PROGEN HOLDINGS LTD

Unaudited Full Year Financial Statement And Dividend Announcement for the Year Ended 31 December 2016

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.

S$'000	Group		
	For the financial year ended		
	31 Dec 16 (Unaudited)	31 Dec 15 (Audited)	%
Revenue			
Products and installation	9,426	6,337	48.75
Services and maintenance	405	490	(17.35)
Rental income	30	-	N/M
Total revenue	9,861	6,827	44.44
Other items of income			
Dividend income	2	2	-
Other income	198	3,079	(93.57)
Total other items of income	200	3,081	(93.51)
Costs and expenses			
Cost of products and installation	(5,821)	(3,999)	45.56
Salaries and employee benefits	(2,864)	(2,786)	2.80
Depreciation and amortisation expense	(78)	(89)	(12.36)
Other expenses	(2,841)	(1,040)	N/M
Total costs and expenses	(11,604)	(7,914)	46.63
(Loss)/profit before income tax	(1,543)	1,994	(177.38)
Income tax (expense)/credit	(50)	82	N/M
(Loss)/profit net of tax, attributable to equity holders of the parent	(1,593)	2,076	(176.73)
Other comprehensive income :			
Foreign currency translation	(13)	(89)	N/M
Total comprehensive (loss)/ income attributable to equity holders of the parent	(1,606)	1,987	(180.83)
(Loss)/ profit for the year is after crediting/ charging of the following:-			
Fair value (loss)/gain on investment property	(1,748)	2,640	N/M
Foreign exchange gain	14	84	(83.33)
Interest income	137	192	(28.65)
Fixed asset written off	(8)	-	N/M
Loss of disposal of property, plant and equipment	(5)	-	N/M
Provision for doubtful debt	(75)	-	N/M

N/M - Not meaningful

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.

S$'000	Group		Company	
	As at 31 Dec 16 (Unaudited)	As at 31 Dec 15 (Audited)	As at 31 Dec 16 (Unaudited)	As at 31 Dec 15 (Audited)
Non-current assets				
Property, plant and equipment	201	173	32	60
Investment property	26,000	26,000	-	-
Intangible asset - development cost	228	228	-	-
Fixed deposits	4,000	4,000	-	-
Deferred tax asset	54	95		
Investment in subsidiaries	-	-	9,003	9,003
	30,483	30,496	9,035	9,063
Current assets				
Cash and bank balances	2,190	1,813	363	217
Fixed deposits	3,648	8,175	3,577	6,610
Trade receivables	1,299	1,950	-	-
Prepayments	36	48	12	14
Deposits	78	132	47	47
Other receivables	33	12	25	5
Investment securities	57	63	-	-
Amounts due from subsidiaries	-	-	15,494	13,016
Inventories	144	273	-	-
Gross amount due from customers for contract work-in-progress	2,169	696	-	-
	9,654	13,162	19,518	19,909
Current liabilities				
Trade payables	(1,323)	(897)	(79)	(45)
Deferred revenue	(96)	(107)	-	-
Other payables	(2,697)	(3,813)	(661)	(554)
Income tax payable	(43)	(43)	(8)	(5)
Amounts due to subsidiaries	-	-	(456)	(456)
Gross amount due to customers for contract work-in-progress	(203)	(871)	-	-
	(4,362)	(5,731)	(1,204)	(1,060)
Net current assets	**5,292**	**7,431**	**18,314**	**18,849**
Non-current liabilities				
Deferred tax liabilities	(1)	(3)	-	-
	(1)	(3)	-	-
Net assets	**35,774**	**37,924**	**27,349**	**27,912**
Equity attributable to equity holders of the parent				
Share capital	27,224	27,224	27,224	27,224
Foreign currency translation reserve	(213)	(200)	-	-
Accumulated profit	8,763	10,900	125	688
Total equity	**35,774**	**37,924**	**27,349**	**27,912**

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

Not applicable. The Group does not have any external borrowings and/or debt securities as at 31 December 2016 and 31 December 2015.

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.

