



**TERRATECH GROUP LIMITED**

**(Company Registration No: CT-276295)**

**(Incorporated in the Cayman Islands on 15 March 2013)**

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**UNAUDITED FINANCIAL STATEMENTS AND DIVIDEND ANNOUNCEMENT FOR THE THIRD QUARTER AND NINE MONTHS ENDED 31 DECEMBER 2016**

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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 Sponsor has also not drawn on any specific technical expertise in its review of this announcement.

The contact person for the Sponsor is Mr Joseph Au, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

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

**1(a) A combined statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year.**

|                                                                               | Three months ended 31 December |                        |        | Nine months ended 31 December |                        |        |
|-------------------------------------------------------------------------------|--------------------------------|------------------------|--------|-------------------------------|------------------------|--------|
|                                                                               | 2016                           | 2015                   | Change | 2016                          | 2015                   | Change |
|                                                                               | (unaudited)<br>S\$'000         | (unaudited)<br>S\$'000 | %      | (unaudited)<br>S\$'000        | (unaudited)<br>S\$'000 | %      |
| <b>Revenue</b>                                                                | 3,134                          | 3,222                  | (3)    | 8,778                         | 8,428                  | 4      |
| Cost of sales                                                                 | (2,969)                        | (2,879)                | 3      | (8,326)                       | (7,936)                | 5      |
| <b>Gross profit</b>                                                           | 165                            | 343                    | n.m.   | 452                           | 492                    | (8)    |
| <i>Other items of income</i>                                                  |                                |                        |        |                               |                        |        |
| Other income                                                                  | 51                             | -                      | n.m.   | 125                           | 341                    | (63)   |
| <i>Other items of expenses</i>                                                |                                |                        |        |                               |                        |        |
| Distribution expenses                                                         | (37)                           | (44)                   | (16)   | (93)                          | (117)                  | (21)   |
| Administrative expenses                                                       | (739)                          | (1,094)                | (32)   | (2,390)                       | (3,027)                | (21)   |
| Other expenses                                                                | (512)                          | (42)                   | n.m.   | (1,073)                       | (42)                   | n.m.   |
| Finance costs                                                                 | (5)                            | (3)                    | 67     | (8)                           | (20)                   | (60)   |
| Loss before income tax                                                        | (1,077)                        | (840)                  | 28     | (2,987)                       | (2,373)                | 26     |
| Income tax expense                                                            | (38)                           | -                      | n.m.   | (38)                          | -                      | n.m.   |
| Loss after income tax                                                         | (1,115)                        | (840)                  | 33     | (3,025)                       | (2,373)                | 27     |
| <b>Other comprehensive income:</b>                                            |                                |                        |        |                               |                        |        |
| <b>Item that may be reclassified subsequently to profit or loss:</b>          |                                |                        |        |                               |                        |        |
| Exchange differences arising from translation of foreign operations           | (183)                          | 122                    | (250)  | (325)                         | (547)                  | (41)   |
| <b>Other comprehensive income/(loss) for the financial period, net of tax</b> | (183)                          | 122                    | (250)  | (325)                         | (547)                  | (41)   |
| <b>Total comprehensive loss for the financial year</b>                        | (1,298)                        | (718)                  | 81     | (3,350)                       | (2,920)                | 15     |
| <b>Profit/(Loss) attributable to:</b>                                         |                                |                        |        |                               |                        |        |
| Owners of the parent                                                          | (1,110)                        | (855)                  | 30     | (3,034)                       | (2,457)                | 23     |
| Non-controlling interest                                                      | (5)                            | 15                     | n.m.   | 9                             | 84                     | (89)   |
|                                                                               | (1,115)                        | (840)                  | 33     | (3,025)                       | (2,373)                | 27     |
| <b>Total comprehensive profit/(loss) attributable to:</b>                     |                                |                        |        |                               |                        |        |
| Owners of the parent                                                          | (1,293)                        | (728)                  | 78     | (3,359)                       | (3,000)                | 12     |
| Non-controlling interest                                                      | (5)                            | 10                     | n.m.   | 9                             | 80                     | (89)   |
|                                                                               | (1,298)                        | (718)                  | 81     | (3,350)                       | (2,920)                | 15     |

n.m. denotes not meaningful or > 100%

**1(a) A consolidated statement of comprehensive income (for the Group) together with a comparative statement for the corresponding period of the immediately preceding financial year. (continued)**

