

Swee Hong Limited

Third Quarter

Unaudited Financial Statement

for the period ended

31 March 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 third quarter ended 31 Mar 2019 S\$'000	Previous third quarter ended 31 Mar 2018 S\$'000	Increase / (Decrease)	Current nine months ended 31 Mar 2019 S\$'000	Previous nine months ended 31 Mar 2018 S\$'000	Increase / (Decrease)
Revenue	4,575	11,665	(61%)	19,843	43,266	(54%)
Cost of works	(15,006)	(11,091)	35%	(28,901)	(40,679)	(29%)
Gross (loss)/profit	<u>(10,431)</u>	574	n.m.	<u>(9,058)</u>	2,587	n.m.
Other gains – net	374	938	(60%)	653	1,072	(39%)
Expenses						
- Distribution and marketing	(2)	(6)	(67%)	(7)	(14)	(50%)
- Administrative	(775)	(948)	(18%)	(1,867)	(2,028)	(8%)
- Finance	(301)	(263)	14%	(802)	(673)	19%
(Loss)/profit before income tax	<u>(11,135)</u>	295	n.m.	<u>(11,081)</u>	944	n.m.
Income tax expense	-	-	n.m.	-	-	n.m.
Net (loss)/profit	<u>(11,135)</u>	295	n.m.	<u>(11,081)</u>	944	n.m.
Other comprehensive gain:						
Items that may be reclassified subsequently to profit or loss:						
Financial assets, at FVOCI						
- Fair value gains - equity investments	1	-	n.m.	1	-	n.m.
Currency translation differences arising from consolidation						
- Gains	*	-	n.m.	*	19	n.m.
Other comprehensive gain, net of tax	<u>1</u>	-	n.m.	<u>1</u>	19	(95%)
Total comprehensive (loss)/income	<u>(11,134)</u>	295	n.m.	<u>(11,080)</u>	963	n.m.
Net (loss)/profit attributable to:						
Equity holders of the Company	(11,135)	295	n.m.	(11,081)	944	n.m.
Non-controlling interests	*	-	n.m.	*	-	n.m.
	<u>(11,135)</u>	295	n.m.	<u>(11,081)</u>	944	n.m.
Total comprehensive (loss)/income attributable to:						
Equity holders of the Company	(11,134)	295	n.m.	(11,080)	963	n.m.
Non-controlling interests	*	-	n.m.	*	-	n.m.
	<u>(11,134)</u>	295	n.m.	<u>(11,080)</u>	963	n.m.

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

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

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

	Current third quarter ended 31 Mar 2019 S\$'000	Previous third quarter ended 31 Mar 2018 S\$'000	Group		Increase / (Decrease)	
			Current nine months ended 31 Mar 2019 S\$'000	Previous nine months ended 31 Mar 2018 S\$'000		
Currency translation gains - net	*	(2)	n.m.	*	(19)	n.m.
Foreign exchange gains - net	(33)	-	n.m.	(35)	-	n.m.
Dividend income	-	-	n.m.	*	*	n.m.
Gain on disposal of property, plant and equipment	(53)	(571)	(91%)	(55)	(571)	(90%)
Amortisation of deferred income	(35)	-	n.m.	(106)	-	n.m.
Bank interest income	(3)	(6)	(50%)	(23)	(6)	n.m.
Government grant	(31)	(32)	(3%)	(49)	(40)	23%
Income from sales of scrap materials	(219)	(312)	(30%)	(384)	(437)	(12%)
Miscellaneous income	-	(17)	n.m.	(1)	(17)	(94%)
Interest expenses	301	263	14%	802	673	19%
Deprecation of property, plant and equipment	338	458	(26%)	1,017	1,376	(26%)