S$'000	For the financial year ended	
	31 Dec 16 (Unaudited)	31 Dec 15 (Audited)
Operating activities		
(Loss)/profit before income tax	(1,543)	1,994
Adjustments for :		
Interest income	(137)	(192)
Loss on disposal of property, plant and equipment	5	-
Fixed asset written off	8	-
Dividend income from investment securities	(2)	(2)
Depreciation of property, plant and equipment	72	89
Amortisation of intangible asset	6	-
Provision for doubtful debt	75	-
Fair value loss/ (gain) on investment property	1,748	(2,640)
Fair value loss on investment securities	6	5
Currency realignment	(13)	(89)
Operating cash flows before changes in working capital	225	(835)
Decrease in trade and other receivables	555	67
Decrease/ (increase) in prepayments and deposits	66	(11)
Decrease/ (increase) in inventories	129	(20)
(Increase)/ decrease in gross amount due from customer for contract work-in-progress	(1,473)	69
Increase in trade payables	426	220
Decrease in deferred revenue	(11)	(26)
(Decrease)/ increase in other payables	(1,122)	447
Decrease in gross amount due to customer for contract work-in-progress	(668)	(181)
Cash flows used in operations	(1,873)	(270)
Interest received	137	192
Payment of taxes	(11)	(269)
Net cash flows used in operating activities	(1,747)	(347)
Investing activities		
Purchase of property, plant and equipment	(128)	(10)
Proceeds from disposal of property, plant and equipment	15	-
Cash attributed to development cost	(6)	(32)
Increase in fixed deposit pledged	-	(2,000)
Dividends received from investment securities	2	2
Additions to investment property	(1,742)	(8,485)
Net cash flows used in investing activities	(1,859)	(10,525)
Financing activities		
Dividends Paid	(544)	-
Net cash flows used in financing activity	(544)	-
Net decrease in cash and cash equivalents	(4,150)	(10,872)
Cash and cash equivalents at 1 January	9,988	20,860
Cash and cash equivalents at 31 December	5,838	9,988

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.

S$'000				
Group	Share Capital	Foreign Currency Translation Reserve	Accumulated Profit	Total Equity
2016 (Unaudited)				
At 1 January	27,224	(200)	10,900	37,924
Loss net of tax	-	-	(1,593)	(1,593)
Dividends paid			(544)	(544)
Other comprehensive loss for the year	-	(13)	-	(13)
Total comprehensive loss for the year	-	(13)	(2,137)	(2,150)
At 31 December	27,224	(213)	8,763	35,774
2015 (Audited)				
At 1 January	27,224	(111)	8,824	35,937
Profit net of tax	-	-	2,076	2,076
Other comprehensive loss for the year	-	(89)	-	(89)
Total comprehensive (loss) / income for the year	-	(89)	2,076	1,987
At 31 December	27,224	(200)	10,900	37,924
Company				
2016 (Unaudited)				
At 1 January	27,224	-	688	27,912
Loss net of tax	-	-	(19)	(19)
Dividends paid			(544)	(544)
Other comprehensive income for the year	-	-	-	-
Total comprehensive loss for the year	-	-	(563)	(563)
At 31 December	27,224	-	125	27,349
2015 (Audited)				
At 1 January	27,224	-	(8,237)	18,987
Profit net of tax	-	-	8,925	8,925
Other comprehensive income for the year	-	-	-	-
Total comprehensive income for the year	-	-	8,925	8,925
At 31 December	27,224	-	688	27,912

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.

There were no changes in the Company's share capital between 30 June 2016 and 31 December 2016. The Company's share capital as at 30 June 2016 and 31 December 2016 was S$27,224k comprising 271,980,729 shares. There were no outstanding convertibles, options or treasury shares as at 31 December 2016 and 31 December 2015.

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 excluding treasury shares as at 31 December 2016 and 31 December 2015 was 271,980,729. There were no treasury shares as at 31 December 2016 and 31 December 2015.

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.

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 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 reported on compared with those for the most recently audited financial statements, 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 applicable new or revised Financial Reporting Standards ("FRS") and Intepretation of FRS ("INT FRS") which are mandatory for financial years beginning on or after 1 January 2016. The adoption of these new FRS and INT FRS has no significant impact on the financial statements of the Group and the Company for current and prior reporting periods.

