



CSC HOLDINGS LIMITED

(Company Registration Number: 199707845E)

Financial Statements Announcement

for the Second Quarter Ended 30 September 2019

(For the Financial Year Ending 31 March 2020)

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Review of the Performance of the Group

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

2QFY20 – for the 3 months ended 30 September 2019

1QFY20 – for the 3 months ended 30 June 2019

2QFY19 – for the 3 months ended 30 September 2018

1HFY20 – for the 6 months ended 30 September 2019

1HFY19 – for the 6 months ended 30 September 2018

Review of Results for the Second Quarter Ended 30 September 2019

	2QFY20 \$'000	1QFY20 \$'000	Change %	2QFY19 \$'000	Change %	1HFY20 \$'000	1HFY19 \$'000	Change %
Revenue	89,903	80,524	11.6	94,552	(4.9)	170,427	175,854	(3.1)
Gross Profit	10,772	9,682	11.3	4,943	>100.0	20,454	9,279	>100.0
Other Income	648	592	9.5	408	58.8	1,240	1,228	1.0
Operating Expenses	(8,280)	(7,573)	9.3	(7,336)	12.9	(15,853)	(13,845)	14.5
Profit/(Loss) from Operating Activities	3,140	2,701	16.3	(1,985)	N.M.	5,841	(3,338)	N.M.
Net Finance (Expenses)/Income	(936)	(912)	2.6	46	N.M.	(1,848)	(860)	>100.0
Share of Loss of Associates	(32)	(50)	(36.0)	(5)	>100.0	(82)	(5)	>100.0
Profit/(Loss) before Tax	2,172	1,739	24.9	(1,944)	N.M.	3,911	(4,203)	N.M.
Tax Expense	(316)	(343)	(7.9)	(267)	18.4	(659)	(449)	46.8
Profit/(Loss) for the period	1,856	1,396	33.0	(2,211)	N.M.	3,252	(4,652)	N.M.
EBITDA	11,349	9,255	22.6	4,125	>100.0	20,604	8,791	>100.0
Gross Profit Margins	12.0%	12.0%		5.2%		12.0%	5.3%	

Revenue

Revenue for the Group was \$170.4 million for 1HFY20 (1HFY19: \$175.9 million) and \$89.9 million for 2QFY20 (2QFY19: \$94.6 million) with work volume remaining stable for the periods under review.

Quarter-on-quarter, the Group recorded an 11.6% increase in revenue compared to 1QFY20 on the back of higher work volume from projects that commenced in 2QFY20.

Gross Profit and Gross Profit Margins (GPM)

Gross profit and GPM for 1HFY20 rose to \$20.5 million and 12.0% (1HFY19: \$9.3 million and 5.3%). Similarly, gross profit and GPM for 2QFY20 increased to \$10.8 million and 12.0% (2QFY19: \$4.9 million and 5.2%). The increases reflected an improvement in tender prices and business activity in these periods year-on-year.

Sequentially, gross profit increased in tandem with the revenue recorded. GPM was sustained at 12.0%.

Other Income

The Group recorded other income of \$1.2 million for 1HFY20 (1HFY19: \$1.2 million) and \$0.6 million for 2QFY20 (2QFY19: \$0.4 million; 1QFY20: \$0.6 million) respectively. These took into account the gain from the disposal of old equipment of \$0.9 million in 1HFY20 (1HFY19: \$0.8 million) and \$0.5 million in 2QFY20 (2QFY19: \$0.1 million; 1QFY20: \$0.4 million).

Operating Expenses

	2QFY20 \$'000	1QFY20 \$'000	Change %	2QFY19 \$'000	Change %	1HFY20 \$'000	1HFY19 \$'000	Change %
Other Operating Expenses	7,810	6,920	12.9	7,174	8.9	14,730	13,765	7.0
a) Expected Credit Losses Reversed on Trade and Other Receivables and Contract Assets	(63)	(142)	(55.6)	(343)	(81.6)	(205)	(150)	36.7
b) Impairment Losses on:								
- Other Investment	-	240	N.M.	-	N.M.	240	-	N.M.
- Trade and Other Receivables and Contract Assets	310	239	29.7	434	(28.6)	549	130	>100.0
c) Exchange (Gain)/Loss	(471)	242	N.M.	(13)	>100.0	(229)	(26)	>100.0
d) Write-Down of Plant and Equipment	694	74	>100.0	84	>100.0	768	126	>100.0
Operating Expenses *	8,280	7,573	9.3	7,336	12.9	15,853	13,845	14.5
Other Operating Expenses /Revenue	8.7%	8.6%		7.6%		8.6%	7.8%	

* Comprises of Distribution Expenses, Administrative Expenses and Other Operating Expenses/(Income).

The Group incurred higher other operating expenses of \$14.7 million for 1HFY20 (1HFY19: \$13.8 million) and \$7.8 million for 2QFY20 (2QFY19: \$7.2 million; 1QFY20: \$6.9 million). The increase was mainly due to higher legal fees accrued to recover outstanding debt and higher staff costs incurred due to an increase in headcount in 2QFY20.

Consequently, other operating expenses to revenue ratio was higher at 8.6% for 1HFY20 (1HFY19: 7.8%) and 8.7% for 2QFY20 (2QFY19: 7.6%; 1QFY20: 8.6%).

