

Unaudited Condensed Interim Financial Statements

For the six months ended 30 June 2023

**Koyo International Limited
and its Subsidiaries**
(Incorporated in Singapore)
(Company Registration No: 200100075E)

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(A) Condensed interim consolidated statement of profit or loss and other comprehensive income

The Group

	NOTE	Six Months Ended		Increase/ (Decrease) %
		30-Jun-23	30-Jun-22	
		(Unaudited) S\$ '000	(Unaudited) S\$ '000	
Revenue	4	22,531	17,998	25.2
Cost of construction		(19,650)	(15,083)	30.3
Gross profit		2,881	2,915	(1.2)
Other income		193	617	(68.7)
Selling and distribution expenses		(71)	(38)	86.8
Administrative expenses		(5,014)	(4,353)	15.2
Other operating expenses		(714)	(189)	277.8
Finance expenses		(77)	(17)	352.9
Loss before income tax	6	(2,802)	(1,065)	163.1
Income tax expense	7	-	-	n.m.
Net loss		(2,802)	(1,065)	163.1
Other comprehensive income:				
Items that will not be reclassified to profit or loss:				
Net fair value (losses)/gains on equity instruments at fair value through other comprehensive income		(1)	1	n.m.
Other comprehensive (loss) / income, net of tax		(1)	1	n.m.
Total comprehensive loss		(2,803)	(1,064)	163.4
Loss attributable to :				
Equity holders of the Company		(2,802)	(1,065)	163.1
Total comprehensive loss attributable to:				
Equity holders of the Company		(2,803)	(1,064)	163.4
Loss per share (Singapore cents)				
Basic		(1.48)	(0.56)	
Diluted		(1.48)	(0.56)	
Loss per share was calculated based on weighted average number of ordinary shares in issue ('000):				
(a) Basic		189,824	189,824	
(b) Diluted		189,824	189,824	

Basic and diluted earnings per share of the Group were the same as there were no potential dilutive securities in issue as at 30 June 2023, 31 December 2022 and 30 June 2022.

n.m.: not meaningful

(B) Condensed interim statements of financial position

	Note	<u>Group</u>		<u>Company</u>	
		30-Jun-23 (Unaudited) S\$ '000	31-Dec-22 (Audited) S\$ '000	30-Jun-23 (Unaudited) S\$ '000	31-Dec-22 (Audited) S\$ '000
<u>ASSETS</u>					
<u>Non-current Assets</u>					
Property, plant and equipment	11	6,548	6,302	-	-
Investments in subsidiaries		-	-	18,850	18,850
Investment securities, at FVOCI	10	17	18	-	-
Investment securities, at FVPL	14	644	584	644	584
Other receivables		1,200	1,200	-	-
		<u>8,409</u>	<u>8,104</u>	<u>19,494</u>	<u>19,434</u>
<u>Current Assets</u>					
Inventories		31	47	-	-
Trade and other receivables		2,476	4,336	12	14
Contract assets		19,911	16,076	-	-
Cash and bank balances		6,348	8,897	195	230
		<u>28,766</u>	<u>29,356</u>	<u>207</u>	<u>244</u>
Total Assets		<u>37,175</u>	<u>37,460</u>	<u>19,701</u>	<u>19,678</u>
<u>LIABILITIES</u>					
<u>Non-current Liabilities</u>					
Lease liabilities	12	1,512	1,559	-	-
Bank borrowing		5,000	-	-	-
		<u>6,512</u>	<u>1,559</u>	<u>-</u>	<u>-</u>
<u>Current Liabilities</u>					
Trade and other payables		10,528	9,806	1,146	1,051
Contract liabilities		4,781	6,034	-	-
Provisions		-	1,720	-	-
Lease liabilities	12	184	256	-	-
Bank borrowing	12	17	-	-	-
Current income tax liabilities		-	129	-	-
		<u>15,510</u>	<u>17,945</u>	<u>1,146</u>	<u>1,051</u>
Total Liabilities		<u>22,022</u>	<u>19,504</u>	<u>1,146</u>	<u>1,051</u>
Net Assets		<u>15,153</u>	<u>17,956</u>	<u>18,555</u>	<u>18,627</u>
<u>EQUITY</u>					
Share capital	13	4,477	4,477	40,072	40,072
Treasury shares		(630)	(630)	(630)	(630)
Other reserves		1,643	1,644	-	-
Retained profits / (accumulated losses)		9,663	12,465	(20,887)	(20,815)
Total Equity		<u>15,153</u>	<u>17,956</u>	<u>18,555</u>	<u>18,627</u>