Loss before income tax of the Group is arrived at after (charging)/crediting:

|                                                                       | Three months ended 31 December |             |        | Nine months ended 31 December |             |        |
|-----------------------------------------------------------------------|--------------------------------|-------------|--------|-------------------------------|-------------|--------|
|                                                                       | 2016                           | 2015        | Change | 2016                          | 2015        | Change |
|                                                                       | (unaudited)                    | (unaudited) |        | (unaudited)                   | (unaudited) |        |
|                                                                       | S\$'000                        | S\$'000     | %      | S\$'000                       | S\$'000     | %      |
| <b>Other income</b>                                                   |                                |             |        |                               |             |        |
| Bad debts written back                                                | -                              | -           | -      | -                             | 153         | n.m.   |
| Reversal on provision for impairment of trade receivables             | 1                              | -           | n.m.   | 61                            | 141         | (57)   |
| Foreign exchange gain                                                 | 50                             | -           | n.m.   | 62                            | -           | n.m.   |
| Sundry income                                                         | -                              | -           | -      | 2                             | 47          | (96)   |
| <b>Cost of sales, distribution, administrative and other expenses</b> |                                |             |        |                               |             |        |
| Depreciation of property, plant and equipment                         | (170)                          | (166)       | 2      | (505)                         | (500)       | -      |
| Amortisation of intangible assets                                     | (5)                            | (5)         | -      | (14)                          | (14)        | -      |
| Operating lease expense                                               | -                              | (36)        | n.m.   | -                             | (110)       | n.m.   |
| Interest expense                                                      | (1)                            | (3)         | (67)   | (4)                           | (20)        | (80)   |
| Foreign exchange loss                                                 | 5                              | -           | n.m.   | (18)                          | -           | n.m.   |
| Provision of impairment loss of trade receivables                     | -                              | (42)        | n.m.   | -                             | (42)        | n.m.   |

n.m. denotes not meaningful or > 100%

**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 31.12.16 | As at 31.03.16 | As at 31.12.16 | As at 31.03.16 |
|                                                    | (unaudited)    | (audited)      | (unaudited)    | (audited)      |
|                                                    | S\$'000        | S\$'000        | S\$'000        | S\$'000        |
| <b>Non-current assets</b>                          |                |                |                |                |
| Property, plant and equipment                      | 5,168          | 5,435          | -              | -              |
| Intangible assets                                  | 666            | 690            | -              | -              |
| Goodwill                                           | 1,294          | 1,299          | -              | -              |
| Investments in subsidiaries                        | -              | -              | 32,573         | 32,573         |
|                                                    | 7,128          | 7,424          | 32,573         | 32,573         |
| <b>Current assets</b>                              |                |                |                |                |
| Inventories                                        | 3,836          | 3,819          | -              | -              |
| Trade receivables                                  | 3,345          | 1,540          | -              | -              |
| Amounts due from contract customers                | -              | 120            | -              | -              |
| Prepayments, deposits and other receivables        | 1,698          | 999            | 68             | 43             |
| Due from related companies                         | -              | 10             | -              | -              |
| Due from a subsidiary                              | -              | -              | 7,624          | 6,169          |
| Cash and cash equivalents                          | 1,384          | 793            | 75             | 3              |
|                                                    | 10,263         | 7,281          | 7,767          | 6,215          |
| <b>Current liabilities</b>                         |                |                |                |                |
| Trade payables                                     | 3,359          | 767            | -              | -              |
| Other payables and accruals                        | 3,550          | 2,778          | 2,063          | 1,003          |
| Amount due to ultimate holding company             | -              | 365            | -              | 365            |
| Amounts due to contract customers                  | 588            | 79             | -              | -              |
| Finance lease payables                             | 67             | 157            | -              | -              |
|                                                    | 7,564          | 4,146          | 2,063          | 1,368          |
| <b>Net current assets</b>                          | 2,699          | 3,135          | 5,704          | 4,847          |
| <b>Non-current liability</b>                       |                |                |                |                |
| Finance lease payables                             | -              | 27             | -              | -              |
|                                                    | -              | 27             | -              | -              |
| <b>Net assets</b>                                  | 9,827          | 10,532         | 38,277         | 37,420         |
| <b>Capital and reserves</b>                        |                |                |                |                |
| Share capital                                      | 8,925          | 6,150          | 8,925          | 6,150          |
| Reserves                                           | 843            | 4,331          | 29,352         | 31,270         |
| <b>Equity attributable to owners of the parent</b> | 9,768          | 10,481         | 38,277         | 37,420         |
| Non-controlling interest                           | 59             | 51             | -              | -              |
| <b>Total equity</b>                                | 9,827          | 10,532         | 38,277         | 37,420         |