Net Finance Expenses

	2QFY20 \$'000	1QFY20 \$'000	Change %	2QFY19 \$'000	Change %	1HFY20 \$'000	1HFY19 \$'000	Change %
Interest Income	52	50	4.0	118	(55.9)	102	170	(40.0)
Interest Expenses	(1,193)	(1,082)	10.3	(1,019)	17.1	(2,275)	(1,856)	22.6
Net Interest Expenses	(1,141)	(1,032)	10.6	(901)	26.6	(2,173)	(1,686)	28.9
Imputed Interest on Non-Current Assets	328	261	25.7	373	(12.1)	589	252	>100.0
Interest Expenses on Lease Liabilities	(123)	(141)	(12.8)	-	N.M.	(264)	-	N.M.
Net Finance Expenses	(936)	(912)	2.6	(528)	77.3	(1,848)	(1,434)	28.9
Return on the Investment in a Property Development Project in Hertford, United Kingdom	-	-	N.M.	574	N.M.	-	574	N.M.
Net Finance Expenses	(936)	(912)	2.6	46	N.M.	(1,848)	(860)	>100.0

Net Finance Expenses (cont'd)

Net interest expenses were \$2.2 million for 1HFY20 (1HFY19: \$1.7 million) and \$1.1 million for 2QFY20 (2QFY19: \$0.9 million; 1QFY20: \$1.0 million). The increase was due to a higher amount of short-term borrowings drawn down for working capital purposes.

Profit/(Loss) for the period

The Group recorded net profit before tax of \$3.9 million in 1HFY20, a turnaround from a loss before tax of \$4.2 million in 1HFY19.

The Group recorded its second consecutive quarter of profit before tax of \$2.2 million for 2QFY20 compared to a loss before tax of \$1.9 million in 2QFY19. Sequentially, profit before tax for 2QFY20 improved 24.9% from the \$1.7 million recorded in 1QFY20.

Earnings before interest, tax, depreciation and amortisation (EBITDA) also improved significantly to \$20.6 million for 1HFY20 (1HFY19: \$8.8 million) and \$11.3 million in 2QFY20 (2QFY19: \$4.1 million; 1QFY20: \$9.3 million).

Earnings per share for 1HFY20 and 2QFY20 were 0.09 cent (1HFY19: loss per share of 0.26 cent) and 0.06 cent (2QFY19: loss per share of 0.13 cent; 1QFY20: 0.03 cent) respectively.

STATEMENT OF FINANCIAL POSITION

Non-Current Assets

Property, Plant and Equipment

Net book value of property, plant and equipment as at 30 September 2019 was \$137.5 million (31 March 2019: \$137.1 million).

In 1HFY20, the Group acquired \$6.0 million worth of new plant and equipment to replace older equipment. The Group disposed of plant and equipment with carrying values of \$2.0 million and recorded a \$0.6 million gain on the disposal. Depreciation charge for 1HFY20 was \$13.5 million (1HFY19: \$12.1 million).

Right-of-use Assets

Following the adoption of Singapore Financial Reporting Standards (International) ("SFRS(I)") 16 *Leases* as disclosed in "Accounting Policies" on pages 23 to 24, the Group has recognised non-current right-of-use assets of \$11.3 million.

Net Current Assets

As at 30 September 2019, net current assets was \$2.7 million (31 March 2019: \$4.1 million). Current ratio (current assets / current liabilities) was 1.01 (31 March 2019: 1.02).

The Group's inventories stood at \$23.2 million as at 30 September 2019 (31 March 2019: \$29.7 million). In 1HFY20, inventories amounting to \$9.7 million in carrying value were capitalised as property, plant and equipment following the reassessment of the economic uses of these inventories.

Trade and other receivables and contract assets were \$144.0 million (31 March 2019: \$134.6 million) while trade and other payables and contract liabilities were \$101.5 million (31 March 2019: \$99.7 million). The increase in trade and other receivables and contract assets was mainly due to the timing differences between billing and receipt of payment from customers. Of these receivables, approximately \$29.2 million have since been collected in October 2019, subsequent to the quarter end.

The Group disposed of assets held for sale with carrying values of \$0.7 million and recorded a \$0.3 million gain on the disposal in 1HFY20. As at 30 September 2019, assets held for sale was \$15.0 million (31 March 2019: \$15.5 million).

Following the adoption of SFRS(I) 16 *Leases*, the Group has recognised current lease liabilities of \$2.6 million.

Borrowings

As at 30 September 2019, total borrowings, excluding lease liabilities arising from the adoption of SFRS(I) 16 *Leases*, was \$99.9 million (31 March 2019: \$102.7 million). The reduction was a result of net repayment of debt in 1HFY20.

Consequently, the debt to equity ratio as at 30 September 2019 improved by 5.6% to 0.68 (31 March 2019: 0.72).

Equity and Net Asset Value

As at 30 September 2019, the Group's equity was \$146.5 million (31 March 2019: \$142.4 million), while net asset value per ordinary share was 6.1 cents (31 March 2019: 6.1 cents).

CASH FLOW

	2QFY20 \$'000	1QFY20 \$'000	Change %	2QFY19 \$'000	Change %	1HFY20 \$'000	1HFY19 \$'000	Change %
Cash Flow from Operating Activities	5,748	10,299	(44.2)	(5,348)	N.M.	16,047	(4,779)	N.M.
Cash Flow from Investing Activities	(2,214)	(402)	>100.0	(5,308)	(58.3)	(2,616)	(9,525)	(72.5)
Cash Flow from Financing Activities	(329)	(12,188)	(97.3)	9,448	N.M.	(12,517)	8,004	N.M.
Cash and Cash Equivalents	8,124	4,889	66.2	9,451	(14.0)	8,124	9,451	(14.0)

Cash Flow from Operating Activities

Net cash inflow from operating activities was \$16.0 million for 1HFY20 and \$5.7 million for 2QFY20, compared to a net cash outflow of \$4.8 million in 1HFY19 and \$5.3 million in 2QFY19, taking into account the net profit recorded during the periods under review.

Quarter-on-quarter, net cash inflow for 2QFY20 was \$5.7 million (1QFY20: \$10.3 million).

Cash Flow from Investing Activities

The Group's net cash outflow from investing activities for 1HFY20 and 2QFY20 were \$2.6 million and \$2.2 million respectively (1HFY19: \$9.5 million; 2QFY19: \$5.3 million).