(C) Condensed interim statements of changes in equity

<u>The Group</u> (Unaudited)	Note	Attributable to equity holders of the Company				
		Share Capital S\$'000	Treasury Shares S\$'000	Other Reserves S\$'000	Retained Profits S\$'000	Total Equity S\$'000
2023						
At 1 January 2023		4,477	(630)	1,644	12,465	17,956
Loss for the period		-	-	-	(2,802)	(2,802)
<u>Other comprehensive loss</u>						
Net fair value losses on equity securities at fair value through OCI		-	-	(1)	-	(1)
Total comprehensive loss for the period		-	-	(1)	(2,802)	(2,803)
At 30 June 2023		4,477	(630)	1,643	9,663	15,153
2022						
At 1 January 2022		4,477	(630)	1,646	16,263	21,756
Loss for the period		-	-	-	(1,065)	(1,065)
<u>Other comprehensive loss</u>						
Net fair value gains on equity securities at fair value through OCI		-	-	1	-	1
Total comprehensive income / (loss) for the period		-	-	1	(1,065)	(1,064)
At 30 June 2022		4,477	(630)	1,647	15,198	20,692

(C) Condensed interim statements of changes in equity (cont'd)

<u>The Company</u> (Unaudited)	Note	Attributable to equity holders of the Company				Total Equity S\$'000
		Share Capital S\$'000	Treasury Shares S\$'000	Other Reserves S\$'000	(Accumulated Losses) S\$'000	
2023						
At 1 January 2023		40,072	(630)	-	(20,815)	18,627
Total comprehensive loss for the period		-	-	-	(72)	(72)
At 30 June 2023		40,072	(630)	-	(20,887)	18,555
2022						
At 1 January 2022		40,072	(630)	-	(10,756)	28,686
Total comprehensive loss for the period		-	-	-	(293)	(293)
At 30 June 2022		40,072	(630)	-	(11,049)	28,393

(D) Condensed interim consolidated statement of cash flows

<u>The Group</u>	Note	Six Months Ended	
		30-Jun-23 (Unaudited) S\$'000	30-Jun-22 (Unaudited) S\$'000
Cash flows from operating activities			
Net loss		(2,802)	(1,065)
Adjustments for:			
Depreciation of property, plant and equipment		376	445
Allowance for expected credit loss		453	-
Interest expenses		77	17
Interest income	6	(8)	(18)
Dividend income		(5)	(4)
Fair value loss /(gain) on financial assets, at FVPL		(61)	141
Exchange (gain)/loss on financial assets, at FVPL		6	(19)
Operating loss before working capital changes		(1,964)	(503)
Change in working capital:			
Inventories		16	(20)
Trade and other receivables, contract assets		(2,427)	(2,512)
Trade and other payables, contract liabilities		(819)	961
Provision		(1,720)	(557)
Cash used in operations		(6,914)	(2,631)
Income tax paid		(129)	-
Net cash used in operating activities		(7,043)	(2,631)
Cash flows from investing activities			
Additions to property, plant & equipment		(622)	(69)
Investment in financial assets at FVPL		-	(50)
Interest received		7	14
Net cash used in investing activities		(615)	(105)
Cash flows from financing activities			
Proceeds from bank borrowing		5,000	-
Proceeds from director's loan		500	-
Repayment of lease liabilities		(119)	(131)
Net changes in trust receipts		(213)	-
Interest paid		(59)	(17)
Net cash generate / (used) in financing activities		5,109	(148)
Net Decrease in cash and cash equivalents		(2,549)	(2,884)
Cash and cash equivalents at beginning of the period		7,772	12,200
Cash and cash equivalents at end of the period		5,223	9,316

(D) Condensed interim consolidated statement of cash flows (cont'd)

Non-cash transaction:

During the six months ended 30 June 2023 ("HY2023"), the Group acquired property, plant and equipment with an aggregate cost of S\$622,000 (30 June 2022: S\$69,000), of which none (30 June 2022: nil) was acquired under leases and all of S\$622,000 (30 June 2021: S\$69,000) via cash payment.