- 1(b)(ii) In relation to the aggregate amount of the Group's borrowings and debt securities, specify the following at the end of the financial period reported on with comparative figures at the end of the immediately preceding financial year.

|                                  | Group                         |                      |                             |                      |
|----------------------------------|-------------------------------|----------------------|-----------------------------|----------------------|
|                                  | As at 31.12.16<br>(unaudited) |                      | As at 31.03.16<br>(audited) |                      |
|                                  | Secured<br>S\$'000            | Unsecured<br>S\$'000 | Secured<br>S\$'000          | Insecured<br>S\$'000 |
| Amount repayable within one year | 67                            |                      | 157                         | -                    |
| Amount repayable after one year  | -                             | -                    | 27                          | -                    |
|                                  | 67                            | -                    | 184                         | 365                  |

Note:

The secured amount of banking facilities of the Group in 3Q2017 relates to finance lease obligations which is secured by the lessor's title to the leased assets.

**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.**

| Unaudited                                                  | Group               |                     | Group               |                     |
|------------------------------------------------------------|---------------------|---------------------|---------------------|---------------------|
|                                                            | Three months ended  |                     | Nine months ended   |                     |
|                                                            | 31.12.16<br>S\$'000 | 31.12.15<br>S\$'000 | 31.12.16<br>S\$'000 | 31.12.15<br>S\$'000 |
| <b>Operating activities:</b>                               |                     |                     |                     |                     |
| Loss before income tax                                     | (1,077)             | (840)               | (2,987)             | (2,373)             |
| Adjustments for:                                           |                     |                     |                     |                     |
| Amortisation of intangible assets                          | 5                   | 5                   | 14                  | 14                  |
| Bad debts written back                                     | -                   | -                   | -                   | (153)               |
| Depreciation of property, plant and equipment              | 170                 | 166                 | 505                 | 500                 |
| Provision of impairment loss of trade receivable           | -                   | 42                  | -                   | 42                  |
| Interest expense                                           | 5                   | 3                   | 8                   | 20                  |
| Reversal on impairment loss of trade receivable            | (1)                 | -                   | (61)                | (141)               |
| Operating cash flows before working capital changes        | (898)               | (624)               | (2,521)             | (2,091)             |
| Working capital changes:                                   |                     |                     |                     |                     |
| Inventories                                                | 34                  | (59)                | (17)                | (119)               |
| Trade receivables                                          | (641)               | (711)               | (1,806)             | (768)               |
| Prepayments, deposits and other receivables                | 72                  | (1,404)             | (638)               | (381)               |
| Trade payables                                             | (249)               | (5)                 | 2,592               | 610                 |
| Other payables and accruals                                | 980                 | 1,482               | 735                 | 836                 |
| Amounts due from fellow subsidiary                         | -                   | -                   | -                   | 219                 |
| Amounts due from contract customers                        | 1,469               | 379                 | 629                 | 191                 |
| Amount due from related companies                          | -                   | -                   | 10                  | -                   |
| Cash generated from/ (used in) operations                  | 767                 | (942)               | (1,016)             | (1,503)             |
| Interest paid                                              | (5)                 | (3)                 | (8)                 | (20)                |
| Net cash generated from/ (used in) operating activities    | 762                 | (945)               | (1,024)             | (1,523)             |
| <b>Investing activities:</b>                               |                     |                     |                     |                     |
| Purchases of property, plant and equipment                 | (139)               | (184)               | (448)               | (500)               |
| Fixed deposit pledged                                      | -                   | 99                  | -                   | 99                  |
| Net cash used in investing activities                      | (139)               | (85)                | (448)               | (401)               |
| <b>Financing activities:</b>                               |                     |                     |                     |                     |
| Proceeds from issue of shares                              | -                   | -                   | 2,774               | -                   |
| Share issue expenses                                       | -                   | -                   | (130)               | -                   |
| Loan from ultimate holding company                         | -                   | -                   | (365)               | -                   |
| Repayments of bank borrowing                               | -                   | -                   | -                   | (330)               |
| Repayments of finance lease obligations                    | (39)                | (37)                | (117)               | (179)               |
| Net cash from/(used in) financing activities               | (39)                | (37)                | 2,162               | (509)               |
| Net change in cash and cash equivalents                    | 584                 | (1,067)             | 692                 | (2,433)             |
| Cash and cash equivalents at beginning of financial period | 920                 | 1,398               | 793                 | 2,888               |
| Currency translation differences                           | (120)               | 555                 | (101)               | 431                 |
| Cash and cash equivalents at end of financial period       | 1,384               | 886                 | 1,384               | 886                 |