The lower cash outflows in 1HFY20 and 2QFY20 were mainly due to lower capital expenditure incurred during the periods under review. The Group had invested \$1.4 million in a residential property development project in Cambridge, United Kingdom, in 2QFY19.

Cash Flow from Financing Activities

The Group recorded net cash outflow from financing activities of \$12.5 million and \$0.3 million for 1HFY20 and 2QFY20 (1HFY19 and 2QFY19: inflows of \$8.0 million and \$9.4 million), following the net repayment of bank borrowings during the periods.

Net cash outflow for 2QFY20 was lower than 1QFY20 due to lower net repayment of bank borrowings during the quarter.

Cash and Cash Equivalents

Taking into consideration the abovementioned factors, the Group's cash and cash equivalents stood at \$8.1 million as at 30 September 2019 (30 September 2018: \$9.5 million; 30 June 2019: \$4.9 million).

Outlook

The Group's performance has been underpinned by continued growth in the Singapore construction sector, which has emerged as the bright spot amid a subdued Singapore economic performance in recent quarters. Driven by higher demand from the public sector, the construction sector has turned in a 2.7% growth year-on-year in the third calendar quarter of 2019, marking its third consecutive quarter of growth¹.

The Group remains cautiously optimistic about the outlook of the construction sector and our prospects for the months ahead. Nevertheless, we are mindful that the wider economic and geopolitical headwinds could affect the sector's recovery. To ride on the recovery of the construction sector, we will continue to leverage our strong capabilities and firm track record to actively tender for more strategic projects.

As at 5 November 2019, the Group's order book stands at about \$150 million (2 August 2019: \$150 million).

¹ Ministry of Trade and Industry, Singapore's GDP Grew by 0.1 Per Cent in the Third Quarter of 2019, 14 October 2019
(Source: https://www.mti.gov.sg/Newsroom/Press-Releases/2019/10/Singapore-GDP-Grew-by-0_1-Per-Cent-in-the-Third-Quarter-of-2019)

Consolidated Statement of Profit or Loss for the 2nd Quarter ended 30 September 2019

	Note	Group			Group		
		2nd Quarter ended		Change	6 months ended		Change
		30-Sep-19	30-Sep-18		30-Sep-19	30-Sep-18	
		\$'000	\$'000	%	\$'000	\$'000	%
Revenue		89,903	94,552	(4.9)	170,427	175,854	(3.1)
Cost of sales	A	(79,131)	(89,609)	(11.7)	(149,973)	(166,575)	(10.0)
Gross profit		10,772	4,943	>100.0	20,454	9,279	>100.0
Other income	B	648	408	58.8	1,240	1,228	1.0
Operating expenses							
- Distribution expenses		(242)	(228)	6.1	(348)	(459)	(24.2)
- Administrative expenses	C	(7,036)	(6,898)	2.0	(14,059)	(13,245)	6.1
- Other operating expenses	D	(1,002)	(210)	>100.0	(1,446)	(141)	>100.0
		(8,280)	(7,336)	12.9	(15,853)	(13,845)	14.5
Results from operating activities		3,140	(1,985)	N.M.	5,841	(3,338)	N.M.
Net finance (expenses)/income							
- Finance income		380	1,065	(64.3)	691	996	(30.6)
- Finance expenses		(1,316)	(1,019)	29.1	(2,539)	(1,856)	36.8
		(936)	46	N.M.	(1,848)	(860)	>100.0
Share of loss of associates (net of tax)		(32)	(5)	>100.0	(82)	(5)	>100.0
Profit/(Loss) before tax		2,172	(1,944)	N.M.	3,911	(4,203)	N.M.
Tax expense	E	(316)	(267)	18.4	(659)	(449)	46.8
Profit/(Loss) for the period		1,856	(2,211)	N.M.	3,252	(4,652)	N.M.
Attributable to:							
Owners of the Company		1,439	(2,805)	N.M.	2,181	(5,705)	N.M.
Non-controlling interests		417	594	(29.8)	1,071	1,053	1.7
Profit/(Loss) for the period		1,856	(2,211)	N.M.	3,252	(4,652)	N.M.

Gross profit margin

12.0%

5.2%

12.0%

5.3%

Net profit/(loss) margin

2.1%

-2.3%

1.9%

-2.6%

Consolidated Statement of Comprehensive Income for the 2nd Quarter ended 30 September 2019

	Group			Group		
	2nd Quarter ended		Change	6 months ended		Change
	30-Sep-19	30-Sep-18		30-Sep-19	30-Sep-18	
	\$'000	\$'000	%	\$'000	\$'000	%
Profit/(Loss) for the period	1,856	(2,211)	N.M.	3,252	(4,652)	N.M.
Other comprehensive income, net of tax items that are or may be reclassified subsequently to profit or loss:						
Foreign currency translation differences - foreign operations	246	(653)	N.M.	179	(811)	N.M.
Total comprehensive income for the period	2,102	(2,864)	N.M.	3,431	(5,463)	N.M.
Attributable to:						
Owners of the Company	1,561	(3,405)	N.M.	2,174	(6,414)	N.M.
Non-controlling interests	541	541	0.0	1,257	951	32.2
Total comprehensive income for the period	2,102	(2,864)	N.M.	3,431	(5,463)	N.M.