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

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

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 March 2019 S\$'000	Audited As at 30 June 2018 S\$'000	Unaudited As at 31 March 2019 S\$'000	Audited As at 30 June 2018 S\$'000
ASSETS				
Current assets				
Cash and cash equivalents	2,524	2,329	2,515	2,322
Trade and other receivables	27,994	38,802	28,014	38,819
Construction contract work-in-progress	191	957	191	957
	<u>30,709</u>	<u>42,088</u>	<u>30,720</u>	<u>42,098</u>
Non-current assets				
Financial assets, at FVPL	15	15	15	15
Investment in subsidiary corporations	-	-	4	2
Property, plant and equipment	4,396	5,433	4,396	5,433
	<u>4,411</u>	<u>5,448</u>	<u>4,415</u>	<u>5,450</u>
Total assets	<u>35,120</u>	<u>47,536</u>	<u>35,135</u>	<u>47,548</u>
LIABILITIES				
Current liabilities				
Trade and other payables	12,863	13,470	13,644	14,253
Deferred income	142	142	142	142
Borrowings	13,518	15,585	13,518	15,585
	<u>26,523</u>	<u>29,197</u>	<u>27,304</u>	<u>29,980</u>
Non-current liabilities				
Deferred income	284	391	284	391
Borrowings	7,401	7,751	7,401	7,751
	<u>7,685</u>	<u>8,142</u>	<u>7,685</u>	<u>8,142</u>
Total liabilities	<u>34,208</u>	<u>37,339</u>	<u>34,989</u>	<u>38,122</u>
NET ASSETS	<u>912</u>	<u>10,197</u>	<u>146</u>	<u>9,426</u>
EQUITY				
Capital and reserves attributable to equity holders of the Company				
Share capital	54,575	52,778	54,575	52,778
Other reserves	5	6	5	6
Accumulated losses	(53,668)	(42,587)	(54,434)	(43,358)
	<u>912</u>	<u>10,197</u>	<u>146</u>	<u>9,426</u>
Non-controlling interests	*	-	-	-
TOTAL EQUITY	<u>912</u>	<u>10,197</u>	<u>146</u>	<u>9,426</u>

* Amount below S\$1,000.

(Company Registration No.: 198001852R)
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Notes to Statement of Financial Position

(i) Trade and other receivables

	Group		Company	
	31 March 2019 S\$'000	30 June 2018 S\$'000	31 March 2019 S\$'000	30 June 2018 S\$'000
Trade receivables – net	73	1,038	73	1,038
Contract assets	26,299	36,889	26,299	36,889
Non-trade receivables				
- Subsidiary corporations	-	-	20	17
- Related corporations	34	262	34	262
- Non-related parties	1,362	293	1,362	293
Deposits	183	228	183	228
Prepayments	43	92	43	92
	<u>27,994</u>	<u>38,802</u>	<u>28,014</u>	<u>38,819</u>

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

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

	Group			
	Unaudited		Audited	
	As at 31 March 2019		As at 30 June 2018	
	Secured S\$'000	Unsecured S\$'000	Secured S\$'000	Unsecured S\$'000
(a) Amount repayable in one year or less, or on demand				
Borrowings	1,695	11,591	1,706	13,600
Finance lease liabilities	232	-	279	-
(b) Amounts repayable after one year				
Finance lease liabilities	508	-	858	-
Convertible bonds	-	6,893	-	6,893

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 2018 to 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\$740,000 are secured by a guarantee provided by the Company's related party which the major shareholder. As at 31 March 2019, the carrying amounts of plant and machinery held under finance leases are with net book value of S\$1.0 million.

The loan from the Company's related party amounting to S\$3.4 million is unsecured, interest-free and repayable on demand.