Reconciliation of liabilities arising from financing activities

	1-Jan-23	Financing cash inflow	Principal & Interest	Acquisition	Interest Expense	30-Jun-23
	S\$'000		S\$'000	S\$'000	S\$'000	S\$'000
Lease liabilities	1,815	-	(131)	-	12	1,696
Bank borrowings	-	5,000	-	-	17	5,017

	1-Jan-22	Financing cash inflow	Principal & Interest	Acquisition	Interest Expense	30-Jun-22
	S\$'000		S\$'000	S\$'000	S\$'000	S\$'000
Lease liabilities	2,081	-	(148)	-	17	1,950

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

The Group	Six Months As At	
	30-Jun-23	30-Jun-22
	(Unaudited)	(Unaudited)
	S\$'000	S\$'000
Short-term bank deposits	2,546	3,293
Cash and bank balances	3,802	7,146
	<u>6,348</u>	<u>10,439</u>
Less: Fixed deposits pledged to banks	<u>(1,125)</u>	<u>(1,123)</u>
	<u>5,223</u>	<u>9,316</u>

E. Notes to the unaudited condensed interim consolidated financial statements

1. General information

Koyo International Limited ("Company") is listed on the Catalist Board of Singapore Exchange Securities Trading Limited ("SGX-ST") and incorporated and domiciled in Singapore. These unaudited condensed interim consolidated financial statements as at and for the six months ended 30 June 2023 comprise the financial statements of the Company and its subsidiaries (collectively, the "Group").

The principal activities of the Company are those of investment holding and business of providing integrated mechanical and electrical engineering ("M&E") services.

The principal activities of its subsidiaries are:

- (a) Providing integrated mechanical and electrical engineering services and facilities management services;
- (b) Engineering contract works;
- (c) Supply of essential construction materials, including but not limited to reclamation sand, construction sand, armour rock, granite and other aggregates;
- (d) Supply and installation of audio, video and security and communication systems;
- (e) Environmental engineering work;
- (f) General trading of products;
- (g) Building construction, air-conditioner, mechanical ventilation system installation and engineering works; and
- (h) Interior design services and renovation work.

E. Notes to the unaudited condensed interim consolidated financial statements (cont'd)

2. Basis of preparation

The unaudited condensed interim financial statements for the six months ended 30 June 2023 have been prepared in accordance with SFRS(I) 1-34 *Interim Financial Reporting* issued by the Accounting Standards Council Singapore. The unaudited condensed interim financial statements do not include all the information required for a complete set of financial statements. However, selected explanatory notes are included to explain events and transactions that are significant to an understanding of the changes in the Group's financial position and performance of the Group since the last annual financial statements for the year 31 December 2022.

The accounting policies adopted are consistent with those of the previous financial year which were prepared in accordance with SFRS(I)s.

The unaudited condensed interim financial statements are presented in Singapore dollar which is the Company's functional currency.

Going concern assumption

The Company incurred a net loss of S\$72,000 (31 December 2022: \$293,000) during the financial period ended 30 June 2023 and as at that date, the Company's current liabilities exceeds its current assets by S\$939,000 (31 December 2022: S\$807,000). Included in the current liabilities is an amount of S\$1,100,000 (31 December 2022: S\$1,000,000) due to a subsidiary.

Notwithstanding the above, the directors are of the view that it is appropriate to prepare the financial statements on a going concern basis as the subsidiary has undertaken not to seek immediate repayment of the amount due from the Company until the Company's external liabilities have been settled or when the Company's cashflows permit.

2.1 New and amended standards adopted by the Group

The Group has adopted all the new and revised SFRS(I) that are relevant to its operations and effective for the current financial period under review.

The adoption of these new/revised SFRS(I)s did not result in material changes to the Group's accounting policies and has no material effect on the financial results or position of the Group and the Company.

E. Notes to the unaudited condensed interim consolidated financial statements (cont'd)

2.2 Use of judgements and estimates

In preparing the unaudited condensed interim financial statements, management has made judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

The significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the consolidated financial statements as at and for the financial year ended 31 December 2022.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the financial period in which the estimates are revised and in any future financial periods affected.

3. Seasonal operations

The Group's businesses are not affected significantly by seasonal or cyclical factors during the financial period.