Statement of Financial Position as at 30 September 2019

DESCRIPTION	Note	Group		Company	
		30-Sep-19	31-Mar-19	30-Sep-19	31-Mar-19
		\$'000	\$'000	\$'000	\$'000
Non-current assets					
Property, plant and equipment	1	137,534	137,101	8	12
Right-of-use assets		11,343	-	-	-
Goodwill		1,452	1,452	-	-
Investments in:					
- subsidiaries		-	-	118,922	112,582
- associates		598	651	-	-
Other investments		165	406	-	-
Contract assets		17,655	16,106	-	-
Trade and other receivables		1,962	2,007	9,857	9,856
Deferred tax assets		80	44	161	161
		170,789	157,767	128,948	122,611
Current assets					
Inventories	2	23,238	29,687	-	-
Contract assets		70,969	80,882	-	-
Trade and other receivables		73,018	53,757	13,558	13,198
Tax recoverable		322	506	-	-
Cash and cash equivalents		16,447	15,212	305	503
		183,994	180,044	13,863	13,701
Assets held for sale		15,031	15,539	-	-
		199,025	195,583	13,863	13,701
Total assets		369,814	353,350	142,811	136,312

Statement of Financial Position as at 30 September 2019 (cont'd)

DESCRIPTION	Note	Group		Company	
		30-Sep-19	31-Mar-19	30-Sep-19	31-Mar-19
		\$'000	\$'000	\$'000	\$'000
Equity attributable to owners of the Company					
Share capital		82,306	81,635	82,306	81,635
Reserves		35,442	33,268	50,448	48,319
		117,748	114,903	132,754	129,954
Non-controlling interests		28,705	27,448	-	-
Total equity		146,453	142,351	132,754	129,954
Non-current liabilities					
Loans and borrowings	3	15,912	17,392	-	5
Lease liabilities		8,817	-	-	-
Deferred tax liabilities		2,327	2,079	-	-
		27,056	19,471	-	5
Current liabilities					
Loans and borrowings	3	83,969	85,313	10	11
Lease liabilities		2,638	-	-	-
Contract liabilities		3,003	4,225	-	-
Trade and other payables		98,513	95,434	10,012	6,319
Provisions		7,521	6,113	-	-
Current tax payable		661	443	35	23
		196,305	191,528	10,057	6,353
Total liabilities		223,361	210,999	10,057	6,358
Total equity and liabilities		369,814	353,350	142,811	136,312

Consolidated Statement of Cash Flows for the 2nd Quarter ended 30 September 2019

	2nd Quarter ended		6 months ended	
	<u>30-Sep-19</u>	<u>30-Sep-18</u>	<u>30-Sep-19</u>	<u>30-Sep-18</u>
	\$'000	\$'000	\$'000	\$'000
Cash flows from operating activities				
Profit/(Loss) for the period	1,856	(2,211)	3,252	(4,652)
Adjustments for:				
Bad debts written off/(back)	-	23	-	(15)
Depreciation of:				
- property, plant and equipment	7,539	6,115	13,510	12,134
- right-of-use assets	702	-	1,335	-
Gain on disposal of:				
- property, plant and equipment	(528)	(116)	(638)	(783)
- assets held for sale	-	-	(259)	-
Expected credit losses reversed on trade and other receivables and contract assets	(63)	(343)	(205)	(150)
Impairment losses on:				
- other investment	-	-	240	-
- trade and other receivables and contract assets	310	434	549	130
Inventories written off	27	121	52	130
Net finance expenses/(income)	936	(46)	1,848	860
Property, plant and equipment written off	17	1	28	1
Provisions for:				
- onerous contracts	988	-	988	-
- rectification costs	902	253	2,449	456
Share of loss of associates (net of tax)	32	5	82	5
Write-down of plant and equipment	694	84	768	126
Tax expense	316	267	659	449
Operating activities before working capital changes	13,728	4,587	24,658	8,691
Changes in working capital:				
Inventories	546	(1,864)	(550)	(627)
Trade and other receivables and contract assets	(4,738)	(16,066)	(9,227)	(37,729)
Trade and other payables and contract liabilities	(3,651)	8,142	1,445	25,252
Cash generated from/(used in) operations	5,885	(5,201)	16,326	(4,413)
Taxes paid	(189)	(265)	(381)	(536)
Interest received	52	118	102	170
Net cash generated from/(used in) operating activities	5,748	(5,348)	16,047	(4,779)

Consolidated Statement of Cash Flows for the 2nd Quarter ended 30 September 2019 (cont'd)

	2nd Quarter ended		6 months ended	
	30-Sep-19	30-Sep-18	30-Sep-19	30-Sep-18
	\$'000	\$'000	\$'000	\$'000
Cash flows from investing activities				
Purchase of property, plant and equipment	(3,263)	(4,242)	(4,975)	(9,421)
Proceeds from disposal of:				
- property, plant and equipment	714	382	1,444	1,337
- assets held for sale	335	-	915	-
Proceeds from government grants for acquisition of property, plant and equipment	-	31	-	158
Dilution of interests in a subsidiary, net of cash disposed of	-	(52)	-	(52)
Investment in an associate	-	(27)	-	(27)
Shareholder's loan due from an associate	-	(1,400)	-	(1,400)
Subscription of convertible notes	-	-	-	(120)
Net cash used in investing activities	(2,214)	(5,308)	(2,616)	(9,525)
Cash flows from financing activities				
Interest paid	(1,279)	(1,073)	(2,491)	(1,884)
Dividends paid:				
- non-controlling interests of a subsidiary	-	(150)	-	(150)
Proceeds from:				
- bank loans and finance lease loans	8,656	7,221	16,611	10,375
- bills payable	48,220	48,097	87,099	75,992
- issue of shares from exercise of warrants, net of expenses	620	7	671	31
Repayment of:				
- bank loans	(9,042)	(5,680)	(15,305)	(10,123)
- bills payable	(43,820)	(36,886)	(92,483)	(61,598)
- finance lease liabilities	(3,033)	(2,088)	(5,396)	(4,639)
- lease liabilities	(651)	-	(1,223)	-
Net cash (used in)/generated from financing activities	(329)	9,448	(12,517)	8,004
Net increase/(decrease) in cash and cash equivalents	3,205	(1,208)	914	(6,300)
Cash and cash equivalents at 1 July/1 April	4,889	10,678	7,193	15,758
Effect of exchange rate changes on balances held in foreign currencies	30	(19)	17	(7)
Cash and cash equivalents at 30 September	8,124	9,451	8,124	9,451
Comprising:				
Cash and cash equivalents	16,447	14,970	16,447	14,970
Bank overdrafts	(8,323)	(5,519)	(8,323)	(5,519)
Cash and cash equivalents in the consolidated cash flow statement	8,124	9,451	8,124	9,451