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 year ended	
	31 Dec 16 (Unaudited)	31 Dec 15 (Audited)
a) Based on weighted average number of ordinary shares in issue	(0.586)	0.764
b) On a fully diluted basis	(0.586)	0.764

The (loss)/earnings per ordinary share for the financial year under review is calculated based on the weighted average of 271,980,729 ordinary shares in issue for the financal years ended 31 December 2016 ("FY2016") and 31 December 2015 ("FY2015").

The basic and fully diluted (loss)/earnings per share are the same as there were no potentially dilutive shares in issue during and as at the end of the FY2016 and FY2015.

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.

Singapore Cents	Group	Company
As at 31 December 2016 (Unaudited)	13.153	10.055
As at 31 December 2015 (Audited)	13.944	10.263

Net asset value per share is calculated based on 271,980,729 ordinary shares in issue as at 31 December 2016 and 31 December 2015.

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.

Financial year ended 31 Dec 2016 ("FY2016") vs. financial year ended 31 Dec 2015 ("FY2015")

Income Statement

Revenue

The Group's revenue increased by S$3,034k from S$6,827k (FY2015) to S$9,861k (FY2016) due to:-

Revenue from products and installation increased by S$3,089k from S$6,337k (FY2015) to S$9,426k (FY2016) mainly due to the completion of three major projects and substantial completion of another two projects.

Revenue from services and maintenance decreased by S$85k from S$490k (FY2015) to S$405k (FY2016) largely due to a project related maintenance service contract not being renewed after its expiry. The subsequent maintenance service was handled by the customer's own internal service team. In addition, there was a decrease in repair-related sales.

There was S$30k of rental income from the leasing out of the investment property at 28 Riverside Road ("Investment Property") in FY2016. As the Investment Property's redevelopment was only completed in July 2016, there was no corresponding rental revenue in FY2015.

Other items of income

Other income decreased by S$2,881k from S$3,081k (FY2015) to S$200k (FY2016). The decrease in FY2016 was mainly due to the absence of fair value gain on the Investment Property (FY2015: S$2,640k) and overprovision of reinstatement costs (FY2015: S$65k); and lower foreign exchange gain of S$14k (FY2015: S$84k) and interest income of S$137k (FY2015: S$192k).

Costs and expenses

The Group's costs and expenses increased by S$3,655k from S$7,914k (FY2015) to S$11,569k (FY2016) mainly due to:-

Cost of products and installation increased by S$1,822k from S$3,999k (FY2015) to S$5,821k (FY2016), in line with the higher revenue generated in FY2016.

Cost of salaries and employee benefits increased by S$78k from S$2,786k (FY2015) to S$2,864k (FY2016) mainly due to higher rates for foreign worker levy and CPF contributions in FY2016.

Other expenses increased by S$1,801k from S$1,040k (FY2015) to S$2,841k (FY2016) mainly due to fair value loss on the Investment Property of S$1,748k (FY2015:Nil) after recognising the Investment Property at its valuation amount as at 31 December 2016, pursuant to independent valuation performed, and provision for doubtful debt of S$75k (FY2015: Nil) for an uncollectable debt from a main contractor. These were partially offset by a decrease in rental expenses of S$88k from S$348k (FY2015) to S$260k (FY2016) as the Company ceased incurring rental expenses following the shifting of its office to the Investment Property in July 2016.

Income tax expense / credit

There was an income tax expense of S$50k for FY2016 (FY2015: income tax credit of S$82k) mainly due to higher operating revenue generated and utilisation of deferred tax assets.

Loss/ profit net of tax

The Group's loss net of tax amounted to S$1,593k for FY2016 as compared to a profit net of tax of S$2,076k for FY2015.

Balance Sheet

Non-current assets

The Group's property, plant and equipment ("**PPE**") increased by S$28k from S$173k (FY2015) to S$201k (FY2016) mainly due to acquisitions of new software and an equipment amounting to S$95k, offset by depreciation of S$72k, proceeds from disposal of PPE of S$15k and write-off and loss on disposal of PPE of S$13k.