4. Segment and revenue information

The Group is organised into the following main business segments:

- Mechanical Engineering
- Electrical Engineering
- Facilities Management; and
- Investment Holding

These operating segments are reported in a manner consistent with internal reporting provided to the Board of Directors who are responsible for allocating resources and assessing performance of the operating segments. The Group's operations are mainly located in Singapore.

E. Notes to the unaudited condensed interim consolidated financial statements (cont'd)

4.1 Reportable segments

	Mechanical Engineering S\$'000	Electrical Engineering S\$'000	Facilities Management S\$'000	Investment Holding S\$'000	Total S\$'000
HY2023					
Revenue from external parties	19,434	728	2,308	61	22,531
Gross profit/(loss)	3,389	(1,465)	896	61	2,881
Segment assets	18,551	1,448	1,207	644	21,850
Segment liabilities	10,787	1,393	745	-	12,925

	Mechanical Engineering S\$'000	Electrical Engineering S\$'000	Facilities Management S\$'000	Investment Holding S\$'000	Total S\$'000
HY2022					
Revenue from external parties	9,950	4,888	3,301	(141)	17,998
Gross profit/(loss)	3,017	(1,844)	1,883	(141)	2,915
Segment assets	6,818	3,472	1,639	590	12,519
Segment liabilities	3,835	2,696	727	-	7,258

4.2 Disaggregation of revenue

	Group	
	Six Months Ended	
	30 June 2023	30 June 2022
	(Unaudited)	(Unaudited)
	S\$'000	S\$'000
Construction contracts		
Mechanical (Singapore)		
- Over time	19,434	9,950
Electrical (Singapore)		
- Over time	728	4,888
	20,162	14,838
Facilities management (Singapore)		
- Over time	2,308	3,301
Investment holding -gain /(loss)	61	(141)
	22,531	17,998

E. Notes to the unaudited condensed interim consolidated financial statements (cont'd)

5. Financial assets and financial liabilities

	<u>Group</u>		<u>Company</u>	
	30-Jun-23 (Unaudited)	31-Dec-22 (Audited)	30-Jun-23 (Unaudited)	31-Dec-22 (Audited)
	S\$ '000	S\$ '000	S\$ '000	S\$ '000
Financial Assets				
Financial assets at amortised cost	8,932	12,292	197	240
Financial Liabilities				
Financial liabilities at amortised cost	17,207	11,595	1,147	1,051

6. Loss before taxation

6.1. Significant items

The Group

	<u>Six Months Ended</u>	
	30-Jun-23 (Unaudited)	30-Jun-22 (Unaudited)
	S\$ '000	S\$ '000
<u>Income</u>		
Interest income	(8)	(18)
Dividend income	(5)	(4)
Fair value gain on financial assets, at FVPL	(61)	-
Exchange gain on financial assets, at FVPL	-	(19)
<u>Expenses</u>		
Depreciation of property, plant and equipment ("PPE")	376	445
Allowance for expected credit loss	453	-
Interest expense	77	17
Fair value loss on financial assets, at FVPL	-	141
Exchange loss on financial assets, at FVPL	6	-

E. Notes to the unaudited condensed interim consolidated financial statements (cont'd)

6.2. Related party transactions

No transactions took place between the Group and related parties other than those disclosed elsewhere in the financial statements for HY2023 which included the followings:

- (a) Outstanding balances as at 30 June 2023, arising from sales/purchases of goods and services, are unsecured and receivables/payable within 12 months (30 June 2022: 12 months) from the end of reporting period are disclosed as follows:

	Group		Company	
	30-Jun-23 (Unaudited) S\$ '000	30-Jun-22 (Unaudited) S\$ '000	30-Jun-23 (Unaudited) S\$ '000	30-Jun-22 (Unaudited) S\$ '000
Other payables				
- Subsidiary	-	-	(1,100)	(980)

- (b) Key management remuneration

The key management remuneration representing directors' and other key management personnel's are as follows:

	Group	
	30 Jun 23 (Unaudited) S\$'000	30 Jun 22 (Unaudited) S\$'000
Directors' fees	52	50
Salaries and short-term employee benefits	1,243	1,219
Employer's contribution to Central Provident Fund	84	66
	1,379	1,335

The above includes total remuneration to directors of the Company and its subsidiaries amounting to \$509,000(30 June 2022: \$525,000).