Statements of Changes in Equity for the 2nd Quarter ended 30 September 2019

<u>Group</u>	Share capital	Capital reserve	Reserve for own shares	Reserve on consolidation	Foreign currency translation reserve	Revaluation reserve	Other reserve	Accumulated profits	Total attributable to owners of the Company	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2018	80,522	17,798	(2,354)	116	(5,878)	11,050	(881)	28,998	129,371	27,049	156,420
Total comprehensive income for the period											
(Loss)/Profit for the period	-	-	-	-	-	-	-	(2,805)	(2,805)	594	(2,211)
Other comprehensive income											
Foreign currency translation differences	-	-	-	-	(600)	-	-	-	(600)	(53)	(653)
Transfer of revaluation surplus	-	-	-	-	-	(149)	-	149	-	-	-
Total other comprehensive income	-	-	-	-	(600)	(149)	-	149	(600)	(53)	(653)
Total comprehensive income for the period	-	-	-	-	(600)	(149)	-	(2,656)	(3,405)	541	(2,864)
Transactions with owners of the Company, recorded directly in equity											
Contributions by and distributions to owners											
Issue of shares from exercise of warrants	7	-	-	-	-	-	-	-	7	-	7
Dividend paid to non-controlling interests	-	-	-	-	-	-	-	-	-	(150)	(150)
Total transactions with owners of the Company	7	-	-	-	-	-	-	-	7	(150)	(143)
At 30 September 2018	80,529	17,798	(2,354)	116	(6,478)	10,901	(881)	26,342	125,973	27,440	153,413

Statements of Changes in Equity for the 2nd Quarter ended 30 September 2019 (cont'd)

<u>Group</u>	Share capital	Capital reserve	Reserve for own shares	Reserve on consolidation	Foreign currency translation reserve	Revaluation reserve	Other reserve	Accumulated profits	Total attributable to owners of the Company	Non-controlling interests	Total equity
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2019	81,686	17,798	(2,354)	116	(6,270)	11,639	(881)	13,833	115,567	28,164	143,731
Total comprehensive income for the period											
Profit for the period	-	-	-	-	-	-	-	1,439	1,439	417	1,856
Other comprehensive income											
Foreign currency translation differences	-	-	-	-	122	-	-	-	122	124	246
Transfer of revaluation surplus	-	-	-	-	-	(79)	-	79	-	-	-
Total other comprehensive income	-	-	-	-	122	(79)	-	79	122	124	246
Total comprehensive income for the period	-	-	-	-	122	(79)	-	1,518	1,561	541	2,102
Transactions with owners of the Company, recorded directly in equity											
Contributions by and distributions to owners											
Issue of shares from exercise of warrants	620	-	-	-	-	-	-	-	620	-	620
Total transactions with owners of the Company	620	-	-	-	-	-	-	-	620	-	620
At 30 September 2019	82,306	17,798	(2,354)	116	(6,148)	11,560	(881)	15,351	117,748	28,705	146,453

Statements of Changes in Equity for the 2nd Quarter ended 30 September 2019 (cont'd)

<u>Company</u>	<u>Share capital</u>	<u>Capital reserve</u>	<u>Reserve for own shares</u>	<u>Accumulated profits</u>	<u>Total</u>
	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 July 2018, as previously reported	80,522	17,798	(2,354)	35,903	131,869
Adoption of SFRS(I) 9	-	-	-	(2,266)	(2,266)
At 1 July 2018, as restated	80,522	17,798	(2,354)	33,637	129,603
Total comprehensive income for the period	-	-	-	49	49
Transactions with owners of the Company, recorded directly in equity					
Issue of shares from exercise of warrants	7	-	-	-	7
Total transactions with owners	7	-	-	-	7
At 30 September 2018	80,529	17,798	(2,354)	33,686	129,659
At 1 July 2019	81,686	17,798	(2,354)	32,954	130,084
Total comprehensive income for the period	-	-	-	2,050	2,050
Transactions with owners of the Company, recorded directly in equity					
Issue of shares from exercise of warrants	620	-	-	-	620
Total transactions with owners	620	-	-	-	620
At 30 September 2019	82,306	17,798	(2,354)	35,004	132,754

Note:

Capital reserve

Capital Reduction Reserve

<u>Group</u>	<u>Company</u>
\$'000	\$'000
17,798	17,798

The Capital Reduction Reserve shall not be treated or used by the Company as a distributable reserve for dividend purposes in accordance with Article 142 of the Articles of Association of the Company and the Companies Act, Chapter 50 of Singapore.

Notes to the Financial Statements

Notes to the Consolidated Statement of Profit or Loss

The Group is reporting its second quarter results for the period from 1 July 2019 to 30 September 2019 with comparative figures for the 3 months period from 1 July 2018 to 30 September 2018.

A Cost of sales

Group			
2nd Quarter ended		6 months ended	
30/09/2019	30/09/2018	30/09/2019	30/09/2018
\$'000	\$'000	\$'000	\$'000

Cost of sales includes the following items:

Depreciation of:

- property, plant and equipment	7,160	5,786	12,876	11,452
- right-of-use assets ⁽¹⁾	547	-	1,039	-
Inventories written off	27	121	52	130
Property, plant and equipment written off	-	-	11	-
Provisions for:				
- onerous contracts	988	-	988	-
- rectification costs	902	253	2,449	456

⁽¹⁾ Arising from adoption of SFRS(I) 16 Leases.