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

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

	Group			
	Unaudited Current third quarter ended 31 March 2019 S\$'000	Unaudited Previous third quarter ended 31 March 2018 S\$'000	Unaudited Current nine months ended 31 March 2019 S\$'000	Unaudited Previous nine months ended 31 March 2018 S\$'000
Cash flows from operating activities				
Net (loss)/profit	(11,135)	295	(11,081)	944
Adjustments for:				
Depreciation of property, plant and equipment	338	458	1,017	1,376
Gain on disposal of property, plant and equipment - net	(53)	(571)	(55)	(571)
Interest income	(3)	(6)	(23)	(6)
Dividend income	-	-	*	*
Interest expenses	301	263	802	673
Amortisation of deferred income	(35)	-	(106)	-
Unrealised currency translation gains- net	(43)	-	(45)	(19)
Operating cash flows before working capital changes	(10,630)	439	(9,491)	2,397
Changes in working capital:				
Construction contract work-in-progress	319	(603)	765	(743)
Trade and other receivables	8,494	2,535	10,796	(12,128)
Trade and other payables	(404)	(6,235)	(2,550)	(874)
Cash flows used in operations	(2,221)	(3,864)	(480)	(11,348)
Interest received	*	6	*	6
Net cash used in operating activities	(2,221)	(3,858)	(480)	(11,342)
Cash flows from investing activities				
Additions to property, plant and equipment	(23)	(244)	(84)	(253)
Proceeds from disposal of property, plant and equipment	106	1,425	158	1,447
Dividends received	*	*	*	*
Net cash provided by investing activities	83	1,181	74	1,194
Cash flows from financing activities				
Proceeds from borrowings	-	1,027	4,800	11,026
Proceeds from issuance of convertible bonds	-	7,000	-	7,000
Proceeds from issuance of new ordinary shares pursuant to exercise of warrants	2,000	-	2,000	-
Share issue expenses	(203)	-	(203)	-
Share application pending for allotment	2,000	-	2,000	-
Repayment of borrowings	(1,000)	(1,673)	(6,800)	(4,125)
Repayment of finance lease liabilities	(56)	-	(397)	-
Interest paid	(178)	(263)	(822)	(673)
Fixed deposit pledged	-	(2,066)	-	(2,066)
Net cash provided by financing activities	2,563	4,025	578	11,162
Net increase in cash and cash equivalents	425	1,348	172	1,014
Cash and cash equivalents				
Beginning of financial period	235	518	488	852
Effects of currency translation on cash and cash equivalents	12	-	12	-
End of financial period	672	1,866	672	1,866

* Amount below S\$1,000.

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

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

	Group 31 March 2019 S\$'000	31 March 2018 S\$'000
Cash and cash equivalents		
Cash at bank and on hand	672	1,866
Fixed deposits at bank	1,852	2,066
Cash and cash equivalents per consolidated statement of financial position	2,524	3,922
Less: Fixed deposits pledged	(1,852)	(2,066)
Cash and cash equivalents per consolidated statement of cash flows	672	1,866

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

	Share capital S\$'000	Accumulated losses S\$'000	Other reserves S\$'000	Non- controlling interests S\$'000	Total equity S\$'000
Group					
As at 1 July 2018	52,778	(42,587)	6	-	10,197
Loss for the financial period	-	(11,081)	-	*	(11,081)
Issuance of new ordinary shares pursuant to exercise of warrants	2,000	-	-	-	2,000
Share issue expenses	(203)	-	-	-	(203)
Other comprehensive loss for the financial period	-	-	(1)	*	(1)
As at 31 March 2019	54,575	(53,668)	5	*	912
As at 1 July 2017	52,778	(43,820)	(17)	-	8,941
Profit for the financial period	-	926	-	-	926
Other comprehensive income for the financial period	-	-	41	-	41
As at 31 March 2018	52,778	(42,894)	24	-	9,908
Company					
As at 1 July 2018	52,778	(43,358)	6	-	9,426
Loss for the financial period	-	(11,076)	-	-	(11,076)
Issuance of new ordinary shares pursuant to exercise of warrants	2,000	-	-	-	2,000
Share issue expenses	(203)	-	-	-	(203)
Other comprehensive loss for the financial period	-	-	(1)	-	(1)
As at 31 March 2019	54,575	(54,434)	5	-	146
As at 1 July 2017	52,778	(44,591)	2	-	8,189
Profit for the financial period	-	952	-	-	952
Other comprehensive income for the financial period	-	-	22	-	22
As at 31 March 2018	52,778	(43,639)	24	-	9,163

* Amount below S\$1,000.