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

Cash and cash equivalents comprised:

|                                                                  | Group                  |           |
|------------------------------------------------------------------|------------------------|-----------|
|                                                                  | Financial period ended |           |
|                                                                  | 12.16                  | 12.15     |
|                                                                  | (audited)              | (audited) |
|                                                                  | S\$'000                | '000      |
| Cash and bank balances                                           | 1,384                  | 886       |
| Cash and cash equivalents on consolidated statement of cash flow | 1,384                  | 886       |

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 | Share premium | Other reserve | Foreign currency translation reserve | Accumulated losses | Total   | Non-controlling interest | Total equity |
|-------------------------------------------------------------------|---------------|---------------|---------------|--------------------------------------|--------------------|---------|--------------------------|--------------|
|                                                                   | S\$'000       | S\$'000       | S\$'000       | S\$'000                              | S\$'000            | S\$'000 | S\$'000                  | S\$'000      |
| <b>Group (unaudited)</b>                                          |               |               |               |                                      |                    |         |                          |              |
| Balance at 1.10.2016                                              | 8,925         | 39,415        | 157           | 44                                   | (37,480)           | 11,061  | 64                       | 11,125       |
| <b>Profit/(Loss) for the financial period</b>                     | -             | -             | -             | -                                    | (1,110)            | (1,110) | (5)                      | (1,115)      |
| <b>Other comprehensive income for the financial period</b>        |               |               |               |                                      |                    |         |                          |              |
| Foreign currency differences on translation of foreign operations | -             | -             | -             | (183)                                | -                  | (183)   | -                        | (183)        |
| <b>Total comprehensive loss for the financial period</b>          | -             | -             | -             | (183)                                | (1,110)            | (1,293) | (5)                      | (1,298)      |
| <b>Total transactions with owners of the parent</b>               | -             | -             | -             | -                                    | -                  | -       | -                        | -            |
| <b>Balance at 31.12.2016</b>                                      | 8,925         | 39,415        | 157           | (139)                                | (38,590)           | 9,768   | 59                       | 9,827        |

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 capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. (continued)

|                                                                   | Share capital | Share premium | Other reserve | Foreign currency translation reserve | Accumulated losses | Total   | Non-controlling interest | Total equity |
|-------------------------------------------------------------------|---------------|---------------|---------------|--------------------------------------|--------------------|---------|--------------------------|--------------|
|                                                                   | S\$'000       | S\$'000       | S\$'000       | S\$'000                              | S\$'000            | S\$'000 | S\$'000                  | S\$'000      |
| <b>Group (unaudited)</b>                                          |               |               |               |                                      |                    |         |                          |              |
| Balance at 1.10.2015                                              | 6,150         | 39,545        | 157           | (35)                                 | (33,611)           | 12,206  | 200                      | 12,406       |
| <b>Profit/(Loss) for the financial period</b>                     | -             | -             | -             | -                                    | (855)              | (855)   | 15                       | (840)        |
| <b>Other comprehensive income for the financial period</b>        |               |               |               |                                      |                    |         |                          |              |
| Foreign currency differences on translation of foreign operations | -             | -             | -             | 127                                  | -                  | 127     | (5)                      | 122          |
| <b>Total comprehensive loss for the financial period</b>          | -             | -             | -             | 127                                  | (855)              | (728)   | 10                       | (718)        |
| <b>Total transactions with owners of the parent</b>               | -             | -             | -             | -                                    | -                  | -       | -                        | -            |
| <b>Balance at 31.12.2015</b>                                      | 6,150         | 39,545        | 157           | 92                                   | (34,466)           | 11,478  | 210                      | 11,688       |

- 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 capitalization issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year. (continued)

|                                                   | Share capital | Share premium | Other reserves | Accumulated losses | Total   |
|---------------------------------------------------|---------------|---------------|----------------|--------------------|---------|
|                                                   | S\$'000       | S\$'000       | S\$'000        | S\$'000            | S\$'000 |
| <b>Company (unaudited)</b>                        |               |               |                |                    |         |
| Balance at 1.10.2016                              | 8,925         | 39,415        | 157            | (9,488)            | 39,009  |
| Loss for the financial period                     | -             | -             | -              | (732)              | (732)   |
| Total comprehensive loss for the financial period | -             | -             | -              | (732)              | (732)   |
| Total transactions with owners of the parent      | -             | -             | -              | -                  | -       |
| Balance at 31.12.2016                             | 8,925         | 39,415        | 157            | (10,220)           | 38,277  |