B Other income

Group			
2nd Quarter ended		6 months ended	
30/09/2019	30/09/2018	30/09/2019	30/09/2018
\$'000	\$'000	\$'000	\$'000

Other income includes the following items:

Gain on disposal of:				
- plant and equipment	528	116	638	783
- assets held for sale	-	-	259	-

C Administrative expenses

Group			
2nd Quarter ended		6 months ended	
30/09/2019	30/09/2018	30/09/2019	30/09/2018
\$'000	\$'000	\$'000	\$'000

Administrative expenses includes the following items:

Depreciation of:				
- property, plant and equipment	379	329	634	682
- right-of-use assets ⁽¹⁾	155	-	296	-
Exchange gain	(471)	(13)	(229)	(26)

⁽¹⁾ Arising from adoption of SFRS(I) 16 Leases.

Notes to the Consolidated Statement of Profit or Loss (cont'd)

D Other operating expenses

	Group			
	2nd Quarter ended		6 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	\$'000	\$'000	\$'000	\$'000
Other operating expenses includes the following items:				
Bad debts written off/(back)	-	23	-	(15)
Expected credit losses reversed on trade and other receivables and contract assets ⁽¹⁾	(63)	(343)	(205)	(150)
Impairment losses on:				
- other investment	-	-	240	-
- trade and other receivables and contract assets ⁽²⁾	310	434	549	130
Property, plant and equipment written off	17	1	17	1
Write-down of plant and equipment	694	84	768	126

⁽¹⁾ Arising from application of SFRS(I) 9 *Financial Instruments* and is reviewed on a periodic basis.

⁽²⁾ The Group's accounts receivables position is reviewed on a periodic basis. Impairment losses are made where required, after assessing the probability of recovering the accounts receivables. These impairment losses do not relate to any major customers. Amounts written back are cash recovered from receivables previously impaired.

E Tax expense

	Group			
	2nd Quarter ended		6 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	\$'000	\$'000	\$'000	\$'000
Current tax expense				
- current period	318	284	446	462
- over provided in prior years	-	-	(4)	(146)
	318	284	442	316
Deferred tax (credit)/expense				
- current period	48	20	(8)	36
- (over)/under provided in prior years	(50)	(37)	225	97
	(2)	(17)	217	133
	316	267	659	449

Notes to the Consolidated Statement of Profit or Loss (cont'd)

F Interested person transactions

The Company had not obtained a shareholders' mandate for the interested person transactions under Chapter 9 of the Listing Manual.

Interested person transactions carried out during the 2nd quarter ended 30 September 2019 under Chapter 9 of the Listing Manual are as follows:

Name of interested person	Aggregate value of all interested person transactions during the period under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)		Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than \$100,000)	
	2nd Quarter ended 30/09/2019 \$'000	6 months ended 30/09/2019 \$'000	2nd Quarter ended 30/09/2019 \$'000	6 months ended 30/09/2019 \$'000
Tat Hong HeavyEquipment (Pte.) Ltd. ⁽¹⁾	441	884	Nil	Nil
Tat Hong Plant Leasing Pte Ltd ⁽¹⁾	433	818	Nil	Nil

Note:

⁽¹⁾ Tat Hong HeavyEquipment (Pte.) Ltd. and Tat Hong Plant Leasing Pte Ltd are related corporations of TH Investments Pte Ltd, a substantial shareholder of the Company.

Notes to the Statement of Financial Position

1 Property, plant and equipment

The movement in property, plant and equipment is as follows:

	Group	
	As at 30/09/2019 \$'000	As at 31/03/2019 \$'000
<u>Cost/Valuation</u>		
Opening balance	367,758	381,078
Additions	5,979	16,885
Reclassification from inventories	9,737	6,315
Revaluation	-	1,117
Elimination of accumulated depreciation against cost on revaluation	-	(1,521)
Transfer to inventories	(1,315)	(7,543)
Reclassification to assets held for sale	(143)	(23,080)
Disposals/Write-offs	(2,826)	(4,748)
Translation differences on consolidation	649	(745)
Closing balance	<u>379,839</u>	<u>367,758</u>
<u>Accumulated depreciation and impairment losses</u>		
Opening balance	230,657	224,857
Depreciation charge	13,510	24,154
Impairment loss	-	11
Elimination of accumulated depreciation against cost on revaluation	-	(1,521)
Transfer to inventories	(1,188)	(6,569)
Reclassification to assets held for sale	-	(6,821)
Disposals/Write-offs	(784)	(3,017)
Translation differences on consolidation	110	(437)
Closing balance	<u>242,305</u>	<u>230,657</u>
Carrying amount	<u>137,534</u>	<u>137,101</u>

2 Inventories

	Group	
	As at 30/09/2019 \$'000	As at 31/03/2019 \$'000
Equipment and machinery held for sale	10,437	16,120
Spare parts	10,504	10,307
Construction materials on sites	2,297	3,260
	<u>23,238</u>	<u>29,687</u>
Allowance for inventory obsolescence	-	-
	<u>23,238</u>	<u>29,687</u>

Notes to the Statement of Financial Position (cont'd)

3 Aggregate amount of Group's borrowings and debt securities

Amount repayable in one year or less, or on demand

As at 30/09/2019	
Secured	Unsecured
\$'000	\$'000
16,405	67,564

As at 31/03/2019	
Secured	Unsecured
\$'000	\$'000
14,151	71,162

Amount repayable after one year

As at 30/09/2019	
Secured	Unsecured
\$'000	\$'000
15,912	-

As at 31/03/2019	
Secured	Unsecured
\$'000	\$'000
17,392	-

Details of any collateral

The Group's total borrowings were \$99.9 million (31 March 2019: \$102.7 million) and consist of overdrafts, bills payable, finance leases and bank loans. Included in the borrowings repayable within one year were bills payable amounting to \$25.9 million (31 March 2019: \$31.3 million).