E. Notes to the unaudited condensed interim consolidated financial statements (cont'd)

7. Taxation

The Group calculates the current financial period's income tax expense using the tax rate that would be applicable to the expected total annual earnings. The major components of income tax expense in the condensed interim consolidated statement of profit or loss are:

	Six Months Ended	
	30-Jun-23	30-Jun-22
	(Unaudited)	(Unaudited)
	S\$ '000	S\$ '000
Current income tax expense	<u>-</u>	<u>-</u>

8. Dividends

No dividend is recommended for the period ended 30 June 2023 (30 June 2022: Nil).

9. Net asset value

	The Group		The Company	
	30-Jun-23 (Unaudited)	31-Dec-22 (Audited)	30-Jun-23 (Unaudited)	31-Dec-22 (Audited)
Net asset value per ordinary share (Singapore cents/share)	7.98	9.46	9.77	9.81
Number of Shares (excluding treasury shares) as at end of period/ year ('000)	189,824	189,824	189,824	189,824

E. Notes to the unaudited condensed interim consolidated financial statements (cont'd)

10. Financial assets at fair value through other comprehensive income (OCI)

	30-Jun-23 (Unaudited) S\$ '000	31-Dec-22 (Audited) S\$ '000
Investment securities - OCI	17	18

10.1. Fair value measurements

The table below presents assets and liabilities measured and carried at fair value and classified by level of the following fair value measure hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can assess at the measurement date (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Group Level 1 S\$'000
<u>Fair value through OCI</u> 30 June 2023	<u>17</u>
<u>Fair value through OCI</u> 31 December 2022	<u>18</u>

The fair value of investment securities traded in active markets is based on quoted market prices at the end of the reporting period. These instruments are included in Level 1.

The carrying amount less allowance for expected credit losses of trade receivables and payables are assumed to approximate their fair values due to the short-term nature of these balances.

11. Property, plant and equipment

During the six months ended 30 June 2023, the Group acquired assets amounting to \$622,000 (30 June 2022: \$69,000) and there was no disposal of assets (30 June 2022: nil).

E. Notes to the unaudited condensed interim consolidated financial statements (cont'd)

12. Lease liabilities/Borrowings

	<u>30-Jun-23 (Unaudited)</u>		<u>31-Dec-22 (Audited)</u>	
	Secured	Unsecured	Secured	Unsecured
	S\$'000	S\$'000	S\$'000	S\$'000
Amount repayable in one year or less				
Lease liabilities	20	164	34	222
Bank borrowings	17	-	-	-
Amount repayable after one year				
Lease liabilities	-	1,512	3	1,556
Bank borrowings	5,000	-	-	-
	5,037	1,676	37	1,778

Details of collateral:

The Group's secured borrowings relates to lease, secured against the respective motor vehicles with carrying amount of approximately S\$170,000 (31 Dec 2022: S\$239,000). The bank borrowings are secured by a first legal mortgage on the leasehold property of the subsidiary, an assignment of project proceeds, a corporate guarantee provided by the Company and a charge on fixed deposit.

13. Share Capital

	<u>30-Jun-23 (Unaudited)</u>		<u>31-Dec-22 (Audited)</u>	
	No. of shares		No. of shares	
	'000	S\$'000	'000	S\$'000
Group				
Issued and fully paid ordinary shares	196,124	4,477	196,124	4,477
Less: Treasury shares	(6,300)	(630)	(6,300)	(630)
	189,824	3,847	189,824	3,847
Company				
Issued and fully paid ordinary shares	196,124	40,072	196,124	40,072
Less: Treasury shares	(6,300)	(630)	(6,300)	(630)
	189,824	39,442	189,824	39,442

The Company holds 6,300,000 treasury shares as at 30 June 2023 and 31 December 2022. There were no subsidiary holdings as at 30 June 2023 and 31 December 2022.

E. Notes to the unaudited condensed interim consolidated financial statements (cont'd)

14. Financial assets at fair value through profit or loss

	Group and Company	
	30-Jun-23	31-Dec-22
	(Unaudited)	(Audited)
	S\$ '000	S\$ '000
Investment securities – quoted (Level 1)	644	584

The investment securities represent the fair value as at 30 June 2023 and 31 December 2022. The company has elected to measure these quoted equity securities at fair values through profit or loss as it is classified under the investment holding business segment.