  

|                                                     | Share capital | Share premium | Other reserves | Accumulated losses | Total   |
|-----------------------------------------------------|---------------|---------------|----------------|--------------------|---------|
|                                                     | S\$'000       | S\$'000       | S\$'000        | S\$'000            | S\$'000 |
| <b>Company (unaudited)</b>                          |               |               |                |                    |         |
| Balance at 1.10.2015                                | 6,150         | 39,545        | 157            | (7,534)            | 38,318  |
| Loss for the financial period                       | -             | -             | -              | (472)              | (472)   |
| Total comprehensive income for the financial period | -             | -             | -              | (472)              | (472)   |
| Total transactions with owners of the parent        | -             | -             | -              | -                  | -       |
| Balance at 31.12.2015                               | 6,150         | 39,545        | 157            | (8,006)            | 37,846  |

- 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.

Ordinary shares

|                         | Number of<br>issued shares | Share capital<br>S\$ |
|-------------------------|----------------------------|----------------------|
| As at 30 September 2016 | 683,542,003                | 8,924,670            |
| As at 31 December 2016  | 683,542,003                | 8,924,670            |

The Company did not have any outstanding options, convertibles or treasury shares as at 31 December 2016 and 31 December 2015.

- 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.

|                                                         | As at 31.12.16 | As at 31.03.16 |
|---------------------------------------------------------|----------------|----------------|
| Total number of issued shares excluding treasury shares | 683,542,003    | 615,042,003    |

- 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. The Company did not have any treasury shares 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 accounting 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. The figures have not been audited or reviewed by the Company's auditors.

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

Save as disclosed in paragraph 5 below, the Group and the Company have applied the same accounting policies and methods of computation in preparation of the financial statements for the current reporting period compared with the audited financial statements as at 31 March 2016.

**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.**

In the current reporting period, the Group adopted all of the new or revised International Financial Reporting Standards ("IFRS") that are relevant to its operations and are effective for first-time adoption during the current financial year. The adoption of these new and/or revised IFRS did not result in any substantial changes to the Group's and Company's accounting policies and where relevant has no material effect on the financial results for the current financial period reported on.

**6. Loss 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.**

|                                                    | Three months ended      |                         | Nine months ended       |                         |
|----------------------------------------------------|-------------------------|-------------------------|-------------------------|-------------------------|
|                                                    | 31.12.16<br>(Unaudited) | 31.12.15<br>(Unaudited) | 31.12.16<br>(Unaudited) | 31.12.15<br>(Unaudited) |
| (a) Basic loss per ordinary share<br>(SGD cents)   | (0.16)                  | (0.14)                  | (0.45)                  | (0.39)                  |
| (b) Diluted loss per ordinary share<br>(SGD cents) | (0.16)                  | (0.14)                  | (0.45)                  | (0.39)                  |

- (a) Basic loss per share of the Group for the three months and nine months ended 31 December 2016 are calculated based on the weighted average number of ordinary shares in issue of 683,542,003 and 678,560,185 respectively after adjusted for the increase in issued shares arising from the completion of placement on 21 April 2016.

Basic loss per share of the Group for the three months and nine months ended 31 December 2015 are calculated based on the actual number of ordinary shares in issue of 615,042,003.

- (b) Diluted loss per share for the three months and nine months ended 31 December 2016 and 31 December 2015 is the same as the basic loss per share as there were no potentially dilutive securities as at 31 December 2016 and 31 December 2015.

**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.

|                                                                                    | Group                   |                       | Company                 |                       |
|------------------------------------------------------------------------------------|-------------------------|-----------------------|-------------------------|-----------------------|
|                                                                                    | 31.12.16<br>(Unaudited) | 31.03.16<br>(Audited) | 31.12.16<br>(Unaudited) | 31.03.16<br>(Audited) |
| Net asset value per ordinary<br>share based on issued share<br>capital (SGD cents) | 1.43                    | 1.71                  | 5.60                    | 6.08                  |

The net asset value per ordinary share of the Group and the Company as at 31 December 2016 was calculated based on the total issued number of ordinary shares (excluding treasury shares) of 683,542,003.

The net asset value per ordinary share of the Group and the Company as at 31 March 2016 was calculated based on the total issued number of ordinary shares (excluding treasury shares) of 615,042,003.