Investment Property remained as S$26,000k (FY2015: S$26,000k). The redevelopment cost incurred and capitalised during FY2016 amounting to S$1,748k was fully offset by fair value loss on the Investment Property. The fair value loss was mainly due to the less optimistic property market.

Deferred tax asset decreased by S$41k from S$95k (FY2015) to S$54k (FY2016) due to utilisation of tax credit.

Current assets

The Group's cash and cash equivalents, comprising fixed deposits and cash and bank balances, decreased by S$4,150k from S$9,988k (FY2015) to S$5,838k (FY2016) mainly due to cash used for the redevelopment of the Investment Property.

The Group's trade receivables decreased by S$651k from S$1,950k (FY2015) to S$1,299k (FY2016) mainly due to timing difference of progress billings.

The Group's deposits decreased by S$54k from S$132k (FY2015) to S$78k (FY2016) mainly due to security deposit refunded by SP services in relation to utilities for the Investment Property, upon the issuance of a banker's guarantee in FY2016.

The Group's inventories decreased by S$129k from S$273k (FY2015) to S$144k (FY2016) due to inventory being utilised for projects as at year end which was in line with the increase in revenues.

Current liabilities

The Group's trade payables increased by S$426k from S$897k (FY2015) to S$1,323k (FY2016) mainly due to higher cost incurred in relation to project activities.

The Group's other payables decreased by S$1,116k from S$3,813k (FY2015) to S$2,697k (FY2016) mainly due to payments made in relation to cost incurred and accrued for the redevelopment of the Investment Property.

The Group's net amount due from customers for contract work-in-progress (after deducting amount due to customers for contract work-in-progress) increased by S$2,141k from S$(175k) (FY2015) to S$1,966k (FY2016) mainly due to timing difference of progress billings.

Cash flow Statement

The Group utilised S$1,747k of cash for its operating activities in FY2016, as compared to S$347k in FY2015, mainly due to timing difference of progress billings and a decrease in other paybles pursuant to payments made in relation to the costs incurred and accured for the redevelopment of the Investment Property.

The Group utilitsed S$1,859k of cash in its investing activities in FY2016, as compared to S$10,525k in FY2015 mainly due to assets acquisition in FY2016 and expenditure incurred for the redevelopment of the Investment Property which has been capitalised.

The Group utilised S$544k of cash in its financing actitivites in FY2016 in relation to the payment of dividends to shareholders of the Company (FY2015: Nil).

As a whole, the Group utilised cash of S$4,150k in FY2016 as compared to S$10,872k in FY2015. The cash and cash equivalents as at 31 December 2016 was S$5,838k (31 December 2015: S$9,988k).

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

The current results are in line with the Company's discussion presented in Note 10 of the unaudited results announcement dated 10 August 2016.

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 Company has entered into an Exclusive Commercial Agreement with NTU. It granted the Company full right to market and commercialise the researched and developed chilled ceilling panel. The Company is in talks with various developers to explore the use of the product in their up-coming projects.

The redevelopment of the Investment Property was completed in Q3 2016, and accordingly, no subsequent cost is exepected to be incurred for the redevelopment of the Investment Property. The Company has moved into the premises. The Company is working with property agents to find tenants for the leasable space.

The Group's operating environment for the next 12 months continues to be very challenging with strong market competition, increasing operating and labour costs, and slow industry growth.

11. If a decision regarding dividend has been made:-

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

No dividends have been declared or recommended for the current reporting period.

(b)(i) Amount per share (cents)

Not applicable.

(b)(ii) Previous corresponding period (cents)

Name of Dividend	:	Ordinary (First and Final)
Dividend Type	:	Cash
Divdend per shares	:	S$0.002 per ordinary share
Tax Rate	:	Tax-exempt (1-tier)

(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 the shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) Book closure date

Not applicable.

12. If no dividend has been declared/recommended, a statement to that effect.

No dividends have been declared or 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 of S$100,000 and above for the financial year ended 31 December 2016.

