,224	-	8,550	35,774
Profit net of tax	-	-	(975)	(975)
Other comprehensive income for the half year	-	(3)	-	(3)
Total comprehensive income for the half year	-	(3)	(975)	(978)
At 30 June	27,224	(3)	7,788	34,796
Company (Unaudited)				
2018				
At 1 January	27,224	-	107	27,331
Loss net of tax	-	-	(15)	(15)
Proceed from issuance of shares	5,180			5,180
Total comprehensive income for the half year	5,180	-	(15)	5,165
At 30 June	32,404	-	92	32,496
2017				
At 1 January	27,224	-	125	27,349
Profit net of tax	-	-	(1)	(1)
Total comprehensive income for the half year	-	-	(1)	(1)
At 30 June	27,224	-	124	27,348

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.

The Company's share capital as at 31 December 2017 was S$27,224k comprising 271,980,729 issued shares. As at 30 June 2018, the Company's share capital was S$32,404k comprising 390,511,778 issued shares following the allotment and issuance of 118,531,049 shares on 29 June 2018.

There were no outstanding convertibles, subsidiary holdings and treasury shares as at 30 June 2018 and 30 June 2017.

1(d)(iii) To show the 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.

The total number of issued shares as at 30 June 2018 was 390,511,778 (31 December 2017: 271,980,729). There were no treasury shares as at 30 June 2018 and 31 December 2017.

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

Not applicable. There were no treasury shares 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.

Not applicable. There were no 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 Group's auditor.

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 adopted the same accounting policies and methods of computation in the financial statements for the current financial period compared with those for the audited financial statements for the year ended 31 December 2017, except for those as stated in Note 5 below.

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 Singapore Financial Reporting Standards (International) (SFRS(I)) on 1 January 2018. In adopting SFRS(I), the Group is required to apply all of the specific transition requirements in SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*. The Group will also concurrently apply new SFRS(I) 15 *Revenue from Contracts with Customers*.

The Group has also concurrently applied the following SFRS(I)s, interpretations of SFRS(I) and requirements of SFRS(I)s (collectively "new accounting standards") which are mandatorily effective from 1 January 2018.

(a) Application of SFRS(I) 1 *First-time Adoption of Singapore Financial Reporting Standards (International)*
The Group has elected the optional exemption in SFRS(I) to deem cumulative translation differences for foreign operations to be zero on 1 January 2017 and reclassified $213,000 of foreign currency translation reserve to the opening retained earnings as at 1 January 2017.

(b) Adoption of SFRS(I) 15 *Revenue from Contracts with Customers*
In accordance with the requirements of SFRS(I) 1, the Group has adopted the SFRS(I) 15 retrospectively.

Construction contracts
Before 1 January 2018, the Group recognised construction contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by computing actual cost incurred to date over the budgeted costs. With the adoption of SFRS(I) 15, the Group continues to recognise construction contract revenue over time by measuring the progress towards complete satisfaction of performance obligations. Under the new standard, the methods of measuring progress include output methods or

input methods. The Group has determined that the cost-based input method reflects the over-time transfer of control to customers.

The following reconciliations summarise the impacts on initial application of SFRS(I) 1 and SFRS(I) 15 on the Group's financial statements.

	As at 31 Dec 2017			As at 1 Jan 2017		
	As previously reported	Effects	Restated	As previously reported	Effects	Restated
Non-current assets						
Property, plant and equipment	577		577	201		201
Investment property	24,000		24,000	26,000		26,000
Intangible asset - development cost	198		198	228		228
Fixed deposits	2,000		2,000	4,000		4,000
Deferred tax asset	54		54	54		54
Investment in associated company	399		399	-		-
Loan to associated company	5,235		5,235	-		-
	32,463		32,463	30,483		30,483
Current assets						
Cash and bank balances	726		726	2,190		2,190
Fixed deposits	2,055		2,055	3,648		3,648
Trade receivables	1,133		1,133	1,299		1,299
Prepayments	116		116	36		36
Deposits	67		67	78		78
Other receivables	33	362	395	33	2,169	2,202
Investment securities	61		61	57		57
Inventories	244		244	144		144
Gross amount due from customers for contract work-in-progress	362	(362)	-	2,169	(2,169)	-
	4,797		4,797	9,654		9,654
Current liabilities						
Trade payables	(509)		(509)	(1,323)		(1,323)
Deferred revenue	(110)		(110)	(96)		(96)
Other payables	(2,495)	(117)	(2,612)	(2,697)	(203)	(2,900)
Income tax payable	(8)		(8)	(43)		(43)
Interest bearing loan	(2,950)		(2,950)	-		-
Gross amount due to customers for contract work-in-progress	(117)	117	-	(203)	203	-
	(6,189)		(6,189)	(4,362)		(4,362)
Net current assests/ (liabilities)	**(1,392)**		**(1,392)**	**5,292**		**5,292**
Non-current liabilities						
Deferred tax liabilities	-		-	(1)		(1)
	-		-	(1)		(1)
Net assets	**31,071**		**31,071**	**35,774**		**35,774**
Equity attributable to equity holders of the parent						
Share capital	27,224		27,224	27,224		27,224
Foreign currency translation reserve	(202)	213	11	(213)	213	-
Accumulated profit	4,049	(213)	3,836	8,763	(213)	8,550
Total equity	**31,071**		**31,071**	**35,774**		**35,774**

6. (Loss)/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.