The borrowings are secured by legal mortgages over the Group's assets listed below and guaranteed by the Company, out of which \$16,022,000 (31 March 2019: \$15,148,000) are also guaranteed by a related corporation:

- a) \$22,604,000 (31 March 2019: \$20,750,000) in respect of plant and machinery acquired under finance leases;
- b) \$9,482,000 (31 March 2019: \$10,482,000) which are secured by a charge over the leasehold land and properties; and
- c) \$231,000 (31 March 2019: \$311,000) which are secured by a mortgage over the plant and machinery.

Notes to the Statement of Changes in Equity

1 Changes in the Company's Share Capital

As at 30 September 2019, the issued and fully paid-up share capital of the Company was 2,410,012,946 (31 March 2019: 2,342,882,546) ordinary shares. Movement in the Company's issued and fully paid-up share capital during the 3 months ended 30 September 2019 was as follows:

	Number of shares	\$'000
As at 1 July 2019	2,347,962,546	81,686
Exercise of warrants	62,050,400	620
As at 30 September 2019	<u>2,410,012,946</u>	<u>82,306</u>

The total number of ordinary shares issued (excluding treasury shares) as at 30 September 2019 was 2,389,492,946 (31 March 2019: 2,322,362,546) ordinary shares.

During the 3 months ended 30 September 2019, 62,050,400 warrants were exercised at \$0.01 each pursuant to the Rights cum Warrants Issue on 30 December 2015. As at 30 September 2019, there were outstanding warrants of 1,239,678,225 (30 September 2018: 1,417,408,625) for conversion into ordinary shares, representing 51.9% (30 September 2018: 64.1%) of the total number of ordinary shares issued (excluding treasury shares).

There were no share buybacks for the 3 months ended 30 September 2019. There were 20,520,000 shares held as treasury shares as at 30 September 2019 (30 September 2018: 20,520,000 shares), representing 0.9% (30 September 2018: 0.9%) of the total number of ordinary shares issued (excluding treasury shares). There were no sales, transfers, cancellation and/or use of treasury shares as at 30 September 2019.

There were no subsidiary holdings in the Company as at 30 September 2019. There were no sales, transfers, cancellation and/or use of subsidiary holdings as at 30 September 2019.

Audit

The Group's figures have been reviewed by the Company's auditors in accordance with Singapore Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". The auditors' review report is issued in relation to the Group's Condensed Consolidated Interim Financial Information which is attached to the financial statements announcement. There are no qualifications or emphasis of matters in the auditors' review report.

Accounting Policies

The Group has applied the same accounting policies and methods of computation in the financial statements for the current reporting period compared with the audited financial statements for the year ended 31 March 2019, except for the adoption of new/revised SFRS(I) applicable for the financial period beginning on 1 April 2019 as follows:

- SFRS(I) 16 *Leases*;
- SFRS(I) INT 23 *Uncertainty over Income Tax Treatments*;
- Amendments to SFRS(I) 9 *Prepayment Features with Negative Compensation*;
- Amendments to SFRS(I) 1-28 *Long-term Interests in Associates and Joint Ventures*;
- Amendments to SFRS(I) 3 and SFRS(I) 11 *Previously Held Interest in a Joint Operation*;
- Amendments to SFRS(I) 1-12 *Income Tax Consequences of Payments on Financial Instruments Classified as Equity*;

Accounting Policies (cont'd)

- Amendments to SFRS(I) 1-23 *Borrowing Costs Eligible for Capitalisation*; and
- Amendments to SFRS(I) 1-19 *Plan Amendment, Curtailment or Settlement*;

Based on management's initial assessment, the application of the above standards and interpretations does not have a significant impact on the financial statements, except for SFRS(I) 16.

SFRS(I) 16 Leases

SFRS(I) 16 eliminates the lessee's classification of leases as either operating leases or finance leases and introduces a single lessee accounting model. Applying the new model, a lessee is required to recognise right-of-use (ROU) assets and lease liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value.

The Group has adopted SFRS(I) 16 on 1 April 2019 (date of initial application), using the modified retrospective approach. The Group applied the practical expedient not to reassess whether a contract contains a lease on 1 April 2019. Accordingly, existing lease contracts that were still effective on 1 April 2019 continued to be accounted for as lease contracts under SFRS(I) 16. The ROU assets recognised on 1 April 2019 were equal to their lease liabilities.

The impact on the adoption of SFRS(I) 16 for the Group is summarised below:

Statement of financial position

	As at 01/04/2019 \$'000
<u>Asset</u>	
Increase in non-current right-of-use assets	<u>12,160</u>
<u>Liabilities</u>	
Increase in non-current lease liabilities	(9,767)
Increase in current lease liabilities	<u>(2,393)</u>
	<u><u>(12,160)</u></u>

Consolidated statement of profit or loss

	2nd Quarter ended 30/09/2019 \$'000	6 months ended 30/09/2019 \$'000
Increase in depreciation of right-of-use assets	702	1,335
Decrease in operating lease expenses	(773)	(1,487)
Increase in finance expenses	<u>123</u>	<u>264</u>

The above assessment on the adoption of SFRS(I) 16 is preliminary as not all transition work requirements have been finalised and therefore may be subject to adjustments.