PART II - ADDITIONAL INFORMATION REQUIRED FOR FULL YEAR ANNOUNCEMENT

14. Segmented revenue and results for business or geographical segments (of the group) in the form presented in the issuer's most recently audited annual financial statements, with comparative information for the immediately preceding year.

S$'000	Products & installation		Services & maintenance		Rental		Others		Eliminations / Adjustments		Group	
	2016 (Unaudited)	2015 (Audited)	2016 (Unaudited)	2015 (Audited)	2016 (Unaudited)	2015 (Audited)	2016 (Unaudited)	2015 (Audited)	2016 (Unaudited)	2015 (Audited)	2016 (Unaudited)	2015 (Audited)
Segment revenue												
Sales to external customers	9,426	6,337	405	490	30	-	-	-	-	-	9,861	6,827
Intersegment sales	314	392	30	35	63	-	-	-	(407)	(427)	-	-
Total revenue											9,861	6,827
Segment results												
Interest income	71	94	2	7	1	-	63	91	-	-	137	192
Dividend income	2	2	-	-	-	-	-	8,900	-	(8,900)	2	2
Fair value (loss)/ gain on investment property	-	-	-	-	(1,797)	2,633	-	-	49	7	(1,748)	2,640
Depreciation and amortisation	(19)	(19)	(12)	(20)	-	-	(47)	(50)	-	-	(78)	(89)
Other non-cash expenses	(76)	-	(4)	-	-	-	(8)	-	-	-	(88)	-
Segment profit/(loss) before tax	7	(1,215)	64	3	(1,730)	2,633	81	180	35	393	(1,543)	1,994
Income tax expense	(48)	83	1	2	-	-	(3)	(3)	-	-	(50)	82
(Loss)/profit, net of tax											(1,593)	2,076
Segment assets and liabilities												
Segment assets	9,388	9,186	628	1,541	26,054	26,000	4,067	6,966	-	(35)	40,137	43,658
Segment liabilities	3,452	4,969	132	160	29	-	750	605	-	-	4,363	5,734
Capital expenditure	73	65	33	-	1,798	9,567	27	7	(49)	(7)	1,882	9,632

As the Group operates substantially in Singapore, no segment information by geographical segment is presented.

15. In the review of performance, the factors leading to any material changes in contributions to turnover and earnings by the business or geographical segments.

Please refer to paragraph 8.

16. A breakdown of sales.

		Latest Financial Year (Unaudited) S$'000	Previous Financial Year (Audited) S$'000	% increase / (decrease)
(a)	Sales reported for first half year	4,882	3,628	35
(b)	Operating profit after tax before deducting minority interests reported for first half year	4	751	(99)
(c)	Sales reported for second half year	4,979	3,199	56
(d)	Operating (loss)/ profit after tax before deducting minority interests reported for second half year	(1,597)	1,325	(221)

17. A breakdown of the total annual dividend (in dollar value) for the issuer's latest full year and its previous full year.

	FY2016	FY2015
Ordinary (First and Final)	-	S$544,000
Total	-	S$544,000

18. Disclosure of person occupying a managerial position in the issuer or any of its principal subsidiaries who is a relative of a director or chief executive officer or substantial shareholder of the issuer pursuant to Rule 704(10) in the format below. If there are no such persons, the issuer must make an appropriate negative statement.

Name	Age	Family relationship with any director and / or substantial shareholder	Current position and duties, and the year the position was held	Details of changes in duties and position held, if any, during the year
Lee Pui Hoon	39	Daughter of Mr Lee Ee @ Lee Eng	Admin and Corporate Affair Director Assist the Group in administrative matters and corporate affairs and oversees the finance department. Position was first held in 2014.	Nil
Lee Yungli, Andy	37	Son of Mr Lee Ee @ Lee Eng	Senior Manager (in a wholly-owned subsidiary, Progen Pte Ltd) Responsible for Product Innovation and Development. Position was first held in 2014.	Nil

19. 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

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.

BY ORDER OF THE BOARD
PROGEN HOLDINGS LTD

Lee Ee @ Lee Eng
Managing Director
28 February 2017

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 Mr Thomas Lam, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.