Cents	For the financial period ended	
	30 Jun 18 (Unaudited)	30 Jun 17 (Unaudited)
a) Based on weighted average number of ordinary shares in issue	(0.363)	(0.358)
b) On a fully diluted basis	(0.363)	(0.358)

The loss per ordinary share for the financial period under review is calculated based on the weighted average of 390,511,778 ordinary shares (half year ended 30 June 2017: 271,980,729 ordinary shares) in issue.

The basic and fully diluted earnings per ordinary share are the same as there were no potentially dilutive shares in issue during and as at the end of the 30 June 2018 and 30 June 2017.

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

Cents	Group	Company
As at 30 June 2018 (Unaudited)	8.927	8.321
As at 31 December 2017 (Audited)	11.424	10.049

Net asset value per share is calculated based on 390,511,778 shares as at 30 June 2018 and 271,980,729 shares as at 31 December 2017.

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.

Half year ended 30 June 2018 ("1H18") vs. Half year ended 30 June 2017 ("1H17")

Income Statement

The Group's revenue decreased by 63.65% to S$960k mainly due to the decrease in expected revenue from products and installation as a result of the delay in the commencement of a new project which was expected to start work in March 2018.This project is now expected to commerce work sometimes in the late 2018.

Rental income from leasing of the investment property at 28 Riverside Road ("Investment Property") was S$115k in 1H18. It had increased by S$97k from S$18k in 1H17 due to increased occupancy rate.

Other income increased by 46.38% to S$101k mainly due to interest income accrual for the loan to an associated company.

The Group's costs and expenses decreased by 33.98% to S$2,432k mainly due to a decrease in cost of products and installation, in line with the lower revenue generated in 1H18.

Depreciation and amortisation expenses increased by 46.81% to S$69k mainly due to capitalisation of additional air conditioner and leasehold improvement in 1H18.

The Group's loss net of tax amounted to S$1,417k in 1H18 as compared to S$975k in 1H17.

Balance Sheet

The Group's non-current assets increased by S$2,214k to S$34,677k as at 30 June 2018. This was mainly due to the following reasons:-

- Property, plant and equipment increased by S$29k to S$606k due to additional cost incurred for leasehold improvement amounting to S$78k which is partially offset by depreciation cost amounting to S$49k.
- Loan to an associated company increased by S$2,210k to S$7,445k as fulfilment of the Group's commitemnts under the joint venture agreement which was announced on 6 November 2017.

The Group's current assets increased by S$3,291k to S$8,088k as at 30 June 2018. This was largely due to the following reasons:-

- Cash and bank balance increased by $2,313k mainly due to partial receipt of the rights issue proceeds.
- Other receivables increased by S$3,555k to S$3,950k mainly due to balance rights issue proceeds receivable, which was subsequently received in early July 2018.
- The above increases were partially offset by the decrease in fixed deposit of S$2,042k.

The Group's current liabilities increased by S$1,716k to S$7,905k as at 30 June 2018. This was mainly due to the increase in the interest bearing loan from S$2,950k to S$4,935k.

Cashflow Statement

The Group utilised cash of S$4,608k and S$2,286k for operating and investment activities respectively. The Group received S$1,985k and S$5,180k from interest bearing loan issuance of shares respectively. Cash and cash equivalents as at 30 June 2018 was S$3,052k.

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

Not applicable.

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 Group is working with property agents to increase the occupancy rate of the leasable area in its Investment Property.

The Group had completed the rights issue in July 2018. The use of proceeds from the rights issue is detailed in Note 14 below.

In view of the current market condition with competitive margin pressure, the Group will continue to manage our cost effectively and actively identify new potential markets and suitable opportunities for growth.

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/recommended, a statement to that effect.

No dividend has been declared/recommended for the current financial period reported on.

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 does not have a shareholders' mandate for interested person transactions. There was no interested person transaction for the 6-months ended 30 June 2018.

14. Use of Proceeds

The Company refers to the gross proceeds of approximately S$5.334 million raised from the rights issue completed on 3 July 2018.

As at the date of this announcement, the status on the use of the proceeds is as follows:

Intended use of proceeds	Amount allocated S$'000	Amount utilised S$'000	Balance S$'000
Expenses incurred in relation to Rights Issue	200	110	90
Property related business	4,621	4,621	-
General working capital [(1)]	513	204	309
Total	5,334	4,935	399

Note:
(1) General working capital includes salary related expenses, payment to suppliers, rental expenses and other expenses incurred related to business operation.

The use of proceeds from the rights issue as disclosed above is in accordance with the intended use of proceeds as disclosed in the Offer Information Statement dated 7 June 2018.

15. Confirmation of Undertakings from Directors and Executive Officers under Rule 720(1) of of Section B: Rules of Catalist of the Listing Manual of the SGX-ST ("Catalist Rules")

The Company 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.

16. Negative Confirmation by the Board pursuant to Rule 705(5) OF THE LISTING MANUAL SECTION B: RULES OF CATALIST

We, Tan Eng Liang and Lee Ee @ Lee Eng, being two directors of Progen Holdings Limited (the "Company"), do hereby confirm on behalf of the directors of the Company that, to the best of their knowledge, nothing has come to the attention of the board of directors of the Company which may render the half-year financial statement for the period ended 30 June 2018 to be false or misleading in any material aspects.

BY ORDER OF THE BOARD
PROGEN HOLDINGS LTD

Lee Ee @ Lee Eng
Managing Director
7 August 2018

This announcement has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalist. The Sponsor has not verified the contents of this announcement.

This announcement has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume 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.

The contact person for the Sponsor is Ms. Jennifer Tan, Senior Manager, Continuing Sponsorship (Mailing Address: 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318 and E-mail: sponsorship@ppcf.com.sg).