15. Subsequent events

- (i) On 14 July 2023, the Group's wholly owned subsidiary, Koyo Engineering (S.E. Asia) Pte. Ltd. has entered into a loan agreement with KF Capital Pte Ltd ("**KF Capital**"), an interested person for working capital loan of up to S\$3,500,000. As at the announcement date, the drawdown working capital loan amounted to S\$1,000,000. KF Capital. is controlled by Mdm Dalat Kositanon, who is the mother of Mr Foo Suay Wei and Mr Foo Suay Lun, the Managing Director and the Executive Director of the Group, respectively. Please refer to the Company's announcement dated 14 July 2023 for more details.
- (ii) On 19 July 2023, the Group announced that its customer Tiong Aik Construction Pte Ltd ("**Tiong Aik**"), has appointed provisional liquidators after having assessed that its financial condition is such that it is presently unable to pay its debts as and when they fall due. As at the date of this announcement, the Group has outstanding amounts due from Tiong Aik, including a sum of S\$1.26 million for work done and certified but unpaid by Tiong Aik, and Tiong Aik continues to hold a total retention sum of S\$0.98 million. Of the S\$1.26 million, approximately S\$0.8 million was recorded after 30 June 2023. For HY2023, the Group made an allowance for impairment of S\$453,000 from Tiong Aik relating invoices issued and unpaid as at 30 June 2023.

F. Other Information Required by Appendix 7C of the Catalyst Rules

1. Review

The unaudited condensed interim consolidated statements of financial position of Koyo International Limited and its subsidiaries as at 30 June 2023 and the related unaudited condensed interim consolidated profit or loss and other comprehensive income, unaudited condensed interim consolidated statements of changes in equity and unaudited condensed interim consolidated statement of cash flows for the six-month period ended 30 June 2023 and certain explanatory notes have not been audited or reviewed by the Company's auditors.

2. Review of the performance of the Group

i) Revenue

	GROUP					
	Six Months Ended 30 June					
	2023		2022		Increase/(decrease)	
	S\$'000	%	S\$'000	%	S\$'000	%
Mechanical Engineering	19,434	86.3	9,950	55.3	9,484	95.3
Electrical Engineering	728	3.2	4,888	27.2	(4,160)	(85.1)
Facilities Management	2,308	10.2	3,301	18.3	(993)	(30.1)
Investment Holding	61	0.3	(141)	(0.8)	n.m.	n.m.
Total	22,531	100.0	17,998	100.0		

ii) Gross Profit/(Loss)

	GROUP					
	Six Months Ended 30 June					
	2023		2022		Increase/ (decrease)	
	S\$'000	%	S\$'000	%	S\$'000	%
Mechanical Engineering	3,389	117.6	3,017	103.5	372	12.3
Electrical Engineering	(1,465)	(50.8)	(1,844)	(63.3)	379	20.6
Facilities Management	896	31.1	1,883	64.6	(987)	(52.4)
Investment Holding	61	2.1	(141)	(4.8)	202	143.3
Total	2,881	100.0	2,915	100.0		

iii) Gross Profit/(Loss) Margin

	30 June 2023	30 June 2022	Increase/ (Decrease)
	%	%	ppt
Mechanical Engineering	17.4	30.3	(12.9)
Electrical Engineering	(201.2)	(37.7)	163.5
Facilities Management	38.8	57.0	(18.2)
Investment Holding	n.m.	n.m.	n.m.
Total	12.8	16.2	(3.4)

n.m.: not meaningful

2. Review of the performance of the Group (cont'd)

The increase in total revenue in HY2023 is mainly attributable to the increase in revenue from the mechanical engineering segment. Revenue from the mechanical engineering segment increased mainly due to progression of ongoing projects. Revenue from the electrical engineering segment decreased due to slow progress claim certification from the main contractor. The revenue from the facilities management segment decreased as a result of projects completed in FY2022.