Earnings/(Loss) Per Share

(a) Basic earnings/(loss) per ordinary share

	2nd Quarter ended		6 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
Based on the weighted average number of ordinary shares on issue	0.06 cents	(0.13) cents	0.09 cents	(0.26) cents
	2nd Quarter ended		6 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	\$'000	\$'000	\$'000	\$'000
Basic earnings/(loss) per ordinary share is based on:				
Net profit/(loss) attributable to ordinary shareholders	1,439	(2,805)	2,181	(5,705)
	2nd Quarter ended		6 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	Number of shares			
Weighted average number of:				
Issued ordinary shares at beginning of the period	2,347,962,546	2,231,527,546	2,342,882,546	2,229,145,881
Issue of shares via exercise of warrants	12,354,643	355,598	10,475,558	1,675,746
Ordinary shares held as treasury shares	(20,520,000)	(20,520,000)	(20,520,000)	(20,520,000)
Weighted average number of ordinary shares used to compute earnings/(loss) per ordinary share	2,339,797,189	2,211,363,144	2,332,838,104	2,210,301,627

(b) Diluted earnings/(loss) per ordinary share

	2nd Quarter ended		6 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
On a fully diluted basis	0.05 cents	(0.13) cents	0.07 cents	(0.26) cents
	2nd Quarter ended		6 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	\$'000	\$'000	\$'000	\$'000
Diluted earnings/(loss) per ordinary share is based on:				
Net profit/(loss) attributable to ordinary shareholders	1,439	(2,805)	2,181	(5,705)

For the purpose of calculating the diluted earnings/(loss) per ordinary share, the weighted average number of ordinary shares in issue is adjusted to take into account the dilutive effect arising from the dilutive warrants with the potential ordinary shares weighted for the period outstanding.

Earnings/(Loss) Per Share (cont'd)

	2nd Quarter ended		6 months ended	
	30/09/2019	30/09/2018	30/09/2019	30/09/2018
	Number of shares			
Weighted average number of: Ordinary shares used in the calculation of basic earnings/(loss) per ordinary share	2,339,797,189	2,211,363,144	2,332,838,104	2,210,301,627
Potential ordinary shares issuable under exercise of warrants	665,483,345	*	642,719,756	*
Weighted average number of ordinary issued and potential shares assuming full conversion	3,005,280,534	2,211,363,144	2,975,557,860	2,210,301,627

* The Group was in a loss position for the period ended 30 September 2018, the warrants were not included in the computation of diluted loss per ordinary share as these potential ordinary shares were anti-dilutive.

Net Asset Value

	As at 30/09/2019	As at 31/03/2019
Group		
Net asset value per ordinary share based on issued share capital (excluding treasury shares) at the end of the period reported on	6.1 cents	6.1 cents
Company		
Net asset value per ordinary share based on issued share capital (excluding treasury shares) at the end of the period reported on	5.6 cents	5.6 cents

The net asset value per ordinary share is calculated based on net asset value of \$146.5 million (31 March 2019: \$142.4 million) over the total number of ordinary shares issued (excluding treasury shares) as at 30 September 2019 of 2,389,492,946 (31 March 2019: 2,322,362,546) ordinary shares.

Variance from Prospect Statement

No forecast or prospect statement has been disclosed to shareholders.

Dividend

No dividend has been declared/recommended in the current financial period and the corresponding period of the immediately preceding financial year, so as to conserve the Group's cash position.

Confirmation

The directors of the Company confirm that to the best of their knowledge, nothing has come to their attention which may render the financial results for the period under review to be false or misleading in any material respect.

The Company has procured undertakings from all its directors and executive officers (in the format set out in Appendix 7.7) under Rule 720(1).

Whitewash Waiver in relation to Rights Cum Warrants Issue

Capitalised terms used below, unless otherwise defined, shall have the same meanings as defined in the circular to shareholders of the Company dated 12 November 2015.

In connection with the Rights cum Warrants Issue that was undertaken by the Company, a Whitewash Waiver was granted on 12 October 2015 by the Securities Industry Council of Singapore whereby TH Investments Pte Ltd and its Concert Parties (comprising Tat Hong Investments Pte Ltd, Chwee Cheng & Sons Pte Ltd, Mr Ng Chwee Cheng, Chwee Cheng Trust, Mr Ng San Tiong Roland, Mr Ng Sun Ho Tony, Mr Ng San Wee David and Mr Ng Sun Giam Roger) ("Concert Party Group") are waived from the requirement to make a general offer made pursuant to Rule 14 of the Singapore Code on Takeovers and Mergers (the "Code") as a result of the subscription for their pro-rate entitlement of the Rights Shares and Warrants Shares arising from the exercise of pro-rata entitlement of the Warrants under the Rights cum Warrants Issue.

The following disclosure note is provided in connection with the requirements of Note 2 on Section 2 of Appendix 1 of the Code.

- (a) In the Extraordinary General Meeting held on 27 November 2015, the Independent Shareholders of the Company approved the Whitewash Resolution waiving their rights to receive a mandatory general offer from the Concert Party Group, for all the issued shares in the capital of the Company not already owned or controlled by them, as a result of the Concert Party Group's subscription of the Rights Shares and Warrants Shares arising from the exercise of the Warrants under the Rights cum Warrants Issue. The Whitewash Resolution is subject to the acquisition of the Warrant Shares by the Concert Party Group upon the exercise of the Warrants being completed by 29 December 2020 (inclusive), which is within five (5) years of the date of issue of the Warrants;
- (b) As at the latest practicable date, 31 October 2019, the Concert Party Group holds in aggregate:
 - (i) 1,245,618,407 Shares, representing approximately 52.13% of the voting rights in the Company; and
 - (ii) 193,232,605 Warrants, out of which 28,942,490 Warrants were pursuant to the Whitewash Waiver;
- (c) The maximum potential voting rights of the Concert Party Group in the Company, assuming that only the Concert Party Group (but not other shareholders) converts their Warrants in full is approximately 55.71% (based on the enlarged share capital of the Company of 2,582,725,551 Shares (excluding treasury shares) immediately following the allotment and issue of 193,232,605 Warrant Shares to the Concert Party Group);
- (d) Having approved the Whitewash Resolution on 27 November 2015, Shareholders have waived their rights to receive a general offer from Concert Party Group at the highest price paid by the Concert Party Group for the Shares in the past 6 months preceding the date of the acquisition of the Warrant Shares; and
- (e) Having approved the Whitewash Resolution on 27 November 2015, Shareholders could be foregoing an opportunity to receive a general offer from another person who may be discouraged from making a general offer in view of the potential dilution effect of the Warrants.

By Order of the Board

Lee Quang Loong
Chief Financial Officer / Company Secretary
7 November 2019