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

Other reserves	Group		Company	
	31 March 2019 S\$'000	31 March 2018 S\$'000	31 March 2019 S\$'000	31 March 2018 S\$'000
(a) Composition:				
Fair value reserve	5	2	5	2
Currency translation reserve	*	-	-	-
Equity component of convertible bonds	-	22	-	22
	5	24	5	24
(b) Movements:				
(i) Fair value reserve				
Beginning of financial period	6	2	6	2
Fair value losses	(1)	-	(1)	-
End of financial period	5	2	5	2
(ii) Currency translation reserve				
Beginning of financial period	-	(19)	-	-
Net currency translation differences of financial statements of foreign subsidiary corporation	*	19	-	-
End of financial period	*	-	-	-
(iii) Equity component of convertible bonds				
Beginning of financial period	-	-	-	-
Convertible bond – equity component	-	22	-	22
End of financial period	-	22	-	22

* 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

	Number of shares	Issued and paid up share capital (S\$)
As at 1 July 2018	2,832,159,507	52,778,324
Issuance of new shares pursuant to exercise of warrants	200,000,000	1,796,639
As at 31 March 2019	3,032,159,507	54,574,963

During the financial period ended 31 March 2019, the ordinary share capital of the Company has increased from 2,832,159,507 to 3,032,159,507 Shares after the allotment and issuance of 200,000,000 ordinary shares on 1 February 2019 pursuant to the exercise of 200,000,000 warrants. As a result, the Company's issued and paid-up capital increased to \$54,574,963 as at 31 March 2019.

Warrants

On 1 February 2019, the Company had completed the exercise of 200,000,000 warrants and allotment of 200,000,000 shares. As at 31 March 2019, 300,000,000 warrants remained outstanding. Subsequent to the financial period ended 31 March 2019, the Company had on 22 April 2019 completed another exercise of 200,000,000 warrants and allotment of 200,000,000 shares.

Treasury shares

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

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

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 into fully paid ordinary shares of the Company at an initial conversion price of S\$0.015 per share. As at 31 March 2019, there was no conversion of bonds into equity shares. Assuming all the bonds are fully converted as at 31 March 2019, the number of new shares to be issued would be 466,666,666.

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 ordinary shares	
	31 March 2019	30 June 2018
Total number of issued shares excluding treasury shares	3,032,159,507	2,832,159,507

Following another completion of exercise of 200,000,000 warrants and allotment of 200,000,000 shares on 22 April 2019, as at the date of this announcement, the number of issued and paid up Shares in the capital of the Company has increased from 3,032,159,507 Shares to 3,232,159,507 Shares.

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.

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

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 2018, 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.

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 third quarter ended 31 March 2019	Unaudited Previous third quarter ended 31 March 2018	Unaudited Current nine months ended 31 March 2019	Unaudited Previous nine months ended 31 March 2018
Net (loss)/profit attributable to equity holders of the Company (S\$ '000)	(11,135)	295	(11,081)	944
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	2,874,495	2,832,160	2,874,495	2,832,160
Basic earnings per share (cents per share)	(0.39)	0.01	(0.39)	0.03
Weighted average number of ordinary shares outstanding for diluted earnings per share ('000)	2,874,495	2,832,160	2,874,495	2,832,160
Diluted earnings per share (cents per share)	(0.39)	0.01	(0.39)	0.03

For the financial period ended 31 March 2019, the calculation for the diluted earnings per share did not assume conversion of outstanding warrants and 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 March 2019 Unaudited	30 June 2018 Audited	31 March 2019 Unaudited	30 June 2018 Audited
Net assets (S\$'000)	912	10,197	146	9,426
Number of shares ('000)	3,032,160	2,832,160	3,032,160	2,832,160
Net assets value per ordinary shares (cents)	0.03	0.36	0.01	0.33

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

Review of the Group's performance

(Third quarter of FY2019 ("3Q2019") vs. Third quarter of FY2018 ("3Q2018"))

Revenue

	Current third quarter ended 31 March 2019		Group Previous third quarter ended 31 March 2018		Increase/ (decrease)	Increase/ (decrease)
	S\$'000		S\$'000		S\$'000	
Civil Engineering	2,179	48%	10,459	90%	(8,280)	(79%)
Tunnelling	2,396	52%	1,206	10%	1,190	99%
	<u>4,575</u>	<u>100%</u>	<u>11,665</u>	<u>100%</u>	<u>(7,090)</u>	

Revenue from Civil Engineering segment decreased by S\$8.3 million from S\$10.5 million in 3Q2018 to S\$2.2 million in 3Q2019 due to lower level of project activities as one of the Company's major civil engineering project is nearing completion stage in 3Q2019.