Gross profit decreased mainly attributable to a gross loss incurred from electrical engineering segment and a reduced in gross profit from facilities management segments, despite of the increase in gross profit generated from the mechanical engineering and gain on the fair value of investment securities

Gross profit margin decreased from 16.2% in HY2022 to 12.8% in HY2023 mainly due to an increase in the gross loss margin derived from electrical engineering segments. The gross loss margin from the electrical engineering segment was mainly due to higher cost for subcontractors' services, higher cost of employing foreign workers and higher material cost as well as slow certification of progress claim. In addition, the gross profit margin for mechanical engineering and facilities management segments had also decreased as a result of market inflation, causing an increase in cost of sales.

iv) Other Income

Other income decreased mainly due to a decrease in the provision of government support grants such as foreign worker levy rebates in HY2023.

v) Selling and distribution expenses

Selling and distribution expenses increased mainly due to the increase in freight and handling charges in HY2023.

vi) Administrative expenses

Administrative expenses increased mainly due to an increase in rental of worker quarters as well as increase in rental pricing. In addition, there was an increased in staff cost as compared to HY2022 as the hiring of personnel was done after HY2022 for an increased operation of projects.

vii) Other operating expenses

Other operating expenses increased mainly due to an increase in allowance for impairment of trade receivables of \$453,000, increase in outsourced support services and repair & maintenance expenses.

viii) Finance expenses

Finance expenses increased mainly due to an incurred interest from loan borrowings and trade finance interest.

3. Review of condensed interim statements of financial position

Total assets as at 30 June 2023 have decreased as compared to 31 December 2022, and are mainly attributable to the following :-

- a. **Property, plant and equipment (“PPE”)** increased by 3.9%, mainly due to purchase of machineries and equipment and offset by depreciation expenses on PPE.
- b. **Investment securities at fair value through profit or loss** increased by 10.3% due to gain in fair values of the existing investment securities.
- c. **Trade and other receivables** decreased by 42.9% due to decrease in downpayment for subcontractors/suppliers and offset by increase in rental deposit to dormitories. Likewise, the trade receivables turnover days improved from 26 days to 11 days as at end of HY2023.
- d. **Contract assets** increased by 23.9% due to work completed but not yet billed as at 30 June 2023.
- e. **Cash and bank balances** decreased due to reasons as described in the cash flows analysis below.

Total liabilities as at 30 June 2023 have increased as compared to 31 December 2022, and are mainly attributable to the following :-

- a) **Trade and other payables** increased by 7.4% due to increase in purchases and services from subcontractors’, which is in line with the increased revenue and include the unsecured loan from a Director
- b) **Contract liabilities** decreased as a result of reclassification of service performed to revenue.
- c) **Provisions** decreased as a result of cost incurred and reverse of the provisions during the period.
- d) **Lease liabilities (for current and non-current)** decreased due to the repayment of leases.
- e) **Bank borrowing** increased mainly due to disbursement of revolving term loan. Please refer to Note 12 for more information on the borrowings.

The Group’s total equity stood at S\$15.2 million as at 30 June 2023 as compared to S\$18.0 million as at 31 December 2022.

4. Review of condensed interim consolidated statement of cash flows

The Group had a negative operating cash flow before changes in working capital of S\$2.0 million. The increase in trade and other receivables and contract assets of S\$2.4 million, as well as a decrease in trade and other payables, contract liabilities and provision of S\$2.6 million, resulted in net cash used in operating activities of S\$7.0 million.

The net cash used in investing activities amounting to S\$0.6 million was mainly due to additions of property, plant and equipment for purchase of machineries and equipment.

The net cash generated from financing activities amounting to S\$5.1 million was mainly due to bank borrowing and loan from a director, further offset by the repayment of lease liabilities and net changes in trust receipts.

As at 30 June 2023, the Group had cash and cash equivalents of S\$5.2 million after excluding fixed deposits of S\$1.1 million pledged to banks for banking facilities.

5(a) Details of any changes in the company's share capital arising from rights issue, bonus issue, subdivision, consolidation, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State the number of shares that may be issued on conversion of all the outstanding convertibles, if any, against the total number of issued shares excluding treasury shares and subsidiary holdings of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year. State also the number of shares held as treasury shares and the number of subsidiary holdings, if any, and the percentage of the aggregate number of treasury shares and subsidiary holdings held against the total number of shares outstanding in a class that is listed as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.

Ordinary Shares

There was no change in the Company's share capital from 31 December 2022 to 30 June 2023.

	<u>Number of shares</u>	<u>Share capital</u>
Ordinary shares (excluding treasury shares) as at 30 June 2023 and 31 December 2022	189,823,497	S\$ 39,442,252

Outstanding Convertibles

There were no outstanding convertibles or share options as at 30 June 2023, 31 December 2022 and 30 June 2022.

Treasury Shares

The Company has 6,300,000 treasury shares as at 30 June 2023, 31 December 2022 and 30 June 2022, which represented 3.3% of the Company's ordinary shares (excluding treasury shares) of 189,823,497 as at 30 June 2023, 31 December 2022 and 30 June 2022, respectively.