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 STATEMENT OF COMPREHENSIVE INCOME OF THE GROUP

Financial period ended 31 December 2016 ("3Q2017") vs financial period ended 31 December 2015 ("3Q2016")

The Group's revenue decreased by S\$0.09 million from S\$3.22 million in 3Q2016 to S\$3.13 million in 3Q2017 mainly due to the decrease in revenue contribution from its PRC operation, 陕西恒宇建筑装饰工程有限公司 ("Hengyu"). Hengyu is a licensed provider of interior and exterior decoration work services for construction projects in the PRC and is currently the main platform by which the Group has been promoting and marketing its marble and marble-related products in the PRC since its acquisition by the Group. The decrease in revenue of Hengyu was due to lesser projects undertaken in 3Q2017.

The Group's gross profit decreased by S\$0.17 million from S\$0.34 million in 3Q2016 to S\$0.17 million in 3Q2017 due to rising cost of sales arising from higher sub-contacting costs for its PRC operations.

Other income of S\$0.05 million in 3Q2017 was mainly due to higher foreign exchange gain recognised in 3Q2017.

Administrative expenses decreased by S\$0.35 million from S\$1.09 million in 3Q2016 to S\$0.74 million in 3Q2017 mainly due to the cost cutting measures implemented by the Company.

Other expenses increased by S\$0.47 million in 3Q2017 mainly due to professional fees incurred pursuant to the on-going proposed reverse takeover transaction.

As a result of the aforementioned, the Group recorded a higher net loss of S\$1.11 million in 3Q2017 as compared to a net loss of S\$0.84 million in 3Q2016.

#### REVIEW OF STATEMENT OF FINANCIAL POSITION

Non-current assets decreased by S\$0.29 million to S\$7.13 million as at 31 December 2016 from S\$7.42 million as at 31 March 2016. The decrease was mainly due to depreciation and amortisation charges of S\$0.51 million and a foreign exchange translation loss of S\$0.23 million on property, plant and equipment, intangible assets and goodwill respectively. The decrease was partially offset by the addition in property, plant and equipment of S\$0.45 million.

Current assets increased by S\$2.98 million from S\$7.28 million as at 31 March 2016 to S\$10.26 million as at 31 December 2016. The increase was mainly due to increase in trade receivables of S\$1.81 million, increase in prepayment, deposits and other receivables of S\$0.70 million due to down payment made to suppliers and increase in cash and cash equivalents of S\$0.59 million offset by decrease in amounts due from contract customers of S\$0.12 million from PRC operation.

Current liabilities increased by S\$3.41 million from S\$4.15 million as at 31 March 2016 to S\$7.56 million as at 31 December 2016. The increase was mainly due to increase in trade payables of S\$2.59 million arising from accrual of sub-contractor costs during the financial period, the increase in other payables and accruals (comprising accrual of management salaries, director fee and professional fees) of S\$0.77 million due to professional fees incurred pursuant to the proposed reverse takeover transaction, increase in the amount due to contract customers of S\$0.50 million due to timing recognition of revenue vis-à-vis progress billings, offset by repayment of amount due to holding company amounting to S\$0.36 million, and decrease in finance lease payable of S\$0.09 million due to repayment of finance lease.

## REVIEW OF STATEMENT OF FINANCIAL POSITION (continued)

Non-current liability decreased by S\$0.03 million due to repayment of finance lease.

Share capital increased by S\$2.78 million from S\$6.15 million as at 31 March 2016 to S\$8.93 million as at 31 December 2016. The increase was a result of the new shares issued pursuant to a placement exercise as announced on 21 April 2016.

As a result, the Group had net assets of S\$9.82 million as at 31 December 2016.

## REVIEW OF STATEMENT OF CASH FLOWS

Net cash generated from operating activities of S\$0.76 million in 3Q2017 was mainly due to negative operating cash flows before working capital changes of S\$0.90 million after taking into account the changes in working capital arising from decrease in inventories of S\$0.03 million, increase in trade receivables of S\$0.65 million, decrease in prepayment, deposits and other receivables of S\$0.07 million, decrease in trade payables of S\$0.24 million, increase in other payables and accruals of S\$0.98 million and decrease in amounts due from contract customers of S\$1.46 million.

Net cash used in investing activities of S\$0.14 million in 3Q2017 was due to the purchase of property, plant and equipment.

Net cash flows used in financing activities of S\$0.04 million in 3Q2017 was due to repayment of finance lease obligations.

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

Not applicable. No forecast or prospect statement has been previously disclosed to shareholders.