Revenue from Tunnelling segment increased by S\$1.2 million from S\$1.2 million in 3Q2018 to S\$2.4 million in 3Q2019 due to the new tunnelling projects which have commenced during the financial period.

Gross (loss)/profit

	Current third quarter ended 31 March 2019		Group Previous third quarter ended 31 March 2018		Increase/ (decrease)	Increase/ (decrease)
	S\$'000		S\$'000		S\$'000	
Civil Engineering	(7,966)	76%	324	56%	(8,290)	n.m.
Tunnelling	(2,465)	24%	250	44%	(2,715)	n.m.
	<u>(10,431)</u>	<u>100%</u>	<u>574</u>	<u>100%</u>	<u>(11,005)</u>	

In line with the substantial drop in Group's revenue and lower level of project activities, the Group suffered a gross loss of S\$10.4 million in 3Q2019 as compared to a gross profit of S\$0.6 million in 3Q2018, a decline of approximately S\$11.0 million. Mainly due to Impairment allowance for contract assets of S\$6.8 million were made in anticipation of lower negotiated variation orders as well as lower project margins for the major civil engineering project.

Other gains

Other gains decreased by S\$0.5 million from S\$0.9 million in 3Q2018 to S\$0.4 million in 3Q2019 mainly due to a decrease in gain on disposal of property, plant and equipment.

Distribution and marketing expenses

The Group did not incur significant distribution and marketing expenses during 3Q2019 and 3Q2018.

Review of the Group's performance (Cont'd)

Administrative expenses

Administrative expenses decreased by S\$0.2 million from S\$1.0 million in 3Q2018 to S\$0.8 million in 3Q2019 mainly due to a decrease in professional charges incurred.

Finance cost

Finance costs remained constantly at S\$0.3 million in both 3Q2019 and 3Q2018.

Loss for the financial period

As a result of the above factors, the Group reported a loss from net profit of S\$0.3 million in 3Q2018 to net loss of S\$11.1 million in 3Q2019.

Review of the Group's Financial Position

(31 March 2019 vs. 30 June 2018)

Current assets

Current assets decreased by approximately S\$11.4 million from S\$42.1 million as at 30 June 2018 to S\$30.7 million as at 31 March 2019. The decrease were mainly due to a decrease in contract assets of approximately S\$10.6 million as a result of impairment allowance on contract assets and a decrease in construction contract work-in-progress of approximately S\$0.8 million.

Non-current assets

Non-current assets decreased by approximately S\$1.0 million from S\$5.4 million as at 30 June 2018 to S\$4.4 million as at 31 March 2019. The decrease in non-current assets was mainly due to depreciation charges.

Current liabilities

Current liabilities decreased by approximately S\$2.7 million from S\$29.2 million as at 30 June 2018 to S\$26.5 million as at 31 March 2019. The decrease in current liabilities was mainly due to a decrease in trade and other payables of approximately S\$0.6 million and a net decrease in borrowings of approximately S\$2.0 million.

Non-current liabilities

Non-current liabilities decreased by approximately S\$0.4 million from S\$8.1 million as at 30 June 2018 to S\$7.7 million as at 31 March 2019. The decrease in non-current liabilities was mainly due to repayment of borrowings of approximately S\$0.3 million.

Review of the Group's Cash Flows

(Third quarter of FY2019 ("3Q2019") vs. Third quarter of FY2018 ("3Q2018"))

Net cash used in operating activities

The Group used net cash of approximately S\$2.2 million from operating activities in 3Q2019. Major movements of the cash flow from operating activities comprised of:

- (a) net operating cash outflow before working capital of S\$10.6 million;
- (b) a decrease in trade receivables of S\$2.2 million and a decrease of contract assets of approximately S\$6.8 million mainly attributable by the impairment allowance for contract assets; and

Review of the Group's Cash Flows (Cont'd)

Net cash used in operating activities (Cont'd)

- (c) a decrease in trade and other payables of approximately S\$0.4 million due to more efficient payment to suppliers.