Subsidiary Holdings

There were no subsidiary holdings as at 30 June 2023, 31 December 2022 and 30 June 2022.

5(b). To show the total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of immediately preceding year.

	Company	
	<u>30 Jun 2023</u>	<u>31 Dec 2022</u>
Total number of issued shares (excluding treasury shares)	<u>189,823,497</u>	<u>189,823,497</u>

The Company held 6,300,000 treasury shares as at 30 June 2023 and 31 December 2022.

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

Not applicable. There were no sales, transfers, cancellations and/or use of treasury shares during and as at the end of the financial period reported on.

5(d). A statement showing all sales, transfers, cancellation and/or use of subsidiary holdings as at the end of the current financial period reported on.

Not applicable. There were no subsidiary holdings during and as the end of the current financial period reported on.

6. Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.

The figures have not been audited or reviewed by the auditors.

7. Where the figures have been audited or reviewed, the auditors' report (including any modifications or emphasis of a matter).

Not applicable.

8. Where the latest financial statements are subject to an adverse opinion, qualified opinion or disclaimer of opinion (this is not required for any audit issue that is a material uncertainty relating to going concern):—

(a) Updates on the efforts taken to resolve each outstanding audit issue.

Not applicable.

(b) Confirmation from the Board that the impact of all outstanding audit issues on the financial statements have been adequately disclosed.

Not applicable.

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

Please refer to Section 2 Basis of preparation.

10. If there were 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.

Please refer to Section 2 Basis of preparation.

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

Not applicable. No forecast or prospect statement had been previously disclosed to shareholders for the current reporting period.

12. 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.

As at the date of this announcement, the Group has approximately S\$245.8 million worth of contracts on hand, with completion dates ranging from financial years 2023 to 2026. The Group expects the construction industry to remain challenging in the next 12 months.

The Group continues to face uncertainties and challenges resulting from uncertain operating environment impact by continued supply chain disruptions and inflationary pressures.

Notwithstanding the above, the Group will cautiously monitor and take necessary steps to mitigate the impact of an uncertain operating environment on the Group's operations.

13. If a decision regarding dividend has been made:

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

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

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

Not applicable.

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

No dividends had been declared or recommended for HY2022.

(c) Whether the dividend is before tax, net of tax or tax exempt. If before tax or net of tax, state the tax rate and the country where the dividend is derived. (If the dividend is not taxable in the hands of the shareholders, this must be stated).

Not applicable.

(d) The date the dividend is payable.

Not applicable.

(e) Book closure date

Not applicable.

14. Dividends

No dividend has been declared or recommended for HY2023. It is not the practice of the Company to declare or recommend dividends in the first half of the financial year.

15. If the Group has obtained a general mandate from shareholders for IPTs, the aggregate value of such transactions as required under Rule 920(1)(a)(ii). If no IPT mandate has been obtained, a statement to that effect.

Saved for the announcement made on 14 July 2023, there were no other Interested Party Transactions of S\$100,000 and above during the current financial period reported on. The Group does not have a general mandate from shareholders for IPT.

16. Confirmation that the issuer has procured undertaking from all its directors and executive officers (in the format set out in Appendix 7H) under Rule 720(1)

The Company confirms that it has procured undertakings from all its directors and executive officers in the required format.

17. Additional Information required per Catalist Rule 706A

Not applicable. The Company did not acquire and/or dispose shares in any companies during HY2023.

18. Negative Assurance Confirmation On Interim Financial Results Pursuant To Rule 705(5)

On behalf of the Board of the Company, we, the undersigned, hereby confirm that, to the best of our knowledge, nothing has come to the attention of the Board of the Company which would render the unaudited condensed interim financial results for the six months ended 30 June 2023 to be false or misleading in any material aspect.

On behalf of the Board

Foo Suay Wei
Managing Director and Chief Executive Officer

Wong Loke Tan
Chairman

BY ORDER OF THE BOARD

12 August 2023

This announcement has been reviewed by the Company's sponsor.

This announcement has not been examined or approved by the Singapore Exchange Securities Trading Limited ("SGX-ST") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made, or reports contained in this announcement.

The contact person for the Sponsor is Ms Charmian Lim (Tel: (65) 6232 3210), at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.