**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 continuing its marble extraction works at Hill 2B and marble platform expansion and block extraction works at Hill 2A whilst making concerted efforts to reduce cost to improve its product margin. Hill 1 marble extraction works had been put on hold since January 2016 to focus on exploring resources on Hill 2B and Hill 2A.

The Company has proposed to acquire the entire issued share capital of Capital City Property Sdn Bhd, which will provide alternative growth prospect via property development market in Malaysia ("Proposed RTO"). The Company will update shareholders on the progress of the Proposed RTO as and when appropriate.

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

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

None.

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

(Optional) Rate (%)

Not applicable.

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

(Optional) Rate (%)

None.

- (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 Transfers 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.**

No dividend has been declared or recommended for 3Q2017.

**13. If the Group has obtained a general mandate from shareholders for interested person transactions ("IPT") 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 general mandate from its shareholders for IPTs. There was no IPT entered into during the financial period.

**14. Update on use of proceeds**

The following table sets out the breakdown of the use of proceeds raised from the Placement on 21 April 2016 as at the date of announcement:

|                                                                                      | Amount Allocated<br>S\$'000 |             | Amount<br>Re-allocated<br>(Note A)<br>S\$'000 |             | Amount<br>Re-allocated<br>(Note B)<br>S\$'000 |             | Amount<br>Utilised<br>S\$'000 | Balance<br>S\$'000 |
|--------------------------------------------------------------------------------------|-----------------------------|-------------|-----------------------------------------------|-------------|-----------------------------------------------|-------------|-------------------------------|--------------------|
| To explore investments,<br>acquisitions, strategic alliance<br>and/or joint ventures | 1,611                       | 60%         | 805                                           | 30%         | 537                                           | 20%         | 537 <sup>(1)</sup>            | 0                  |
| General working Capital                                                              | 1,074                       | 40%         | 1,880                                         | 70%         | 2,148                                         | 80%         | 2,148 <sup>(2)</sup>          | 0                  |
| <b>TOTAL</b>                                                                         | <b>2,685</b>                | <b>100%</b> | <b>2,685</b>                                  | <b>100%</b> | <b>2,685</b>                                  | <b>100%</b> | <b>2,685</b>                  | <b>0</b>           |

Note A: The Company has re-allocated approximately S\$806,000 from exploration of investments, acquisitions, strategic alliance and/or joint ventures to general working capital.

Note B: The Company has re-allocated approximately S\$268,000 from exploration of investments, acquisitions, strategic alliance and/or joint ventures to general working capital.

(1) The amount allocated for exploration of investments, acquisitions, strategic alliance and/or joint ventures had been utilized for the expenses incurred on the Proposed Acquisition.

(2) The amount allocated for working capital had been utilized mainly for the payment to subcontractor of S\$0.50 million, other expenses of S\$1.29 million and payment of holding company advances of S\$0.36 million.

## ADDITIONAL DISCLOSURE REQUIRED FOR MINERAL, OIL AND GAS COMPANIES

### 15. Rule 705(6)(a) of the Catalyst Listing Manual

#### Use of funds/cash for the quarter:-

In 3Q2017, funds/cash was mainly used for the following production activities:-

| Purpose                                    | Amount (\$'000)<br>Actual Usage | Amount (\$'000)<br>Projected Usage | Amount (\$'000)<br>Variance | Remarks |
|--------------------------------------------|---------------------------------|------------------------------------|-----------------------------|---------|
| Excavation and production activities       | 104                             | 134                                | (30)                        | (a)     |
| Payments for property, plant and equipment | 113                             | 110                                | 3                           | (b)     |
| Royalties and tributes fee                 | 7                               | 10                                 | (3)                         | (c)     |
| Upkeep of equipment and motor vehicles     | 18                              | 41                                 | (23)                        | (d)     |
| General working capital                    | 127                             | 140                                | (13)                        | (e)     |
| Total                                      | 369                             | 435                                | (66)                        |         |

- The decrease in actual payments for excavation and production activities was mainly due to accrual of payments to be made in next quarter.
- The increase in actual payments for property, plant and equipment was due to additional commitment of property, plant and equipment in 3Q2017, as a result of deferment for commitment of property, plant and equipment in 2Q2017.
- The decrease in actual payments of royalty and tribute fees was due to accrual of payments to be made next quarter.
- The decrease in actual payments of upkeep of equipment and motor vehicles was due to accrual of payments to be made next quarter.
- The decrease in actual expenditure for general working capital was mainly due to deferment of payments to next quarter and cost cutting measures implemented by the Company.