Net cash provided by investing activities

The Group generated net cash of approximately S\$83,000 from investing activities in 3Q2019 mainly due to:

- (a) sale proceeds from disposal of plant and equipment of approximately S\$106,000; and
- (b) which was offset by the addition of plant and equipment of approximately S\$23,000.

Net cash provided by financing activities

The group generated net cash of approximately S\$2.6 million from financing activities in 3Q2019 mainly due to:

- (a) proceeds from the issuance of new ordinary shares pursuant to the exercise of warrants of S\$2.0 million;
- (b) proceeds from the share application pending for allotment of S\$2.0 million; and
- (c) offset by repayment of borrowings of approximately S\$1.0 million.

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 on SGXNET to inform shareholders that the Group would be expecting to report a net loss for 3Q2019.

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 group recently exercised the Company's warrants and allotted new shares. The ordinary share capital of the Company has increased from 2,832,159,507 to 3,032,159,507 Shares after the allotment and issuance of 200,000,000 ordinary shares on 1 February 2019 pursuant to the exercise of 200,000,000 warrants. Subsequently, the ordinary share capital of the Company has increased from 3,032,159,507 to 3,232,159,507 Shares after the allotment and issuance of 200,000,000 ordinary shares on 22 April 2019 pursuant to the exercise of another 200,000,000 warrants.

The Group's operating environment is expected to remain challenging given that construction industry is facing great pricing pressure. The Group's losses in 3Q2019 are primarily attributable to impairment allowance for contract assets which were made in anticipation of lower negotiated variation orders.

As announced by the Company on SGXNET on 10 May 2019, and 24 April 2019, it was disclosed that the Company's major shareholder, KH Foges Pte Ltd ("KHF") has applied for moratorium under section 211B of the Companies Act (Cap 50). The Company would now like to further announce that KHF has applied for judicial management. Further to the above, the Company would like to inform shareholders that KHF had

provided a letter of support to the Group as disclosed in its annual report for the financial year ended 30 June 2018.

On the going concern assumption on which the financial statements of the Group are prepared are deemed to be inappropriate, the board is of the opinion that adjustment will have to be made to, inter alia, restate the carrying value of the Group's assets to their recoverable amounts, non-current assets may be reclassified to current assets and provisions may have to be made for further liabilities which may arise. The Company may consider engaging an external consultant to perform an independent review and to submit its recommendations.

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 had been declared for the period ended 31 March 2019.

13 Interested person transactions disclosure

The Group has 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. Details of the IPTs (excluding transactions less than S\$100,000) of the Group for 3Q2019 are as follow:

Name of interested Person	Aggregate value of all IPTs during the financial period under review (excluding transactions less than S\$100,000 and transactions conducted under the shareholders' mandate pursuant to Rule 920 of the Listing Manual)
Econ Geotech Pte Ltd	S\$'000 300

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

14 Use of proceeds

Pursuant to the subsequent exercise of 200,000,000 warrants and allotment of 200,000,000 shares on 22 April 2019, the Company had obtained proceeds of S\$2,000,000. The Company has fully utilised the proceeds in the following manner:

<u>Purpose</u>	Amount S\$	Percentage Allocation (%)
Working capital for trade creditor payment, repayment of borrowings and salary related expenses	2,000,000	100

15 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.

16 Negative Confirmation pursuant to Rule 705(5) of the Listing Manual

Due to the uncertainties of the outcome discussed in section 10 above, and any unforeseen circumstances may raise further adjustments may require 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 3Q19 may not reflective of the Company and Group's financial statements for the financial year ending 30 June 2019. Save as aforementioned, the Board of Directors of the Company (the "Board") confirms to the best of their knowledge, nothing has come to their attention of the Board which may render the unaudited financial statements of the Group for the period ended 31 March 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
15 May 2019

Moorthy Varadhan
Executive Director
15 May 2019