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**Quarterly Update Pursuant to Listing Rule 1313(2) for the Financial Period ended 30 September 2020**

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**1. Update on Financial Position for the financial period ended 30 September 2020****Statement of Comprehensive Income**

The Group recorded a foreign exchange gain of S\$1.48 million for the half year ended 30 September 2020 (“HY2021”) as compared to a foreign exchange loss of S\$300,000 for the half year ended 30 September 2019 (“HY2020”). This was mainly due to the realised foreign exchange gain arising from the disposal of its subsidiaries during the second quarter ended 30 September 2020 (“2QFY21”) and also mainly due to the group’s exposure on its foreign currency denominated assets against the Singapore dollar.

Other income for HY2021 comprised of (i) interest income derived from fixed deposits placed with licensed bank amounting to S\$39,000 (ii) income of S\$46,000 received in relation to the COVID-19 related government grants and (iii) gain on disposal of subsidiaries amounting to S\$1.37 million. The disposal was announced on 31 August 2020 by the Company via SGX-net.

Other expenses for HY2021 comprised of an impairment loss on investment in joint venture amounting to S\$21.70 million. Based on independent valuation using value in use basis, the value in use of the joint venture was deemed to have no commercial value. Accordingly, the Group recognised an impairment loss of S\$21.70 million to the profit or loss.

The Group also recorded a share of loss of S\$1.07 million from its joint venture in 2QFY21, as compared to a share of loss of S\$0.54 million in the second quarter ended 30 September 2020 which was not sufficient to offset against its fixed operating costs. The results are driven by the lower demand for the equipment and services supplied by the joint venture and the onset of the COVID-19 situation has greatly impacted on new project rollouts.

Taking the above into account, the Group recorded a net loss S\$23.39 million for HY2021 compared to a net loss of S\$1.14 million for HY2020.

**Statement of Financial Position**

As at 30 September 2020, the Group recognised an additional impairment loss of S\$21.70 million on its investment in joint venture. The Group engaged an independent valuer to perform a value in use valuation as at 30 September 2020, which resulted in recognition of an additional impairment loss of S\$21.70 million in the quarter due to nil commercial value as determined by the independent valuation based on their assessment and evaluation of assumptions, judgment and estimations. As at 30 September 2020, the Group’s investment in joint venture is fully impaired.

Other receivables, deposits and prepayments at the Group level mainly pertains to the deposit on account placed with a legal firm amounting to S\$225,000 and convertible bond receivable from the joint venture company booked in the books of the Company’s wholly-owned subsidiary, China UnifiedNet Holdings Limited (“CUH”) amounting to US\$1.4 million (approximately S\$1.9 million as at 30 September 2020).

At the Group level, other payables and accruals mainly consist of provision for directors' fee, accruals, third party payables and an amount due to the joint venture amounting to approximately S\$0.7 million, S\$0.1 million, S\$0.1 million and S\$1.9 million respectively. The amount due to the joint venture is recognized, in the books of CUH, based on the legal opinion by an independent legal firm. Based on their assessment and opinion, the Company's legal advisors issued a report stating that there may be a possibility of liabilities that may bear on CUH. Consequently, on grounds of prudence and conservatism, the Group has accounted for the liability in the books of CUH and recorded a corresponding receivable in CUH as explained above.

The recognition of the liability is on account of a call for shareholders' loan by the JV entity pursuant to the Shareholder's Agreement. The loan was to be disbursed in the manner of a convertible bond amounting to US\$1.4 million (S\$1.9 million). As at end of financial period, the funds have not been disbursed and the legal advisors were unable to determine with certainty as to the quantum and enforceability of the call.

### **Cash Flow**

The Group's cash and cash equivalents as at 30 September 2020 stood at S\$14.4 million.

## **2. Update on Future Direction**

The Group noted that the operating environment will remain highly competitive going forward. The onset of the COVID-19 situation has lowered demand for the equipments and is expected to have further impact on new project rollouts. To ensure long term sustainability, the Group will continue to exercise prudence and vigilance to safeguard its financial position.

On 26 January 2021, CUH has received a demand letter ("**Demand**") from HCH Group Company Limited ("**HCH**") for the advance of its proportionate shareholders' loan of US\$1.76 million ("**Shareholders' Loan**") by 30 January 2021. HCH is the joint venture partner that owns 45% of HUH Broadband Communication Company Limited ("**HUH**"), a 55%-owned joint venture of CUH. This Demand was issued by HCH pursuant to the terms of the shareholders' agreement dated 5 March 2010 between, *inter alia*, CUH and HCH.

The advance of Shareholders' Loan by CUH will have a material impact on the net tangible assets and earnings per share of the Group for the financial year ending 31 March 2021.

The Board will be seeking legal advice on the available courses of action to the Group in relation to the Demand.

The Company will update shareholders on any material developments in respect of the Demand at the appropriate time.

## **3. Update of Watch-List status**

As at the date of this announcement, the Company is on the watch-list ("**Watch-List**") pursuant to Rule 1311 of the Listing Manual ("**Listing Manual**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"). Under Rule 1314 of the Listing Manual of the SGX-ST, an issuer on the Watch-List may apply to the SGX-ST to be removed from the Watch-List if it records consolidated pre-tax profit for the most recently completed financial year (based on audited full year consolidated accounts) and has an average daily market capitalisation of \$40 million or more over the last 6 months.

The Company had, in April 2018, made an application to SGX-ST for a further extension to meet the requirements to exit the Watch-List.

On 3 December 2019, the Company received a Notification of Delisting (the “**Notification**”) from the SGX-ST. The following was stated in the Notification:-

- (a) The Company has not met the requirements under Listing Rule 1314 for its removal from the Watch-list and hence, SGX-ST will proceed to delist the Company pursuant to Listing Rule 1315;
- (b) Pursuant to Listing Rule 1306, the Company or its controlling shareholder(s) must comply with Listing Rule 1309 which requires the Company or its controlling shareholder(s) to provide a reasonable exit offer to shareholders. The Company shall inform SGX-ST on the exit offer proposal as soon as practicable and no later than one month from the date of the Notification. The Company shall provide updates via SGXNET on the status of the Company’s exit offer proposal; and
- (c) Trading in the Company’s securities will continue until 5.16 pm, 2 January 2020 and the trading will be suspended from 9am, 3 January 2020 until completion of the exit offer.

The Company had, on 23 December 2019, made an application to SGX-ST for an appeal on the Notification.

On 18 August 2020, the Company had been notified definitively by the SGX-ST that the SGX-ST will not consider any proposal or application from the Company which requests for any time extension to exit the Watch-List.

In addition, as previously announced in the Notification, in accordance with Rules 1306 and 1309 of the SGX-ST Listing Manual, SGX-ST requires a reasonable exit offer to be made to the Company’s shareholders. The Board of Directors of the Company has appointed legal and financial advisers to advise on the options available to the Company in relation to a reasonable exit offer and will update the shareholders on this as and when appropriate.

**By Order of the Board  
NGSC Limited**

Michael Kuan-Chi Sun  
Executive Director  
29 January 2021