#### Projection on the use of funds/cash for the next immediate quarter, including principal assumptions:-

For the next immediate quarter (financial period from 1 January 2017 to 31 March 2017 ("4Q2017")), the Group's use of fund/cash for production activities are expected to be as follows:-

| Purpose                                   | Amount (\$'000)<br>Projected Usage |
|-------------------------------------------|------------------------------------|
| Excavation and production activities      | 141                                |
| Payments for property plant and equipment | 114                                |
| Royalty and tribute fees                  | 10                                 |
| Upkeep of equipment and motor vehicles    | 38                                 |
| General working capital                   | 142                                |
| Total                                     | 445                                |

#### Principal Assumptions

Projected uses of funds/cash for certain items, including, but not limited to payments for excavation and production activities, and royalty and tribute fees payable will vary according to inter-alia the Group's rate of sales of marble. Accordingly, in the event that the Group's actual rate of sales of marble changes, the Group's use of funds/cash for production activities will change as well.

#### 16. Rule 705(6)(b) of the Catalist Listing Manual

The Board of Directors of the Company hereby confirms that, to the best of their knowledge, nothing has come to their attention which may render the above information provided to be false or misleading in any material aspect.

#### 17. Rule 705(7)(a) of the Catalist Listing Manual

Details of exploration (including geophysical surveys), development and/or production activities undertaken by the Company and a summary of the expenditure incurred on those activities, including explanations for any material variances with previous projections, for the period under review. If there has been no exploration, development and/or production activity respectively, that fact must be stated.

| Gua Musang Quarry | 3Q 2016                                   |                                              | Cumulative 1Q 2016 to 2Q 2016             |                                              | Total                                     |                                              |
|-------------------|-------------------------------------------|----------------------------------------------|-------------------------------------------|----------------------------------------------|-------------------------------------------|----------------------------------------------|
| Hill 2B           | Excavation Gross Volume (m <sup>3</sup> ) | Production of marble block (m <sup>3</sup> ) | Excavation Gross Volume (m <sup>3</sup> ) | Production of marble block (m <sup>3</sup> ) | Excavation Gross Volume (m <sup>3</sup> ) | Production of marble block (m <sup>3</sup> ) |
| October 2016      | 1,500                                     | 310                                          | 10,800                                    | 1,708                                        | 15,100                                    | 2,575                                        |
| November 2016     | 1,300                                     | 280                                          |                                           |                                              |                                           |                                              |
| December 2016     | 1,500                                     | 277                                          |                                           |                                              |                                           |                                              |

##### Hill 2A

|               |       |   |        |   |        |   |
|---------------|-------|---|--------|---|--------|---|
| October 2016  | 7,800 | - | 33,800 | - | 53,900 | - |
| November 2016 | 5,800 | - |        |   |        |   |
| December 2016 | 6,500 | - |        |   |        |   |

##### Hill 1\*

|               |   |   |   |   |   |   |
|---------------|---|---|---|---|---|---|
| October 2016  | - | - | - | - | - | - |
| November 2016 | - | - |   |   |   |   |
| December 2016 | - | - |   |   |   |   |

Total cash used for excavation and production activities at Gua Musang Quarry was S\$0.10 million in 3Q2017.

\* Marble extraction works in Hill 1 had been put on hold since January 2016 to focus on excavation and extraction of resources in Hill 2A and Hill 2B.

#### 18. Rule 705(7)(b) of the Catalist Listing Manual

Update on its reserves and resources, where applicable, in accordance with the requirements as set out in Practice Note 4C, including a summary of reserves and resources as set out in Appendix 7D.

The qualified person's report ("QPR") on the updated marble resources and ore reserve estimates as at 31 March 2016 is contained in the Annual Report for the financial year ended 31 March 2016 ("Annual Report FY2016"). Soft copy of the Annual Report FY2016 is available for download on the SGXNET.

There were no material updates as at 31 December 2016 to the QPR.

**19. Confirmation pursuant to Rule 705(5) of the Catalyst Listing Manual**

The Board of Directors of the Company hereby confirms that, to the best of their knowledge, nothing has come to their attention which may render the unaudited financial statements for the three months and nine months financial period ended 31 December 2016 to be false or misleading in any material aspect.

**20. Confirmation pursuant to Rule 720(1) of the Catalyst Listing Manual**

The Company has procured undertakings from all its directors and executive officer under Rule 720 (1).

**BY ORDER OF THE BOARD**

Dr. Loh Chang Kaan

Chief Executive Officer and Executive Director

13 February 2017